FINANCIAL STATEMENTS

GROUP INCOME STATEMENT

31 MARCH 2018

	Note	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Total revenue	1	**316,241**	**291,921**
Less share of revenue from joint ventures		(21,460)	(25,946)
Revenue	1	**294,781**	**265,975**
Cost of sales		(220,026)	(208,966)
Gross profit		**74,755**	**57,009**
Administrative expenses		(24,055)	(20,727)
Selling expenses		(5,706)	(4,143)
Share of results of joint ventures	9	2,443	4,634
Operating profit	1	**47,437**	**36,773**
Finance income	4	773	90
Finance costs	4	(1,902)	(2,231)
Profit before income tax		**46,308**	**34,632**
Income tax expense	5	(8,893)	(7,113)
Profit after income tax		**37,415**	**27,519**
Earnings per share:			
Basic	7	49.8p	36.8p
Diluted	7	49.4p	36.6p

All activities are in respect of continuing operations.

GROUP STATEMENT OF COMPREHENSIVE INCOME

31 MARCH 2018

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Movement in derivative financial instruments hedged	536	(241)
Movement in deferred tax on derivative financial instruments hedged	(102)	37
Other comprehensive income (expense) net of tax (items that may be subsequently reclassified into profit or loss)	**434**	**(204)**
Profit for the year	37,415	27,519
Total comprehensive income for the year	**37,849**	**27,315**

BALANCE SHEET

31 MARCH 2018

		Group		Company	
	Note	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Non current assets					
Goodwill	8	289	289	–	–
Investments	9	–	–	23,037	23,037
Investments in joint ventures	9	54,259	47,554	–	1
Property, plant and equipment	10	2,471	1,272	2,471	1,272
Trade and other receivables		–	100	–	100
Deferred income tax assets	11	–	–	191	–
		57,019	49,215	25,699	24,410
Current assets					
Inventories	12	300,008	287,652	230,006	266,851
Trade and other receivables	13	57,853	38,288	154,271	79,847
Cash and cash equivalents	14	12,808	38,629	11,638	36,882
		370,669	364,569	395,915	383,580
Total assets		**427,688**	**413,784**	**421,614**	**407,990**
Non current liabilities					
Trade and other payables	15	(1,268)	(1,527)	(901)	(1,277)
Financial liabilities	22	(360)	(1,096)	(360)	(1,096)
Deferred income tax liabilities	11	(193)	(323)	–	(110)
		(1,821)	(2,946)	(1,261)	(2,483)
Current liabilities					
Trade and other payables	15	(77,891)	(149,516)	(78,829)	(148,712)
Borrowings	16	(112,259)	(53,805)	(112,259)	(53,805)
Financial liabilities	22	(200)	–	(200)	–
Current income tax liabilities		(4,426)	(3,232)	(4,087)	(3,043)
		(194,776)	(206,553)	(195,375)	(205,560)
Total liabilities		**(196,597)**	**(209,499)**	**(196,636)**	**(208,043)**
Net assets		**231,091**	**204,285**	**224,978**	**199,947**
Capital and reserves					
Issued share capital	17	7,551	7,529	7,551	7,529
Share premium		108,178	107,395	108,178	107,395
Retained earnings		115,362	89,361	109,249	85,023
Total equity		**231,091**	**204,285**	**224,978**	**199,947**

The Company made a profit after income tax for the year of £35,465,000 (2017: £23,594,000).

These financial statements were authorised for issue by the Board of directors on 29 May 2018 and signed on its behalf by:

Jon Di-Stefano
Chief Executive

Katie Rogers
Group Financial Director

Company number: 4118370

STATEMENT OF CHANGES IN EQUITY

31 MARCH 2018

Group statement of changes in equity	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**
Profit for the year	–	–	37,415	37,415
Total other comprehensive income	–	–	434	434
Excess tax on share options	–	–	43	43
Dividend on equity shares	–	–	(12,383)	(12,383)
Proceeds of equity share issues	22	783	–	805
Share-based payments	–	–	455	455
Purchase of own shares	–	–	(726)	(726)
Sale of own shares	–	–	763	763
Balance at 31 March 2018	**7,551**	**108,178**	**115,362**	**231,091**

Company statement of changes in equity	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2016	**7,485**	**106,423**	**72,649**	**186,557**
Profit for the year	–	–	23,594	23,594
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**	**85,023**	**199,947**
Profit for the year	–	–	35,465	35,465
Total other comprehensive income	–	–	434	434
Excess tax on share options	–	–	43	43
Dividend on equity shares	–	–	(12,383)	(12,383)
Proceeds of equity share issues	22	783	–	805
Share-based payments	–	–	455	455
Purchase of own shares	–	–	(726)	(726)
Sale of own shares	–	–	763	763
Members distribution from joint ventures	–	–	175	175
Balance at 31 March 2018	**7,551**	**108,178**	**109,249**	**224,978**

CASH FLOW STATEMENT

31 MARCH 2018

	Group		Company	
	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Cash flow from operating activities				
Operating profit	47,437	36,773	45,605	31,927
Depreciation	906	599	906	599
Share-based payments	455	255	455	255
Profit on sale of property, plant and equipment	(2)	(20)	(2)	(20)
(Increase) decrease in inventories and work in progress	(8,145)	(46,525)	40,958	(31,832)
Increase in receivables	(19,465)	(6,726)	(74,827)	(21,244)
(Decrease) increase in payables	(73,150)	44,953	(71,406)	45,190
Share of results from joint ventures	(2,443)	(4,634)	–	–
	(54,407)	24,675	(58,311)	24,875
Interest paid and debt issue costs	(6,393)	(3,898)	(6,295)	(3,898)
Income tax paid	(7,385)	(6,511)	(7,223)	(6,415)
Dividend received from subsidiaries	–	–	–	800
Cash flow from operating activities	**(68,185)**	**14,266**	**(71,829)**	**15,362**
Cash flow from investing activities				
Distribution from joint ventures	20,016	12,045	175	–
Investment in joint ventures	(24,781)	(9,308)	–	(17)
Purchase of property, plant and equipment	(2,105)	(387)	(2,105)	(387)
Proceeds from sale of property, plant and equipment	2	20	2	20
Consideration paid for business combination	–	(3,556)	–	(3,556)
Interest received	773	90	54	90
Cash flow from investing activities	**(6,095)**	**(1,096)**	**(1,874)**	**(3,850)**
Cash flow from financing activities				
Proceeds from issuance of ordinary share capital	805	1,016	805	1,016
Purchase of own shares	(726)	(860)	(726)	(860)
Sale of own shares	763	729	763	729
Increase in bank loans	60,000	15,000	60,000	15,000
Dividend paid	(12,383)	(11,135)	(12,383)	(11,135)
Cash flow from financing activities	**48,459**	**4,750**	**48,459**	**4,750**
Net (decrease) increase in cash and cash equivalents	**(25,821)**	**17,920**	**(25,244)**	**16,262**
Cash and cash equivalents brought forward	38,629	20,709	36,882	20,620
Cash and cash equivalents carried forward	**12,808**	**38,629**	**11,638**	**36,882**

STATEMENT OF ACCOUNTING POLICIES

31 MARCH 2018

Basis of preparation

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention as modified for reassessment of derivatives at fair value and on a going concern basis.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates. The most significant estimates made by the directors in these financial statements are set out in 'Critical accounting judgements and key sources of estimation uncertainty' on page 81.

The Group adopted IFRS 10, IFRS 11, IFRS 12 and IAS 28 (revised) from 1 April 2014 and as a result, proportional consolidation of joint venture results is no longer allowed. Under these accounting standards, key line items such as statutory revenue, cost of sales, inventory and debt no longer include the Group's portion of joint venture balances. Instead, the Group's share of the statutory results from joint ventures is accounted for under the equity method. Therefore the Group's share of the results in joint ventures is presented in one line in the income statement and the statutory balance sheet includes one line representing the Group's investment in joint ventures.

Joint ventures are an integral part of the business and the Board has included an income statement and a balance sheet using proportional consolidation for the results of joint ventures within the Group's financial statements. These are presented in addition to the GAAP compliant versions of the income statement and balance sheet which present joint ventures as equity investments. For further information see notes 2 and 22.

Accounting policies

The accounting policies set out on these pages have been applied consistently for all periods presented in these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and the Group's share of results of joint ventures. The results of subsidiaries and joint ventures acquired or disposed of during the year are included in the financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Exemptions

The directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented an income statement or statement of comprehensive income for the Company alone.

Joint ventures

A joint venture is an entity in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity. Joint ventures are accounted for using the equity method of accounting. Under this method, the Group's share of post-tax results of joint ventures are included in the Group's operating profit in the consolidated income statement and its interest in their net assets is included within investments in the consolidated balance sheet.

As joint ventures are an integral part of the business, total revenue, including the Group's share of joint venture revenue, is presented on the face of the income statement and reconciled to revenue which is the GAAP compliant revenue amount.

