



# GOVERNANCE

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## BOARD OF DIRECTORS



**Andrew Wiseman** BA (Hons), FCMA

### Chairman

Andrew Wiseman, together with close colleagues, founded Telford Homes Plc in December 2000 following 10 years with Furlong Homes Plc. Andrew headed the flotation of Telford Homes on AIM in December 2001, building on excellent relationships with institutional investors. In his role as Chief Executive of Telford Homes, from formation until January 2012 when he became Chairman, Andrew positioned the Group as a partner of affordable housing providers as well as a first-class developer of open market homes.

He is also a Strategic Board member of Optivo, which is one of the largest London Housing Associations, following its creation by the merger of Amicus Horizon with Viridian in 2017.



**Jon Di-Stefano** MA (Econ), ACA

### Chief Executive

Jon Di-Stefano joined Telford Homes in 2002 and was appointed as Chief Executive in July 2011. Jon has overseen a prolonged period of business growth resulting in significant increases in reported profits and shareholder value. Supported by the rest of the Board he has overall responsibility for the strategic direction of the Group including the land buying strategy, the increased focus on build to rent, the approach to risk management and all other long term business planning. Jon is also responsible for managing relationships with the Group's shareholders and other significant stakeholders.

In September 2017 Jon was appointed as a Non Executive Director and member of the Audit Committee of Urban&Civic plc.



**Katie Rogers** BA (Hons), ACA

### Group Financial Director

Katie Rogers joined Telford Homes Plc in 2007 and was appointed as Group Financial Director in July 2011. As well as leading and managing the finance team for the Group, she is responsible for long term profit forecasts and for maintaining ongoing relationships with the Group's banking partners.

In 2017 Katie secured a £210 million five year revolving credit facility with a club of banks and in 2016 secured a £110 million joint venture facility with LaSalle Investment Management. Together with Jon Di-Stefano, Katie also develops and maintains relationships with institutional investors and build to rent investors. She has overall responsibility for delivering the Group's build to rent strategy.



**Jerome Geoghegan** BA (Hons)

### Group Land & Planning Director

Jerome Geoghegan joined Telford Homes in January 2018 and was appointed to the Board in February 2018. Jerome has been working in residential development for over 25 years and for the past 20 years was at the L&Q Group, most recently as the Executive Director of Development and Sales.

Prior to that he was at East Thames Housing Group. Jerome led on the significant and successful growth of L&Q, delivering substantial volumes of new homes through regeneration and placemaking. He also led on creating their own construction arm and acquiring and overseeing a strategic land business. He is responsible for the Group's land buying strategy, land acquisition and maintaining key partnerships.



**John Fitzgerald** FRICS, ICIQB

### Group Managing Director

John Fitzgerald joined Telford Homes in 2003 and was first appointed as Board Director in March 2004. In his current role as Group Managing Director he is responsible for operations across the business including construction, health, safety and sustainability. John has recently overseen the internal restructuring of the Group's operations. He has been influential in developing the joint venture relationships with the Group's partners.

John began his career in 1987 with Willmott Dixon Construction followed by Willmott Dixon Housing and has 30 years' experience in construction and housebuilding. He sits on the Leadership board of the Home Building Skills Partnership.



**David Campbell**

### Group Sales & Marketing Director

David Campbell joined Telford Homes in November 2011 and was appointed as Group Sales & Marketing Director in April 2012. He is responsible for all residential and commercial property sales, along with customer relationships and customer service.

David has over 30 years' experience, operating as both a Sales & Marketing Director and Regional Managing Director for a number of major residential and mixed use developers, including the Berkeley Group, Barratt Developments and Wilson Bowden Plc. He brings a wide appreciation of the development process and the importance of strategic planning for long term complex projects.



**Frank Nelson** ■ ■

### Non Executive Director, Chairman of the Audit Committee and Senior Independent Director

Frank Nelson joined the Board of Telford Homes in January 2015. Frank is a qualified accountant, and he has over 25 years' experience in the housebuilding, infrastructure and energy sectors. He was Finance Director of the housebuilding and construction group Galliford Try plc from 2000 until 2012. He was previously Finance Director of Try Group Plc from 1987, leading the Company through its flotation in 1989 and subsequent merger with Galliford.

He is presently Senior Independent Director at McCarthy and Stone Plc, Eurocell Plc and HICL Infrastructure. Frank also acts as an advisor to certain private businesses.



**Jane Earl** ■ ■

### Non Executive Director and Chairman of the Remuneration Committee

Jane Earl joined the Board of Telford Homes in February 2016. Jane holds a degree in law and has a broad range of experience as a Non Executive Director, following a career in central and local Government.

Jane is currently Non Executive Board member of Vivid Housing Association, where she chairs the Remuneration and Nominations Committee. Previous Non Executive positions include Spektrix, the Planning Inspectorate and the Valuation Office Agency. Her executive roles included Director of the Asset Recovery Agency and Chief Executive of Wokingham Unitary Council. Jane was latterly Chief Executive of Rich Mix Cultural Foundation in Tower Hamlets.

