

Company Registered Number
04118370

TELFORD HOMES LIMITED
DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS

For the year ended 31 December 2022

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TELFORD HOMES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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TELFORD HOMES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

Anne Theresa Kavanagh (appointed 25 July 2022)
Scott Cameron Campbell (resigned 1 August 2022)
Maria Mancini Minetti (appointed 12 April 2022 and resigned 29 September 2022)
David Ratcliffe Neuman (appointed 17 June 2022)
Jonathan Graham Di Stefano (resigned 17 June 2022)
Michael James Lafitte (appointed 29 September 2022 and resigned 1 February 2023)
Christopher Oster (resigned 25 March 2022)

Company Secretary

Liam Foweather

Registered office

Telford House
Queensgate
Britannia Road
Waltham Cross
Herts
EN8 7TF

Independent Auditor

KPMG LLP
Chartered Accountants and Statutory Auditors
15 Canada Square
Canary Wharf
London
E14 5GL

Banker

National Westminster Bank Plc
250 Bishopsgate
London
EC2M 4AA

Registered in England

04118370

TELFORD HOMES LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their Strategic Report and the financial statements of Telford Homes Limited and subsidiaries (collectively known as the "Group") for the year ended 31 December 2022.

Business model

Telford Homes Limited ('Telford Homes') is a developer of residential-led, mixed-use sites in London. Established in 2000, the Group has grown to become one of London's largest developers. At the year end the Group had over 280 employees dedicated to developing the homes and creating the places that London needs.

The goal is to continue to deliver new homes, to help address the chronic shortage in London, focusing particularly on the growing Build to Rent market.

The Group focuses on brownfield opportunities in locations across London where the need for homes far exceeds supply. The Group invests in the communities we create through our sustainability strategy: 'Building a Living Legacy'.

The Group has extensive knowledge and expertise in acquiring land, obtaining planning permissions and designing and building high quality developments.

Buildings are bespoke designs consisting of various housing tenures, alongside commercial properties and community buildings.

The Group's customers include institutional investors in the Build to Rent sector, housing associations, individual buy-to-let investors and owner-occupiers.

Section 172(1) statement

The Directors of Telford Homes have acted in accordance with their duties codified in law, which include their duty to act in the way in which they consider, in good faith, would be most likely to promote the success of the Group and Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172(1) of the Companies Act 2006.

Section 172 considerations are embedded in decision making at Board level and throughout the Group. Our vision and purpose are set out in this Strategic Report and the Directors' Report, as are the risks facing our organisation and the mitigating action we take, and our engagement with employees.

Business review

Revenue, excluding the Group's share of joint ventures, was £296.3 million (2021: £281.8 million).

The group made a loss before tax of £18.4 million (2021: profit before tax of £7.8 million) prior to exceptional losses due to building safety provisions, onerous build to rent contracts and the refurbishment of a listed residential tower (note 4).

Loss before tax was £192.6.1 million (2021: £14.2 million).

In May 2022 the Group and Company signed the Building Safety Pledge to fund or remediate critical fire safety works on buildings over 11 meters in England on buildings it has developed over the past 30 years. The amounts provided reflect the current best estimate of the cost of works required. However, this estimate may be updated as work progresses or as government legislation and regulations evolve.

The Group continues to invest in new opportunities and grow its pipeline as it aims to become London's leading build to rent developer.

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

Strategy

There continues to be a shortage of new homes in London. The Group's goal is continue to deliver homes, principally through the strategic focus on Build to Rent, and, in doing so, help to address this shortage in one of the world's greatest cities.

A key Build to Rent developer and partner

The Group is building a reputation as one of the Build to Rent developers of choice in London, whilst expanding knowledge and understanding of the sector to become a go to partner.

Broadening our geographic focus

The Group has improved access to land opportunities and increased the potential for new relationships by enlarging its desired area of operation across London and to commuter towns around London. This also enables The Group to target Build to Rent development opportunities in new and emerging locations. The Group has proven that it has the knowledge and expertise to successfully expand its geographic horizons.

Reducing exposure to market risks and debt

Increased focus on Build to Rent delivers enhanced capital returns, requiring less equity investment and reducing reliance on debt finance. It de-risks each scheme at an early stage and therefore reduces the economic risks inherent in selling homes to individuals, particularly during market downturns.

Driving responsible business agenda

The Group recognises that in order to maintain and enhance a strong brand and reputation it must continue to deliver responsibly across a number of core areas of the business. These include the quality of finished product and level of customer service, health and safety and sustainability performance, corporate governance and the professional conduct of our employees.

Principal risks and uncertainties

The Group's financial and operational performance is subject to a number of risks. The Board is ultimately accountable for effective risk management within the Group. The Board has developed a set of risk management policies, procedures and controls, and maintains oversight through regular reviews. The risk management process is designed to identify, evaluate and mitigate, where possible, the significant risks we face. The risk environment in which we operate continues to evolve and this is reflected in the principal risks and uncertainties that are set out below. The principal risks identified have been assessed based on likelihood and impact, both before and after mitigation through the Group's operations and policies.

Regulation

Potential impact

Changes in laws and regulations can have a direct impact on the Group, including the delivery programme and cost of the Group's developments.

Mitigation

The impact of new laws and regulations is monitored at an early stage through attendance at industry working groups and contributing to building regulation discussions in the appropriate forums.

Regulatory changes are communicated throughout the business and operations are planned and amended accordingly.

Commentary

Building regulations will undoubtedly continue to go through a year of change and evolution.

Political outlook

Potential impact

Changes in both local and national Government can have a direct bearing on the regulatory and economic environment.

Mitigation

Political change is outside of the Group's control, however, there is broad consensus amongst all main political parties that more needs to be done to improve the supply of new housing.

Commentary

It is anticipated that the Government can now focus on domestic issues, including the continued supply of new homes and cost of living crisis.

TELFORD HOMES LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

Reputation

Potential impact

Reputation is vital to the Group and any issues that damage it could have a material impact on our operations.

Mitigation

The Group strives to maintain its reputation and brand across all areas of the business including product quality, customer satisfaction, relationships and partnerships built on mutual trust, our health and safety record, sustainability and compliance with all laws and regulations.

Commentary

The Group is an industry leader in the HomeViews customer recommendation rankings. Achieving a 96% customer satisfaction rate emphasises our strong focus on both producing a quality product and looking after our customers.

Cyber

Potential impact

Failure of the Group's IT systems and the security of internal systems, data and websites could have a significant impact on our business.

Mitigation

The Group's IT systems are protected by anti-virus software and firewalls that are frequently updated. All systems are backed up and data is stored off-site. The Group also uses a third party to test and accredit our cyber security.

Commentary

The enhanced controls and procedures that we have recently implemented recognise that cyber threats are increasingly more sophisticated and can create significant disruption to organisations.

Sustainability

Potential impact

Failure to address sustainability issues could affect the Group's ability to acquire land, gain planning permission, manage its ESG (Environmental, Social and Governance) reputation effectively, and address the demand for sustainable living.

Mitigation

'Building a Living Legacy' (BLL) is the Group's strategy to create places that will stand the test of time by making a positive long-term contribution to London's local communities and the environment. It is underpinned by the Groups 2030 Journey (Roadmap) and objectives, to help ensure that sustainability risks are recognised and addressed. Given the rapidly changing ESG environment that we operate within, we continue to maintain our BLL Risks and Uncertainties Register along with a biennial materiality assessment.