The Company provides construction services to its joint ventures on an agency basis, effectively acting as a paying agent charging on construction costs to the relevant joint venture with no mark-up. No revenue or costs are recognised by the Company in respect of these re-billing transactions. A management fee is charged for this service and a consolidation adjustment is included in the Group accounts to remove the Company's share of management fee earned.

Revenue and profit recognition

Properties for open market sale

Revenue and profit is recognised at the point of legal completion of each property. Revenue is the contract price of each property net of any incentives and profit is calculated based on an assessment of the overall revenues and costs expected on that particular development. The assessment of total revenues and total costs expected on each development requires a degree of estimation although in the majority of cases, at the point of handover of open market properties, the development will be nearing completion and therefore profits are more certain.

Construction contracts

Contracts are treated as construction contracts when they have been specifically negotiated for the construction of a development or a number of properties and the risks and rewards of the construction transfer to the customer over time. These contracts can be for the construction of open market homes sold under build to rent contracts or for the construction of affordable homes sold to affordable housing providers. Revenue is only recognised on a construction contract where the outcome can be estimated reliably. Revenue and costs are recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by an assessment of work performed to date on a proportion of overall cost basis. Where variations are received, these are recognised as revenue by reference to the stage of completion of contract activity at the balance sheet date, these variations are not normally material to the Group.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

On the balance sheet, the Group reports the net contract position for each contract either as an asset or liability. A contract represents an asset where costs incurred plus recognised profits exceed progress billing and a contract represents a liability where the opposite is the case. These are disclosed as 'Amounts recoverable on contracts'.

Sale of freehold interests

Revenue and profit are recognised at the point of legal completion of each freehold interest sale.

Management fees

Management fees in relation to construction services provided to its joint ventures are recognised as revenue, as earned, within the income statement.

Selling expenses

Selling expenses are charged to the income statement as incurred.

Employee benefits

In accordance with IAS 19 employee benefits are recognised as an expense in the period they are earned by the employee. Under the Group's Deferred Annual Bonus Scheme applicable from 1 April 2013 to 31 March 2017 for Executive Directors and senior management, there is a deferred element to be paid in future years. This deferred element is recognised as an expense over the remaining period dependant on the employees' continued service.

Borrowings

Interest bearing bank loans and overdrafts are initially measured at fair value, being proceeds received net of transaction costs and are subsequently measured at amortised cost, using the effective interest rate method.

Borrowing costs directly relating to the development of properties that take a substantial period of time to get ready for sale, are capitalised within inventories. Capitalisation of borrowing costs commences from the date of initial expenditure on a given development and continues until the properties are ready for sale.

The capitalisation of borrowing costs is suspended where there are prolonged periods when development activity on a site is interrupted. Capitalisation is not normally suspended during a period when substantial technical and administrative work is being carried out.

All other borrowing costs are charged to the income statement using the effective interest method. Borrowing costs paid are classified as operating activities in the cash flow statement.

Hedge accounting – interest rate swaps

The Group has adopted hedge accounting for its interest rate swaps designated as cash flow hedges. The hedge is used to mitigate financial exposure to movements in interest rates. Changes in intrinsic fair value are recognised in other comprehensive income to the extent that the cash flow hedge is determined to be effective. All other changes in fair value are recognised immediately in the income statement. The hedged item is the London Interbank Offered Rate (LIBOR) element of a variable rate bank loan. The accumulated gains and losses previously recognised in other comprehensive income are classified into the income statement as a financial expense over the life of the loan. This has the effect of fixing the LIBOR element of the interest rate recognised in the income statement to the hedge rate over the life of the swap. The effectiveness of the hedge is tested prospectively and retrospectively on an annual basis.

STATEMENT OF ACCOUNTING POLICIES

31 MARCH 2018

Operating leases

Operating lease rentals are charged to the income statement on a straight line basis over the life of the lease.

Pension costs

Contributions paid to group personal pension schemes (defined contribution), in respect of employees, are charged to the income statement as incurred.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis at rates calculated to write down the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold improvements	–	shorter of term of lease and 10 years
Plant and machinery	–	2 to 5 years
Motor vehicles	–	3 years

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred over the fair value of net assets acquired. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the cash-generating unit (CGU) containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Investments

Interests in subsidiary undertakings and joint ventures are valued at cost less impairment.

Business combinations

The Group accounts for business combinations on the date control is transferred to the Group and applies the acquisition method of accounting for business combinations. 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.

Inventories

Development properties are included in inventories and are stated at the lower of cost and net realisable value. Cost comprises costs of acquisition and development, including directly attributable fees and expenses, direct labour costs and borrowing costs. Included within development properties are freehold interests held in completed developments. The cost of these interests are estimated at initial recognition on the basis of a multiple of annual ground rents and are not subsequently revalued. These are held for future sale.

Planning costs

Planning costs are capitalised and recognised as an asset in work in progress when there is probable future economic benefit expected to arise from those costs.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provision of the instrument.

Trade receivables and other receivables

Trade receivables on normal terms do not carry any interest and are stated at their nominal value reduced by appropriate allowances for estimated unrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents are defined as cash balances in hand and in the bank (including short term cash deposits) which mature within three months or less from the date of acquisition.

Borrowings

Interest bearing bank loans and overdrafts are initially measured at fair value, being proceeds received net of transaction costs and are subsequently measured at amortised costs, using the effective interest rate method.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value.

Land creditors

Land creditors are recognised at the point the Group has a commitment to purchase land and all substantive contractual conditions have been satisfied. The liability is initially valued at fair value and discounted to present value. Subsequently the difference between the nominal value and the initial fair value is amortised over the length of the payment period and charged to inventory, increasing the value of the land creditor so that at the date of maturity the land creditor equals the payment required. The Group charges the unwinding of the fair value to inventory as it will be undertaking activities that are necessary to prepare the asset for its intended use, when in the rare situation this is not the case, this charge is expensed.

Deposits received in advance

Deposits received on exchange of contracts of open market properties are included within trade and other payables until legal completion of the related property.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Current assets and liabilities

Assets that are expected to be realised in, or are intended for sale or consumption in, the Group's normal operating cycle are treated as current even to the extent these are expected to be realised after 12 months from the balance sheet date. Liabilities that are expected to be settled in the Group's normal operating cycle are treated as current even though these may be due for settlement after 12 months from the balance sheet date.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the profits for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are tax deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Share-based payments

In accordance with IFRS 2, the fair value of equity settled share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured as at the date the options are granted using the Black-Scholes-Merton pricing model and is charged equally over the vesting period. The amount recognised as an expense is adjusted each reporting period to reflect the actual number of options that are expected to vest.

With respect to share-based payments, a deferred tax asset is recognised on the relevant tax base. The tax base is then compared to the cumulative share-based payment expense recognised in the income statement. Deferred tax arising on the excess of the tax base over the cumulative share-based payment expense recognised in the income statement has been recognised directly in equity.

Own shares

Shares held by employee benefit trusts in order to satisfy awards under the Group's share plans are included net within equity until such time as the shares are vested to the relevant employees.

Critical accounting judgements and key sources of estimation uncertainty

Construction contract revenue and profit recognition

Construction contract accounting is applied to affordable and build to rent contracts which can contribute significantly to revenue and profits in a financial year. As such, judgements and estimations required as part of contract accounting can have an impact on profit recognised in each financial year and the timing profile of total profit recognised on each site.

Judgement

Contract revenue is recognised from the date of exchange of construction contracts, and once there is reasonable certainty that all conditions will be met. Judgement is required to assess the level of certainty around these conditions to ensure management is satisfied they will be met. Revenue is then recognised at a rate equivalent to the value of work undertaken in respect of land development. Contract profit on construction contracts is recognised in proportion to revenue only to the extent that the total eventual profit on the contract can be foreseen with reasonable certainty.

STATEMENT OF ACCOUNTING POLICIES

31 MARCH 2018

Estimation

Assessing the percentage complete on each contract involves estimation of the total expected costs to be incurred until the end of the contract. Forecasting the total expected costs includes making assumptions regarding construction costs including cost inflation. The earlier in the development programme, the greater the level of estimation required. Due to the Group's experience, internal expertise and close relationships with subcontractors, it is able to ensure these estimates are as accurate as possible. Recognition of profit also involves estimation of the total expected revenues from each site and therefore the expected profit margin that will be achieved. The expected profit margins for individual sites are updated on a regular basis and are reviewed by the Board as part of established controls procedures. Estimation is required to assess whether the total eventual profit on each contract can be foreseen with reasonable certainty.

Carrying value of land and work in progress

Estimation

Inventories include land and work in progress in respect of development sites. On each development estimation is required to assess whether the cost of land and any associated work in progress is in excess of its net realisable value (see note 12).

Future adoption of new and revised Standards and Interpretations

At the date of the authorisation of these financial statements, there are a number of standards, amendments and interpretations that have been published but are not yet effective for the year ended 31 March 2018 and have not been adopted early.

