



Press Release

2 December 2015

Telford Homes Plc

(‘Telford Homes’ or the ‘Group’)

Interim results for the six months ended 30 September 2015

Telford Homes Plc (AIM:TEF), the London focused residential property developer, today announces its interim results for the six months ended 30 September 2015.

Highlights

- Profit before tax more than doubled to £21.0 million (H1 2014: £9.4 million)
- Margins remain in excess of the Group’s target levels
- Interim dividend increased to 6.5 pence (H1 2014: 5.1 pence)
- Focus on non-prime locations in London where demand remains strong
- Acute shortage of new homes driving longer term growth plans
- Forward sales of more than £700 million to be recognised from the year to 31 March 2016 onwards
- Institutional private rented sector investment expected to contribute sales in the future
- United House acquisition has increased the development pipeline to over £1.5 billion
- Successful equity placing raising £50 million to take new opportunities and accelerate growth
- Immediate progress made in utilising the funds raised following the acquisition of Carmen Street site with detailed planning consent for 206 homes
- Telford Homes well placed to cement its position as one of London’s leading developers

Jon Di-Stefano, Chief Executive of Telford Homes, commented: “I am delighted to be reporting another excellent set of results for Telford Homes including more than doubling pre-tax profits to £21 million. A fundamental lack of supply of homes in London is contributing to strong demand for our properties in non-prime locations. As a result we have a sector leading forward sold position which gives the Board exceptional visibility over future profits and cash flows.

Our recent acquisition of the regeneration business of United House and an equity placing raising £50 million are important steps in delivering on the Board’s longer term growth

targets. We will continue to invest the placing funds over the next few months, having already acquired a substantial site with planning permission for 206 homes, and the Board is very confident in the prospects for Telford Homes over the next few years.”

- Ends -

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CHIEF EXECUTIVE'S STATEMENT

Telford Homes is pleased to report that profit before tax has more than doubled to £21.0 million for the six months to 30 September 2015 compared to the same period last year (H1 2014: £9.4 million). The Group continues to experience strong demand for its homes in non-prime London with every sales launch exceeding the Board's expectations. This has resulted in a sector leading forward sold position which gives exceptional visibility over future profits and cash flows.

The fundamental lack of supply of affordable new homes in London has encouraged the Board to set substantial but achievable growth targets for the next five years and output is expected to increase by more than 100 per cent over that period. In the last six months the Group has started to deliver on this ambition with the acquisition of the regeneration business of United House and an equity placing to raise £50 million of new capital. As a result the Group now anticipates more than £1.5 billion of revenue from its development pipeline with funds available to invest in new opportunities as they arise.

Results for the six months ended 30 September 2015

The results for the year to 31 March 2016 are expected to be weighted towards the first half with a greater number of open market completions occurring in this period. The number of open market completions in the six months to 30 September 2015 was 282, up from 140 last year. The balance between the two half years simply reflects the timing of completion of the Group's developments with the remaining homes at Cityscape, E1, Parkside Quarter, E14 and The Boatyard, E14 handing over in the first half of the year together with over one third of the 198 open market homes at Stratford Plaza, E15.

Revenue, including the Group's share of joint ventures, increased to £139.6 million (H1 2014: £65.1 million) and gross profit increased to £37.5 million (H1 2014: £22.7 million). Gross profit is stated after expensing loan interest that has been capitalised within inventories and, adjusting for that interest, the gross profit margin achieved in the six months to 30 September 2015 was 27.6 per cent, which remains comfortably above the Group's target margin when appraising new opportunities of 24 per cent.

As expected the double digit sales price inflation observed in London in 2013 and early 2014 has tempered and affordability constraints have ensured a more stable and sustainable market over the last 12 months with increases of circa four to five per cent per annum. Build cost inflation is still evident across the industry but this has also moderated to a similar rate of increase and is in line with the Board's expectations. The Group minimises its exposure

to build cost inflation, wherever possible, by placing orders with subcontractors at an early stage in the development programme and, where this is not realistic due to the timeframes involved, inflationary allowances are incorporated into forecasts. The Group also monitors trends in labour and material costs and, where feasible, reacts by adapting the construction of its buildings to minimise reliance on a particular trade or material.