Commentary

We are proud to be ranked as the UK's most sustainable housebuilder in 2022 by NextGeneration for the 3rd year in succession, and for the 4th consecutive year we also received a gold award.

Planning process

Potential impact

Delays in achieving suitable planning permissions can increase financing costs, delay profit recognition and impact on our ability to invest equity into new opportunities. Failure to achieve a suitable planning permission may lead to cost write-offs or reduced margins on individual developments.

Mitigation

A planning risk assessment is conducted prior to any land purchase. Strong relationships are maintained with local authorities, planning officers and local communities to best understand their requirements, underlying policy and planning prospects. While this cannot remove planning risks, it mitigates them as much as possible.

Commentary

The Board ensures that the Group is not overexposed to planning risks by limiting the total investment in sites without a planning permission at any one time.

Build cost and programme

Potential impact

The efficient, timely delivery of construction projects and the availability of materials and labour at an economic rate are critical to the Group's profits, cash flows and reputation.

Mitigation

Telford Homes retains the role as main contractor on most of its developments. This enables planning of the construction programme and timely management of the tender process, to reduce the risk of delays and to achieve competitive rates. We secure rates as early as possible in the development process and closely monitor all construction costs. We are working in partnership with subcontractors and make prompt payments to build mutually beneficial relationships.

Commentary

We have a strong track record of working with our subcontractors and identifying issues with labour and materials shortages at an early stage and plan for those accordingly.

TELFORD HOMES LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

Innovation

Potential impact

The construction industry needs to innovate to help address a shortage of skilled labour and the need to accelerate the delivery of new homes. The Group must ensure it is always up to date with innovation.

Mitigation

We have a strong track record of undertaking complex schemes in challenging locations by using innovative design, procurement and building solutions in partnership with our supply chain. Our Innovation Steering Committee continues to steer the direction of workstreams, reviewing new innovation ideas and ensuring these ideas meet the business needs.

Commentary

We are assessing Modern Methods of Construction and implementing them where we can demonstrate value, this is also in response to varying client and customer expectations.

Access to land

Potential impact

New land opportunities need to be sourced in appropriate locations and where optimum planning consents can be obtained. The appraisal process that determines the price paid for land is critical in maintaining margins and return on equity at acceptable levels.

Mitigation

The Group's strong relationships with land owners and advisors plays a key role in our ability to acquire new sites. A robust land appraisal process ensures each project is financially viable and consistent with the Group's strategy.

Commentary

The Group has a strong reputation for acting quickly in purchase negotiations and working closely in partnership with a vendor. This means we are often approached off-market or put on restricted shortlists.

Retain and attract employees

Potential impact

An inability to recruit and retain employees with appropriate skills and experience could have a damaging effect on the Group's operations.

Mitigation

The Group's supportive culture and core people values are important factors in attracting and retaining employees. In addition, our HR programme includes succession planning and a comprehensive trainee scheme, whilst our Academy will deliver bespoke training programmes across the Group. Our remuneration packages are benchmarked against industry standards to ensure competitiveness. An annual employee engagement survey is used to identify any areas for improvement.

Commentary

Skilled employees are critical to delivering the Group's growth strategy and we have an excellent track record in both retaining employees and recruitment.

Credit

Potential impact

Failure or significant delays in receiving contractual payments can impact on our cash flow position. Having over-reliance on any one partner could intensify this effect.

Mitigation

The Group transacts with a number of reputable organisations with solid financial standings and has legally binding contracts in place that give security over payments, including parent company guarantees where necessary.

Commentary

The Group has due diligence controls in place to mitigate credit risk as much as is possible.

Economic environment

Potential impact

Demand for the Group's homes is dependent on economic confidence. This is heavily influenced by factors outside the Group's control such as interest rates, the availability and cost of mortgage finance, taxation, rental incomes, unemployment, and increasing consumer costs for other goods and services.

Mitigation

Forward sales are being secured with housing associations and through Build to Rent contracts, giving greater certainty over cash flows and generating higher capital returns. The Group considers the prevailing economic environment before committing to significant transactions or events such as land purchases and sales launches.

Commentary

The economic environment is monitored on a continuous basis and mitigated where possible, by the Board, with the appropriate action being taken in a timely manner.

TELFORD HOMES LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

Health and safety

Potential impact

A deterioration in the Group's health and safety standards could put employees, contractors, site visitors or the general public at risk of injury or death and could lead to criminal or civil litigation resulting in penalties that damage our reputation.

Mitigation

Investment in training, the promotion of health and safety to all employees and stakeholders through extensive policies and procedures to ensure high standards are maintained. Only engaging with stakeholders that share our ethos in working to the highest health and safety standards. The Group has a dedicated health and safety team who conduct regular health and safety audits across the business. Our health and safety management system is accredited and regularly audited by the British Standards Institute. We invest in a rigorous health and safety training programme to ensure that all employees have the appropriate skills and knowledge.

Commentary

The Group maintains an ongoing focus on health and safety to manage the risks inherent in the construction process.

Liquidity

Potential impact

Construction and property development can be a very capital-intensive business with significant cash inflows and outflows. Accurately forecasting cash flows is therefore vital to the success of the Group.

Mitigation

The Group maintains a detailed cash flow forecast which extends five years ahead and is subject to continual re-assessment and sensitivity analysis to ensure it is not operating beyond its financial capacity. This forecast is reviewed by the Chief Financial and Operating Officer on a regular basis. The Groups strategic focus has moved to focus more on forward funded or co-invest build to rent sales to investors which reduce the need for equity and liquidity risk of the business. The Group also has excellent relationships with its banking partners and can secure debt funding against its developments as needed. The Group also now has the wider support of its ultimate parent company, CBRE Group Inc, which is able to provide support in terms of debt facilities and also intercompany support.

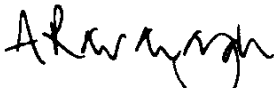
Commentary

The Group has continued to invest in land and work in progress and continues to ensure it has adequate measures in place to reduce and offset any liquidity risks as best possible.

Key performance indicators

The Group monitors performance against its strategic objectives through a series of Key Performance Indicators (KPIs), with targets being set annually and monitored throughout the year. These targets focus on areas such as profitability and efficiency, development pipeline, employee retention rate, health and safety, and sustainability.

This report was approved by the board on 23 June 2023 and signed on it's behalf by:



Anne Theresa Kavanagh
Director

TELFORD HOMES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors are responsible for preparing the Strategic report, the Directors' report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

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 Parent Company and of the Group's profit or loss for that year. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on page 1, confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the Directors' Report 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.

TELFORD HOMES LIMITED

GROUP DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report together with the audited financial statements for the year ended 31 December 2022.

Principal activity

The principal activity of the Group is property development.

Result and dividend

Loss after income tax for the year ended 31 December 2022 was £153,154,000 after exceptional losses of £174,215,000 due to building safety provisions, onerous build to rent contracts and the refurbishment of a listed residential tower (2021: £11,670,000 after an exceptional loss of £22,000,000 made on the refurbishment of a listed residential tower).

The Directors have not recommended a final dividend for the year. No interim dividend was paid.

Going concern

The Directors have reviewed the Group's budget and forecast for the forthcoming 12 months from the date that these financial statements have been approved and have reasonable expectation that the Group has adequate resources, including support from the wider CBRE Group as required, to continue in operational existence for the foreseeable future. The Group has therefore adopted the going concern basis of preparing its financial statements.

Directors and Directors' interests

Details of the Directors of the Company are shown on page 1. The Directors have no interest in the shares of the Company.

