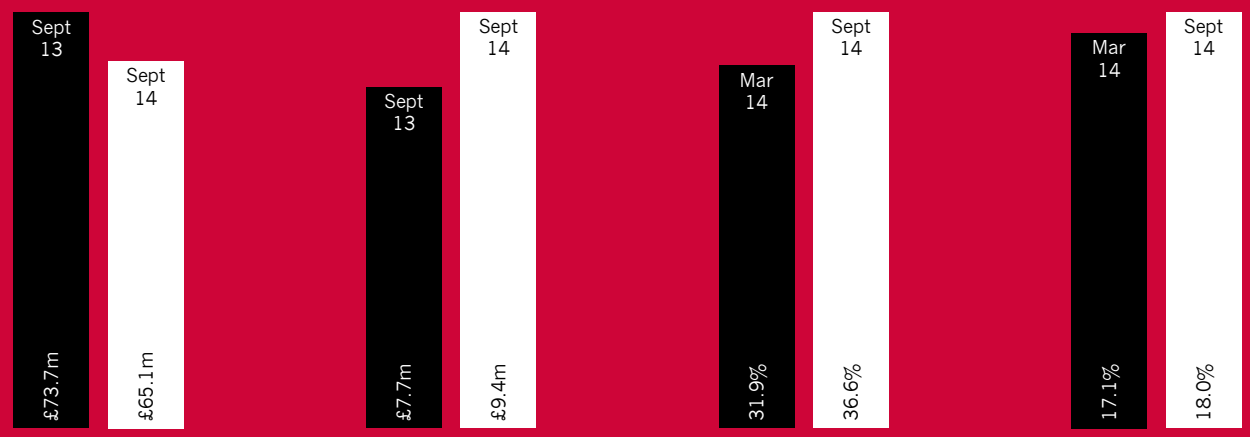
telfordhomes

Interim Report & Accounts 2014

Developing in London

Computer Generated Image

Highlights



Dividend per share

5.1p

September 2013: 3.7p

Development pipeline by revenue

£1,012m

March 2014: £878m

Gearing

35.5%

March 2014: 0%

* Before all interest charges including those expensed within cost of sales of £1.2 million (March 2014: £2.9 million).
Highlights include share of joint venture results.

Chief Executive's Statement

Jon Di-Stefano
Chief Executive

"The Group has an unprecedented £1.1 billion development pipeline and has the opportunity to achieve and then sustain the ambitious targets for growth set by the Board."

Telford Homes is developing in one of the most attractive but undersupplied property markets in the world. Demand for somewhere to live in London remains very strong and as a result the Group has agreed contracts for the sale of more than 600 open market homes since 1 April 2014, already well in excess of the 515 homes sold in the year to 31 March 2014.

In the last six months the Board has underpinned its expectations of sustained long term growth by increasing the Group's development pipeline to more than £1.1 billion of future revenue. Half of this pipeline has been forward sold with both the size of the pipeline, and the scale of forward sales secured, the highest they have ever been.

Future revenue secured of over

£550m

Results for the six months ended 30 September 2014

The results for the year to 31 March 2015 are expected to be weighted towards the second half with a greater number of open market completions due in that period. The number of open market completions in the six months to 30 September 2014

Avant-garde E1

was 140, down from 222 last year. This is entirely as expected and simply reflects the timing of completion of the Group's developments. In the next six months the Group will hand over homes at a number of significant developments including Parliament House, SE1 and Lime Quay, E14.

Due to the timing of completions, revenue, including the Group's share of joint venture revenue, reduced to £65.1 million (H1 2013: £73.7 million). However a substantial increase in the gross profit margin for the period has resulted in gross profit increasing to £22.7 million (H1 2013: £20.0 million). Gross profit is stated after expensing loan interest that has been capitalised within inventories and, adjusting for that interest, the gross profit margin achieved in the six months to 30 September 2014 was 36.6 per cent, a further increase on the 31.9 per cent reported for the year to 31 March 2014.

