Press Release **29 November 2017**

Telford Homes Plc

("Telford Homes" or the "Group")

Interim Results

Telford Homes Plc (AIM:TEF), the residential property developer focused on non-prime London, today announces its interim results for the six months ended 30 September 2017 ("H1 2018").

Highlights

- Well positioned to meet market expectations for the full year to 31 March 2018 with over 95 per cent of gross profit secured
- Total forward sales, to be recognised this financial year and beyond, of over £580 million
- The structural shortage of homes to buy and rent in non-prime areas of London continues to underpin the Group's longer term growth plans
- Substantial development pipeline of over £1.4 billion of future revenue comprising of just under 4,200 homes
- As anticipated, due to development timings, profit before tax for H1 2018 was £8.7 million, slightly lower than the equivalent period last year (H1 2017: £9.0 million)
- Completions are proceeding as planned with no unexpected delays
- Increased institutional demand in the build to rent sector, where margins continue to exceed Group targets
- Telford Homes recognised as a desirable build to rent partner by multiple potential investors
- Increased interim dividend by 11.1 per cent to 8.0 pence (H1 2017: 7.2 pence)
- Announced appointment of a new Group Land & Planning Director, Jerome Geoghegan, expected to join the Board in January 2018 from L&Q Housing Group
- On track to deliver over £40 million profit before tax for FY 2018 and secured over 65 per cent of the gross profit required to exceed £50 million in FY 2019

Jon Di-Stefano, Chief Executive of Telford Homes, commented:

"Telford Homes is firmly on track to deliver profit before tax in excess of £40 million for the year to 31 March 2018, in line with market expectations, having secured over 95 per cent of anticipated gross profit. The Board is very happy with the current position of the business and our move into build to rent is a significant part of our long term strategy as we continue to develop homes in non-prime locations across London.

"We have a development pipeline of nearly 4,200 homes, worth £1.4 billion, set to be delivered into an undersupplied London market over the next few years. We are confident that we can deliver on our aspirations and continue to grow Telford Homes in order to secure long term value for our shareholders."

- Ends -

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CHIEF EXECUTIVE'S STATEMENT

Telford Homes is well positioned to meet market expectations for the full year to 31 March 2018 with over 95 per cent of anticipated gross profit already secured and total forward sales, including the revenue recognised in the first half of the year, in excess of £580 million. We have a development pipeline of almost 4,200 homes set to be delivered into an undersupplied market with London in desperate need of greater investment in housebuilding. We are successfully selling homes to a diverse mix of customers including build to rent investors, housing associations, individual investors and owner-occupiers. Our model, focused on homes to buy and rent in non-prime locations in London, continues to deliver value even in periods of economic and political uncertainty.

Trading performance

Although build to rent is a strategic focus for the Group we continue to develop homes for individual open market sale and this will remain an important part of the business. Our recent success in securing build to rent sales means we have not launched any new developments to individual customers in the period. However we do have residual availability at a few predominantly forward sold schemes where we have continued to make regular sales at prices in line with expectations.

We have two new development launches scheduled for the first quarter of 2018. The second phase of New Garden Quarter in Stratford will be marketed initially in the UK prior to an international launch and at Bow Garden Square, E3 we will be opening an on-site sales centre expecting to sell to owner-occupiers potentially utilising Help to Buy. The anticipated average price at New Garden Quarter is around £550,000 and at Bow Garden Square it is less than £500,000. At the latter 52 of the 83 homes for sale are expected to be priced below £500,000 such that first time buyers would benefit from the reduction in stamp duty announced in the Autumn budget.

Our core market remains homes at more affordable price points but on some developments there are a few penthouse apartments at a higher value. Despite some of the commentary around higher priced homes in London we have secured the sale of all four penthouse apartments at our Stratford Central development in the last few weeks for a combined sum of over £5.0 million. This is encouraging but higher value apartments will remain a very small part of our business in the future and we expect the average price in our development pipeline to remain under £600,000.

In build to rent we have once again experienced increased interest and activity from both existing and new investors. This is an indication of the amount of capital entering the sector from institutions recognising the investment potential of residential homes in London in addition to our growing reputation as a highly skilled partner able to acquire land, achieve planning consents and build a quality product.