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 in place currently. 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 December 2022 the Company's share capital consisted of 935,950,669 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 meetings of the Company. All shares are held within the CBRE Group.

Employees

The Group places considerable value on the involvement of its employees and it is the Group's policy to keep 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.

Political and charitable donations

The Group made no political donations in the financial year. The Group made charitable donations of £77,000 for the year ended 31 December 2022 (2021: £53,000). These donations were made to a number of different charities supporting a range of good causes.

Total greenhouse gas emissions

	Year ended 31 December 2022	Year ended 31 December 2021
Greenhouse gas emissions		
Scope 1 emissions (t CO ₂ e) ⁽¹⁾	199.46	802.60
Scope 2 emissions (t CO ₂ e) ⁽²⁾	370.94	374.58
Scope 3 emissions (t CO ₂ e) ⁽³⁾	391.95	390.65
Total (t CO ₂ e)	962.35	1,567.83
Carbon intensity t CO ₂ e per full-time employee	2.89	4.78

(1) We measure scope 1 direct emissions relating to office, sales, development site activities and travel diesel combustion on our sites and business travel from Company leased vehicles.

(2) We measure scope 2 indirect emissions for purchased electricity and heat for all our sites and offices. Our head office switched to a green tariff supply from November 2018.

(3) We measure scope 3 other indirect emissions relating to business travel by road and air.

Total kWh were 1,918,211 year ended 31 December 2022 (December 2021: 5,150,675).

The data given above is for the year end 31 December. This information is calculated on an annual basis.

Methodology

Greenhouse gas emissions are reported in accordance with the World Business Council for Sustainable Development (WBCSD) & World Resources Institute (WRI) Greenhouse Gas Protocol GHG Corporate Accounting and Reporting Standard, Revised Edition and scope 3 standards, and adheres to the best practice reporting principles of relevance, completeness, consistency, transparency and accuracy.

In conducting the verification, RPS used the appropriate verification planning, validation, GHG assessment and evaluation steps in accordance with the requirements of ISO14064.3, and in adherence to the standard's principles of independence, ethical conduct, fair presentation and due professional care.

TELFORD HOMES LIMITED

GROUP DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

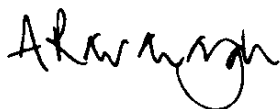
Disclosure of information to auditor

Each of the Directors who held office at the date of approval of these financial statements 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.

Independent Auditor

Pursuant to section 487 of the Companies Act 2006, KPMG LLP will be deemed to be reappointed as Independent Auditor for the year ending 31 December 2023

This report was approved by the board on 23 June 2023 and signed on its behalf by:



Anne Theresa Kavanagh
Director

Registered office

Telford House
Queensgate
Britannia Road
Waltham Cross
Herts
EN8 7TF

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELFORD HOMES LIMITED

Opinion

We have audited the financial statements of Telford Homes Limited ("the Company") for the year ended 31 December 2022 which comprise the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the Group and Company statements of changes in equity, the Group and Company statements of cash flows and related notes, including the accounting policies in note 1.

In our opinion:

- 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 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern year").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Group's high-level policies and procedures to prevent and detect fraud, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board meeting minutes;
- using analytical procedures to identify any unusual or unexpected relationships.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELFORD HOMES LIMITED

(Continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong year and the risk that Group and component management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Group wide fraud risk management controls.

We also performed procedures including:

- identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts and accounts related to fraud risk.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the management (as required by auditing standards) and discussed with the management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Strategic report and Directors' report

The Directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELFORD HOMES LIMITED (Continued)

Matters on which we are required to report by exception

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

- 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
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Group and 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 they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Craig Steven-Jennings (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

Date: 23 June 2023

TELFORD HOMES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Revenue	3	296,300	281,770
Cost of sales	4	(294,740)	(258,673)
Gross profit		1,560	23,097
Building safety costs		(143,205)	-
Impairment of investments		(9,437)	-
Administrative expenses	4	(39,343)	(37,898)
Selling expenses	4	(2,170)	(3,373)
Share of results of joint ventures		1,357	3,992
Operating loss		(191,238)	(14,182)
Finance income	6	212	951
Finance costs	6	(1,589)	(1,012)
Loss before income tax		(192,615)	(14,243)
Income tax credit	7	39,461	2,573
Loss for the year after income tax		(153,154)	(11,670)

All activities are in respect of continuing operations.

The notes on pages 18 to 36 form an integral part of these consolidated financial statements.

TELFORD HOMES LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Other comprehensive income, net of tax (items that may be subsequently reclassified into profit or loss)	-	-
Increase in trade and other receivables	5,278	-
Decrease in investments in joint ventures	(5,278)	-
Loss for the year	(153,154)	(11,670)
Total comprehensive loss for the year	(153,154)	(11,670)

The notes on pages 18 to 36 form an integral part of these consolidated financial statements.

TELFORD HOMES LIMITED

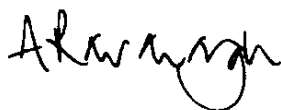
GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		Group 31 December 2022	Group 31 December 2021	Company 31 December 2022	Company 31 December 2021
	Note	£000	£000	£000	£000
Non current assets					
Goodwill	9	289	289	-	-
Investments	10	-	-	23,037	23,037
Investments in joint ventures	10	47,847	63,779	-	-
Property and equipment	11	4,003	5,119	4,003	5,119
Deferred income tax assets	12	43,093	4,990	44,973	4,409
		95,232	74,177	72,013	32,565
Current assets					
Inventories	13	175,494	227,275	101,004	161,890
Trade and other receivables	14	134,238	108,508	214,396	211,207
Cash and cash equivalents	15	4,337	38,348	4,302	38,113
		314,069	374,131	319,702	411,210
Total assets		409,301	448,308	391,715	443,775
Non current liabilities					
Trade and other payables	16	(868)	(1,489)	(177)	(867)
Borrowings	17	(2,395)	(3,223)	(2,395)	(3,223)
Provisions	21	(88,958)	-	(88,958)	-
		(92,221)	(4,712)	(91,530)	(4,090)
Current liabilities					
Bank overdraft	15	(6,446)	-	(6,446)	-
Trade and other payables	16	(126,816)	(73,647)	(144,589)	(94,908)
Borrowings	17	(924)	(43,977)	(924)	(43,977)
Current income tax liabilities		(2,242)	(3,073)	(116)	(116)
Provisions	21	(10,907)	-	(10,907)	-
		(147,335)	(120,697)	(162,982)	(139,001)
Total liabilities		(239,556)	(125,409)	(254,512)	(143,091)
Net assets		169,745	322,899	137,203	300,684
Capital and reserves					
Issued share capital	18	93,595	93,595	93,595	93,595
Share premium		109,799	109,799	109,799	109,799
(Accumulated loss)/Retained earnings		(33,649)	119,505	(66,191)	97,290
Total equity		169,745	322,899	137,203	300,684

The Company made a loss for the year of £163,831,900 (2021: loss of £18,174,000). A significant proportion of the Groups results for the year to 31 December 2022 and year ended 31 December 2021 are generated through its joint venture entities.

The notes on pages 18 to 36 form an integral part of these consolidated financial statements.