This increase in margin is due to a combination of factors but primarily reflects more than half of the open market completions in the period being at the Group's joint venture development, Avant-garde, E1 where price growth in the area over a number of years has pushed the profit margin above 40 per cent. The Group's target margin when appraising new opportunities remains at 24 per cent.

House prices in London have risen significantly over the last two years and this has increased anticipated revenue across the Group's developments. This has been partly offset by increasing labour and material costs along with sales overage payments to land vendors, which form an important part of the Group's partnership approach to working with both affordable housing providers and private land owners.

Chief Executive's Statement continued

Hackney Square E9

Computer Generated Images

Despite this, individual development margins have been well ahead of the target margin. The Group has already sold a significant proportion of its existing pipeline and in any case expects more modest sales price inflation in the next few years.

Inflationary pressures in labour costs and material prices are evident across the industry but the Group is placing contracts with subcontractors at an early stage wherever it can and has strong relationships, built up over many years, across its supply chain. As a result these pressures have little impact in the short term and the anticipated longer term impact is incorporated into the Board's current forecasts. The Board expects the reported gross profit margin over the next few years to move back towards the 24 per cent target which has been the basis of the Group's more recent acquisitions.

Administrative expenses have increased against the same period last year as a result of higher employee costs whilst selling expenses are slightly reduced. Selling expenses are written off as incurred and are heavily influenced by the timing and success of individual sales launches. On a typical development, selling expenses are expected to be around four per cent of total revenue and the Group's continued success in forward selling its homes means the costs are being incurred much earlier than the corresponding revenue and profit. The operating margin before charging any interest has improved to 18.0 per cent from 17.1 per cent in the year to 31 March 2014.

Net finance costs have increased to £1.1 million (H1 2013: £0.9 million) due primarily to non-utilisation fees on the Group's £120 million bank facility where the need to drawdown loans has been reduced by the scale of deposits received on forward sales.

Profit before tax for the first six months of the year has increased to £9.4 million against £7.7 million for the same period last year and £19.2 million for the year to 31 March 2014. Given the Group has sold almost every home that should legally complete by 31 March 2015 the Board is very confident of meeting market expectations for profits in the current year. The Board reported on 16 April 2014 that it anticipated that cumulative profit before tax for the four financial years to 31 March 2018 would exceed £120 million and the Group is comfortably on track to achieve this substantial level of growth.

Dividend

The Board is pleased to declare an increase of 38% in the interim dividend to 5.1 pence per share (H1 2013: 3.7 pence). The interim dividend, together with the full year dividend payable in July 2015, is expected to remain consistent with the Board's stated intention of paying around a third of earnings in dividends each year. The interim dividend will be paid on 9 January 2015 to those shareholders on the register at the close of business on 12 December 2014. The ex-dividend date is therefore 11 December 2014.

Parkside Quarter E14

Includes Computer Generated Images

Chief Executive's Statement continued

Stratosphere E15

Computer Generated Images

London market

The Group's business revolves around the fundamental strengths of London including its robust economy, international reputation and an excellent transport network. London continues to suffer from a shortage of homes compared to current demand let alone future population growth and this is the primary driver of the Board's plans to increase the number of homes the Group is building over the next few years.

The measures taken by the Bank of England to maintain prudence in the mortgage market have been welcomed by the Group. Affordability constraints will continue to act as a natural brake on rampant price inflation unless mortgage lending becomes uncontrolled as it did back in 2006 and 2007. This is not the case today and fears of a price bubble in London are unfounded in the locations that Telford Homes is operating in, where the Group focuses on building the right product at relatively affordable prices, especially when compared to prime Central London. As the Board predicted, the rate of price inflation has necessarily slowed as affordability constraints on both mortgage payments and rents act as a welcome restraint, however prices are certainly not falling and the Group remains confident of longer term stability in its areas of operation.