## CORPORATE GOVERNANCE REPORT

### Introduction from our Chairman



**I have pleasure in introducing the Corporate Governance Report which sets out our approach to governance and provides information on how the Board of directors and its committees operate.**

As an AIM listed company, we recognise the importance of applying sound governance principles in the successful running of the Group. Although not required to do so, we have sought to embrace the principles contained in the UK Corporate Governance Code (2016) where appropriate.

We are mindful of the changes to the governance requirements for AIM listed companies and given the size and nature of the Company and composition of the Board we intend, in so far as is practical and appropriate, to formally adopt and adhere to the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code) and will report accordingly in our next annual report.

### The role and composition of the Board

The Company and Group are managed by a Board of directors (the Board) chaired by Andrew Wiseman. The Board is responsible for taking all major strategic decisions and also addressing any significant operational matters. In addition, the Board reviews the risk profile of the Group and ensures that an adequate system of internal control is in place. Management information systems are in place to enable the Board to make informed decisions to properly discharge their duties. A formal schedule of matters reserved for the Board's approval was adopted as at 31 March 2018 and will be reviewed annually. These include matters relating to:

- the Group's strategic aims and objectives;
- the structure and capital of the Group;
- financial reporting, financial controls and dividend policy;
- internal control, risk and the Group's risk appetite;
- the approval of significant contracts and expenditure; and
- any changes to Board membership and structure.

The Board currently consists of six Executive Directors and two Independent Non Executive Directors. David Durant and James Furlong resigned from the Board on 1 February 2018. Jerome Geoghegan was appointed Group Land and Planning Director on 1 February 2018.

Both the Non Executive Directors are considered by the Board to be independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement in accordance with the QCA Code.

The Board believes it is appropriate to have a Senior Independent Non Executive Director and Frank Nelson fulfils this role. Frank Nelson is available to shareholders where concerns have not been resolved through the normal channels of communication with the Board and for when such contact would be inappropriate.

The Board has sufficient members to contain the appropriate balance of skills and experience to effectively operate and control the business. No one individual has unfettered powers to make decisions.

The roles of the Chairman and the Chief Executive are separate, with their roles and responsibilities clearly divided and set out in writing. The Chairman's main responsibility is the leadership and management of the Board and its governance. He meets regularly and separately with the Chief Executive and the Non Executive Directors to discuss matters for the Board.

The Chief Executive is responsible for the leadership and day-to-day management of the Group. This includes formulating and recommending the Group's strategy for Board approval in addition to executing the approved strategy.

As the business has developed, the composition of the Board has been under constant review to ensure that it remains appropriate to the managerial requirements of the Group. One third of the directors retire annually in rotation in accordance with the Company's Articles of Association. This enables the shareholders to decide on the election of the Company's Board.

The Board takes decisions regarding the appointment of new directors as a whole and this is only done following a thorough assessment of a potential candidate's skills and suitability for the role.

The Chief Executive's review, included in this annual report, provides the Board's current assessment of the Group's prospects. The directors are responsible for preparing the financial statements as set out in the Statement of Directors' Responsibilities. The responsibilities of the auditors are set out in their report.

The Board meets regularly, at least 12 times a year and more frequently if necessary. In addition to this the Board attends an annual strategy meeting.

The following table shows directors' attendance at scheduled Board and committee meetings during the year:

Name	Board	Audit	Remuneration
Andrew Wiseman	12/12	–	–
Jon Di-Stefano	12/12	–	–
Katie Rogers	12/12	–	–
David Campbell	11/12	–	–
John Fitzgerald	11/12	–	–
Jerome Geoghegan <sup>1</sup>	2/2	–	–
David Durant <sup>2</sup>	5/8	–	–
James Furlong <sup>3</sup>	7/8	–	–
Frank Nelson	11/12	3/3	4/4
Jane Earl	11/12	3/3	4/4

<sup>1</sup> Jerome Geoghegan joined the Board 1 February 2018.

<sup>2</sup> David Durant resigned from the Board 1 February 2018.

<sup>3</sup> James Furlong resigned from the Board 1 February 2018.

### Board committees

The Board has an Audit Committee and a Remuneration Committee to oversee and consider issues of policy outside main Board meetings. The Board does not consider it necessary to have a separate Nominations Committee and any future recommendations for appointments to the Board will be considered by the Board as a whole.

Each of the Audit and Remuneration Committee has written terms of reference setting out its duties, authority and reporting responsibilities, copies of which are available on the Company's website ([www.telfordhomes-ir.london](http://www.telfordhomes-ir.london)).

During the year, the Chairman of each committee provided the Board with a summary of key issues considered at the committee meetings. Board committees are authorised to engage the services of external advisers as they deem necessary in the furtherance of their duties at the Company's expense. Details concerning the composition and meetings of the committees are contained in the Audit Committee Report on pages 56 to 57 and the Remuneration Committee Report on pages 58 to 65.