Administrative expenses of £9.6 million have increased against the same period last year (H1 2014: £7.8 million) mainly due to higher employee costs along with legal and professional fees associated with the corporate acquisition in September. Selling expenses have increased to £5.8 million (H1 2014: £4.3 million) as a result of the successful sales launches in the first half of the year, together with an increase in the number of completions. Selling expenses are written off as incurred and are heavily influenced by the timing and success of individual sales launches. The operating margin for the six months to 30 September 2015, before charging any interest, was 16.5 per cent and this continues to exceed the Group's target of 15 per cent.

Net finance costs are similar to last year at £1.1 million (H1 2014: £1.1 million). These are mainly comprised of non-utilisation fees on the Group's £180 million bank facility, where there has been less need to drawdown due to the scale of deposits received from forward sales, and continued amortisation of facility fees.

The substantial increase in profit before tax for the first six months of the year, together with the Group's forward sold position, leads the Board to be very confident of meeting market expectations for reported profits in the year to 31 March 2016. In addition, Telford Homes is already making significant progress towards delivering on the Board's longer term growth targets over the following few years.

Dividend

The Board is pleased to declare an increase in the interim dividend to 6.5 pence per share (H1 2014: 5.1 pence). The Board's current policy is to pay one third of earnings as dividends in each financial year, ignoring the weighting of profits between half years. However, due to the long term nature of the Group's developments the recent equity placing is expected to cause an initial dilution of earnings albeit with an enhanced net asset value per share. The Board has already stated that it intends to increase its dividend payments above the current policy to offset this dilution in earnings in the short term. Therefore the interim dividend together with the full year dividend payable in July 2016 will equate to more than one third of earnings for this financial year.

The interim dividend will be paid on 8 January 2016 to those shareholders on the register at the close of business on 11 December 2015. The ex-dividend date is therefore 10 December 2015.

Balance sheet and borrowings

Despite significant investment in land and work in progress over the last six months net debt has reduced to £50.4 million at 30 September 2015 (31 March 2015: £52.9 million) due to the number of open market completions in the first half of the year and deposits received on forward sales. As a result gearing has fallen to 37.3 per cent at 30 September 2015 (31 March 2015: 43.9 per cent). Total deposits received in advance of completions were £67.5 million at 30 September 2015 (31 March 2015: £63.7 million).

The Group had drawn debt of £65 million at 30 September 2015 from its £180 million corporate loan facility, leaving headroom of £115 million to fund future site acquisitions and construction costs on existing developments. The facility extends to March 2019 and the Group expects to utilise it in full over the next few years as the business continues to grow. The Board is comfortable with increased levels of debt given that many of the Group's developments have been substantially de-risked by the level of forward sales secured.

London market

The fundamental strengths of London remain unchanged given its robust economy, international reputation and an ever improving transport network which will include Crossrail from 2018. Telford Homes is focused on developing in relatively affordable non-prime locations in London where prices are typically between £500 and £800 per square foot. At this price point the Group is seeing consistently strong demand and there is no evidence of that slowing.

London still suffers from an acute shortage of homes compared to current need, let alone future population growth, and it is clear that any increase in supply needs to be in areas where tenants and owner-occupiers can actually afford to live. The imbalance between supply and demand in the Group's typical locations is the primary driver of the Board's plans to increase the number of homes that Telford Homes is building over the next few years.

The measures taken to maintain prudence in the mortgage market continue to benefit the Group by ensuring that affordability constraints act as a natural brake on excessive price inflation. The availability of mortgage finance has improved for those that can afford the payments and the cost of that finance is tempered by a low base rate. Notwithstanding this backdrop, the Group's customers typically require relatively low loan to value mortgages and

there have been no financing related issues affecting either the rate of sales or the ability of customers to complete their purchases. In addition the Group has only made six sales under the Government's existing nationwide 'Help to Buy' scheme since it was introduced and does not expect this to materially increase in the future.

Sales

Strong demand for the Group's homes has led to continuing sales success across a number of different developments. The launches of both Manhattan Plaza, E14 and Bermondsey Works, SE16 earlier this year exceeded the Board's expectations. Alongside this consistent sales have been achieved from on-site sales centres and through agents. In September the Group opened a new central sales and marketing suite in Stratford which has already proved its worth through the launch of the remaining 32 homes at Stratosphere, E15 with 18 reservations secured on the first day and only eight now remaining for sale.