The following EU endorsed standards are expected to impact the Group.

IFRS 15 'Revenue from contracts with customers' will be effective for the Group for the year ending 31 March 2019. The application of the standard remains subject to industry interpretation and consensus.

The Group has already identified that there will be an impact on the timing of recognition of some selling expenses which are currently expensed as incurred but in accordance with IFRS 15 will need to be capitalised and expensed as cost of sales in line with the revenue recognised for the relevant contract. This will result in reserves being restated by £1,777,000 at 31 March 2018.

Based on further assessment by the Group, the standard is not considered to have an impact on the Group's open market sales, revenue from which will continue to be recognised on legal completion.

Revenue from contracts for the construction of open market homes sold under build to rent contracts or for the construction of affordable homes sold to affordable housing providers is not expected to be impacted significantly. The new standard allows for recognition over time, from the date at which it is considered that the customer controls the asset, which is the Group's current practice. The Group consider the asset to be controlled by the customer from the date of exchanging contracts.

To determine progress towards satisfying these contracts and thus the timing and proportion of revenue to be recognised, the new standard allows for revenue to be recognised based on the entity's resources consumed relative to total resources expected to be consumed. The Group consider land to be a key resource consumed in order to satisfy these contracts and as such will be included when determining the proportion of revenue to be recognised.

The nature of the individual contracts will need to be assessed as they are entered into, however, if the standard were to be applied to the Group's financial statements for the year ended 31 March 2018 , it would not have an impact on the revenue reported by the Group.

IFRS 16 'Leases' is expected to impact the accounting for leases currently recognised as operating leases. This would apply to the Group's property lease for its office premises and motor vehicle leases which will be recognised on the balance sheet. The Group continues to assess other potential impacts of the standard, as such it is not practical to provide an estimate of the full impact of IFRS 16 until the Group has completed its assessment.

The following standard is relevant to the Group but is not expected to have a material impact.

Amendments to IFRS 2, 'Share-based payments' classification and measurement of share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

1 Operating profit

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Operating profit is stated after charging (crediting):		
Depreciation – owned assets	906	599
Operating lease rentals – property	614	475
– motor vehicles	633	699
Profit on sale of property, plant and equipment	(2)	(20)

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
The following has been charged in respect of auditors' remuneration:		
Audit and related services (PricewaterhouseCoopers LLP)		
Statutory audit of the Company and Group financial statements	107	96
The audit of joint ventures and subsidiary accounts pursuant to legislation	18	17
Other services including non-audit services (PricewaterhouseCoopers LLP)		
Tax compliance services	33	34
Interim review	20	20
All other non-audit services	25	14

Amounts payable to the Company's auditors and their associates in respect of services to the Company, other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

1 Operating profit continued

Revenue

Our accounting policies for revenue recognition on open market sales, construction contracts and freehold assets are outlined on pages 78 and 79. The revenue recognised in the year was as follows:

Year ended March 2018	GAAP £000	Add share of joint ventures £000	Non-GAAP £000
Open market revenue	225,133	–	225,133
Contract revenue	65,462	21,318	86,780
Freehold sales	740	–	740
Other	3,446	142	3,588
Revenue	294,781	21,460	316,241
Share of revenue from joint ventures	21,460	(21,460)	–
Total revenue	**316,241**	**–**	**316,241**

Year ended March 2017	GAAP £000	Add share of joint ventures £000	Non-GAAP £000
Open market revenue	158,880	–	158,880
Contract revenue	100,898	25,728	126,626
Freehold sales	4,850	–	4,850
Other	1,347	218	1,565
Revenue	265,975	25,946	291,921
Share of revenue from joint ventures	25,946	(25,946)	–
Total revenue	**291,921**	**–**	**291,921**

2 Segmental reporting

The Group has only one reportable segment, being housebuilding in the United Kingdom. Financial analysis is presented to the chief operating decision makers of the Group, being the Board of directors, on a site by site basis. It is on this basis that the Board makes decisions as to the allocation of resources and assesses the Group's performance. The information is aggregated and presented as one reportable segment given the sites share similar economic characteristics.

Management information is presented to the Board of directors with the Group's share of joint venture results proportionally consolidated to reflect the true underlying performance of the Group and the importance of joint ventures to the business. The results disclosed within the Group's financial statements do not proportionally consolidate joint venture results and instead they are accounted for on an equity basis. A reconciliation between management information and the GAAP compliant information in the financial statements is as follows:

Year ended 31 March 2018	Management information £000	Remove share of joint ventures £000	GAAP £000
Revenue	316,241	(21,460)	294,781
Cost of sales	(236,772)	16,746	(220,026)
Gross profit	79,469	(4,714)	74,755
Administrative expenses	(24,159)	104	(24,055)
Selling expenses	(6,548)	842	(5,706)
Share of results of joint ventures	–	2,443	2,443
Operating profit	48,762	(1,325)	47,437
Net finance costs	(2,724)	1,595	(1,129)
Profit before income tax	46,038	270	46,308
Income tax expense	(8,623)	(270)	(8,893)
Profit after income tax	**37,415**	**–**	**37,415**
Inventories	373,859	(73,851)	300,008
Cash and cash equivalents	13,829	(1,021)	12,808
Other assets	59,049	55,823	114,872
Borrowings	(116,899)	4,640	(112,259)
Other liabilities	(98,747)	14,409	(84,338)
Net assets	**231,091**	**–**	**231,091**

Year ended 31 March 2017	Management information £000	Remove share of joint ventures £000	GAAP £000
Revenue	291,921	(25,946)	265,975
Cost of sales	(228,720)	19,754	(208,966)
Gross profit	63,201	(6,192)	57,009
Administrative expenses	(20,805)	78	(20,727)
Selling expenses	(5,091)	948	(4,143)
Share of results of joint ventures	–	4,634	4,634
Operating profit	37,305	(532)	36,773
Net finance costs	(3,177)	1,036	(2,141)
Profit before income tax	34,128	504	34,632
Income tax expense	(6,609)	(504)	(7,113)
Profit after income tax	**27,519**	**–**	**27,519**
Inventories	339,380	(51,728)	287,652
Cash and cash equivalents	39,834	(1,205)	38,629
Other assets	45,083	42,420	87,503
Borrowings	(54,085)	280	(53,805)
Other liabilities	(165,927)	10,233	(155,694)
Net assets	**204,285**	**–**	**204,285**

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

3 Employee benefit expense

The average monthly number of persons employed by the Group and Company, including Executive Directors, during the year analysed by activity was as follows:

	Year ended 31 March 2018 Number	Year ended 31 March 2017 Number
Construction	110	106
Administration	155	132
	265	**238**

The employment costs of all employees included above were:

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Wages and salaries	20,351	18,039
Social security costs	2,403	2,120
Other pension costs – group personal pension arrangements	835	743
Share-based payments (note 18)	455	255
	24,044	**21,157**

The Company operates a group personal pension scheme for its employees. At 31 March 2018 payments of £109,937 were due to the scheme (2017: £88,118).

Six current directors are accruing benefits under group personal pension arrangements (2017: six).

Key management remuneration

Key management personnel, as defined under IAS 24 (Related Party Disclosures), have been identified as the Board of directors as all key decisions are reserved for the Board (2017 includes Company Secretary). These figures include the full remuneration of key management personnel during the year.

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Wages and salaries (including bonuses)	2,656	2,909
Social security costs	351	384
Other pension costs	133	145
Share-based payments	139	–
	3,279	**3,438**

Detailed disclosures of directors' individual remuneration, pension entitlement and share options for those directors who served in the year are given in the tables in the directors' remuneration report on pages 62 to 63 and therefore are not repeated here, but form part of this note.

4 Finance income and costs

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Finance income		
Interest income on short term bank deposits	12	54
Other interest income	761	36
	773	90
Finance costs		
Interest payable on bank loans and overdrafts	(1,288)	(1,608)
Amortisation of facility fees	(614)	(623)
	(1,902)	(2,231)
Net finance costs	**(1,129)**	**(2,141)**

Further information on borrowings is given in note 21.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

5 Taxation

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
United Kingdom corporation tax on profits for the year	9,148	6,616
Adjustment in respect of prior periods	(48)	14
Total current taxation	9,100	6,630
Deferred taxation (note 11)	(207)	483
Income tax expense	**8,893**	**7,113**

In addition to the amount charged to the income statement, deferred tax of £77,000 relating to share-based payments and financial instruments hedged has been charged directly to equity and £19,000 relating to current tax have been credited directly to equity (2017: £45,000 charged and £76,000 credited).