### Board effectiveness

The skills and experience of the Board are set out in their biographical details on pages 50 to 51. The skills, experience and knowledge of each director gives them the ability to constructively challenge strategy and decision making and scrutinise performance.

### Induction of new directors

New directors are given a full induction to the Group, tailored to the existing knowledge and experience of the director concerned, so as to ensure that they can properly fulfil their role and meet their responsibilities.

### Time commitments

The Board has determined that the time commitment of Non Executive Directors should be 24 days per annum. The time commitment for Non Executive Directors is set out in the relevant Non Executive Directors letter of appointment. In practice, the Non Executive Directors exceed the minimum time commitment through their involvement in all aspects of the business.

## CORPORATE GOVERNANCE REPORT

### Continued development

All directors are offered appropriate coaching and training to develop their knowledge and ensure they remain up to date in relevant matters for which they have responsibility as a member of the Board.

### Performance evaluation

The Board intends to conduct an evaluation of its own performance and that of its principal committees during 2018. The effectiveness of the Board and its committees will be kept under review in accordance with corporate governance best practice.

### Conflicts of interest

The Company's Articles of Association provide for the Board to authorise any actual or potential conflicts of interest. The Board considers directors' conflicts of interest at each meeting.

### Independent professional advice

Directors have access to independent professional advice at the Company's expense. In addition, they have access to the advice and services of the Company Secretary who is responsible to the Board for advice on corporate governance matters.

### Election of directors

In accordance with the Company's Articles of Association, Andrew Wiseman and David Campbell will retire and offer themselves for re-election at the Annual General Meeting (AGM). Jerome Geoghegan, who was appointed since the last AGM, will be put forward for election.

### Relations with shareholders

The Company has institutional shareholders and is, where practicable, willing to enter into a dialogue with them. The Chief Executive and the Group Financial Director meet regularly with institutional investors within the confines of relevant legislation and guidance.

The Board invites communication from its private investors and encourages participation by them at the AGM. All Board members present at the AGM are available to answer questions from shareholders. Notice of the AGM is in excess of 21 clear days and the business of the meeting is conducted with separate resolutions, voted on initially by a show of hands and with the result of the voting being clearly indicated.

### Internal controls

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to mitigate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the Group's significant risks and this has been in place for the period ended 31 March 2018 and up to the date of approval of the annual report and accounts and is regularly reviewed by the Board.

The internal control procedures are delegated to Executive Directors and senior management in the Group, operating within a clearly defined departmental structure. The Board regularly reviews the internal control procedures in light of the ongoing assessment of the Group's significant risks.

On a monthly basis, management accounts, including a comprehensive cash flow forecast, are reviewed by the Board in order to provide effective monitoring of financial performance. At the same time the Board considers other significant strategic, organisational and compliance issues to ensure that the Group's assets are safeguarded and financial information and accounting records can be relied upon. The Board formally monitors monthly progress on each development.

### Andrew Wiseman

**Chairman**  
29 May 2018

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

### Strategic report

The strategic report for the Group, including a fair review of the Group, a description of the principal risks and uncertainties facing the Group, the development and performance of the Group during the financial year, the Group's position at the financial year end and an analysis of the Group's key performance indicators, can be found from pages 4 to 47.

The strategic report has been reviewed and signed off by the Board of directors.

### Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on pages 50 to 51 confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the report of the directors and strategic report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

The directors consider that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's performance, business model and strategy.

## AUDIT COMMITTEE REPORT

### Statement from the Chairman of the Audit Committee



**I am pleased to present the Audit Committee Report for 2018. This report provides shareholders with an overview of the activities carried out by the Committee during the year.**

The Committee is responsible for ensuring that the financial performance of the Group is properly measured and reported on. Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors, advising on the appointment of external auditors and meeting with external auditors without management present.

### Members of the Audit Committee

The Committee consists of two independent Non Executive Directors: myself (as Chairman) and Jane Earl. Other members of the Board may attend Committee meetings by invitation if required. During the period the Committee met three times with the external auditors being in attendance on all occasions and the Non Executive Directors met separately with the external auditors twice.

### Duties

The main duties of the Audit Committee for the year commencing 1 April 2018 are set out in its Terms of Reference, which were approved and adopted at year end and can be found at [www.telfordhomes-ir.london](http://www.telfordhomes-ir.london). It is intended that these will be kept under continuous review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice.

The main items of business considered by the Audit Committee during the year included:

- review of the financial statements and annual report;
- consideration of the external audit report and management representation letter;
- going concern review;
- review of the 2018 audit plan;
- review of suitability of the external auditor;
- consideration of the impact of new accounting standards including guidance by the Financial Reporting Council (FRC);
- approval of the response letter to the FRC's Conduct Committee;
- review of the interim results;
- assessment of the need for an internal audit function; and
- meeting with the external auditor without management present.