In June 2017 we signed a pre-construction agreement with the US-headquartered global rental housing operator, Greystar, to develop just under 900 rental homes in Nine Elms, Battersea. Together we are making progress towards securing a detailed planning consent at which point Telford Homes will enter a full design and build contract and the site will then become a significant addition to our existing development pipeline. This is an exciting opportunity to expand our build to rent portfolio and to form a partnership with a major global investor in rental housing with ambitious plans in London. Our existing build to rent developments are also progressing well with The Pavilions, N1 due for handover to L&Q by mid 2018. We have an excellent relationship with M&G Real Estate on the two schemes we are developing for them and we are actively looking at new opportunities together.

We also have strong partnerships with providers of subsidised affordable housing and always seek to enter contracts with them swiftly to forward sell the subsidised homes on each of our developments. The contracted delivery of subsidised housing is financially attractive with an immediate de-risked sale and payments received as the homes are built resulting in a strong return on capital. Equally, true affordable housing is much needed in London and we welcome the recent changes via the Mayor of London’s supplementary planning guidance to set some structure around targets for individual sites. This includes seeking at least 35 per cent subsidised affordable housing which is consistent with our existing policy when approaching new development opportunities.

Market environment

There remains an urgent requirement for more homes to be built in London. At the end of October 2017, the Mayor released new forecasts indicating that London needs to build 66,000 new homes every year, up from the previous 49,000, to meet its growing need and compensate for years of underinvestment. This remains well above the current rate of homebuilding with recent statistics from the Department for Communities and Local Government showing an increase in annual supply to just under 40,000 in the year to March 2017. Whilst this is encouraging, it stems from a boost in construction around three years ago when the market was more buoyant and much work still needs to be done to get anywhere near the new annual target.

Notwithstanding the need for more homes, ongoing uncertainty surrounding Brexit and a lack of political stability has deterred some potential buyers from making a purchase particularly at higher price levels. Changes to the tax system, especially the phased removal of tax relief on mortgage interest, have also dampened demand from UK based investors despite an active rental market in our typical locations. This has played well into our desire to work with institutional investors who are taking a longer term view and provide greater certainty along with enhanced cash flows for Telford Homes. Despite this we expect the structural shortage of homes in London to continue to attract individual investors including those based overseas who typically invest from a larger asset base. There is a growing realisation from Londoners that renting rather than buying is not as undesirable as some make it out to be and the proportion of tenants versus owner-occupiers will continue to increase in the coming years mirroring the situation in many other cities globally.

We are working harder to sell individual homes with prospective owner-occupiers needing more visits to a property before agreeing to a purchase. However, this represents a more normal market environment rather than one where the homes sell immediately. Across our sales centres we have the experience and capacity to secure sales as we have been in recent months. Where the price of homes nearing completion is below £600,000 we have also seen increased use of Help to Buy and, whilst this scheme is still a small part of our sales, it is encouraging for wider market sentiment that the scale of funding available has been increased to meet expected demand until 2021.

Financial performance

The Group's financial results in any given period are influenced by the number of open market completions achieved and there were far fewer of these in the first half of the year than the number expected in the second half. As experienced last year this is purely down to development timings which are all on track and in accordance with the original programmes but do not fall evenly across the year. Completions of individual properties are proceeding exactly as planned with no unexpected delays.

Revenue, including the Group's share of joint ventures, in the first half of the year was £99.3 million, slightly lower than the £104.3 million achieved in the same period last year. Whilst there were more open market completions at 116 (H1 2017: 85) there has been less revenue in the period from construction contracts, particularly affordable housing, due again solely to the timing of developments starting and finishing. In the future construction contracts will be a greater proportion of revenue due to our increased involvement in build to rent transactions where profit is recognised as we build rather than at the end of a development.

Gross profit is stated after expensing loan interest that has been capitalised within inventories of £1.3 million (H1 2017: £0.5 million) and, before charging this interest, the gross margin was 25.1 per cent for the six months to 30 September 2017, up from 22.0 per cent in the equivalent period last year. This increase is primarily due to some higher margin developments completing in the period but is nevertheless pleasing given that our move into build to rent is expected to reduce margins in return for a higher return on capital. The margin on build to rent revenue in the first half of the year was 17.5 per cent (H1 2017: 12.8 per cent), exceeding our target of 12 to 13 per cent mainly due to cost efficiencies, leaving a residual gross margin on open market sale developments of 27.2 percent (H1 2017: 25.2 per cent) against a target of 24 per cent.