Reconciliation of effective tax rate

The tax assessed for the year is higher (2017: higher) than the theoretical amount that would arise using the tax rate applicable to profits of the consolidated entities. The differences are explained below:

Profit before income tax	46,308	34,632
Profit on ordinary activities before taxation at the rate of corporation tax	8,799	6,926
Effects of:		
Joint ventures results reported net of tax	234	247
Losses not recognised	–	1
Adjustment in respect of prior periods	(48)	14
(Additional expenses deductible) expenses not deductible for tax purposes	(90)	56
Tax effect of share-based payments	22	–
Tax relief on land remediation costs	(24)	(27)
Adjustment to losses carried forward	–	(74)
Profits taxable at deferred tax rate	–	(30)
Income tax expense	**8,893**	**7,113**

The applicable tax rate was 19.0% (2017: 20.0%).

Deferred tax expected to reverse in the year to 31 March 2019 has been measured using the effective rate that will apply in the United Kingdom for the period of 19% (2017: 19%).

A reduction to the United Kingdom corporation tax rate has been announced reducing the rate by 2% to 17% from 1 April 2020. The change has not been substantially enacted at the balance sheet date and therefore has not been recognised in these financial statements. The impact of the proposed change is not expected to be material to the Group.

6 Dividend paid

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Prior year final dividend paid in July 2017 of 8.5p (July 2016: 7.7p)	6,378	5,746
Interim dividend paid in January 2018 of 8.0p (January 2017: 7.2p)	6,005	5,389
	12,383	**11,135**

The final dividend proposed for the year ended 31 March 2018 is 9.0 pence per ordinary share. This dividend was declared after 31 March 2018 and as such the liability of £6,800,000 has not been recognised at that date.

7 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. 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:

	Year ended 31 March 2018	Year ended 31 March 2017
Weighted average number of shares in issue	75,061,664	74,716,939
Dilution – effect of share schemes	669,202	395,643
Diluted weighted average number of shares in issue	75,730,866	75,112,582
Profit on ordinary activities after taxation	£37,415,000	£27,519,000
Earnings per share:		
Basic	49.8p	36.8p
Diluted	49.4p	36.6p

8 Goodwill

	Group £000	Company £000
Net carrying amount at 1 April 2016	304	–
Impairment of goodwill	(15)	–
Net carrying amount at 31 March 2017	289	–
Impairment of goodwill	–	–
Net carrying amount at 31 March 2018	**289**	**–**

Goodwill arose during the year ended 31 March 2016 as a result of the acquisition of the regeneration business from United House Developments (UHD). The total consideration on acquisition was £18,562,000 compared to the net assets acquired of £18,258,000 resulting in goodwill of £304,000.

Impairment of goodwill in the year ended 31 March 2017 was a result of a change in the tax rate at which deferred tax is recognised on the fair value of the net assets acquired.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

9 Investments

Company

Investments in subsidiary undertakings

	2018 £000	2017 £000
At 31 March valued at cost	**23,037**	**23,037**

On 27 November 2017 a new wholly owned subsidiary, Equipment Works Limited, formerly Telford Homes (Brentford) Limited, was incorporated to acquire and develop a site in Walthamstow. There have been no other additions or disposals of investments in subsidiary undertakings during the year ended 31 March 2018.

The significant subsidiary undertakings of the Group comprise:

	Share of ordinary capital held by the Group	Country of registration	Accounting date	Principal activity
Telford Homes (Creekside) Limited	100%	Scotland	31 March	Property development
Island Gardens Limited	100%	England	31 December	Property development
Telford Homes Regeneration Developments Holdings Limited	100%	England	31 March	Property development
Telford Homes Balfron Towers Limited	100%	England	31 December	Property development
Telford Homes City North Limited	100%	England	31 March	Property development
Telford Homes Chrisp Street Limited	100%	England	31 December	Property development
Chrisp Street Developments Limited	100%	England	31 March	Property development
Gallions Limited	100%	England	31 March	Property development
Equipment Works Limited	100%	England	30 November	Property development

The directors have taken advantage of the exemption available under Section 479A of the Companies Act 2006 relating to the requirement for the audit of individual accounts for the Group's subsidiary undertakings.

Investments in joint ventures

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
At 31 March valued at cost	54,259	47,554	–	1

Investments in joint ventures

The joint ventures which principally affect profits and net assets of the Group comprise:

	Share of ordinary capital held by the Group	Country of registration	Accounting date	Principal activity
Chobham Farm North LLP	50%	England	31 March	Property development
St Leonards Developments LLP	50%	England	31 December	Property development
City North (Telford Homes) Limited	50%	England	31 March	Property development
Armada 1 South Development LLP	50%	England	31 March	Property development
Gallions 2B Development LLP	50%	England	31 March	Property development

There have been no material additions or disposals of investments in joint ventures during the year ended 31 March 2018.

A full list of subsidiary undertakings and joint ventures not disclosed within this note are included on page 109.

Investments in joint ventures are accounted for under the equity method. The financial information of the joint ventures are summarised below and reconciled to the Group balance sheet.

Year ended 31 March 2018	Armada 1 South Development LLP £000	Gallions 2B Development LLP £000	Chobham Farm North LLP £000	St Leonards Developments LLP £000	City North (Telford Homes) Ltd £000	Total £000
Revenue	11,863	–	29,977	480	1,137	43,457
Operating profit (loss)	2,463	(2)	3,666	478	115	6,720
Finance income	–	–	–	471	10	481
Finance expense	–	–	–	–	(3,107)	(3,107)
Profit (loss) before tax	2,463	(2)	3,666	949	(2,992)	4,084
Income tax credit	–	–	–	–	538	538
Current assets	13,780	1,758	50,053	11,057	77,721	154,369
Cash	1,395	–	189	38	312	1,934
Current liabilities trade and other payables	(14,445)	(436)	(13,916)	(28)	(19,800)	(48,625)
Current liabilities other	–	–	–	–	(10,104)	(10,104)
Amounts due from (to) members	1,733	(1,324)	(22,874)	(8,778)	(11,255)	(42,498)
Net assets (liabilities)	2,463	(2)	13,452	2,289	36,874	55,076
Remove joint venture partners share of (net assets) liabilities	(1,232)	1	(6,726)	(1,144)	(18,437)	(27,538)
Remove share of amounts due (from) to joint venture partners	(866)	662	11,437	4,389	5,627	21,249
Remove pre-acquisition reserves	–	–	–	–	1,551	1,551
Consolidation adjustments	2,181	(1)	(384)	(465)	2,590	3,921
Investments in joint ventures	**2,546**	**660**	**17,779**	**5,069**	**28,205**	**54,259**

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

9 Investments continued

Year ended 31 March 2017	Armada 1 South Development LLP £000	Gallions 2B Development LLP £000	Chobham Farm North LLP £000	St Leonards Developments LLP £000	City North (Telford Homes) Ltd £000	Other £000	Total £000
Revenue	–	–	48,494	840	2,503	–	51,837
Operating profit	–	–	9,865	838	498	36	11,237
Finance income	–	–	–	189	13	4	206
Finance expense	–	–	(1)	–	(2,184)	–	(2,185)
Profit (loss) before tax	–	–	9,864	1,027	(1,673)	40	9,258
Income tax credit	–	–	–	–	213	–	213
Current assets	7,742	362	47,186	5,397	58,279	88	119,054
Cash	–	–	5	–	2,055	350	2,410
Current liabilities trade and other payables	(5,580)	–	(4,011)	(2)	(15,865)	(132)	(25,590)
Current liabilities other	–	–	–	–	(1,881)	–	(1,881)
Amounts due to members	(2,162)	(362)	(33,396)	(4,055)	–	(4)	(39,979)
Net assets	–	–	9,784	1,340	42,588	302	54,014
Remove joint venture partners share of net assets	–	–	(4,892)	(670)	(21,294)	(151)	(27,007)
Remove share of amounts due to joint venture partners	1,081	181	16,698	2,028	–	2	19,990
Remove pre-acquisition reserves	–	–	–	–	1,551	–	1,551
Consolidation adjustments	2,389	–	129	(16)	(3,494)	(2)	(994)
Investments in joint ventures	**3,470**	**181**	**21,719**	**2,682**	**19,351**	**151**	**47,554**

The financial information above for joint ventures is presented after having been aligned to the Group's accounting policies.

The Group has received distributions from joint ventures of £175,000 for the year ended 31 March 2018 (2017: £nil).

After removing the share of joint ventures not owned by the Group and consolidation adjustments, the share of results of joint ventures figure included in the Group income statement for the year ended 31 March 2018 is £2,443,000 (2017: £4,634,000).

10 Property, plant and equipment

Group and Company	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2016	1,303	2,144	68	3,515
Additions	232	155	–	387
Disposals	(70)	(43)	(68)	(181)
At 31 March 2017	1,465	2,256	–	3,721
Additions	984	1,121	–	2,105
Disposals	(271)	(2,088)	–	(2,359)
At 31 March 2018	**2,178**	**1,289**	**–**	**3,467**
Depreciation				
At 1 April 2016	477	1,488	65	2,030
Charge	170	427	2	599
Disposals	(70)	(43)	(67)	(180)
At 31 March 2017	577	1,872	–	2,449
Charge	199	707	–	906
Disposals	(271)	(2,088)	–	(2,359)
At 31 March 2018	**505**	**491**	**–**	**996**
Net book value				
At 31 March 2017	888	384	–	1,272
At 31 March 2018	**1,673**	**798**	**–**	**2,471**

Authorised capital expenditure that was contracted, but not provided for, in these financial statements amounted to £nil (2017: £314,000).

