

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

## 22 Key management information and Alternative Performance Measures

The Strategic Report includes both statutory and Alternative Performance Measures (APMs). The Board uses APMs which, although financial measures of either historical or future performance, financial position or cash flows, are not defined or specified by IFRS. The APMs, in the Board's view, better reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a day-to-day basis.

Our APMs and associated KPIs (see pages 30 and 31) are aligned to our strategy and are used by the Board for planning, reporting, to measure the performance of the business and form the basis of the performance measures linked to remuneration. The measures are also used in discussions with the investment analyst community and current and potential shareholders.

The APMs used by the Board are defined and explained below.

### Key management information including the Group's share of joint venture results proportionally consolidated

Key management information is presented to the Board with the Group's share of joint venture results proportionally consolidated and therefore including the relevant share of the results of joint ventures in each line of the income statement and balance sheet as set out on pages 68 and 69.

Where revenue and profit metrics include the Group's share of joint venture results proportionally consolidated, they are defined and referred to as set out below.

**Total revenue** – Total revenue is defined as IFRS revenue plus the Group's share of revenue from its joint ventures.

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Revenue	336,122	294,781
Share of joint venture revenue	18,207	21,460
<b>Total revenue</b>	<b>354,329</b>	<b>316,241</b>

**Total gross profit** – Total gross profit is defined as IFRS gross profit plus the Group's share of gross profit from its joint ventures.

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Gross profit	75,010	74,755
Share of joint venture gross profit	4,308	4,714
<b>Total gross profit</b>	<b>79,318</b>	<b>79,469</b>

**Total operating profit** – Total operating profit is defined as IFRS operating profit plus the Group's share of operating profit from its joint ventures.

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Operating profit	40,958	47,437
Share of joint venture operating profit	952	1,325
<b>Total operating profit</b>	<b>41,910</b>	<b>48,762</b>

**Total profit before tax** – Total profit before tax is defined as IFRS profit before tax plus the Group's share of profit before tax from its joint ventures.

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Profit before tax	40,340	46,308
Share of joint venture profit before tax	(217)	(270)
<b>Total profit before tax</b>	<b>40,123</b>	<b>46,038</b>

### Adjusted margins

The Board reviews margins at a gross and operating level before the inclusion of any interest costs capitalised within work in progress and subsequently expensed through cost of sales. This is consistent with the approach used by the business when appraising land and therefore allows comparability to the original site purchase viability and also comparability across the sector as many of the Group's peers do not capitalise interest per IAS 23.

**Adjusted gross margin** – is calculated as the IFRS gross profit plus the Group's share of gross profit from its joint ventures (total gross profit), adjusted for interest expensed through cost of sales, divided by total revenue, expressed as a percentage.

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Total gross profit	79,318	79,469
Adjust for interest expensed within cost of sales	4,526	4,180
Adjusted total gross profit	83,844	83,649
Total revenue	354,329	316,241
<b>Adjusted gross margin</b>	<b>23.7%</b>	<b>26.5%</b>

**Adjusted operating margin** – is calculated as the IFRS operating profit plus the Group's share of operating profit from its joint ventures (total operating profit), adjusted for interest expensed through cost of sales, divided by total revenue, expressed as a percentage.

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Total operating profit	41,910	48,762
Adjust for interest expensed within cost of sales	4,526	4,180
Adjusted total operating profit	46,436	52,942
Total revenue	354,329	316,241
<b>Adjusted operating margin</b>	<b>13.1%</b>	<b>16.7%</b>

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### 22 Key management information and Alternative Performance Measures continued

#### Other APMs

The other APMs and KPIs used by the Group are defined below.

#### Total finance costs incurred

Total finance costs incurred, including the Group's share of joint venture finance costs, consist of interest on development financing, non-utilisation fees and amortised arrangement fees. Interest on development financing is capitalised into work in progress as required by IAS 23 and all other fees are charged directly to the income statement.

	Year ended 31 March 2019 £000	Year ended 31 March 2018 £000
Non-utilisation fees	2,054	2,445
Amortisation of arrangement fees	892	905
Other finance costs	500	272
Interest capitalised within work in progress	5,424	5,175
<b>Total finance costs incurred</b>	<b>8,870</b>	<b>8,797</b>

**Gearing** – Gearing is calculated as net debt (borrowings less cash), including the Group's share of joint venture debt and cash proportionally consolidated, divided by net assets expressed as a percentage.

	31 March 2019 £000	31 March 2018 £000
Total borrowings	127,029	116,899
Total cash	(33,379)	(13,829)
Net debt	93,650	103,070
Net assets	252,852	231,091
<b>Gearing</b>	<b>37.0%</b>	<b>44.6%</b>

#### Development pipeline

The development pipeline is defined as revenue substantially under the Group's control, including the Group's share of joint venture revenue, to be recognised in future years.

#### Forward sales

The forward sales statistic is calculated as revenue secured by exchange of contracts, including the Group's share of joint venture revenue, to be recognised in future years.