### Role of the external auditor

The Audit Committee monitors the relationship with the external auditor, PricewaterhouseCoopers LLP, to ensure that auditor independence and objectivity are maintained. As part of its review the Committee monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services is provided in note 1 of the Group's financial statements. The non-audit fees relate to tax advice for the Group. Having reviewed the auditor's independence and performance, the Committee recommends that PricewaterhouseCoopers LLP be reappointed as the Group's auditor at the next AGM.

## AUDIT COMMITTEE REPORT

### External audit process

The external auditor prepares an audit plan for its review of the full year financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Committee. Following the audit, the auditor presented their findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditor during the year, however, areas of significant risk and other matters of audit relevance are regularly communicated.

### Financial Reporting Council

The Group received a letter from the Financial Reporting Council's Conduct Committee on 23 January 2018, which informed us that they had carried out a review of the annual report for the year ended 31 March 2017 and had identified one question with regards to the accounting treatment of construction services provided to joint ventures. This was subsequently responded to and the accounting treatment approved, with further disclosure around this area included in the accounting policies. This matter has now been brought to a satisfactory conclusion. The FRC also raised a number of disclosure matters which, if material, should be considered in the annual report for the year ended 31 March 2018. The Committee is satisfied that these matters have been considered and additional disclosures included in the accounts if appropriate.

### Internal audit

At present the Group does not have an internal audit function and the Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one.

### Whistleblowing

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

### Approval

This report was approved by the Board on 29 May 2018 and signed on its behalf by:

**Frank Nelson**

**Chairman of the Audit Committee**

## REMUNERATION COMMITTEE REPORT

### Statement from the Chairman of the Remuneration Committee



**I am pleased to present the Remuneration Committee Report for 2018, which sets out the remuneration earned and paid to the Directors in the year ended 31 March 2018.**

As an AIM listed company, Telford Homes Plc is not required to comply with the remuneration reporting requirements applicable to fully listed companies in the UK. However, the Committee has taken into account these regulations in the preparation of this report for the year as a matter of best practice.

The Committee operates under a defined set of Terms of Reference, which were approved and adopted at year end and which can be found at [www.telfordhomes-ir.london](http://www.telfordhomes-ir.london). It is intended that these will be kept under continuous review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice.

The annual report on remuneration provides details of the amounts earned in respect of the year ended 31 March 2018 and how the directors' remuneration policy will be operated for the year commencing 1 April 2018.

The annual report on remuneration, detailed on pages 62 to 65, is subject to an advisory shareholder vote at the 2018 AGM.

### Review of the year to 31 March 2018

During the year, the Committee worked to embed the new Annual Bonus Scheme and Long Term Incentive Plan (LTIP) as the primary incentive mechanism. The first awards under the LTIP were granted following shareholder approval at the 2017 AGM. As described earlier in the annual report the Group has performed well during the year, delivering record total revenue of £316.2 million and total profit before tax of £46.0 million. Consequently, the Executive Directors earned an annual cash bonus equivalent to 64.63 per cent of salary and in addition to this will continue to be paid their deferred annual bonus this year and over the next two years in line with the historic Deferred Annual Bonus Scheme rules.

The Committee remains committed to a fair and responsible approach to executive pay whilst ensuring it remains in line with best practice and appropriately incentivises Executive Directors over the longer term to deliver the Group's strategy. The Board remains focused to ensuring that the Company retains and develops the talents needed to deliver on its growth targets.

Accordingly, the Committee determined it was appropriate to award the Executive Directors a 3 per cent salary increase, which was in line with increases for the wider workforce.

### Outlook for the year to 31 March 2019

- A key focus will be the new governance requirements for AIM listed companies and how these will be applied.
- It is intended that an annual review of the effectiveness of the Committee by both the Board and Committee itself will be undertaken. The initial review is to be conducted during the year.
- Salary increases for 2019 will be considered in December 2018, applicable from 1 January 2019 and will be fully disclosed and explained in next year's report.

On behalf of the Board

**Jane Earl**  
**Chairman of the Remuneration Committee**  
**29 May 2018**

### Directors' remuneration policy

This section sets out the directors' remuneration policy. The Committee considers the remuneration policy annually to ensure that it continues to underpin the Group's strategy. The policy set out below applies for three years from the 2017 AGM.

#### Key principles

The main aim of the Group's policy is to align the interests of Executive Directors with the Group's growth strategy and long term creation of shareholder value. The policy is designed to remunerate the Executive Directors competitively and appropriately and allows them to share in this success and the value delivered to shareholders.

The policy is based on the following principles:

- promote shareholder value creation and support the business growth strategy;
- ensure that the interests of the directors are aligned with the long term interests of shareholders;
- deliver a competitive level of pay for the directors sufficient to attract, retain and motivate individuals; and
- ensure that an appropriate proportion of the package is determined by targets linked to the Group's performance.