Including the revenue reported for the first half of the current financial year the Group has secured total forward sales of more than £700 million to be recognised from the year to 31 March 2016 onwards. This represents over four times the revenue reported in the year to 31 March 2015. The Group takes a minimum 10 per cent deposit on each sale and typically another 10 per cent one year later where exchange of contracts takes place more than two years ahead of completion. This not only brings immediate cash flow benefits but also gives Telford Homes a very secure position from which to access capital and grow the business.

The Group has sold to a broad mix of customers over a number of years and, given the substantial forward sold position, the Board has considerable flexibility over its future sales strategy. Investor demand continues due to a thriving rental market in typical Telford Homes locations and, despite recent tax changes, this is expected to remain a significant component of the Group's sales over the next few years. This is simply down to the number of tenants ready and waiting to move into new homes in London. However owner-occupier demand is also prevalent and the Board expects to derive more benefit from the new Stratford sales and marketing suite on future schemes across a wide spectrum of buyers.

Telford Homes has already indicated that it has been monitoring the emergence of institutional investment in the Private Rented Sector (PRS) and the Board expects this to be a feature of the Group's sales in the future. Strong values can still be achieved based on rental demand and yields in certain locations and, as receipts are paid during construction, return on equity is significantly improved with no need for external debt finance. The Group has recently been marketing one of its developments for PRS and hopes to conclude a sale

in the near future. If this is successful further developments could be sold to the same market representing a potentially exciting addition to the Group's established sales channels.

United House acquisition and development pipeline

In September 2015 the Group enhanced its development pipeline through the acquisition of the regeneration business of United House Developments. The development opportunities that were acquired in this transaction are all in the Group's core area and, subject in some cases to contractual conditions and achieving planning consents, they have increased the Group's development pipeline to more than £1.5 billion of future revenue. The acquisition has also added a longer term strategic element to the development pipeline which now stretches over the next eight years to 2024 and provides the Group with a substantial platform from which to undertake further investment.

Planning environment

The Group continues to acquire sites subject to receipt of a planning consent or unconditionally without planning but only when the Board is confident of achieving a satisfactory consent. The Group's knowledge of the planning process in its typical locations and ability to work in partnership with local authorities, the Greater London Authority and other interested parties removes the majority of the risk associated with the land purchase. In addition, subsidised affordable housing is an important component of any new development and the Group has strong relationships with a number of providers who make competitive offers and assist in delivering policy compliant subsidised housing in planning proposals.

The Group has achieved significant success in progressing planning for a number of its key developments. After an initial delay, full planning permission is now in place for 156 homes at Caledonian Road, N1 and work is underway on site. In addition permission has been granted in the last few weeks for 471 homes at Chobham Farm, Stratford in partnership with Notting Hill Housing Group, for 192 homes at Redclyffe Road, E6 and for an increased scheme of 155 homes at Limeharbour, E14.

Equity placing

In November 2015 the Group successfully concluded an equity placing of 13,888,889 new ordinary shares of 10 pence each at 360 pence raising £50 million before expenses. This placing has enhanced the Group's balance sheet and enables Telford Homes to take advantage of the long term lack of supply of new homes in London by acquiring additional development opportunities within its area of operation.

The net proceeds of the placing are expected to be committed within one year and fully utilised within two years with an initial focus on driving sustained profit growth and targeting annual profit before tax exceeding £45 million from 2019 onwards. Beyond this the Board expects to maintain controlled growth towards profit before tax of £60 million whilst also utilising the recycled equity to manage future debt requirements and therefore reduce longer term gearing.

The Group has already begun allocating the net placing proceeds to new opportunities and on 26 November the Group announced that it had conditionally exchanged contracts for the purchase of a significant development site on Carmen Street in Poplar, E14, for in excess of £20 million. Completion is subject only to the receipt of outstanding documentation. The site has full detailed planning consent for a 22 storey development, consisting of 206 new homes and a nursery and represents an improvement on the Board's expectation of committing the new equity to sites requiring a planning consent. Work is expected to commence in 2016 with completions anticipated in 2019 and 2020.

Outlook

London has a strong economy with an improving transport network and yet suffers from an acute shortage of new homes. Telford Homes is focused on non-prime, relatively affordable, locations in London where the imbalance between supply and demand is at its greatest. Whilst this dynamic is unlikely to be solved quickly the Government has introduced several measures to promote housebuilding and home ownership. The Board welcomes the clear political support for the industry and will explore where these measures might directly benefit the Group and its customers.