Operating margin before finance costs for the six months to 30 September 2017 was 11.5 per cent up from 10.4 per cent in the same period last year. The operating margin in the year to 31 March 2017 was 13.4 per cent with the timing of completions affecting first half margins in both years where revenues are weighted to the second half whilst overheads are more stable throughout the year. We expect our operating margin for the year to 31 March 2018 to improve on last year due partly to the mix of developments and partly to operating leverage as we grow.

Net finance costs have increased slightly to £1.5 million from £1.3 million last year. These are mainly comprised of non-utilisation fees on our £180 million revolving credit facility and arrangement fees on new joint venture debt facilities. Actual bank interest paid is typically charged to developments within cost of sales but the Group's interest rates remain relatively low in a more benign banking environment and, as a result, we are actively looking at extending our revolving credit facility earlier than usual to provide longer term security. The current facility runs until March 2019.

Profit before tax for the six months to 30 September 2017 was £8.7 million, slightly lower than the equivalent period last year (H1 2017: £9.0 million) which again is due to development timings rather than the underlying performance of the business.

Our net debt at 30 September 2017 was £59.9 million (31 March 2017: £14.3 million) with gearing increasing to 29.0 per cent up from 7.0 per cent at the year end. This increase in net debt is as expected and is driven by construction on larger sites as we deliver our growing pipeline. Our move into forward funded build to rent transactions will contain our overall debt requirements and in any case current borrowings of £95.2 million are covered several times over by secured future income from forward sales. Total forward sales, including the revenue recognised in the first half of the year, exceed £580 million of revenue to be recognised in the full year to 31 March 2018 and beyond.

Our development pipeline at 30 September 2017 represented £1.4 billion of future revenue and comprised just under 4,200 homes, over 3,000 of which are in design or under construction with the remainder going through the planning process. The average expected price for open market homes in the pipeline is just under £540,000, which is well within our target price range to continue to attract a broad range of prospective buyers and tenants. We are engaged in promising discussions on a number of attractive opportunities to add to the pipeline, both for build to rent and individual sale, in good locations at the right price level.

Dividend

The Board is pleased to declare an increase in the interim dividend of 11.1 per cent to 8.0 pence (H1 2017: 7.2 pence) demonstrating our confidence in achieving significant profit growth in the full year to 31 March 2018. This dividend will be paid on 12 January 2018 to those shareholders on the register at the close of business on 15 December 2017. The ex-dividend date is therefore 14 December 2017.

Operations

We are delighted to have secured the appointment of a new Group Land & Planning Director in Jerome Geoghegan. Jerome joins Telford Homes from L&Q Housing Group and is very well known and respected in the London development market. His appointment is not only an indication of the growing scale and reputation of Telford Homes, but also signals a step change in our capabilities, capacity and future growth plans. Jerome is expected to join the Board when he arrives in January 2018 and a further announcement will be made at that time.

We are proud to have been recognised with several awards in the last few months, a testament to the standard of our design and construction and also the quality of our finished homes. A recent highlight was being named 'Medium Housebuilder of the Year' at the prestigious Housebuilder Awards 2017. At the same event our Vibe development won two awards ('Best Community Initiative' and 'Best Design for Four Storeys or more') and was highly commended in a third category. This recognition for the work we do is all part of a growing reputation as the developer of choice for landowners, housing associations, build to rent investors and the people who end up living in our homes.

Outlook

We are firmly on track to deliver profit before tax in excess of £40 million for the year to 31 March 2018, in line with market expectations, having secured over 95 per cent of anticipated gross profit. We have also already secured over 65 per cent of the gross profit required to exceed £50 million of profit before tax in the year to 31 March 2019.

The Board is very happy with the current position of the business in terms of its risk profile, our capacity to do more and the market opportunity to grow in the longer term. We believe our strategy is right to accommodate periods of uncertainty but also to step up and help to build the homes that London needs. Our move into build to rent represents a significant part of that strategy. There is no doubt that our current experience of the sector and the ongoing demand from investors means it will be a key part of our future. We will pursue new build to rent opportunities as a priority given their reduced risk and the preferred returns on capital they bring.

Although the economy in London is facing a prolonged period of uncertainty this does not detract from the urgent need for more homes in non-prime locations. It is this long term issue that gives us the confidence to buy land, to build more homes and to keep growing our pipeline. This is why we expect to be able to deliver on our aspirations and to continue to grow Telford Homes in the future.