#### Executive Directors' remuneration policy

Base salary	Fixed remuneration to provide a competitive base salary for the market in which the Group operates to attract, motivate and retain directors with the experience and capabilities required to achieve the Group's strategic aims.	Salaries are reviewed annually taking into account Group performance, role, experience and current market rates.	No overall maximum has been set under the policy. However salary increases are reviewed in the context of the wider workforce increases.	Not applicable.
Benefits	To provide a market competitive benefits package as part of total remuneration.	Executive Directors receive benefits in line with market practice, principally life assurance, private medical insurance and a Company car/car allowance.	Set at a level which the Committee deems appropriate.	Not applicable.
Pension	To provide an appropriate level of retirement benefit.	Executive Directors are eligible to participate in the Group's defined contribution pension plan.	Pension contributions are set at 10 per cent of base salary and are paid in addition to base salary.	Not applicable.
Share Incentive Plan (SIP)	To increase employee ownership of shares.	Executive Directors are entitled to participate in a tax qualifying all employee SIP.	Executive Directors can invest an amount per year and receive a matching award from the Company as permitted by the UK tax legislation. Further details on the SIP is included on page 100.	Not subject to performance measures, in line with HMRC guidance.

## REMUNERATION COMMITTEE REPORT

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	Rewards performance against annual targets which support the strategic direction of the Group.	<p>The Company has adopted a new bonus scheme.</p> <p>Awards are based on annual performance.</p> <p>Pay-out levels are determined by the Committee after the year end based on performance against targets.</p> <p>The Committee has discretion to amend the pay-out should any formulaic output not reflect the Committee's assessment of overall business performance.</p> <p>Any bonus earned is paid in cash.</p>	The maximum annual bonus opportunity is 70 per cent of base salary.	<p>Performance measures are set annually and aligned with key financial, strategic and/or personal targets.</p> <p>Currently 100 per cent of the bonus is based on total profit before tax (PBT) performance.</p> <p>Stretching targets are required for maximum pay-out.</p>
LTIP	To drive and reward the achievement of longer term objectives, support retention and promote share ownership for Executive Directors.	<p>The Company has adopted a new LTIP.</p> <p>Awards can be made over conditional shares and/or nil cost or nominal cost share options.</p> <p>Vesting will be subject to the achievement of specified performance conditions over a period of three years.</p> <p>Awards may be subject to malus provisions at the discretion of the Committee.</p>	<p>The normal maximum LTIP opportunity is 100 per cent of salary in respect of a financial year.</p> <p>Under the LTIP rules, an award of up to 200 per cent of salary may be granted in respect of a financial year but only in very exceptional circumstances.</p>	<p>Relevant performance measures are set that reflect underlying business performance.</p> <p>For awards granted in 2017, the vesting of awards will be subject to three year cumulative EPS targets.</p> <p>Stretching targets are required for maximum pay-out.</p>

### Explanation of performance measures chosen

Performance measures are selected that are aligned with the performance of the Group and the interest of shareholders. Stretching performance targets are set each year for the annual bonus and long term incentive awards. When setting these performance targets, the Committee will take into account a number of different reference points, which may include the Group's business plan and strategy and economic environment. Full vesting will only occur for what the Committee considers to be stretching performance.

The annual bonus is based on total PBT performance which is a key financial performance metric of the Group.

The LTIP is based on EPS performance as the Committee considers this to be a key measure of long term sustainable business performance.

The Committee retains the ability to adjust or set different performance measures if events occur which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they can achieve their original purpose.

Awards and options may be adjusted in the event of a variation of share capital in accordance with the rules of the LTIP.

### Legacy remuneration

The Committee has the right to settle remuneration arrangements that were put in place prior to this policy being created.

These being:

- The bonus scheme applicable to Executive Directors from 1 April 2013 to 31 March 2017 involved a proportion of the bonus earned in the year (up to 50 per cent) being deferred and paid out to each director in equal instalments over the next three years, subject to a minimum level of profit being achieved in these years. Therefore, subject to the minimum level of profit being achieved in the financial years to March 2018, March 2019 and March 2020, deferred bonus payments will be paid in line with the rules of this scheme. The amount carried forward under this scheme for each director is included on page 63.
- During 2006 the Company set up a Deferred Payment Share Purchase Plan (DPSPP) for the benefit of select employees. Further details are given in note 18 to the financial statements. The Remuneration Committee is responsible for approving any offers of shares made under the DPSPP although further grants are very unlikely.
- Approved and unapproved share options have been granted to Executive Directors in previous years under the Telford Homes Plc Employee Share Option Scheme (ESOP). Outstanding options detailed on page 64 can still be exercised under the rules of the scheme.

### Non Executive Directors' remuneration policy

The remuneration policy for the Non Executive Directors is to pay fees necessary to attract an individual of the calibre required, taking into consideration the size and complexity of the business and the time commitment of the role.