The Group has a significant forward sold position and a development pipeline of more than £1.5 billion of future revenue. The United House acquisition and the recent equity placing are important steps in delivering on the Board's longer term growth targets and Telford Homes is well placed to cement its position as one of London's leading developers.

Jon Di-Stefano

Chief Executive

1 December 2015

GROUP INCOME STATEMENT INCLUDING PROPORTIONAL SHARE OF JOINT VENTURE RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Non-GAAP 6 months ended 30 September 2015 £000	Non-GAAP 6 months ended 30 September 2014 £000	Non-GAAP Year ended 31 March 2015 £000
Revenue	139,584	65,051	173,452
Cost of sales	(102,100)	(42,401)	(119,592)
Gross profit	37,484	22,650	53,860
Administrative expenses	(9,584)	(7,808)	(16,693)
Selling expenses	(5,828)	(4,293)	(9,147)
Operating profit	22,072	10,549	28,020
Finance income	101	75	146
Finance costs	(1,203)	(1,204)	(3,038)
Profit before income tax	20,970	9,420	25,128
Income tax expense	(4,149)	(1,975)	(5,464)
Profit after income tax	16,821	7,445	19,664

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. The Group's joint ventures are an integral part of the business and as such the Board believes that the financial results presented in this way are the most appropriate for assessing the true underlying performance of the business. The key metrics included within the Chief Executive's Statement are therefore reported on this basis. A reconciliation between key management information and Generally Accepted Accounting Principles (GAAP) compliant information accounting for joint ventures under IFRS 11 as equity investments is included in note 6.

**GROUP BALANCE SHEET INCLUDING PROPORTIONAL SHARE OF JOINT VENTURE
RESULTS AT 30 SEPTEMBER 2015**

	Non-GAAP 30 September 2015 £000	Non-GAAP 30 September 2014 £000	Non-GAAP 31 March 2015 £000
Non current assets			
Goodwill	383	-	-
Property, plant and equipment	1,547	1,170	1,028
Financial asset	-	51	-
Deferred income tax assets	390	732	866
	<u>2,320</u>	<u>1,953</u>	<u>1,894</u>
Current assets			
Inventories	290,801	244,751	277,161
Trade and other receivables	16,777	8,399	11,451
Cash and cash equivalents	12,482	12,958	39,701
	<u>320,060</u>	<u>266,108</u>	<u>328,313</u>
Total assets	322,380	268,061	330,207
Non current liabilities			
Trade and other payables	(737)	(396)	(679)
Financial liabilities	(300)	-	(389)
	<u>(1,037)</u>	<u>(396)</u>	<u>(1,068)</u>
Current liabilities			
Trade and other payables	(119,721)	(103,098)	(113,732)
Borrowings	(62,853)	(52,189)	(92,559)
Current income tax liabilities	(3,832)	(1,833)	(2,460)
	<u>(186,406)</u>	<u>(157,120)</u>	<u>(208,751)</u>
Total liabilities	(187,443)	(157,516)	(209,819)
Net assets	134,937	110,545	120,388
Capital and reserves			
Issued share capital	6,065	5,959	6,025
Share premium	58,831	57,638	58,551
Retained earnings	70,041	46,948	55,812
Total equity	134,937	110,545	120,388

**GROUP INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

	Note	Unaudited 6 months ended 30 September 2015 £000	Unaudited 6 months ended 30 September 2014 £000	Audited Year ended 31 March 2015 £000
Total revenue		139,584	65,051	173,452
Less share of revenue from joint ventures		(834)	(22,756)	(33,007)
Group revenue		138,750	42,295	140,445
Cost of sales		(101,693)	(30,983)	(102,215)
Gross profit		37,057	11,312	38,230
Administrative expenses		(9,556)	(7,800)	(16,675)
Selling expenses		(5,832)	(3,788)	(8,569)
Share of results of joint ventures		444	10,836	15,047
Operating profit		22,113	10,560	28,033
Finance income		100	73	142
Finance costs		(1,187)	(1,204)	(3,038)
Profit before income tax		21,026	9,429	25,137
Income tax expense	3	(4,205)	(1,984)	(5,473)
Profit after income tax		16,821	7,445	19,664
Earnings per share:				
Basic	5	28.0p	12.6p	33.2p
Diluted	5	27.7p	12.3p	32.6p