Jon Di-Stefano
Chief Executive
28 November 2017

GROUP INCOME STATEMENT INCLUDING PROPORTIONAL SHARE OF JOINT VENTURE RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Unaudited Non-GAAP 6 months ended 30 September 2017 £000	**Unaudited Non-GAAP 6 months ended 30 September 2016 £000**	**Unaudited Non-GAAP Year ended 31 March 2017 £000**
Revenue	**99,341**	**104,349**	**291,921**
Cost of sales	(75,660)	(81,956)	(228,720)
Gross profit	**23,681**	**22,393**	**63,201**
Administrative expenses	(11,272)	(9,967)	(20,805)
Selling expenses	(2,246)	(2,094)	(5,091)
Operating profit	**10,163**	**10,332**	**37,305**
Finance income	310	78	160
Finance costs	(1,775)	(1,395)	(3,337)
Profit before income tax	**8,698**	**9,015**	**34,128**
Income tax expense	(1,607)	(1,607)	(6,609)
Profit after income tax	**7,091**	**7,408**	**27,519**

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 accounted investments is included in note 6.

GROUP BALANCE SHEET INCLUDING PROPORTIONAL SHARE OF JOINT VENTURE RESULTS AT 30 SEPTEMBER 2017

	Unaudited Non-GAAP 30 September 2017 £000	Unaudited Non-GAAP 30 September 2016 £000	Unaudited Non-GAAP 31 March 2017 £000
Non current assets			
Goodwill	818	818	818
Property, plant and equipment	2,229	1,232	1,272
Trade and other receivables	3,913	-	100
Deferred income tax assets	-	80	-
	6,960	2,130	2,190
Current assets			
Inventories	379,119	324,450	339,380
Trade and other receivables	34,412	32,242	42,893
Cash and cash equivalents	35,330	20,756	39,834
	448,861	377,448	422,107
Total assets	**455,821**	**379,578**	**424,297**
Non current liabilities			
Trade and other payables	(1,215)	(1,439)	(1,527)
Financial liabilities	(649)	(1,664)	(1,096)
Deferred income tax liabilities	(181)	-	(194)
	(2,045)	(3,103)	(2,817)
Current liabilities			
Trade and other payables	(150,547)	(132,496)	(159,878)
Borrowings	(95,215)	(53,476)	(54,085)
Current income tax liabilities	(1,830)	(1,893)	(3,232)
	(247,592)	(187,865)	(217,195)
Total liabilities	**(249,637)**	**(190,968)**	**(220,012)**
Net assets	**206,184**	**188,610**	**204,285**
Capital and reserves			
Issued share capital	7,534	7,499	7,529
Share premium	107,470	106,526	107,395
Retained earnings	91,180	74,585	89,361
Total equity	**206,184**	**188,610**	**204,285**

GROUP INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Note	Unaudited 6 months ended 30 September 2017 £000	Unaudited 6 months ended 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Total revenue		**99,341**	**104,349**	**291,921**
Less share of revenue from joint ventures		(12,654)	(5,263)	(25,946)
Group revenue		**86,687**	**99,086**	**265,975**
Cost of sales		(65,379)	(77,965)	(208,966)
Gross profit		**21,308**	**21,121**	**57,009**
Administrative expenses		(11,218)	(9,944)	(20,727)
Selling expenses		(2,155)	(2,021)	(4,143)
Share of results of joint ventures		1,577	1,164	4,634
Operating profit		**9,512**	**10,320**	**36,773**
Finance income		258	51	90
Finance costs		(929)	(1,095)	(2,231)
Profit before income tax		**8,841**	**9,276**	**34,632**
Income tax expense	3	(1,750)	(1,868)	(7,113)
Profit after income tax		**7,091**	**7,408**	**27,519**
Earnings per share:				
Basic	5	9.4p	9.9p	36.8p
Diluted	5	9.4p	9.9p	36.6p

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Unaudited 6 months ended 30 September 2017 £000	**Unaudited 6 months ended 30 September 2016 £000**	**Audited Year ended 31 March 2017 £000**
Movement in derivative financial instruments hedged	447	(809)	(241)
Movement in deferred tax on derivative financial instruments hedged	(85)	145	37
Other comprehensive income (expense) net of tax (items that may subsequently be reclassified into profit or loss)	**362**	**(664)**	**(204)**
Profit for the period	7,091	7,408	27,519
Total comprehensive income for the period	**7,453**	**6,744**	**27,315**