Details are set out in the table below:

Approach to setting fees	Basis of fee	Other items
<p>The fees of the Non Executive Directors are agreed by the Chairman and Chief Executive.</p> <p>Fees are reviewed annually.</p> <p>Fees are set taking into account the level of responsibility, relevant experience and specialist knowledge of each Non Executive Director.</p>	<p>Fees may include a basic fee and additional fees for further responsibilities (for example Chairman of the Remuneration and Audit Committee).</p> <p>Fees are paid in cash.</p>	<p>Non Executive Directors do not receive any benefits or pension contributions.</p> <p>Travel and other reasonable expenses incurred in the course of performing their duties are reimbursed.</p>

### Details of current Executive Directors' contracts

Executive Directors have service contracts that can be terminated on 12 months' notice. These provide for termination payments equivalent to 12 months' base salary and contractual benefits.

### Details of letters of appointment and notice periods for Non Executive Directors

Non Executive Directors have letters of appointment for an initial period of three years subject to termination on three months' notice.

### Statement of consideration of shareholder views

The Committee considers shareholder feedback received on remuneration matters, including issues raised at the AGM as well as any additional comments received during any other meetings with shareholders.

## REMUNERATION COMMITTEE REPORT

### Annual report on remuneration

#### Remuneration

The directors' emoluments for the year ended 31 March 2018 are as follows:

Name	Salary & fees	Deferred Annual Bonus Scheme*	Annual Bonus Scheme	Benefits	Pension	Total 2018	Total 2017
<b>Executive Directors</b>							
Andrew Wiseman	103,875	62,750	–	19,810	10,387	196,822	256,270
Jon Di-Stefano	332,500	97,791	214,879	35,951	33,250	714,371	604,855
David Campbell	239,000	97,791	154,453	12,675	23,900	527,819	486,450
David Durant <sup>1</sup>	124,967	80,391	78,842	10,992	12,497	307,689	328,530
John Fitzgerald	239,000	97,791	154,453	18,316	23,900	533,460	497,437
James Furlong <sup>2</sup>	47,438	4,584	–	17,308	–	69,330	132,913
Jerome Geoghegan <sup>3</sup>	47,935	–	50,000	2,756	4,793	105,484	–
Katie Rogers	239,000	97,791	154,453	14,143	23,900	529,287	373,474
<b>Non Executive Directors</b>							
Jane Earl	59,120	–	–	–	–	59,120	55,500
Frank Nelson	62,800	–	–	–	–	62,800	56,250
	<b>1,495,635</b>	<b>538,889</b>	<b>807,080</b>	<b>131,951</b>	<b>132,627</b>	<b>3,106,182</b>	<b>2,791,679</b>

\* The amounts paid under the Deferred Annual Bonus Scheme were earned in previous years and released in line with the rules of the scheme. For further details see page 63.

1 David Durant resigned from the Board on 1 February 2018.

2 James Furlong resigned from the Board on 1 February 2018.

3 Jerome Geoghegan joined the Board on 1 February 2018. He was awarded a one-off joining bonus of £50,000. He will join the LTIP and Annual Bonus Scheme from 1 April 2018.

#### Notes to the table

##### Base salaries

The base salaries are reviewed on 1 January each year for the Executive Directors. The base salary which applies for each director from 1 January 2018 is set out below.

Name	2018
Andrew Wiseman	106,500
Jon Di-Stefano	340,000
David Campbell	245,000
John Fitzgerald	245,000
Jerome Geoghegan	245,000
Katie Rogers	245,000

#### Annual bonus

A new annual bonus scheme was adopted from 1 April 2017 and replaced the Deferred Annual Bonus Scheme applicable from 1 April 2013 to 31 March 2017. An element of bonus paid in the current year relates to the Deferred Annual Bonus Scheme. Details of all bonuses earned and paid out for each director is set out below:

##### Deferred Annual Bonus Scheme

Eligible participants are listed in the table below.

	Deferred bonus brought forward	Amount paid during the year	Deferred bonus carried forward
Andrew Wiseman	116,583	(62,750)	53,833
Jon Di-Stefano	205,084	(97,791)	107,293
David Campbell	205,084	(97,791)	107,293
David Durant	159,231	(80,391)	78,840
John Fitzgerald	205,084	(97,791)	107,293
James Furlong	5,834	(4,584)	1,250
Katie Rogers	205,084	(97,791)	107,293

The above bonus amounts paid in the year relate to the Deferred Annual Bonus Scheme which ended in 2017 and under which no further amounts can be earned. Under this bonus scheme, each Executive Director was entitled to earn an annual bonus equivalent to 0.6 per cent of profit before tax subject to a minimum level of profits being achieved in each year and capped at 100 per cent of salary at the date the bonus is payable. Up to 50 per cent of the bonus earned in each year was deferred and paid out to each director in equal instalments over the next three years, again subject to a minimum level of profit being achieved in these years. The bonus carried forward will be released and paid over the next two years in line with the scheme rules.