Sales

Telford Homes has experienced tremendous success at every single one of its sales launches over the last few months. The recent launch of Stratosphere, E15, a 36 storey tower in the heart of Stratford, shows the strength of demand that exists for the Group's typical product. Over 270 of the 307 open market apartments

have now been sold with combined future revenue from those sales exceeding £110 million. The launch commenced on 2 October 2014 with over 100 sales achieved in the UK and the remainder sold to overseas investors.

The Group continues to market its developments to investors both in the UK and overseas because the sales achieved are ensuring homes are being built for the many people who want, or need, to rent properties in London. Rental demand remains exceptionally strong given the lack of supply of new homes and the Group's investor customers do not leave their properties empty.

Similar launches earlier this year have been equally well received including Stratford Central, where 151 of 157 open market homes have been sold and Vibe in Dalston where 79 of 81 homes in the first release were sold. Completions across these three developments commence with Vibe in late 2016 and conclude at Stratosphere in late 2018 and therefore the sales enhance the Group's strong forward sold position many years in advance.

The Group's strategy is to target sales early in the development process to control risk, enhance profit and cash flow visibility, and to enable further investment in the development pipeline. Forward sales of both open market homes and affordable homes total in excess of £550 million of revenue which will be recognised from 1 October 2014 onwards. This represents nearly four times the revenue reported in the year to 31 March 2014.

Vibe E8

Computer Generated Images

Chief Executive's Statement continued

Stratford Central E15

Computer Generated Images

The Group has also maintained a healthy rate of sales at its on-site sales centres and through smaller development launches to owner-occupiers and some investors. As such the Group is still in a position where it is selling homes faster than it can currently build them.

Development pipeline

The Board has been actively pursuing significant development opportunities to take advantage of the market dynamics in London and the security of future revenue being derived from the Group's substantial forward sold position.

Telford Homes announced on 30 September 2014 that the Group's development pipeline had exceeded £1 billion of future revenue for the first time in its history as a result of the £16.3 million contract to progress the first of three phases of redevelopment of Poplar Business Park, E14. The first phase has planning consent for 170 homes with total residential revenue expected to be in excess of £75 million. This followed the purchase of a development site on Rotherhithe New Road, Southwark, SE16 earlier in the year for £19 million. This site has a planning consent for 158 homes and two new schools. Construction work will commence on both of these developments in 2015.

After the recognition of revenue from completions in the period to 30 September 2014 the remaining pipeline at that date and to be recognised from 1 October 2014 was £1,012 million (31 March 2014: £878 million). Reaching £1 billion in future pipeline revenue was a significant milestone illustrating the Group's increased capacity to deliver substantial growth in both output and revenues.

The Boatyard E14

Computer Generated Images

On 6 November 2014 the Group announced that it had added to this pipeline in forming a 50:50 joint venture partnership with Notting Hill Housing Group, a leading London housing association. The joint venture has exchanged contracts to purchase a significant site in Stratford, E15 for £44 million. The 5.5 acre site has already been granted outline planning consent and the joint venture will now pursue a detailed application to create over 400 new homes. The development is located immediately adjacent to Westfield Stratford City and the former Olympic Athlete's Village. As a result of the Group's 50 per cent share of this acquisition the current development pipeline now exceeds £1.1 billion.

Planning environment

Despite positive moves to improve the planning process there are still many frustrations and the majority of these relate to the time taken to progress through each stage. More homes could be delivered at a greater speed if planning authorities were appropriately resourced and there were short and binding deadlines for every part of the process, including planning appeals. The Group has a number of developments that do not have a planning consent and is quite prepared to acquire more, but increasingly the Board is forced to forecast longer periods before construction can commence.

Chief Executive's Statement continued

In this frustrating environment the Group has nevertheless maintained an excellent track record in obtaining planning despite the challenges. For example, the Group has been successful during the last six months in obtaining a resolution to grant planning consent for 134 homes in a 23 storey development on Limeharbour, E14. Knowledge of the planning process in each London borough and working in partnership with local authorities and other interested parties removes the majority of the risk involved in securing a planning consent.