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

	Unaudited 6 months ended 30 September 2015 £000	Unaudited 6 months ended 30 September 2014 £000	Audited Year ended 31 March 2015 £000
Movement in derivative financial instruments hedged	89	(176)	(616)
Movement in deferred tax on derivative financial instruments hedged	(18)	37	125
Other comprehensive income (loss) net of tax - items that may subsequently be reclassified into profit or loss	71	(139)	(491)
Profit for the period	16,821	7,445	19,664
Total comprehensive income for the period	16,892	7,306	19,173

**GROUP BALANCE SHEET
AT 30 SEPTEMBER 2015**

	Unaudited 30 September 2015 £000	Unaudited 30 September 2014 £000	Audited 31 March 2015 £000
Non current assets			
Goodwill	304	-	-
Investments in joint ventures	19,576	5,468	2,686
Property, plant and equipment	1,547	1,170	1,028
Financial asset	-	51	-
Deferred income tax assets	413	732	866
	<u>21,840</u>	<u>7,421</u>	<u>4,580</u>
Current assets			
Inventories	246,969	238,262	254,704
Trade and other receivables	16,980	9,397	11,694
Cash and cash equivalents	11,976	12,529	39,659
	<u>275,925</u>	<u>260,188</u>	<u>306,057</u>
Total assets	<u>297,765</u>	<u>267,609</u>	<u>310,637</u>
Non current liabilities			
Trade and other payables	(737)	(396)	(679)
Financial liabilities	(300)	-	(389)
	<u>(1,037)</u>	<u>(396)</u>	<u>(1,068)</u>
Current liabilities			
Trade and other payables	(95,106)	(102,646)	(94,162)
Borrowings	(62,853)	(52,189)	(92,559)
Current income tax liabilities	(3,832)	(1,833)	(2,460)
	<u>(161,791)</u>	<u>(156,668)</u>	<u>(189,181)</u>
Total liabilities	<u>(162,828)</u>	<u>(157,064)</u>	<u>(190,249)</u>
Net assets	<u>134,937</u>	<u>110,545</u>	<u>120,388</u>
Capital and reserves			
Issued share capital	6,065	5,959	6,025
Share premium	58,831	57,638	58,551
Retained earnings	70,041	46,948	55,812
Total equity	<u>134,937</u>	<u>110,545</u>	<u>120,388</u>

**GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015 (UNAUDITED)**

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2015	6,025	58,551	55,812	120,388
Profit for the period	-	-	16,821	16,821
Total other comprehensive income	-	-	71	71
Excess tax on share options	-	-	242	242
Dividend on equity shares	-	-	(3,618)	(3,618)
Proceeds of equity share issues	40	280	-	320
Share-based payments	-	-	102	102
Purchase of own shares	-	-	(5)	(5)
Sale of own shares	-	-	616	616
Balance at 30 September 2015	6,065	58,831	70,041	134,937

**GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2014	5,940	57,529	41,923	105,392
Profit for the period	-	-	7,445	7,445
Total other comprehensive loss	-	-	(139)	(139)
Excess tax on share options	-	-	(23)	(23)
Dividend on equity shares	-	-	(3,029)	(3,029)
Proceeds of equity share issues	19	109	-	128
Share-based payments	-	-	111	111
Purchase of own shares	-	-	(21)	(21)
Sale of own shares	-	-	681	681
Balance at 30 September 2014	5,959	57,638	46,948	110,545

**GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015 (AUDITED)**

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2014	5,940	57,529	41,923	105,392
Profit for the year	-	-	19,664	19,664
Total other comprehensive loss	-	-	(491)	(491)
Excess tax on share options	-	-	305	305
Dividend on equity shares	-	-	(6,061)	(6,061)
Proceeds of equity share issues	85	1,022	-	1,107
Share-based payments	-	-	218	218
Purchase of own shares	-	-	(670)	(670)
Sale of own shares	-	-	924	924
Balance at 31 March 2015	6,025	58,551	55,812	120,388