GROUP BALANCE SHEET
AT 30 SEPTEMBER 2017

	Unaudited 30 September 2017 £000	Unaudited 30 September 2016 £000	Audited 31 March 2017 £000
Non current assets			
Goodwill	289	289	289
Investments in joint ventures	56,793	52,409	47,554
Property, plant and equipment	2,229	1,232	1,272
Trade and other receivables	-	-	100
Deferred income tax assets	-	226	-
	59,311	54,156	49,215
Current assets			
Inventories	319,411	269,547	287,652
Trade and other receivables	35,048	31,815	38,288
Cash and cash equivalents	31,925	15,586	38,629
	386,384	316,948	364,569
Total assets	**445,695**	**371,104**	**413,784**
Non current liabilities			
Trade and other payables	(1,215)	(1,439)	(1,527)
Financial liabilities	(649)	(1,664)	(1,096)
Deferred income tax liabilities	(454)	-	(323)
	(2,318)	(3,103)	(2,946)
Current liabilities			
Trade and other payables	(141,246)	(124,022)	(149,516)
Borrowings	(94,117)	(53,476)	(53,805)
Current income tax liabilities	(1,830)	(1,893)	(3,232)
	(237,193)	(179,391)	(206,553)
Total liabilities	**(239,511)**	**(182,494)**	**(209,499)**
Net assets	**206,184**	**188,610**	**204,285**
Capital and reserves			
Issued share capital	7,534	7,499	7,529
Share premium	107,470	106,526	107,395
Retained earnings	91,180	74,585	89,361
Total equity	**206,184**	**188,610**	**204,285**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2017	**7,529**	**107,395**	**89,361**	**204,285**
Profit for the period	-	-	7,091	7,091
Total other comprehensive income	-	-	362	362
Excess tax on share options	-	-	43	43
Dividend on equity shares	-	-	(6,378)	(6,378)
Proceeds of equity share issues	5	75	-	80
Share-based payments	-	-	191	191
Sale of own shares	-	-	510	510
Balance at 30 September 2017	**7,534**	**107,470**	**91,180**	**206,184**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2016	**7,485**	**106,423**	**73,062**	**186,970**
Profit for the period	-	-	7,408	7,408
Total other comprehensive expense	-	-	(664)	(664)
Excess tax on share options	-	-	(66)	(66)
Dividend on equity shares	-	-	(5,746)	(5,746)
Proceeds of equity share issues	14	103	-	117
Share-based payments	-	-	124	124
Purchase of own shares	-	-	(1)	(1)
Sale of own shares	-	-	468	468
Balance at 30 September 2016	**7,499**	**106,526**	**74,585**	**188,610**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017 (AUDITED)

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2016	**7,485**	**106,423**	**73,062**	**186,970**
Profit for the year	-	-	27,519	27,519
Total other comprehensive expense	-	-	(204)	(204)
Excess tax on share options	-	-	(5)	(5)
Dividend on equity shares	-	-	(11,135)	(11,135)
Proceeds of equity share issues	44	972	-	1,016
Share-based payments	-	-	255	255
Purchase of own shares	-	-	(860)	(860)
Sale of own shares	-	-	729	729
Balance at 31 March 2017	**7,529**	**107,395**	**89,361**	**204,285**

GROUP CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Unaudited 6 months ended 30 September 2017 £000	**Unaudited 6 months ended 30 September 2016 £000**	**Audited Year ended 31 March 2017 £000**
Cash flow from operating activities			
Operating profit	9,512	10,320	36,773
Depreciation	350	290	599
Share-based payments	191	124	255
Profit on sale of tangible fixed assets	-	(17)	(20)
Increase in inventories	(29,864)	(29,397)	(46,525)
Decrease (increase) in receivables	3,585	(153)	(6,726)
(Decrease) increase in payables	(9,758)	19,248	44,953
Share of results from joint ventures	(1,577)	(1,164)	(4,634)
	(27,561)	**(749)**	**24,675**
Interest paid and debt issue costs	(1,336)	(1,991)	(3,898)
Income tax paid	(3,063)	(3,108)	(6,511)
Cash flow from operating activities	**(31,960)**	**(5,848)**	**14,266**
Cash flow from investing activities			
Distribution from joint venture	8,557	-	12,045
Investment in joint ventures	(16,219)	(5,588)	(9,308)
Purchase of tangible assets	(1,307)	(37)	(387)
Proceeds from sale of tangible assets	-	17	20
Consideration paid for business combination	-	(3,556)	(3,556)
Interest received	13	51	90
Cash flow from investing activities	**(8,956)**	**(9,113)**	**(1,096)**
Cash flow from financing activities			
Proceeds from issuance of ordinary share capital	80	117	1,016
Purchase of own shares	-	(1)	(860)
Sale of own shares	510	468	729
Increase in bank loans	40,000	15,000	15,000
Dividend paid	(6,378)	(5,746)	(11,135)
Cash flow from financing activities	**34,212**	**9,838**	**4,750**
Net (decrease) increase in cash and cash equivalents	**(6,704)**	**(5,123)**	**17,920**
Cash and cash equivalents brought forward	38,629	20,709	20,709
Cash and cash equivalents carried forward	**31,925**	**15,586**	**38,629**