Cash and borrowings

As a result of land acquisitions in the last six months and an increase in construction activity, gross borrowings have risen to £52.2 million at 30 September 2014 (31 March 2014: £28.1 million). Cash balances were £13.0 million leaving net debt at £39.2 million with gearing of 35.5 per cent at 30 September 2014, compared to a net cash position at 31 March 2014. The Group's current banking facility of £120 million still has significant headroom available within it and net debt and gearing are expected to increase further as more land is acquired and construction continues. The Board is comfortable with anticipated levels of debt within the business given the substantial security afforded by the scale of forward sales the Group has achieved.

Cash receipts have been boosted by the significant amount of deposits received from forward sales and some of these deposits have been used to pay down bank debt drawn against construction costs. Where homes are sold far in advance of completion the Group takes a 10 per cent deposit on exchange of contracts and another 10 per cent a year later. Total deposits received in advance of completions were £52.6 million at 30 September 2014 (31 March 2014: £45.3 million) with another £11 million currently being received in relation to the first 10 per cent deposits at Stratosphere.

Change in accounting standard and presentation of joint ventures

The Group has been required to adopt IFRS 11 'Joint Arrangements' for the year to 31 March 2015. IFRS 11 states that joint ventures should be accounted for as equity investments rather than by proportional consolidation. This is a change in presentation only and does not change net profits or net assets in any way. The Group's joint ventures are however an integral part of the business and as such the Board believes that the financial results are most appropriately presented using proportional consolidation which means including the relevant share of the results of joint ventures in each line of the income statement and balance sheet. This therefore remains the method of presentation within the Group's internal management accounts.

Horizons E14

Computer Generated Images

As a result the Board has included an income statement and a balance sheet within the interim results using proportional consolidation along with Generally Accepted Accounting Principles (GAAP) compliant versions presenting joint ventures as equity investments. The key performance indicators and other figures within this report include the Group's share of joint venture results. The Board suggests investors follow its lead in assessing the business on the results that include a proportional share of joint ventures. Further detail is included in note 6.

Outlook

London is a fantastic place to be building new homes. The Group is developing in locations where people want to live and can afford to live, in an environment of chronic undersupply, and this is being clearly demonstrated by the success of every sales launch. Telford Homes is in the incredible position of having over £550 million of future revenue forward sold. This includes most of the homes due to complete in the years to 31 March 2015 and 31 March 2016 and many more in the following two years.

The Group has an unprecedented development pipeline and has the opportunity to achieve and then sustain the ambitious targets for growth set by the Board over the next four years and beyond. The Board remains very confident of a bright and exciting future for Telford Homes.

Jon Di-Stefano
Chief Executive
25 November 2014

Group income statement

including proportional share of joint venture results
30 September 2014

	Unaudited Non-GAAP 6 months ended 30 September 2014 £000	Unaudited Non-GAAP 6 months ended 30 September 2013 £000	Audited Non-GAAP Year ended 31 March 2014 £000
Revenue	**65,051**	**73,731**	**140,771**
Cost of sales	(42,401)	(53,757)	(98,701)
Gross profit	**22,650**	**19,974**	**42,070**
Administrative expenses	(7,808)	(6,811)	(14,143)
Selling expenses	(4,293)	(4,478)	(6,748)
Operating profit	**10,549**	**8,685**	**21,179**
Finance income	75	168	409
Finance costs	(1,204)	(1,113)	(2,358)
Profit before income tax	**9,420**	**7,740**	**19,230**
Income tax expense	(1,975)	(1,745)	(4,346)
Profit after income tax	**7,445**	**5,995**	**14,884**