**GROUP CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

	Unaudited 6 months ended 30 September 2015 £000	Unaudited 6 months ended 30 September 2014 £000	Audited Year ended 31 March 2015 £000
Cash flow from operating activities			
Operating profit	22,113	10,560	28,033
Depreciation	236	295	603
Share-based payments	102	111	218
(Profit) loss on sale of tangible fixed assets	(25)	-	15
Decrease (increase) in inventories	8,874	(81,357)	(96,134)
Increase in receivables	(5,305)	(1,936)	(4,250)
Increase in payables	1,090	27,444	19,530
Share of results from joint ventures	(444)	(10,836)	(15,047)
	26,641	(55,719)	(67,032)
Interest paid and debt issue costs	(2,102)	(1,572)	(6,603)
Income tax paid	(2,459)	(1,744)	(4,324)
Distribution from joint ventures	2,116	17,472	24,465
Cash flow from operating activities	24,196	(41,563)	(53,494)
Cash flow from investing activities			
Purchase of tangible assets	(755)	(312)	(492)
Proceeds from sale of tangible assets	25	-	-
Consideration paid for business combination	(18,562)	-	-
Interest received	100	73	142
Cash flow from investing activities	(19,192)	(239)	(350)
Cash flow from financing activities			
Proceeds from issuance of ordinary share capital	320	128	1,107
Purchase of own shares	(5)	(21)	(670)
Sale of own shares	616	681	924
Increase in bank loans	-	37,632	95,000
Repayment of bank loans	(30,000)	(13,822)	(29,559)
Dividend paid	(3,618)	(3,029)	(6,061)
Cash flow from financing activities	(32,687)	21,569	60,741
Net (decrease) increase in cash and cash equivalents	(27,683)	(20,233)	6,897
Cash and cash equivalents brought forward	39,659	32,762	32,762
Cash and cash equivalents carried forward	11,976	12,529	39,659

NOTES

1 Basis of preparation

The interim accounts have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in issue that are either endorsed by the EU and effective at 31 March 2016 or are expected to be endorsed and effective at 31 March 2016.

The interim accounts do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The figures for the half years ended 30 September 2015 and 30 September 2014 are unaudited. Consistent with previous years, the Board has included within the interim results an income statement and a balance sheet using proportional consolidation for the results of joint ventures along with the Generally Accepted Accounting Principles (GAAP) compliant versions of the income statement and balance sheet which present joint ventures as equity investments. The interim accounts were approved by the directors on 1 December 2015 and the GAAP compliant information has been reviewed by the auditors whose review report is unqualified and will be included in the interim report distributed to shareholders.

The directors have assessed the Group's projected business activities and available financial resources together with detailed forecasts for cash flow and relevant sensitivity analysis. The directors believe that the Group remains well placed to manage its business risks successfully. After making appropriate enquiries the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the interim accounts.

The Group's statutory accounts for the year ended 31 March 2015 were approved by the Board of directors on 26 May 2015, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under Section 498 of the Companies Act 2006.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty were principally the same as those applied to the Group's financial statements as at 31 March 2015.

2 Accounting policies

Accounting convention

The interim accounts have been prepared under the historical cost convention and on a basis consistent with the accounting policies in the financial statements for the year ended 31 March 2015 with exception of the new accounting standards and accounting policies listed below.

Due to the business combination which took place with effect from 30 June 2015 the Group has adopted IFRS 3 'Business combinations'. The adoption of this standard has resulted in the following accounting policies:

Business combinations

Business combinations are accounted for from the date control is transferred and the Group applies the acquisition method of accounting. The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at

the fair value at the acquisition date. Acquisition related costs are expensed as incurred.

3 Taxation

Taxation has been calculated on the profit for the six months ended 30 September 2015 at the estimated effective tax rate of 20.0% (30 September 2014: 21.0%).

4 Dividends

The interim dividend declared for the six months ended 30 September 2015 is 6.5 pence per ordinary share and is expected to be paid on 8 January 2016 to those shareholders on the register at the close of business on 11 December 2015. The ex-dividend date is therefore 10 December 2015. This dividend was declared after 30 September 2015.

The interim dividend paid for the six months ended 30 September 2014 was 5.1 pence per ordinary share and the final dividend paid for the year ended 31 March 2015 was 6.0 pence per ordinary share.