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

11 Deferred income tax

	Group		Company	
Group and Company	**31 March 2018 £000**	**31 March 2017 £000**	**31 March 2018 £000**	**31 March 2017 £000**
Deferred tax assets	635	595	496	519
Deferred tax liabilities	(828)	(918)	(305)	(629)
Deferred tax (liabilities) assets	**(193)**	**(323)**	**191**	**(110)**

As permitted by IAS 12 (Income Taxes), certain deferred tax assets and liabilities have been offset as they arise in the same tax jurisdiction and are settled on a net basis.

The movement on the deferred income tax account is as follows:

	Group		Company	
	31 March 2018 £000	**31 March 2017 £000**	**31 March 2018 £000**	**31 March 2017 £000**
Brought forward	(323)	190	(110)	492
Credited (charged) to the income statement	207	(483)	378	(557)
Charged directly to equity	(77)	(45)	(77)	(45)
Recognised through goodwill	–	15	–	–
	(193)	**(323)**	**191**	**(110)**

The movement in deferred tax assets and liabilities during the year is as follows:

Group	**Capital allowances £000**	**Share-based payments £000**	**Financial instrument transactions £000**	**Losses carried forward £000**	**Fair value adjustments £000**	**Other temporary differences £000**	**Total £000**
At 1 April 2016	28	294	170	2	(304)	–	190
Credited (charged) to the income statement	11	2	–	74	–	(570)	(483)
(Charged) credited directly to equity	–	(82)	37	–	–	–	(45)
Recognised through goodwill	–	–	–	–	15	–	15
At 31 March 2017	39	214	207	76	(289)	(570)	(323)
Credited to the income statement	30	17	–	63	–	97	207
Credited (charged) directly to equity	–	24	(101)	–	–	–	(77)
At 31 March 2018	**69**	**255**	**106**	**139**	**(289)**	**(473)**	**(193)**

Company	**Capital allowances £000**	**Share-based payments £000**	**Financial instrument transactions £000**	**Losses carried forward £000**	**Fair value adjustments £000**	**Other temporary differences £000**	**Total £000**
At 1 April 2016	28	294	170	–	–	–	492
Credited (charged) to the income statement	11	2	–	–	–	(570)	(557)
(Charged) credited directly to equity	–	(82)	37	–	–	–	(45)
At 31 March 2017	39	214	207	–	–	(570)	(110)
Credited to the income statement	30	17	–		–	331	378
Credited (charged) directly to equity	–	24	(101)	–	–	–	(77)
At 31 March 2018	**69**	**255**	**106**	**–**	**–**	**(239)**	**191**

The cumulative net deferred tax credited directly to equity amounts to £322,000 (2017: £399,000).

12 Inventories

	Group		Company	
	31 March 2018 £000	**31 March 2017 £000**	**31 March 2018 £000**	**31 March 2017 £000**
Development properties	**300,008**	**287,652**	**230,006**	**266,851**

All inventories are considered to be current in nature. The operating cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of issues such as consumer demand and planning permission delays.

Included within development properties for the Group are freehold interests held for future sale of £9,130,000 (2017: £4,304,000). During the year ended 31 March 2018 the Group recognised £5,262,000 of new freehold interests and disposed of £436,000 of freehold interests, receiving sales proceeds of £740,000 (2017: the Group disposed of £3,724,000 of freehold interests, receiving sales proceeds of £4,850,000 and recognised £2,325,000 of new freehold interests). Included within development properties for the Company are freehold interests held for future sale of £9,130,000 (2017: £4,304,000).

The value of inventories expensed in cost of sales by the Group in the year ended 31 March 2018 was £218,218,000 (2017: £203,504,000). Costs capitalised by the Group during the year include interest of £4,211,000 (2017: £2,151,000), which is capitalised based on the site specific cost of borrowings. Interest costs capitalised during the year including the Group's share of joint ventures results was £5,175,000 (2017: £2,151,000).

During the year the Group conducted a review of the net realisable value of its inventories. Where the estimated net realisable value has changed due to movements in cost and revenue estimates and this was less than the carrying value within the balance sheet, the Group has written down the value of inventories. The total amount recognised as an expense was £487,000 (2017: £363,000).

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

13 Trade and other receivables

	Group		Company	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Current receivables				
Amounts recoverable on contracts	32,723	25,680	32,723	25,680
Amounts owed by Group undertakings	–	–	66,138	18,283
Amounts owed by joint ventures	20,880	8,012	52,121	31,532
Trade receivables	142	117	142	117
Other receivables	1,711	3,073	1,565	2,964
Prepayments and accrued income	2,397	1,406	1,582	1,271
	57,853	**38,288**	**154,271**	**79,847**

Amounts recoverable on contracts

Total contract revenue of £65,462,000 (2017: £100,898,000) has been recognised by the Group in the year.

In relation to contracts in progress at the balance sheet date:

	Group		Company	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Contracts where costs incurred plus recognised profits exceed receipts to date included in receivables	32,723	25,680	32,723	25,680
Contracts where receipts to date exceed costs incurred plus recognised profits included in payables (note 15)	(1,768)	(3,272)	(1,768)	(3,272)
	30,955	**22,408**	**30,955**	**22,408**
Total costs incurred plus recognised profit on contracts	228,584	211,297	228,584	211,297
Receipts to date	(197,629)	(188,889)	(197,629)	(188,889)
	30,955	**22,408**	**30,955**	**22,408**

At 31 March 2018 retentions held by customers for contract work performed by the Group included within amounts recoverable on contracts amounted to £2,458,000 (2017: £2,298,000).

14 Cash and cash equivalents

	Group		Company	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Cash at bank and in hand	**12,808**	**38,629**	**11,638**	**36,882**

15 Trade and other payables

	Group		Company	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Current payables				
Trade payables	21,851	39,146	21,851	39,146
Amounts due to joint ventures	–	–	1,948	–
Amounts recoverable on contracts (note 13)	1,768	3,272	1,768	3,272
Deposits received in advance	26,307	62,059	26,307	62,059
Social security and other taxes	873	656	873	656
Accrued expenses	26,902	17,476	26,082	16,672
Land creditors	190	26,907	–	26,907
	77,891	**149,516**	**78,829**	**148,712**
Non current				
Due in more than one year and less than five years				
Accrued expenses	**1,268**	**1,527**	**901**	**1,277**
Total trade and other payables	**79,159**	**151,043**	**79,730**	**149,989**

As at 31 March 2018 deposits received in advance including the Group's share of joint ventures amounted to £34,331,000 (2017: £68,085,000).

Land creditors represent the fair value of land payments the Group is committed to but are not yet payable. As at 31 March 2018 the total value of land creditors including the Group's share of joint ventures amounted to £1,512,000 (2017: £28,420,000).

16 Borrowings

	Group		Company	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Bank loans	115,000	55,000	115,000	55,000
Transaction costs	(2,741)	(1,195)	(2,741)	(1,195)
	112,259	**53,805**	**112,259**	**53,805**

The movement in borrowings of £58,454,000 is comprised of £60,000,000 cash inflow from bank loans plus non cash transaction costs of £614,000, offset by £2,160,000 cash outflow of transaction costs.

Further information on borrowings is given in note 21.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

17 Share capital

Group and Company	31 March 2018 £000	31 March 2017 £000
Authorised		
100,000,000 (2017: 100,000,000) ordinary shares of 10p each	10,000	10,000
Allotted, called up and fully paid		
75,516,000 ordinary shares of 10p each (2017: 75,293,000)	7,551	7,529

During the year 48,000 shares were issued at prices ranging from 64.0p to 294.0p as a result of share options being exercised.

On 31 March 2018, 175,000 ordinary shares were issued at 415.0p to Telford Homes Trustees Limited to satisfy the requirements of the Share Incentive Plan (see note 18).

Ordinary shares may be issued in the future to satisfy the exercise of outstanding share options (see note 18).

Details of own shares held within employee benefit trusts are disclosed in note 18.

All shares rank equally in respect of shareholder rights.

18 Employee Share Schemes

Telford Homes Plc Employee Share Option Scheme

A charge is made to the income statement to reflect the calculated fair value of employee share options. This charge is calculated at the date of grant of the options and is charged equally over the vesting period.

The Group operates both an approved share option scheme and an unapproved share option scheme (ESOP). Awards under each scheme are made periodically to new employees. All schemes are equity-settled and options can normally be exercised three years after the grant date.

The Group has used the Black-Scholes-Merton formula to calculate the fair value of granted options. Individual calculations have been performed for groups of share options with differing exercise prices and dates. The assumptions applied to the Black-Scholes-Merton formula for share options issued and the fair value per option are set out below.