These financial statements were authorised for issue by the Board of Directors on 23 June 2023 and signed on its behalf by:



Anne Theresa Kavanagh
Director

Registered number: 04118370

TELFORD HOMES LIMITED

GROUP AND COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

Group statement of changes in equity	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2021	93,595	109,799	131,175	334,569
Loss for the year	-	-	(11,670)	(11,670)
Balance at 31 December 2021	93,595	109,799	119,505	322,899
Loss for the year	-	-	(153,154)	(153,154)
Balance at 31 December 2022	93,595	109,799	(33,649)	169,745

Company statement of changes in equity	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2021	93,595	109,799	112,964	316,358
Loss for the year	-	-	(18,174)	(18,174)
Dividends received	-	-	2,500	2,500
Balance at 31 December 2021	93,595	109,799	97,290	300,684
Loss for the year	-	-	(163,831)	(163,831)
Dividends received	-	-	350	350
Balance at 31 December 2022	93,595	109,799	(66,191)	137,203

The notes on pages 18 to 36 form an integral part of these consolidated financial statements.

TELFORD HOMES LIMITED

GROUP AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Group Year ended 31 December 2022 £000	Group Year ended 31 December 2021 £000	Company Year ended 31 December 2022 £000	Company Year ended 31 December 2021 £000
Cash flow from operating activities				
Operating loss	(191,238)	(14,182)	(205,572)	(21,203)
Depreciation	1,497	1,472	1,497	1,472
Impairment of work in progress	21,573	-	21,573	-
Impairment of investments	(9,437)	-	(9,437)	-
Adjustment to operating profit in respect of IFRS 16	(975)	(940)	(975)	(940)
Decrease/(increase) in inventories and work in progress	30,564	(14,306)	39,669	(4,826)
Increase in receivables	(25,730)	(40,112)	(3,189)	(55,478)
Increase in payables	152,346	23,632	148,785	43,628
Share of results from joint ventures	(1,357)	(3,992)	-	-
	(22,757)	(48,428)	(7,649)	(37,347)
Interest paid and debt issue costs	(1,761)	(1,928)	(1,690)	(1,859)
Income tax (paid)/received	527	2,131	1,761	1,850
Cash flow from operating activities	(23,991)	(48,225)	(7,578)	(37,356)
Cash flow from investing activities				
Distributions from joint ventures	26,726	12,278	9,787	2,500
Purchase of property, plant & equipment	(308)	(81)	(308)	(81)
Interest received	212	705	938	327
Cash flow from investing activities	26,630	12,902	10,417	2,746
Cash flow from financing activities				
Net (decrease)/increase in bank loans	(43,096)	17,119	(43,096)	17,119
Cash flow from financing activities	(43,096)	17,119	(43,096)	17,119
Net decrease in cash and cash equivalents	(40,457)	(18,204)	(40,257)	(17,491)
Cash and cash equivalents brought forward	38,348	56,552	38,113	55,604
Cash and cash equivalents carried forward	(2,109)	38,348	(2,144)	38,113

Cash and cash equivalents includes bank overdrafts that are repayable on demand.

The notes on pages 18 to 36 form an integral part of these consolidated financial statements

TELFORD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

1 Significant accounting policies

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.

These financial statements present information of the Group and Company.

Going concern

The financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate for the following reasons:

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that the Group will have sufficient funds, through funding from its ultimate parent company, CBRE Group, Inc., to meet its liabilities as they fall due for that year. Forecasts built in relevant sensitivities and potential impact on revenue and the Group's forecast cash position for the foreseeable future. Those forecasts are dependent on CBRE Group, Inc. providing additional financial support during that year. CBRE Group, Inc. has indicated its intention to continue to make available such funds as are needed by the Group for the year covered by the forecasts. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The preparation of financial statements in conformity with IFRSs as adopted by the EU 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 year. 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 24.

The Group has adopted IFRS 10, IFRS 11, IFRS 12 and IAS 28 (revised) and 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. Contractual arrangements where no separate legal entity is established follow the requirements for jointly controlled assets.

Accounting policies

The accounting policies of the Group have been applied consistently for all years presented in these financial statements.

a 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 is included in the Group's operating results in the consolidated income statement and its interest in their net assets is included within investments in the consolidated balance sheet.

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 financial statements to remove the Company's share of management fees earned.

TELFORD HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022**

1 Significant accounting policies (continued)

b Revenue and profit recognition
Properties for open market sale

Revenue and profit is recognised when control of each property has transferred to the purchaser, which is the point of legal completion. 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.

Development contracts

Revenue from contracts is recognised over time from the date at which it is considered that the customer controls the asset. 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, control passes to the customer on the date of transfer of title of the land. At this point, revenue is split into two performance obligations. Revenue associated with the transfer of title of the land, which is recognised in full at this point in time, and revenue associated with the ongoing construction, which is recognised from this point over time.

For construction revenue, in order to determine progress towards satisfying the contract and thus the timing and proportion of revenue to be recognised, the input method of measurement is applied, based on resources consumed relative to total resources expected to be consumed. This excludes land which relates solely to the land revenue recognised in full upon transfer of title.

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 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' or 'Amounts payable on contracts', respectively.

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.

Rental income

Rental income is recognised within the income statement on the basis of amounts receivable during the year.

c Selling expenses

Selling expenses which are directly attributable to obtaining a contract are prepaid and then expensed at the time of the corresponding revenue and profit recognition of that contract. All other selling expenses are charged to the income statement as incurred.

d Employee benefits

In accordance with IAS 19, employee benefits are recognised as an expense in the year they are earned by the employee. Under the Group's remuneration package 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 year, dependant on the employees' continued service.

e 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 year 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 statements of cash flows.

TELFORD HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022**

1 Significant accounting policies (continued)

f Leased assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal year if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

TELFORD HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022**

1 Significant accounting policies (continued)

g Foreign currency translations

Foreign currency translations are translated into the functional currency using the spot exchange rates at the date of the transaction. Any gains or losses are recognised in the profit and loss account.

h Pension costs

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

i Property and equipment

Property 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
Equipment and machinery	- 2 to 5 years
Motor vehicles	- 3 years

j 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 with 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.

k Investments

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

l Business Combination

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.

m 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 is 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.

n 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.

o 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.

p Taxation

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

The tax currently payable is based on the results for the year. Taxable results differs from net profit/(loss) 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.

TELFORD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

1 Significant accounting policies (continued)

q Financial instruments

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. Provisions for bad and doubtful debts are based on the lifetime expected credit losses, where considered to be material.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting year following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior years, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular year of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

TELFORD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

1 Significant accounting policies (continued) q Financial instruments (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the sole payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

TELFORD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2022

1 Significant accounting policies (continued)

r Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provisions carried in the Statement of financial position.

Critical accounting judgements and key sources of estimation uncertainty

Construction contract revenue and profit recognition

IFRS 15 'Revenue from contracts with customers' 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

Revenue from development contracts is recognised from the point control passes 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. For the land element of the contract, revenue is then recognised in full when the transfer of title occurs and all conditions are expected to be met. Construction revenue is recognised over time from the point of transfer of title and when all conditions are expected to be met. This revenue is recognised at a rate equivalent to the value of work undertaken to the development. Contract profit on land and construction is recognised in proportion to revenue only to the extent that the total eventual profit on the contract can be foreseen with reasonable certainty.

Estimation

Assessing the percentage complete on each construction 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 control 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 (note 13).

Provisions

Estimation

The Group and Company is undertaking a review of all its buildings impacted by the Government building safety scheme in accordance with Government guidelines. All buildings were signed off as compliant under relevant building regulations at the time of completions.

In April 2022, the Group and Company signed the Government's building safety scheme ("the Pledge") to carry out or fund life critical fire safety defects on residential towers greater than 11 meters (or 5-stories) in England on buildings developed over the past 30 years. The Group has committed to reimburse the Building Safety Fund and ACM Fund.