##### Annual Bonus Scheme

Eligible participants are listed in the table below.

	Earned and paid in the year
Jon Di-Stefano	214,879
David Campbell	154,453
David Durant	78,842
John Fitzgerald	154,453
Katie Rogers	154,453

The above bonus amounts earned and paid in the year relate to the Annual Bonus Scheme which came into effect on 1 April 2017. David Durant earned the amount stated above for his participation in the Annual Bonus Scheme from 1 April 2017 until his resignation from the Board on 1 February 2018. Under this bonus scheme performance measures are set annually and aligned with key financial, and strategic targets. Currently 100 per cent of the bonus is based on total PBT performance with stretching targets required for maximum pay-out.

The Committee retains the ability to adjust or set different performance measures if events occur which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they can achieve their original purpose.

##### Benefits

The taxable benefits for the Executive Directors in the year included a car allowance or company car and private medical insurance. Jon Di-Stefano and John Fitzgerald's benefits also include interest relating to a loan arising from the DPSP scheme, further details on this share scheme are given in note 18.

## REMUNERATION COMMITTEE REPORT

### Directors' interests in shares and share options

Directors' interests in shares of the Company at 31 March 2018 and movements in the year are listed below.

	At 31 March 2017 Number	Share Incentive Plan Number	Forfeited SIP Number	Market acquisitions and disposals Number	At 31 March 2018 Number
Andrew Wiseman	2,328,927	2,997	–	(125,000)	2,206,924
Jon Di-Stefano	406,651	2,995	–	–	409,646
David Campbell	44,369	1,193	–	1,500	47,062
John Fitzgerald	112,513	2,383	–	–	114,896
Jerome Geoghegan	–	–	–	–	–
Katie Rogers	129,228	2,390	–	–	131,618
Jane Earl	1,048	–	(545)	6,342	6,845
Frank Nelson	29,463	–	(1,105)	–	28,358

These interests include shares purchased under the Telford Homes Share Incentive Plan (SIP) which all employees, including Executive Directors, are eligible to participate in. All shares purchased under the SIP are matched by shares provided by the Company on a one for one basis. These 'matching' shares are also included in the interests stated but must remain in the SIP for a period of not less than three years otherwise they are forfeited. Further details on the SIP are included in note 18 to the financial statements. Frank Nelson and Jane Earl as Independent Non Executive Directors no longer participate in the SIP.

The share options held by the directors in the Telford Homes Plc ESOP and LTIP at 31 March 2018 and the movements during the year then ended were as follows:

	Company scheme	31 March 2017 Number	Granted during the year	Exercised in year Number	31 March 2018 Number	Exercise price	Dates exercisable
Jon Di-Stefano	ESOP unapproved	60,000	–	–	60,000	75p	1 Oct 2005 to 1 Oct 2018
	ESOP unapproved	100,000	–	–	100,000	90.5p	9 Feb 2015 to 9 Feb 2022
	LTIP	–	80,498	–	80,498	Nil	14 Jul 2020 to 14 Jul 2027
Katie Rogers	LTIP	–	57,812	–	57,812	Nil	14 Jul 2020 to 14 Jul 2027
David Campbell	ESOP unapproved	67,000	–	–	67,000	90.5p	9 Feb 2015 to 9 Feb 2022
	ESOP approved	33,000	–	–	33,000	90.5p	9 Feb 2015 to 9 Feb 2022
	LTIP	–	57,812	–	57,812	Nil	14 Jul 2020 to 14 Jul 2027
John Fitzgerald	ESOP approved	33,000	–	–	33,000	90.5p	9 Feb 2015 to 9 Feb 2022
	LTIP	–	57,812	–	57,812	Nil	14 Jul 2020 to 14 Jul 2027

In total the share-based payments charge in respect of directors' share options was £139,000 (2017: £nil).

### Composition of the Remuneration Committee

The Remuneration Committee comprises the independent Non Executive Directors, namely Jane Earl and Frank Nelson. The Committee makes recommendations to the Board on Executive Directors' service agreements and remuneration. In doing so it has undertaken relevant research to ensure that remuneration levels are competitive with the industry average. Generally the Committee meet three times during the year, however in the current year the Committee has met four times to enable full consideration to be given to the decisions required regarding the new bonus structure and LTIP.

The Chairman, Chief Executive and Group Financial Director attend meetings and provide information and support as requested. They are not present when their remuneration package is considered.

### Advisors

During the year, the Committee did not receive any external advice.

### Implementation of directors' remuneration policy for the financial year commencing 1 April 2018

Information on how the Company intends to implement the directors' remuneration policy for the financial year commencing on 1 April 2018 is set out below:

#### Salaries and fees

Salaries for the Executive Directors and fees for the Non Executive Directors will be reviewed in December 2018 and will be disclosed in the annual report on remuneration next year, although the Committee does not anticipate making salary increases greater than the awards being made to the wider workforce. The provision of benefits will remain unchanged.