5 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the Share Incentive Plan, which are treated as cancelled. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

Earnings per share have been calculated using the following figures:

	Unaudited 6 months ended 30 September 2015	Unaudited 6 months ended 30 September 2014	Audited Year ended 31 March 2015
Weighted average number of shares in issue	60,141,603	59,063,188	59,246,624
Dilution - effect of share schemes	679,365	1,363,127	1,067,436
Diluted weighted average number of shares in issue	60,820,968	60,426,315	60,314,060
Profit on ordinary activities after taxation	£16,821,000	£7,445,000	£19,664,000
Earnings per share:			
Basic	28.0p	12.6p	33.2p
Diluted	27.7p	12.3p	32.6p

6 Segmental reporting

The Group has only one reportable segment being housebuilding in the United Kingdom. Financial analysis is presented on this basis to the chief decision makers for the Group these being the directors.

Management information is presented to the directors with the Group's share of joint venture results proportionally consolidated to reflect the true underlying performance of the Group. The Group adopted IFRS 11 'Joint Arrangements' in the year to 31 March 2015 and as such joint ventures within these condensed financial statements are accounted for as equity investments rather than by proportional consolidation. A reconciliation between management information including a proportional share of joint venture results and the GAAP compliant information in the condensed financial statements is as follows:

6 months ended 30 September 2015	Management information £000	Remove share of joint ventures £000	GAAP £000
Revenue	139,584	(834)	138,750
Gross profit	37,484	(427)	37,057
Profit before income tax	20,970	56	21,026
Total assets	322,380	(24,615)	297,765
Total liabilities	(187,443)	24,615	(162,828)
Net assets	134,937	-	134,937

6 months ended 30 September 2014	Management Information £000	Remove share of joint ventures £000	GAAP £000
Revenue	65,051	(22,756)	42,295
Gross profit	22,650	(11,338)	11,312
Profit before income tax	9,420	9	9,429
Total assets	268,061	(452)	267,609
Total liabilities	(157,516)	452	(157,064)
Net assets	110,545	-	110,545

For the year ended 31 March 2015	Management Information £000	Remove share of joint ventures £000	GAAP £000
Revenue	173,452	(33,007)	140,445
Gross profit	53,860	(15,630)	38,230
Profit before income tax	25,128	9	25,137
Total assets	330,207	(19,570)	310,637
Total liabilities	(209,819)	19,570	(190,249)
Net assets	120,388	-	120,388

7 Business combinations

On 30 June 2015 the Group acquired and took control of the regeneration business of United House Developments ('UHD') from United House Group Holdings Limited ('UHGHL'). The regeneration business of UHD consists of a group of companies that have various interests in four significant development opportunities in North and East London.

An amount of £22.97 million was paid on 19 September once the Group had undertaken a detailed diligence process. This includes an amount which is held in escrow relating to one of the four developments, Gallions Quarter, where completion is conditional on UHGHL securing a legal interest in the site. In addition it also includes payments for expenditure during the period from 30 June 2015 to 19 September 2015. The consideration for the business combination as at 30 June was £18.56 million.

The consideration paid for the acquisition, the fair value of the assets acquired and liabilities assumed at the acquisition date is as follows:

Consideration as at 30 June 2015

	£'000
Cash	18,562
Total consideration paid	18,562

Recognised amounts of identifiable assets acquired and liabilities assumed which were consolidated as at 30 June 2015 were:

Non current assets	£'000
Investments in joint ventures	16,043
Current assets	
Inventories	2,352
Trade and other receivables	467
Non current liabilities	
Deferred tax liability	(304)
Current liabilities	
Trade and other payables	(300)
Total fair value of net assets	18,258
Goodwill	304
Total	18,562

Acquisition related costs of £393,000 have been charged to administrative expenses in the consolidated income statement for the period ended 30 September 2015.

Revenue and profit recognised since the date of acquisition are minimal and not significant to the Group.

The fair value of inventories acquired including the Group's share of joint venture inventories was £18,153,000. Included within this value is an uplift on cost of £1,917,000. The method for determining the fair value of inventory is to use the expected selling price less costs to complete, costs of disposal and expected margin for each development.

All other assets and liabilities were valued at fair value which corresponds to the previous book value.

8 Post balance sheet event

Equity issue

On 16 November 2015 the Company issued 13,888,889 10 pence ordinary shares of at 360 pence per share as a result of a share placing.

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