Group balance sheet

including proportional share of joint venture results
30 September 2014

	Unaudited Non-GAAP 30 September 2014 £000	Unaudited Non-GAAP 30 September 2013 £000	Audited Non-GAAP 31 March 2014 £000
Non current assets			
Property, plant and equipment	1,170	1,002	1,153
Financial asset	51	–	227
Deferred income tax assets	732	808	852
	1,953	1,810	2,232
Current assets			
Inventories	244,751	132,459	173,110
Trade and other receivables	8,399	8,987	6,590
Cash and cash equivalents	12,958	55,176	32,970
	266,108	196,622	212,670
Total assets	**268,061**	**198,432**	**214,902**
Non current liabilities			
Trade and other payables	(396)	–	(275)
	(396)	–	(275)
Current liabilities			
Trade and other payables	(103,098)	(53,145)	(79,373)
Borrowings	(52,189)	(46,034)	(28,135)
Current income tax liabilities	(1,833)	(1,486)	(1,727)
	(157,120)	(100,665)	(109,235)
Total liabilities	**(157,516)**	**(100,665)**	**(109,510)**
Net assets	**110,545**	**97,767**	**105,392**
Capital and reserves			
Issued share capital	5,959	5,873	5,940
Share premium	57,638	56,743	57,529
Retained earnings	46,948	35,151	41,923
Total equity	**110,545**	**97,767**	**105,392**

Group income statement
30 September 2014

	Note	Unaudited 6 months ended 30 September 2014 £000	*Restated Unaudited 6 months ended 30 September 2013 £000	*Restated Audited Year ended 31 March 2014 £000
Total revenue		**65,051**	**73,731**	**140,771**
Less share of revenue from joint ventures		(22,756)	(8,409)	(46,747)
Group revenue		**42,295**	**65,322**	**94,024**
Cost of sales		(30,983)	(47,406)	(69,748)
Gross profit		**11,312**	**17,916**	**24,276**
Administrative expenses		(7,800)	(6,779)	(14,071)
Selling expenses		(3,788)	(4,097)	(5,797)
Share of results of joint ventures		10,836	1,609	16,714
Operating profit		**10,560**	**8,649**	**21,122**
Finance income		73	167	406
Finance costs		(1,204)	(1,075)	(2,297)
Profit before income tax		**9,429**	**7,741**	**19,231**
Income tax expense	3	(1,984)	(1,746)	(4,347)
Profit after income tax		**7,445**	**5,995**	**14,884**
Earnings per share:				
Basic	5	12.6p	11.1p	26.4p
Diluted	5	12.3p	10.8p	25.8p

*Prior year results are restated for the adoption of IFRS 11 'Joint Arrangements', further information is included in note 2.

Group statement of comprehensive income
30 September 2014

	Unaudited 6 months ended 30 September 2014 £000	Unaudited 6 months ended 30 September 2013 £000	Audited Year ended 31 March 2014 £000
Movement in derivative financial instruments hedged	(176)	123	227
Movement in deferred tax on derivative financial instruments hedged	37	–	(48)
Other comprehensive (loss) income net of tax (items that may subsequently be reclassified into profit or loss)	**(139)**	**123**	**179**
Profit for the period	7,445	5,995	14,884
Total comprehensive income for the period	**7,306**	**6,118**	**15,063**

Group balance sheet
30 September 2014

	Unaudited 30 September 2014 £000	*Restated Unaudited 30 September 2013 £000	*Restated Audited 31 March 2014 £000
Non current assets			
Investments in joint ventures	5,468	8,100	12,104
Property, plant and equipment	1,170	1,002	1,153
Financial asset	51	–	227
Deferred income tax assets	732	808	852
	7,421	9,910	14,336
Current assets			
Inventories	238,262	95,345	156,159
Trade and other receivables	9,397	10,096	7,462
Cash and cash equivalents	12,529	54,587	32,762
	260,188	160,028	196,383
Total assets	**267,609**	**169,938**	**210,719**
Non current liabilities			
Trade and other payables	(396)	–	(275)
	(396)	–	(275)
Current liabilities			
Trade and other payables	(102,646)	(42,668)	(75,190)
Borrowings	(52,189)	(28,017)	(28,135)
Current income tax liabilities	(1,833)	(1,486)	(1,727)
	(156,668)	(72,171)	(105,052)
Total liabilities	**(157,064)**	**(72,171)**	**(105,327)**
Net assets	**110,545**	**97,767**	**105,392**
Capital and reserves			
Issued share capital	5,959	5,873	5,940
Share premium	57,638	56,743	57,529
Retained earnings	46,948	35,151	41,923
Total equity	**110,545**	**97,767**	**105,392**

* Prior year results are restated for the adoption of IFRS 11 'Joint Arrangements', further information is included in note 2.