	2018	2017
Expected life of options based on options exercised to date	3 years	4 years
Volatility of share price based on three year share price history	30%	33%
Dividend yield	4.0%	4.2%
Risk free interest rate	0.25%	0.25%
Weighted average share price at date of grant	392p	312p
Weighted average exercise price	0p	312p
Weighted average fair value per option	348p	52p

Expected volatility was determined by considering the volatility levels historically for the Group. Volatility in more recent years is considered to have more relevance than earlier years for the period reviewed.

The charge calculated for the year ended 31 March 2018 is £233,000 (2017: £44,000).

A reconciliation of option movements during each period is shown below:

	2018		2017	
	Number 000's	Weighted average exercise price	Number 000's	Weighted average exercise price
Outstanding at 1 April	801	188p	972	165p
Granted in the year	382	0p	48	312p
Forfeited in the year	(31)	130p	(26)	348p
Exercised in the year	(48)	165p	(193)	82p
Outstanding at 31 March	**1,104**	**125p**	**801**	**188p**
Exercisable at 31 March	**508**	**117p**	**507**	**95p**

The aggregate fair value of options granted in the year was £1,330,000 (2017: £25,000).

A total of 48,000 share options were exercised at a weighted average price of 165p in the year ended 31 March 2018 (2017: 193,000 shares at 82p).

At 31 March 2018 the outstanding options granted over 10p ordinary shares were as follows:

Share schemes	Option price	Number	Date exercisable
ESOP approved	64p	27,500	20 July 2012 to 20 July 2019
	90.5p	98,000	9 Feb 2015 to 9 Feb 2022
	200p	35,000	15 Mar 2016 to 15 Mar 2023
	291.75p	30,846	15 Sep 2019 to 15 Sep 2026
	294p	60,000	28 May 2017 to 28 May 2024
	347p	17,290	28 Feb 2020 to 28 Feb 2027
	383p	124,800	4 Dec 2018 to 4 Dec 2025
ESOP unapproved	75p	60,000	1 Oct 2005 to 1 Oct 2018
	79p	60,000	23 May 2014 to 23 May 2021
	90.5p	167,000	9 Feb 2015 to 9 Feb 2022
	383p	42,200	4 Dec 2018 to 4 Dec 2025
LTIP	0p	382,218	14 July 2020 to 14 July 2027

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

18 Employee Share Schemes continued

Telford Homes Plc Share Incentive Plan

During the year ended 31 March 2004 Telford Homes Plc set up a Share Incentive Plan (SIP) for the benefit of all of the employees of the Group. This SIP has been approved by the HM Revenue and Customs and confers certain tax advantages for participating employees.

The SIP enables employees to purchase shares up to a value of £1,800 in each tax year. These shares are known as 'Partnership shares'. Partnership shares are matched on a one for one basis by 'Matching shares' provided by the Group subject to the shares remaining in the SIP for a period not less than three years. Dividends are paid on both Partnership and Matching shares and these are allocated to employees as 'Dividend shares'.

The Group has set up a trust to administer the SIP and to hold shares on behalf of individual employees. This trust is an entirely separate entity to the Group and is managed by a corporate trustee, Telford Homes Trustees Limited. The costs associated with the trust are paid for by the Group and the Group finances all share purchases.

The trust has distributed shares as Partnership shares and Dividend shares to employees participating in the scheme. These shares remain in the trust until such time as an employee withdraws from the SIP. Further shares have been allocated to employees as Matching shares and the cost of these shares is being written off over the three year holding period. The charge in the year ended 31 March 2018 is £222,000 (2017: £211,000).

During the year ended 31 March 2018 the trust acquired 175,000 shares at 415.0p. At 31 March 2018 the trust remains interested in 101,069 shares (2017: 137,268) which have not been allocated to employees and a further 213,333 (2017: 216,194) that have been allocated to employees as Matching shares but have not yet vested. Shares in which the trust remains interested do not rank for dividends and all shares that have not yet vested do not count in the calculation of the weighted average numbers of shares used to calculate earnings per share.

Shares held by the SIP are recognised as a deduction from shareholders' funds. The value of these shares at 31 March 2018 was £644,395 (2017: £777,997). Movements in retained earnings relating to the SIP are shown in the statement of changes in equity.

Telford Homes Plc 2006 Deferred Payment Share Purchase Plan

During the year ended 31 March 2007 Telford Homes Plc set up a Deferred Payment Share Purchase Plan (DPSPP) for the benefit of selected senior employees. An employee benefit trust (the Telford Homes Plc 2006 Employee Benefit Trust) was set up with Abacus Corporate Trustee Limited acting as trustee.

Participants in the DPSPP are offered a loan by the trustee to enable them to subscribe for a specified number of shares in the Group at market value. This loan is interest free repayable on or before the repayment date which is normally 20 years from the date of the loan or on leaving employment or disposing of the shares. The loan has a limited recourse such that repayment is limited to the value of the shares on the repayment date. The Group will lend the trustee sufficient funds to enable the trustee to provide the loans to individual participants. All shares acquired under the DPSPP will be subject to a three year vesting period and are held by the trustee for the benefit of the participants. Offers to participants will be made periodically at the discretion of the directors of Telford Homes Plc.

In September 2006 selected employees were offered, and subscribed for, a total of 550,000 shares at the market value of 260p. These shares were issued on 9 November 2006. On this date the Group provided a loan to the trustee of £1,430,000 to enable the trustee to provide a loan to each of the participants. This loan is repayable at the earlier of the sale of the vested shares and November 2026 and has been recognised as a deduction from shareholders' funds in the statement of changes in equity. In the year ended 31 March 2018, £60,000 of this loan has been repaid leaving an outstanding balance of £566,000 (2017: £626,000).

In December 2007 selected employees were offered, and subscribed for, a total of 160,000 shares at the market value of 244p. These shares were issued on 14 December 2007. On this date the Group provided a loan to the trustee of £390,400 to enable the trustee to provide a loan to each of the participants. This loan is repayable at the earlier of the sale of the vested shares and December 2027 and has been recognised as a deduction from shareholders' funds in the statement of changes in equity. In the year ended 31 March 2018, £65,000 of this loan has been repaid leaving an outstanding balance of £254,000 (2017: £319,000).

Shares held in Trust

At 31 March 2018 employee benefit trusts held interests in 649,402 shares at a nominal value of 10p and this represents 0.9% of the Company's allocated share capital (2017: 724,969 shares at 10p nominal value representing 1.0%).

19 Commitments and contingent liabilities

Commitments

At 31 March, the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Property leases		Other leases	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Within one year	700	391	564	584
Between one and five years	2,800	2,800	470	517
Over five years	3,107	3,807	–	–
	6,607	**6,998**	**1,034**	**1,101**

Operating lease payments represent rentals payable by the Company for its office premises and motor vehicles.

The Group in the normal course of business has given guarantees in respect of the Group's share of certain contractual obligations of joint ventures.

20 Related party transactions

The Board and certain members of senior management are related parties within the definition of IAS 24 (Related Party Disclosures).

Property purchases by directors of Telford Homes Plc

In June 2015 David Campbell exchanged contracts on the purchase of an apartment from the Company at its Bermondsey Works development. The purchase price was £351,625, which the Company had received in full as at 31 March 2018 (2017: deposit of £70,325). The purchase was approved at the Annual General Meeting held on 16 July 2015.

There have been no other transactions between key management personnel and the Group other than remuneration in the year ended 31 March 2018.

Transactions between the Group and its joint ventures

The amounts outstanding from joint ventures to the Group and Company for trading balances at 31 March 2018 totalled £20,880,000 (2017: £8,012,000). A total of £31,241,000 was owed to the Company at 31 March 2018 from joint ventures in respect of shareholder advances (2017: £23,520,000). The Company owed joint ventures £1,948,000 at 31 March 2018 (2017: £nil).

The Company has invoiced joint ventures £72,143,000 in the year to 31 March 2018 for construction services (2017: £35,148,000). The Company was invoiced £nil by joint ventures in the year to 31 March 2018 (2017: £nil). Amounts invoiced to joint ventures for management fees, which has been recognised in the Group income statement, totalled £1,401,000 in the year to 31 March 2018 (2017: £491,000).

Amounts owed to joint ventures and balances between the Company and its subsidiaries are non-interest bearing and are repayable when the counterparty has sufficient cash to repay the loans.

Transactions between the Company and its subsidiaries

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The amounts owed by subsidiaries to the Company at 31 March 2018 totalled £66,138,000 (2017: £18,283,000) and the Company owed subsidiaries £nil (2017: £nil).

The Company has invoiced subsidiaries £1,407,000 in the year to 31 March 2018 for construction services (2017: £2,366,000). The Company has been invoiced £nil in the year to 31 March 2018 by subsidiaries (2017: £nil).