The Group and Company has provided for the cost of reimbursing the Government for claims it has settled or works it has committed as well as remedial works on all properties where build issues have been identified or it is probable that such build issues exist.

Judgement is required to assess the remediation works required, associated costs and timing of the remediation spend. Management's estimate of remediation costs has been based on recent industry experience of the expected costs per plot and assessing the extent of the building issues. It has been assumed that the majority of remediation works will be completed over a five year period and amounts provided have been discounted, accordingly.

This is a complex areas and involves an assessment of the building safety issues over a large number of properties and therefore it is possible that these estimates will change over time due to a number of factors, including engaging with building owners, timing for the appointment of building contractors, Government legislation and as regulations evolves.

Carrying value of investments

Estimation

Investments include interests in subsidiaries and joint ventures. To determine the fair value of investments consideration is given to their underlying net assets. The underlying net assets of the subsidiaries and joint ventures includes work in progress in respect of development properties and judgement is required to assess whether the cost of any associated work in progress is in excess of its net realisable value for these developments. This involves forecasting total expected costs to complete and assumptions on construction costs and inflation. Recognition of profit involves an assessment of expected total revenue and judgement on the certainty around future sales prices. The Group and Company undertake a review of forecasts on a regular basis and the impact of changes to profit margins and the recoverability of investments.

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 December 2022 and have not been adopted early.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

During the year the Group has adopted the following new and revised standards and interpretations that have had no material impact.

Amendments to IAS 37 (Onerous contracts – cost of fulfilling a contract) requiring both incremental costs and an allocation of other direct costs to be included when performing onerous contracts assessments.

TELFORD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

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 Executive Committee ('EC') and Investment Committee ('IC'), on a site by site basis. It is on this basis that the EC and IC 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.

3 Revenue

Our accounting policies for revenue recognition on individual open market sales, construction contracts and freehold assets are outlined on page 19

	Year ended 31 December 2022	Year ended 31 December 2021
	£000	£000
Revenue		
Individual open market sales revenue	51,956	51,428
Contract revenue	174,713	180,812
Land sales revenue	66,281	44,062
Commercial revenue	-	4,126
Other	3,350	1,342
Total revenue	296,300	281,770

4 Expenditure

	Year ended 31 December 2022	Year ended 31 December 2021
	£000	£000
Expenses		
Cost of sales:		
Cost of sales less impairment of work in progress	273,167	236,184
Impairment of work in progress	21,573	22,489
Sales and marketing costs	2,170	3,373
Administrative costs:		
Establishment, employment and other costs	37,846	36,426
Depreciation of property and equipment, and profits on disposal	1,497	1,472
Total cost of sales, administrative and selling expenses	336,253	299,944

Included in administrative costs above is the cost of Employee Benefits, the details of which are included in note 5.

Included in administrative costs above is the following in respect of Auditors remuneration

	Year ended 31 December 2022	Year ended 31 December 2021
	£000	£000
Audit and related services		
Statutory audit of the Company and Group financial statements	170	193
The audit of joint ventures and subsidiary accounts pursuant to legislation	11	24
Other services including non-audit services		
Other non-audit services	-	1

Amounts payable to the Company's Auditor 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.

TELFORD HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022**

5 Employee benefit expense

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

	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
Construction	85	97
Administration	200	238
	285	335

The employment costs of all employees included above were:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Wages and salaries	26,704	25,349
Social security costs	3,355	3,289
Other pension costs - group personal pension arrangements	1,667	1,213
	31,726	29,851

The proportion of employment cost capitalised as part of construction spend on developments in progress and amortised through costs of sales in line with profit recognition was £7,489,000 (2021: £7,900,000).

The Company operates a group personal pension scheme for its employees. At 31 December 2022 payments of £99,765 were due to the scheme (2021: £121,020).

Key management remuneration

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

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Wages and salaries (including bonuses)	2,053	2,804
Social security costs	315	401
Other pension costs	41	63
	2,409	3,268

Director's remuneration

Directors remuneration in the year was as follows:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Remuneration (including benefits in kind)	570	709
Amounts receivable under long term incentive schemes	-	79
Company contributions to money purchase pension schemes	22	37
	592	825

Number of Directors who exercised share options	-	-
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The information above includes remuneration paid to Directors from the date of appointment, and up to the date of resignation, as applicable. For details of those serving as Directors in the year see page 1.

One current Director is accruing benefits under group personal pension arrangements (31 December 2021: one).

TELFORD HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022**

6 Finance income and costs

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Finance income		
Interest income on short term bank deposits	29	6
Net foreign exchange rates changes	-	246
Other interest income	183	699
	212	951
Finance costs		
Interest payable on bank loans and overdrafts, and similar charges	(1,274)	(85)
Amortisation of facility fees	(29)	(747)
Net foreign exchange rates changes	(128)	-
Interest expense for leasing arrangements under IFRS 16	(158)	(180)
	(1,589)	(1,012)
Net finance costs	(1,377)	(61)

Further information on borrowings is given in note 17.

7 Taxation

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Corporation tax on profits for the year	58	1,375
Adjustment in respect of prior years	345	61
Total current taxation expense	403	1,436
Deferred taxation (note 12)	(39,864)	(4,009)
Income tax credit	(39,461)	(2,573)

Reconciliation of effective tax rate

The tax credit assessed for the year is higher (2021: lower) than the theoretical amount that would arise using the tax rate applicable to losses of the consolidated entities. The differences are explained below:

Loss before income tax	(192,615)	(14,243)
Loss on ordinary activities before taxation at the rate of corporation tax	(36,597)	(2,706)
Effects of:		
Joint ventures results reported net of tax	(251)	(45)
Adjustment in respect of prior years	345	61
Expenses not deductible for tax purposes	1,945	366
Tax relief on land remediation costs	(17)	(19)
Adjustment to losses carried forward	-	(230)
Profits taxable at deferred tax rate	(4,886)	-
Income tax (credit)	(39,461)	(2,573)

The applicable tax rate was 19.0% (2021: 19.0%).

Deferred tax expected to reverse has been calculated at rates between 19% - 25% expected to apply in the United Kingdom on reversal of the underlying timing differences (2021: 19%).

Factors that may affect future tax years

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly and increase the deferred tax asset.

8 Dividend paid

For the year ended 31 December 2022 there is no final dividend proposed (2021: £Nil).