NOTES

1 Basis of preparation

The interim financial statements 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 2018 or are expected to be endorsed and effective at 31 March 2018.

The interim financial statements do not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006. They are prepared in accordance with IAS 34 interim financial reporting. The figures for the half years ended 30 September 2017 and 30 September 2016 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 accounted investments.

The interim financial statements were approved by the directors on 28 November 2017 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 financial statements.

The Group's statutory financial statements for the year ended 31 March 2017 were approved by the Board of directors on 30 May 2017, 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 Group’s financial and operational performance is subject to a number of risks. These risks are continually assessed by the Board to mitigate and minimise their impact on the business. There are also a number of risks which are outside of the Group’s control. The principal risks facing the business, the potential impact of these risks and how the Group mitigates against them is disclosed in the Group's financial statements as at 31 March 2017.

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 2017.

2 Accounting policies

Accounting convention

The interim accounts have been prepared under the historical cost convention as modified for reassessment of derivatives at fair value and on a basis consistent with the accounting policies in the financial statements for the year ended 31 March 2017.

3 Taxation

Taxation has been calculated on the profit for the six months ended 30 September 2017 at the estimated effective tax rate of 19.0% (30 September 2016: 20.0%).

4 Dividends

The interim dividend declared for the six months ended 30 September 2017 is 8.0 pence per ordinary share and is expected to be paid on 12 January 2018 to those shareholders on the register at the close of business on 15 December 2017. The ex-dividend date is therefore 14 December 2017. This dividend was declared after 30 September 2017.

The interim dividend paid for the six months ended 30 September 2016 was 7.2 pence per ordinary share and the final dividend paid for the year ended 31 March 2017 was 8.5 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 2017	**Unaudited 6 months ended 30 September 2016**	**Audited Year ended 31 March 2017**
Weighted average number of shares in issue	75,061,480	74,673,703	74,716,939
Dilution - effect of share schemes	569,521	407,622	395,643
Diluted weighted average number of shares in issue	75,631,001	75,081,325	75,112,582
Profit after taxation	£7,091,000	£7,408,000	£27,519,000
Earnings per share:			
Basic	9.4p	9.9p	36.8p
Diluted	9.4p	9.9p	36.6p

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 accounted 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 2017	**Management information £000**	**Remove share of joint ventures £000**	**GAAP £000**
Revenue	99,341	(12,654)	86,687
Gross profit	23,681	(2,373)	21,308
Profit before income tax	8,698	143	8,841
Total assets	455,821	(10,126)	445,695
Total liabilities	(249,637)	10,126	(239,511)
Net assets	206,184	-	206,184

6 months ended 30 September 2016	**Management Information £000**	**Remove share of joint ventures £000**	**GAAP £000**
Revenue	104,349	(5,263)	99,086
Gross profit	22,393	(1,272)	21,121
Profit before income tax	9,015	261	9,276
Total assets	379,578	(8,474)	371,104
Total liabilities	(190,968)	8,474	(182,494)
Net assets	188,610	-	188,610

For the year ended 31 March 2017	**Management Information £000**	**Remove share of joint ventures £000**	**GAAP £000**
Revenue	291,921	(25,946)	265,975
Gross profit	63,201	(6,192)	57,009
Profit before income tax	34,128	504	34,632
Total assets	424,297	(10,513)	413,784
Total liabilities	(220,012)	10,513	(209,499)
Net assets	204,285	-	204,285

7 Net debt

The components of net debt are outlined below.

	Non-GAAP 30 September 2017 £000	Non-GAAP 30 September 2016 £000	Non-GAAP 31 March 2017 £000
Borrowings	(95,215)	(53,476)	(54,085)
Cash and cash equivalents	35,330	20,756	39,834
Net debt	**(59,885)**	**(32,720)**	**(14,251)**

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