#### Annual bonus

The maximum bonus opportunity for Executive Directors will be 70 per cent of base salary subject to achieving stretched total PBT targets.

To achieve maximum pay-out, total PBT is required to exceed target PBT by at least 10 per cent. If total PBT is more than 20 per cent under target PBT, no annual bonus is earned.

Bonus payments will be settled in cash.

#### Long Term Incentive Plan

Awards will be granted under the LTIP following the release of final results for 12 months ended 31 March 2018. Vesting of the awards will be subject to three year cumulative EPS targets. The maximum award under this scheme is 100 per cent of base salary.

To achieve maximum vesting, cumulative EPS over three years is required to exceed target EPS by at least 10 per cent. If cumulative EPS is more than five per cent below EPS target, no LTIP awards vest.

#### Approval

This report was approved by the Board on 29 May 2018 and signed on its behalf by:

#### Jane Earl

Chairman of the Remuneration Committee

## DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements for the year ended 31 March 2018. The Corporate Governance Report on pages 52 to 54 forms part of this report.

### Principal activity

Telford Homes is an AIM listed public limited company incorporated and domiciled in the United Kingdom. The principal activity of the Group is property development.

### Result and dividend

Profit after income tax for the year ended 31 March 2018 was £37,415,000 (2017: £27,519,000).

The directors recommend a final dividend of 9.0 pence per ordinary share which, together with the interim dividend of 8.0 pence paid on 12 January 2018, make a total of 17.0 pence for the year (2017: 15.7 pence).

### Going concern

The Group's business activities, together with factors likely to affect its future development and performance, are set out in the Chief Executive's review on pages 18 to 25 and the management of risks and uncertainties affecting the Group are set out on pages 36 to 39. The financial position of the Group, its cash flows and borrowing facilities are described in the Financial review on pages 26 to 33. In addition note 21 to the financial statements includes details of the Group's financial instruments and its exposure to credit risk and liquidity risk.

The directors have assessed the Group's projected business activities and available financial resources together with detailed forecasts for cash flow and relevant sensitivity analysis. The directors believe that the Group is well placed to manage its business risks successfully.

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

### Substantial shareholdings

Based on shareholder analysis as at 15 May 2018 and as far as the Company is aware, the following represents interests in excess of three per cent in its ordinary share capital:

	Number of shares held	Percentage
Hargreaves Lansdown (Stockbrokers)	5,753,940	7.62
Octopus Investments	5,451,285	7.22
Interactive Investor	4,670,896	6.19
Investec Wealth and Investment	3,421,068	4.53
Barclays Smart Investor	2,413,756	3.20

Telford Homes Trustees Ltd holds 2,084,497 shares (2.76 per cent) and includes shares held on behalf of employees under the Share Incentive Plan (note 18).

### Directors

Details of the directors of the Company are shown on pages 50 to 51.

Andrew Wiseman and David Campbell retire by rotation at the next AGM and, being eligible, offer themselves for re-election. Jerome Geoghegan was appointed to the Board on 1 February 2018 and, being eligible, offers himself for election at the next AGM.

### Directors' interests

The directors' interests in the Company's shares and options over ordinary shares are shown on page 64.

### Directors' and Officers' liability insurance

The Company maintains appropriate directors' and officers' liability insurance in respect of itself and its directors and officers. The directors may also be indemnified in accordance with the Company's Articles of Association and to the maximum extent permitted by law, although no such indemnities are currently in place. The insurance does not, and any indemnities if granted would not, provide cover where the relevant director or officer has acted fraudulently or dishonestly.

### Share capital

As at 31 March 2018, the Company's share capital consisted of 75,516,000 issued and fully paid ordinary shares with a nominal value of 10 pence per share. The holders of ordinary shares are entitled to one vote per share at the meetings of the Company.

The Company's investment in own shares relates solely to the Share Incentive Plan and further details of the total holding and movements in the holding are disclosed in note 18.

### Employees

The Group places considerable value on the involvement of its employees and keeps them informed of all relevant matters on a regular basis. Telford Homes is an equal opportunities employer and all applications for employment are considered fully on the basis of suitability for the job.

### Charitable donations

The Group made charitable donations of £77,000 for the year ended 31 March 2018 (2017: £73,000). These donations were made to a number of different charities supporting a broad range of good causes.

### Disclosure of information to auditor

Each of the directors who held office at the date of approval of this report confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's external auditor is unaware and that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's external auditor is aware of that information.

### External auditor

PricewaterhouseCoopers LLP has expressed willingness to continue in office as external auditor and as such a resolution to reappoint them will be proposed at the forthcoming AGM.

### Annual General Meeting

The AGM will be held at the registered office at Telford House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire on 12 July 2018 at 12.30pm.

By order of the Board

### Monique Woudberg

Company Secretary

29 May 2018