Joint ventures and subsidiaries do not transact with each other.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

21 Financial instruments

Categories of financial assets and financial liabilities are as follows:

	Group		Company	
	31 March 2018 £000	**31 March 2017 £000**	**31 March 2018 £000**	**31 March 2017 £000**
Financial assets				
Loans and receivables:				
Amounts owed by Group undertakings	–	–	66,138	18,283
Amounts owed by joint ventures	20,880	8,012	52,121	31,532
Amounts recoverable on contracts	32,723	25,680	32,723	25,680
Trade receivables	142	117	142	117
Other receivables	1,711	3,073	1,565	2,964
Cash and cash equivalents	12,808	38,629	11,638	36,882
	68,264	**75,511**	**164,327**	**115,458**

None of these financial assets are either past due or impaired.

	Group		Company	
	31 March 2018 £000	**31 March 2017 £000**	**31 March 2018 £000**	**31 March 2017 £000**
Financial liabilities				
Liabilities held at fair value:				
Interest rate swap	560	1,096	560	1,096
Amortised cost:				
Trade payables and accrued expenses	50,021	58,149	48,834	57,095
Bank loans	115,000	55,000	115,000	55,000
	165,581	**114,245**	**164,394**	**113,191**

The Group has an interest rate swap designated as a cash flow hedge. The hedge is used to mitigate the financial exposure to movements in interest rates. The Group has no direct exposure to exchange rate movements as any purchases or sales outside of the United Kingdom are denominated in sterling.

Interest rate swap

The fair value of the interest rate swap at 31 March 2018 was a £560,000 liability (2017: £1,096,000 liability). This is measured using valuations acquired from third party banks and is a level two valuation. Hedge accounting was applied and no ineffectiveness arose in the period. The notional principal amount of the interest rate swap at the start of the financial year was £50.0 million, increasing to £100.0 million on 4 June 2017.

Trade and other receivables and trade payables

The fair value of trade and other receivables, amounts owed by and to Group undertakings and joint ventures, amounts recoverable on contracts, trade payables and land creditors at 31 March 2018 is equal to the carrying value stated in the balance sheet at that date. There are no amounts included within trade and other receivables currently overdue (2017: £nil).

Borrowings

The Group uses loan finance, all of which is denominated in sterling, to acquire development land and undertake site construction. On 18 December 2017 the Group signed a new revolving credit facility for £210 million which extends to December 2022 with a club of four banks being Natwest, HSBC, Santander and Allied Irish Bank. The debt drawn under this facility is secured against the assets of the Group and is monitored by financial covenants. At 31 March 2018 the Group had utilised £115.0 million of this facility leaving an unutilised balance of £95.0 million. Interest is being charged on this facility at LIBOR plus a margin which ranges from 2.6% to 3.3% depending on the Group's level of gearing.

On 22 July 2016 the Group's joint venture City North Finsbury Park Limited signed a £110.0 million development loan facility with LaSalle Residential Finance Fund which extends to May 2020. As at 31 March 2018 City North Finsbury Park Limited had utilised £10.1 million of the facility.

On 22 February 2017 the Group's joint venture Balfron Tower Developments LLP signed a £33.0 million development loan facility with RBS which extends to February 2020. As at 31 March 2018 Balfron Tower Developments LLP had utilised £nil of the facility.

All borrowings are treated as current even though these may be due for settlement after 12 months from the balance sheet date as they are expected to be settled in the Group's normal operating cycle. Furthermore the latest date by which the current tranches utilised under the revolving credit facility are due to be repaid is 5 July 2018. At this point depending on the working capital requirements of the Group the level of borrowings will be reassessed and new tranches placed accordingly. For all borrowings fair value is materially equivalent to the original book value.

Market risk

The Group is exposed to the financial risk of changes in interest rates both in terms of changes in the base rate and LIBOR and in terms of individual banks attitude to market risk and their application of either base rate or LIBOR to new facilities and the margin applied to each new facility.

In order to assess the risk interest costs are forecast on a monthly basis over a five year period using estimates of likely changes in rates and actual costs are compared to this forecast. Volatility of interest costs remained at an acceptable level in the year ended 31 March 2018 as LIBOR remains at a historically low level. Interest on all facilities currently held is charged at floating interest rates and the Group assesses the requirement for fixing interest rates on a regular basis.

On 15 January 2016 the Group entered into an interest rate swap. The Group receives interest on the swap at LIBOR and pays a fixed rate of 1.080%. The effective date of the swap was 1 October 2016 and the maturity date is 4 March 2019 securing the interest rate paid on £50 million, increasing to £100 million on 4 June 2017, of the Group's £210 million revolving credit facility for this period.

On 7 February 2018 the Group entered into an additional interest rate swap. The Group receives interest on the swap at LIBOR and pays a fixed rate of 1.4725%. The effective date of the swap is 4 March 2019 and the maturity date is 18 December 2022 securing £100 million of the Group's £210 million revolving credit facility for this period.

The effect on the income statement of a 1% rise and a 1% fall in interest rates has been calculated to assess interest rate sensitivity. Based on average monthly borrowings in the year, a 1% rise in interest rates would have a negative effect of £1,117,000 before tax (2017: £551,000), a 1% fall in interest rates gives the same but opposite effect.

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and meet its liabilities as they fall due, whilst maintaining an appropriate capital structure to reduce the costs of capital. The Group considers its capital to be all of the components of equity and borrowings.

The Group ensures that there are appropriate controls over the purchase of land and levels of work in progress in the business in order to appropriately manage its capital. In addition, the other methods by which the Group can manage its short term and long term capital structure include adjusting the level of ordinary dividends paid to shareholders, issuing new share capital and arranging debt.

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

Trade and other receivables includes amounts recoverable on contracts which are due from housing associations and balances due from other Group undertakings. The Group considers the credit quality of the various debtors to be good in respect of the amounts outstanding and therefore credit risk is considered to be low.

Surplus cash is held in secure bank deposit accounts with Natwest, HSBC and Santander.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

21 Financial instruments continued

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows over a five year period and performing sensitivity analysis on these forecasts. The forecasts are necessarily subject to a number of assumptions and judgements and these are tested on a reasonable basis by the sensitivity analysis. These forecasts and the related sensitivity analysis are reviewed by the directors in detail on a monthly basis. In addition all of the forecasts and supporting calculations are made available to each bank funding the Group on a monthly basis. The current forecasts show positive cash balances beyond the next 12 months even where this is subjected to sensitivity testing.

The Group utilises bank facilities to ensure that adequate funding is available to cover working capital requirements and the directors consider that existing facilities are sufficient to cover funding requirements in the foreseeable future both where these have already been utilised and where they are currently unutilised.

The Group's bank facilities are subject to a number of general and financial covenants which are tested periodically by each bank. In all cases the directors have assessed whether the Group will remain in compliance with the covenants for at least 12 months after signing the financial statements and are satisfied that it is highly unlikely there will be any breach of covenants.

The maturity profile of the anticipated future cash flows based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis (including future interest payments using the latest applicable rates) is as follows:

	Trade payables and accrued expenses £000	Borrowings £000	Derivative liabilities £000	Total £000
Within one year	48,753	3,973	200	52,926
More than one year and less than two years	441	3,973	–	4,414
More than two years and less than five years	827	125,926	360	127,113
31 March 2018	**50,021**	**133,872**	**560**	**184,453**

	Trade payables and accrued expenses £000	Borrowings £000	Derivative liabilities £000	Total £000
Within one year	56,622	1,925	–	58,547
More than one year and less than two years	716	56,765	1,096	58,577
More than two years and less than five years	811	–	–	811
31 March 2017	**58,149**	**58,690**	**1,096**	**117,935**

The maturity profile of the anticipated future cash flows based on the earliest date on which the Company can be required to pay financial liabilities on an undiscounted basis (including future interest payments using the latest applicable rates) is as follows:

	Trade payables and accrued expenses £000	Borrowings £000	Derivative liabilities £000	Total £000
Within one year	47,933	3,973	200	52,106
More than one year and less than two years	441	3,973	–	4,414
More than two years and less than five years	460	125,926	360	126,746
31 March 2018	**48,834**	**133,872**	**560**	**183,266**

	Trade payables and accrued expenses £000	Borrowings £000	Derivative liabilities £000	Total £000
Within one year	55,818	1,925	–	57,743
More than one year and less than two years	716	56,765	1,096	58,577
More than two years and less than five years	561	–	–	561
31 March 2017	**57,095**	**58,690**	**1,096**	**116,881**

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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 management'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 34 and 35) 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 ventures result 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 70 and 71.