TELFORD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

9 Goodwill

	Group £000	Company £000
Net carrying amount at 1 January 2021	289	-
Impairment of goodwill	-	-
Net carrying amount at 31 December 2021	289	-
Impairment of goodwill	-	-
Net carrying amount at 31 December 2022	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)

10 Investments

Company

Investments in subsidiary undertakings	31 December 2022 £000	31 December 2021 £000
At 31 December valued at cost	23,037	23,037

*The significant subsidiary undertakings of the Group comprise

	Share of ordinary capital held by the		Country of registration	Accounting date	Principal activity
	Group	Company			
Island Gardens Limited	100%		England	31 December	Property development
Telford Homes Regeneration Developments Holdings Limited	100%		England	31 December	Property development
Telford Homes Balfon Towers Limited	100%		England	31 December	Property development
Telford Homes City North Limited	100%		England	31 December	Property development
Telford Homes Chrsip Street Limited	100%		England	31 December	Property development
Chrsip Street Developments Limited	100%		England	31 December	Property development
Gallions Limited	100%		England	31 December	Property development
Telford Homes (International Way) Limited	100%		England	31 December	Property development
Telford Homes (Midsomer Blvd) No 1 Limited	100%		England	31 December	Property development
Telford Homes (Midsomer Blvd) No 2 Limited	100%		England	31 December	Property development
Telford Homes LEB Limited	100%		England	31 December	Property development
Telford Homes (Alperton No 1) Limited	100%		England	31 December	Property development
Telford Homes (Mill Road - 1) Limited	100%		England	31 December	Property development
Telford Homes (Roder Street) Limited	100%		England	31 December	Property development
Telford Homes (North Acton) No 1 Limited	100%		England	31 December	Property development
Telford Homes (Perfume Holdings) Limited	100%		Jersey	31 December	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 31 December 2022 £000	Group 31 December 2021 £000	Company 31 December 2022 £000	Company 31 December 2021 £000
At 31 December valued at cost	47,847	63,779	-	-

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		Country of registration	Accounting date	Principal activity
	Group	Company			
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 December	Property development
Armada 1 South Development LLP	50%		England	31 March	Property development
Gallions 2B Development LLP	50%		England	31 March	Property development
Balfon Tower Developments LLP	25%		England	31 December	Property development
One Two Four Brentford LLP	50%		England	31 December	Property development

There have been no additions or disposals of investments in joint ventures during the year ended 31 December 2022, except for the acquisition of a 50% interest in One Two Four Brentford LLP in February 2022.

A full list of subsidiary undertakings and joint ventures not disclosed within this note is included on page 36

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

	Armada 1 South Development LLP	Gallions 2B Development LLP	Chobham Farm North LLP	St Leonards Developments LLP	Balfon Tower Developments LLP	City North (Telford Homes) Limited	One Two Four LLP	Total
Year ended 31 December 2022	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	3,655	7,519	754	-	-	22,965	20,753	55,676
Operating profit/(loss)	850	(182)	375	(24,814)	(7,238)	3,220	-	(27,789)
Finance income	-	-	-	818	-	-	-	818
Finance expense	-	(94)	-	-	(145)	-	-	(239)
Profit/(loss) before tax	850	(276)	375	(23,996)	(7,238)	3,220	-	(27,065)
Income tax credit	-	-	-	-	-	(283)	-	(283)
Current assets	2,026	44,747	2,266	-	56,578	56,206	496	164,319
Cash	1,253	146	519	16	37	1,634	3	3,608
Current liabilities trade and other payables	(151)	(27,049)	(440)	(15)	(12,602)	(13,552)	(498)	(54,308)
Current liabilities other	-	(1,097)	-	-	(30,445)	-	-	(31,542)
Amounts due/(to) from members	2,158	(16,050)	744	(16,042)	(40,892)	(2,796)	-	(72,878)
Net assets/(liabilities)	5,295	697	3,089	(16,042)	(27,624)	43,452	-	8,998
Remove joint venture partners share of net assets/(liabilities)	(2,643)	(349)	(1,545)	8,021	13,812	(45,548)	-	(28,252)
Remove share of amounts due to/from joint venture partners	(1,079)	8,025	(372)	-	8,342	20,541	-	45,457
Consolidation adjustments	85	(654)	-	8,021	13,812	400	-	21,744
Investments in joint ventures	1,729	7,719	1,172	-	18,342	18,884	-	47,847

TELFORD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

10 Investments (continued)

Year ended 31 December 2021	Armada 1 South Development LLP £000	Gallions 2B Development LLP £000	Chobham Farm North LLP £000	St Leonards Developments LLP £000	Balfour Tower Developments LLP £000	City North (Telford Homes) Limited £000	One Two Four LLP £000	Total £000
Revenue	15,602	8,254	1,248	-	-	18,376	-	43,480
Operating profit/(loss)	4,002	1,024	426	(9)	(156)	3,880	-	9,167
Finance income	-	-	-	1,566	-	11	-	1,577
Finance expense	-	(48)	(1)	-	(280)	(2)	-	(331)
Profit/(loss) before tax	4,002	976	425	1,557	(436)	3,889	-	10,413
Income tax credit	-	-	-	-	-	(2,958)	-	(2,958)
Current assets	5,596	15,628	2,589	23,983	90,018	76,231	-	214,055
Cash	1,563	8,280	915	24	62	2,607	-	11,451
Current liabilities: trade and other payables	(214)	(3,902)	(500)	(11)	(39,548)	(20,861)	-	(71,034)
Current liabilities: other	-	(567)	-	-	(27,667)	-	-	(28,234)
Amounts due to/from members	6,492	(10,465)	400	(16,042)	(26,549)	(13,062)	-	(59,228)
Net assets/(liabilities)	13,432	974	3,114	7,061	(3,682)	14,018	-	67,012
Remove joint venture partner's share of (net assets)/liabilities	(8,719)	(487)	(1,707)	(3,977)	2,762	(46,107)	-	(56,235)
Remove share of amounts due to/from joint venture partners	(3,248)	5,232	(200)	8,021	4,009	37,936	-	51,750
Remove pre-acquisition reserves	-	-	-	-	-	1,551	-	1,551
Consolidation adjustments	577	(312)	(3)	(1,635)	(523)	1,597	-	(299)
Investments in joint ventures	4,947	5,407	1,564	10,363	2,566	38,892	-	63,779

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

The Company has received distributions from joint ventures and subsidiaries of £350,000 for the year ended 31 December 2022 (2021: £17,503,797).

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 December 2022 is £1,357,000 (2021: £3,992,000).

11 Property and equipment

Group and Company	Leasehold property £000	Leasehold improvements £000	Equipment and machinery £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2021	4,589	2,199	2,296	967	10,051
Additions	-	-	81	510	591
At 31 December 2021	4,589	2,199	2,377	1,477	10,642
Additions	-	50	258	121	429
At 31 December 2022	4,589	2,249	2,635	1,598	11,071
Depreciation					
At 1 January 2021	1,017	1,300	1,051	618	3,986
Charge	581	162	495	299	1,537
At 31 December 2021	1,598	1,462	1,546	917	5,523
Charge	566	142	515	322	1,545
At 31 December 2022	2,164	1,604	2,061	1,239	7,068
Net book value					
At 31 December 2021	2,991	737	831	560	5,119
At 31 December 2022	2,425	645	574	359	4,003
Included in the above are right-of-use assets over the following					£000
Leasehold property					2,425
Motor vehicles					359
					2,784

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned. Depreciation capitalised within developments in progress was £49,000 (2021: £66,000).

TELFORD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

12 Deferred income tax

	Group 31 December 2022 £000	Group 31 December 2021 £000	Company 31 December 2022 £000	Company 31 December 2021 £000
Deferred tax assets	45,746	5,602	45,180	4,599
Deferred tax liabilities	(3,653)	(612)	(207)	(190)
Deferred tax assets	43,093	4,990	44,973	4,409

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

Deferred tax assets have been recognised to the extent these will be utilised by CBRE Group or where it is expected that there will be taxable profits in future years from which the reversal of the underlying timing differences can be deducted.

There are no unrecognised deferred tax assets or liabilities.

The movement on the deferred income tax account is as follows

	31 December 2022 £000	31 December 2021 £000	31 December 2022 £000	31 December 2021 £000
Brought forward	4,990	682	4,409	798
Surrender of group relief	(1,761)	-	(1,761)	-
Credited to the income statement	39,864	4,009	42,325	3,445
Recognised through current income tax liability	-	299	-	166
	43,093	4,990	44,973	4,409

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

Group

	Capital allowances £000	Losses carried forward £000	Fair value adjustments £000	Other temporary differences £000	Total £000
At 1 January 2021	113	2,458	(289)	(1,600)	682
Credited (charged) to the income statement	38	2,694	-	1,277	4,009
Recognised through current income tax liability	-	299	-	-	299
At 31 December 2021	151	5,451	(289)	(323)	4,990
Surrender of group relief	-	(1,761)	-	-	(1,761)
Credited/(charged) to the income statement	57	42,848	-	(3,041)	39,864
At 31 December 2022	208	46,538	(289)	(3,364)	43,093

Company

	Capital allowances £000	Losses carried forward £000	IFRS 15 restatement £000	Other temporary differences £000	Total £000
At 1 January 2021	113	1,542	-	(857)	798
(Charged) credited to the income statement	38	2,740	-	667	3,445
Recognised through current income tax liability	-	166	-	-	166
At 31 December 2021	151	4,448	-	(190)	4,409
Surrender of group relief	-	(1,761)	-	-	(1,761)
Credited/(charged) to the income statement	57	42,285	-	(17)	42,325
At 31 December 2022	208	44,972	-	(207)	44,973

TELFORD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022

13 Inventories

	Group 31 December 2022	Group 31 December 2021	Company 31 December 2022	Company 31 December 2021
	£000	£000	£000	£000
Development properties	175,494	227,275	101,004	161,890

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 the timing of planning permissions.

Included within development properties for the Group and Company are freehold interests held for future sale of £8,303,000 (2021: £8,303,000). During the year ended 31 December 2022 the Group recognised £nil of new freehold interests and disposed of £nil freehold interests (2021: £nil new freehold interests recognised and disposed of £nil of freehold interests).

The value of inventories expensed in cost of sales by the Group in the year ended 31 December 2022 was £267,480,000 (2021: £234,598,000). Costs capitalised by the Group during the year include interest of £356,000 (2021: £1,924,000), which is capitalised based on the site specific cost of borrowings.

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 £21,573,000 (2021: £21,872,000).

14 Trade and other receivables

	Group 31 December 2022	Group 31 December 2021	Company 31 December 2022	Company 31 December 2021
	£000	£000	£000	£000
Current receivables				
Amounts recoverable on contracts	100,114	68,402	75,371	64,792
Amounts owed by Group undertakings	1,761	-	87,714	56,677
Amounts owed by joint ventures	13,447	20,779	41,025	72,575
Trade receivables	32	27	32	27
Other receivables	4,451	9,500	5,884	12,613
Prepayments and accrued income	14,433	9,800	4,370	4,523
	134,238	108,508	214,396	211,207

The Group and Company does not consider the impact of expected credit losses to be material.

Amounts recoverable on contracts

Total contract revenue of £174,714,000 (2021: £180,812,000) has been recognised by the Group in the year.

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

	Group 31 December 2022	Group 31 December 2021	Company 31 December 2022	Company 31 December 2021
	£000	£000	£000	£000
Contracts where costs incurred plus recognised profits exceed receipts to date included in receivables	100,114	68,402	75,371	64,792
Contracts where receipts to date exceed costs incurred plus recognised profits included in payables (note 16)	(4,896)	(5,905)	-	(1,009)
	95,218	62,497	75,371	63,783
Total costs incurred plus recognised profit on contracts	720,873	630,907	603,687	583,234
Receipts to date	(625,655)	(568,410)	(528,316)	(519,451)
	95,218	62,497	75,371	63,783

At 31 December 2022, retentions held by customers for contract work performed by the Group included within amounts recoverable on contracts amounted to £10,558,525 (2021: £8,262,000).

15 Cash and cash equivalents

	Group 31 December 2022	Group 31 December 2021	Company 31 December 2022	Company 31 December 2021
	£000	£000	£000	£000
Cash balances	4,337	38,348	4,302	38,113
Bank overdraft repayable on demand	(6,446)	-	(6,446)	-
Cash and cash equivalents in the statement of cash flows	(2,109)	38,348	(2,144)	38,113

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16 Trade and other payables

	Group 31 December 2022	Group 31 December 2021	Company 31 December 2022	Company 31 December 2021
	£000	£000	£000	£000
Current payables				
Trade payables	18,850	21,812	18,315	21,302
Amounts due to Group undertakings	-	486	7,376	6,415
Amounts due to joint ventures	-	-	1,452	3,460
Amounts payable on contracts (note 14)	4,896	5,905	-	1,009
Deposits received in advance	73	341	73	341
Social security and other taxes	2,711	2,676	2,796	2,676
Accrued expenses	100,286	42,427	114,577	59,705
	126,816	73,647	144,589	94,908

Accrued expenses includes an amount of £40 million to be refunded to the Government for payments made under the Building Safety Fund.

Non current

Due in more than one year and less than five years

Accrued expenses	868	1,489	177	867
Total trade and other payables	127,684	75,136	144,766	95,775

17 Borrowings

	Group 31 December 2022	Group 31 December 2021	Company 31 December 2022	Company 31 December 2021
	£000	£000	£000	£000
Bank loans	-	43,096	-	43,096
Transaction costs	-	(24)	-	(24)
	-	43,072	-	43,072
Finance lease liabilities (see below)	3,319	4,128	3,319	4,128
Total borrowings	3,319	47,200	3,319	47,200

Further information on borrowings is given in note 20.

Finance lease liabilities are presented in the statement of financial position as follows:

Finance lease liabilities

	Group 31 December 2022	Group 31 December 2021	Company 31 December 2022	Company 31 December 2021
	£000	£000	£000	£000
Current	924	905	924	905
Non-current	2,395	3,223	2,395	3,223
	3,319	4,128	3,319	4,128

18 Share capital

Group and Company	31 December 2022 £000	31 December 2021 £000
Allotted, called up and fully paid		
935,950,669 ordinary shares of 10p each (2021: 935,950,669)	93,595	93,595

All shares rank equally in respect of shareholder rights.

TELFORD HOMES LIMITED

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19 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 Limited

There have been no transactions between key management personnel and the Group other than remuneration in the year ended 31 December 2022 (2021: none)

Transactions between the Group and its joint ventures

The amounts due from joint ventures to the Group for trading balances at 31 December 2022 totalled £13,447,000 (2021: £20,779,000). A total of £41,025,000 was owed to the Company at 31 December 2022 from joint ventures (2021: £37,659,000). The Company owed joint ventures £1,452,000 at 31 December 2022 (2021: £3,460,000).

The Company has invoiced joint ventures £37,837,000 in the year to 31 December 2022 for construction services and marketing costs (2021: £28,945,000). The Company was invoiced £469,000 by joint ventures in the year to 31 December 2022 (2021: £nil). Amounts invoiced to joint ventures for management fees included within invoiced amount above, which have been recognised in the Group income statement, totalled £2,504,000 in the year to 31 December 2022 (2021: £712,000).

Amounts between i) the Group and joint ventures and ii) 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 December 2022 totalled £85,953,000 (2021: £56,677,000) and the Company owed subsidiaries £7,376,000 (2021: £5,929,000).

The Company has invoiced subsidiaries £17,160,000 in the year to 31 December 2022 for construction services (2021: 4,995,000). The Company has been invoiced £nil in the year to 31 December 2022 by subsidiaries (2021: £8,603,578).

Joint ventures and subsidiaries do not transact with each other.

As at 31 December 2022 the company owed CBRE £nil (2021: £17,800,000).