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 2018 £000	Year ended 31 March 2017 £000
Revenue	294,781	265,975
Share of joint venture revenue	21,460	25,946
Total revenue	**316,241**	**291,921**

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 2018 £000	Year ended 31 March 2017 £000
Gross profit	74,755	57,009
Share of joint venture gross profit	4,714	6,192
Total gross profit	**79,469**	**63,201**

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 2018 £000	Year ended 31 March 2017 £000
Operating profit	47,437	36,773
Share of joint venture operating profit	1,325	532
Total operating profit	**48,762**	**37,305**

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 2018 £000	Year ended 31 March 2017 £000
Profit before tax	46,308	34,632
Share of joint venture profit before tax	(270)	(504)
Total profit before tax	**46,038**	**34,128**

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 2018 £000	Year ended 31 March 2017 £000
Total gross profit	79,469	63,201
Adjust for interest expensed within cost of sales	4,180	1,907
Adjusted total gross profit	83,649	65,108
Total revenue	316,241	291,921
Adjusted gross margin	**26.5%**	**22.3%**

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 2018 £000	Year ended 31 March 2017 £000
Total operating profit	48,762	37,305
Adjust for interest expensed within cost of sales	4,180	1,907
Adjusted total operating profit	52,942	39,212
Total revenue	316,241	291,921
Adjusted operating margin	**16.7%**	**13.4%**

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

22 Key management information and Alternative Performance Measures continued

Other APMs

The other APMs and KPIs used by the Group are defined below. Further details of KPIs are also included on pages 34 and 35.

Total finance costs incurred

Total finance costs incurred, including the Group's share of joint venture finance costs, consist mainly 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 2018 £000	Year ended 31 March 2017 £000
Non-utilisation fees	2,445	2,522
Amortisation of arrangement fees	905	788
Other finance costs	272	27
Interest capitalised within work in progress	5,175	2,151
Total finance costs incurred	**8,797**	**5,488**

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

	31 March 2018 £000	31 March 2017 £000
Total borrowings	116,899	54,085
Total cash	(13,829)	(39,834)
Net debt	103,070	14,251
Net assets	231,091	204,285
Gearing	**44.6%**	**7.0%**

Development pipeline

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

OTHER SIGNIFICANT INTERESTS

The subsidiary undertakings and joint ventures not disclosed in note 9 which the Company holds a significant interest in at 31 March 2018 are set out below.

	Share of ordinary capital held (direct/indirect)	Country of registration	Accounting date	Principal activity
Beechwood Road Management Limited	100%	England	30 April	Property management
Bermondsey Works Management Limited	100%	England	31 May	Property management
Broadway Chambers Management Limited	100%	England	30 June	Property management
Calders Wharf Management Limited	100%	England	31 December	Property management
Chrisp Street Management Limited	100%	England	28 February	Property management
Frampton Park Management Limited	100%	England	30 September	Property management
Horizons Tower Limited	100%	England	31 August	Property management
KDL Residents Limited	100%	England	30 September	Property management
Limeharbour Residents Limited	100%	England	28 February	Property management
Manhattan Plaza Management Limited	100%	England	31 March	Property management
PQ Management Limited	100%	England	30 June	Property management
St Paul's Way CHP Management Limited	100%	England	31 July	Property management
St Paul's Way Residential Management Limited	100%	England	28 February	Property management
Stratford Central Management Limited	100%	England	31 March	Property management
Telford (Stratford Management) Limited	100%	England	31 March	Property management
Telford Homes Trustees Limited	100%	England	31 March	Non-trading company
Stone Studios Management Limited	100%	England	30 September	Property management
Bishopsgate Apartments LLP	50%	England	31 March	Property development
Bishopsgate Apartments No.2 LLP	50%	England	31 March	Non-trading company
CFN Management Limited	50%	England	31 August	Property management
City North Finsbury Park Limited	50%	England	31 March	Property development
City North Finsbury Park Residential Management Company Limited	50%	England	31 March	Property management
City North Islington Limited	50%	England	31 March	Non-trading company
Mulatel LLP	50%	England	31 March	Property development
Balfron Tower Developments LLP	25%	England	31 December	Property development

All the above including those disclosed in note 9 are registered at Telford House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire, EN8 7TF with the exception of City North Islington Limited, which is registered at The Business Design Centre, 52 Upper Street, Islington Green, London, N1 0QH, Telford Homes (Creekside) Limited which is registered at 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, and Chobham Farm North LLP, Armada 1 South Development LLP and Gallions 2B Development LLP which are all registered at Bruce Kenrick House, 2 Kellick Street, London, N1 9FL.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TELFORD HOMES PLC

Report on the financial statements

Opinion

In our opinion, Telford Homes Plc's Group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the annual report 2018 (the "annual report"), which comprise: the Group and Company balance sheets as at 31 March 2018; the Group income statement and Group statement of comprehensive income, the Group and Company cash flow statements, and the Group and Company statement of changes in equity for the year then ended; the statement of accounting policies; and the notes to the financial statements.

Basis for opinion

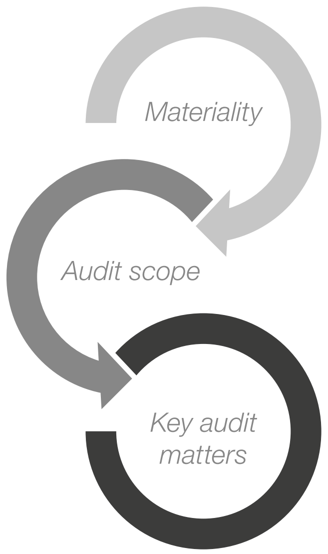
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall Group materiality: £2.3 million
- Based on 5% of profit before tax
- Overall Company materiality: £2.1 million
- Based on 5% of profit before tax

- One financially significant company in the Group (Telford Homes Plc)
- Audit procedures performed over two of the Group's joint ventures

- Revenue and profit recognition (Group and Company)
- Valuation of inventory (Group and Company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue and profit recognition Refer to page 56 (Audit Committee report), pages 78 and 79 (Accounting policies) and page 83 (notes 1 and 2). The Group achieves revenue through open market unit sales and construction contracts. Recognition of revenue and profit is calculated using a model that incorporates a number of variable factors and assumptions including: – Estimated open market sales revenues, including commercial unit valuations; – Estimated time and costs to complete building works; and – Valuations of land overages. We focus on this area because of the inherent level of subjectivity and management judgement required in calculating the amount of revenue and profit to be recognised. Changes in any of these key judgements could lead to a material change in the amount of profit recognised during the year.	We understood and evaluated the processes, procedures and controls that the Group has in place in respect of revenue and profit recognition. We evaluated the revenue and profit recognition model and performed the following procedures: – Validated input data to the model and tested the accuracy of calculations; – Assessed the process by which the key judgements and variable factors within the model were estimated by management; – Assessed the accuracy of management's historical forecasts by reviewing the effect of changes in site margins over time for sites contributing material profit during the year; – Understood and challenged the key assumptions that are based on the Group's internal data, such as business plans and contract terms, and evaluated their accuracy; and – Tested that revenue and profit has been recorded in the correct accounting period. We also performed sensitivity testing, to consider the likelihood of changes to key assumptions that would result in a material change to revenue or profit. We found no material exceptions from our testing performed.
Valuation of inventory Refer to page 80 (accounting policies) and page 95 (note 12). The Group holds inventory in the form of development property, which includes finished units, work in progress and freehold interests, with a total carrying value of £300 million. The valuation of inventory is determined by reference to a number of assumptions and judgements, which are subject to levels of estimation. These include estimates of sales prices and costs to complete, assessments of the likelihood of obtaining planning permission on land held for development, the availability of mortgage financing for customers, and the availability of Government schemes aiding first-time buyers. We focus on this area because changes in any of these key judgements could lead to a material change in the carrying value of inventory.	We understood and evaluated the processes, procedures, and controls in place in respect of these inventory balances and assessed key account reconciliation processes. We tested and challenged the reasonableness of the key assumptions underlying the judgmental elements of the inventory balances, which included: – Net realisable values of land for development, finished units, and work in progress; – Inventory write downs during the year and any provisions in place at year end; and – Judgements regarding the capitalisation of costs, or the amounts capitalised, such as the likelihood of obtaining planning consent on sites purchased without such consent. We reviewed management's forecasts to identify any non-profitable sites, and assessed management's assumptions. We compared forecast sales prices to actual prices achieved post year-end and assessed the accuracy of management's historical forecasts by comparing actual sales prices with prior year net realisable values. We also tested the input data of the key drivers of the movement in the inventory balance, reperformed underlying calculations, and performed margin analysis and benchmarking. No material differences were identified from our testing performed.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TELFORD HOMES PLC

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group operates through the Company and some trading subsidiaries, including joint ventures, and the Group accounts are a consolidation of these entities. The accounting for these entities, along with the Group consolidation and including the joint ventures, is centralised at head office. Our audit scope comprises an audit of the complete financial information of the Group and the Company.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£2.3 million	£2.1 million
How we determined it	5% of profit before tax.	5% of profit before tax.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £86,500 (Group audit) and £86,500 (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the strategic report and directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described on page 113.

Reporting on other information continued

Strategic report and directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the strategic report and directors' report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the strategic report and directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 55, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Arif Ahmad
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

29 May 2018

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