Control

Throughout the year the immediate parent company of the Group was CBRE Evergreen Acquisition Co. 2 Limited, and the ultimate parent company was CBRE Group, Inc.

TELFORD HOMES LIMITED

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20 Financial instruments

Categories of financial assets and financial liabilities are as follows:

	Group	Group	Company	Company
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	£000	£000	£000	£000
Financial assets				
<i>Loans and receivables</i>				
Amounts owed by Group undertakings	1,761	-	87,714	56,677
Amounts owed by joint ventures	13,447	20,779	41,025	72,575
Amounts recoverable on contracts	100,114	68,402	75,371	64,792
Trade receivables	32	27	32	27
Other receivables	4,451	9,500	5,884	12,613
Cash and cash equivalents	4,337	38,348	4,302	38,113
	124,142	137,056	214,328	244,797

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

Financial liabilities				
<i>Amortised cost</i>				
Amounts due to Group undertakings	-	486	7,376	6,415
Amounts due to joint ventures	-	-	1,452	3,460
Trade payables and accrued expenses	120,004	65,728	133,069	81,874
Bank loans and overdraft	6,446	43,096	6,446	43,096
	126,450	109,310	148,343	134,845

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 December 2022 is equal to the carrying value stated in the balance sheet at that date. There are no significant amounts included within trade and other receivables which are currently overdue and not provided against (31 December 2021: £nil).

Borrowings

On 4 June 2021 Telford Homes Limited agreed an unsecured promissory note of £150 million with CBRE. Interest is paid at a rate of 2.20% plus 3 month SONIA. As at 31 December 2022 Telford Homes Limited had utilised £nil of the facility (2021: £17.8 million).

On 23 October 2020 Telford Homes Limited signed a £38 million development loan facility with National Westminster Bank PLC which extends to April 2023. Interest is payable on the loan at a rate of 3.15% plus SONIA. The loan was fully repaid during the year (2021: £25.3 million was utilised).

On 22 February 2017 the Group's joint venture Balfour Towers Development LLP signed a £33.0 million development loan facility with RBS. During September 2020 the facility was increased to £36.63m and in May 2022 the facility was extended to 31 July 2023. Interest is payable on the loan at a rate of 4.00% plus SONIA. As at 31 December 2022 Balfour Towers Development LLP had utilised £30,745,000 (2021: £27,668,000) of this facility.

On 14 July 2021 the Group's joint venture Gallions 2B Development LLP signed a £33.0 million development loan facility with Notting Hill Genesis. Interest is payable on the loan at a rate of 3.40% plus SONIA. As at 31 December 2022 Gallions 2B Development LLP had utilised £1,098,000 (2021: £567,000) of this facility.

All borrowings are treated as current except finance lease due after more than one year. For all borrowings fair value is materially equivalent to the original book value.

TELFORD HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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20 Financial instruments (continued)

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 SONIA and in terms of individual banks attitude to market risk and their application of either base rate or SONIA 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 with this forecast. Volatility of interest costs remained at an acceptable level in the year ended 31 December 2022. Interest on all facilities currently held is charged at floating interest rates despite an increase in the rate of SONIA due to relatively short period remaining on all loans. The Group assesses the requirement for fixing interest rates on a regular basis.

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 and arranging debt, including through the wider CBRE Group.

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, build to rent investors 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 and Bank Mendes Gans.

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. The current forecasts show positive cash balances beyond the next 12 months even where this is subjected to sensitivity testing

Liquidity risk is further mitigated owing to the support available through CBRE Group.

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 and overdraft £000	Total £000
Within one year	119,136	7,429	126,565
More than one year and less than two years	868	807	1,675
More than two years and less than five years	-	1,884	1,884
31 December 2022	120,004	10,120	130,124

	Trade payables and accrued expenses £000	Borrowings and overdraft £000	Total £000
Within one year	64,725	44,167	108,892
More than one year and less than two years	1,489	1,022	2,511
More than two years and less than five years	-	2,495	2,495
31 December 2021	66,214	47,684	113,898

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	Total £000
Within one year	141,720	7,429	149,149
More than one year and less than two years	177	807	984
More than two years and less than five years	-	1,884	1,884
31 December 2022	141,897	10,120	152,017

	Trade payables and accrued expenses £000	Borrowings £000	Total £000
Within one year	90,882	44,167	135,049
More than one year and less than two years	867	1,022	1,889
More than two years and less than five years	-	2,495	2,495
31 December 2021	91,749	47,684	139,433

TELFORD HOMES LIMITED

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21 Provisions

**Building safety
Provision
£000**

At 1 January 2022	-
Additions	99,865
At 31 December 2022	99,865

	Group 31 December 2022 £000	Group 31 December 2021 £000	Company 31 December 2022 £000	Company 31 December 2021 £000
Current	10,907	-	10,907	-
Non-current	88,958	-	88,958	-
	99,865	-	99,865	-

The building safety provision represents the Group and Company's best estimate of the remediation works on all properties where build issues have been identified or it is probable that such build issues exist. The provision has been made in accordance with Government guidelines and recent industry experience. This amount excludes known amounts that the Company will refund to the Government for payments made under the Building Safety Fund (note 16).

22 Operating leases

Future aggregate rentals receivable under non-cancellable operating leases are as follows

	Group 31 December 2022 £000	Group 31 December 2021 £000	Company 31 December 2022 £000	Company 31 December 2021 £000
Within one year	1,006	1,000	-	-
1-2 years	841	898	-	-
2-3 years	623	746	-	-
3-4 years	579	542	-	-
4-5 years	517	509	-	-
Over five years	1,719	1,663	-	-
	5,285	5,358	-	-

23 Commitments and contingent liabilities

Commitments

At 31 December 2022 the Group and Company had £nil commitments for future minimum lease payments under non-cancellable operating leases (2021: £nil).

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.

24 Post balance sheet events

In February 2023, the Group increased its holding in St Leonards Developments LLP from 50% to 100%.

The Group signed the governments building safety contract in March 2023 to remediate buildings in accordance with the building safety pledge signed in May 2022. The Group and Company continue to undertake a review of all its buildings in accordance with Government guidelines to assess life-critical fire safety issues. The current best estimate of the costs of these remediation works, for which a provision has been made in the financial statements, is £100.0 million (see note 21).

25. Other significant interests

The subsidiary undertakings and joint ventures not disclosed in note 10 in which Telford Homes Limited holds a significant interest at 31 December 2022 are set out below

	Share of ordinary capital held (direct/indirect)	Country of registration	Accounting date	Principal activity
Broadway Chambers Management Limited	100%	England	30 June	Property management
Chisp Street Management Limited	100%	England	28 February	Property management
Greenford Block 3 Management Company Limited	100%	England	31 October	Property management
Manhattan Plaza Management Limited	100%	England	31 March	Property management
Stone Studios Management Limited	100%	England	30 September	Property management
Stratford Central Management Limited	100%	England	31 March	Property management
CFN Management Limited	50%	England	31 August	Property management
City North Finsbury Park Limited	50%	England	31 December	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
Balfour Tower Management Company Limited	25%	England	30 April	Property management

All the above including those disclosed in note 10 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 (Perfume Holdings) Limited which is registered in Jersey and Chobham Farm North LLP, Armada 1 South Development LLP and Gallions 2B Development LLP which are all registered at Bruce Kennock House, 2 Kellick Street, London, N1 9FL.

Telford Homes (Alperton) Limited and Telford (Stratford Management) Limited were disposed of during the year ended 31 December 2022.