Group statement of changes in equity
30 September 2014

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

6 months ended 30 September 2013 (unaudited)	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2013	**5,028**	**38,032**	**29,669**	**72,729**
Profit for the period	–	–	5,995	5,995
Total other comprehensive income	–	–	123	123
Excess tax on share options	–	–	312	312
Dividend on equity shares	–	–	(1,412)	(1,412)
Proceeds of equity share issues	845	18,711	–	19,556
Share-based payments	–	–	108	108
Sale of own shares	–	–	356	356
Balance at 30 September 2013	**5,873**	**56,743**	**35,151**	**97,767**

Year ended 31 March 2014 (audited)	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2013	**5,028**	**38,032**	**29,669**	**72,729**
Profit for the year	–	–	14,884	14,884
Total other comprehensive income	–	–	179	179
Excess tax on share options	–	–	662	662
Dividend on equity shares	–	–	(3,591)	(3,591)
Proceeds of equity share issues	912	19,497	–	20,409
Share-based payments	–	–	212	212
Purchase of own shares	–	–	(547)	(547)
Sale of own shares	–	–	455	455
Balance at 31 March 2014	**5,940**	**57,529**	**41,923**	**105,392**

Group cash flow statement
30 September 2014

	Unaudited 6 months ended 30 September 2014 £000	*Restated Unaudited 6 months ended 30 September 2013 £000	*Restated Audited Year ended 31 March 2014 £000
Cash flow from operating activities			
Operating profit	10,560	8,649	21,122
Depreciation	295	156	495
Share-based payments	111	108	212
Profit on sale of tangible fixed assets	–	(18)	(17)
(Increase) decrease in inventories	(81,357)	1,033	(59,079)
(Increase) decrease in receivables	(1,936)	11,856	14,371
Increase in payables	27,444	7,059	39,787
Share of results from joint ventures	(10,836)	(1,609)	(16,714)
	(55,719)	**27,234**	**177**
Interest paid and debt issue costs	(1,572)	(2,286)	(4,825)
Income tax paid	(1,744)	(1,169)	(3,271)
Distribution from joint ventures	17,472	2,063	13,164
Cash flow from operating activities	**(41,563)**	**25,842**	**5,245**
Cash flow from investing activities			
Purchase of tangible assets	(312)	(758)	(1,250)
Proceeds from sale of tangible assets	–	24	25
Interest received	73	167	406
Cash flow from investing activities	**(239)**	**(567)**	**(819)**
Cash flow from financing activities			
Proceeds from issuance of ordinary share capital	128	19,556	20,409
Purchase of own shares	(21)	–	(547)
Sale of own shares	681	356	455
Increase in bank loans	37,632	1,275	17,598
Repayment of bank loans	(13,822)	(12,958)	(28,483)
Dividend paid	(3,029)	(1,412)	(3,591)
Capital element of hire purchase payments	–	(3)	(3)
Cash flow from financing activities	**21,569**	**6,814**	**5,838**
Net (decrease) increase in cash and cash equivalents	**(20,233)**	**32,089**	**10,264**
Cash and cash equivalents brought forward	32,762	22,498	22,498
Cash and cash equivalents carried forward	**12,529**	**54,587**	**32,762**

*Prior year results are restated for the adoption of IFRS 11 'Joint Arrangements', further information is included in note 2.

Notes
30 September 2014

1 Basis of preparation

The interim accounts have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in issue that are either endorsed by the EU and effective at 31 March 2015 or are expected to be endorsed and effective at 31 March 2015.

The interim accounts do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The figures for the half years ended 30 September 2014 and 30 September 2013 are unaudited. The interim accounts were approved by the directors on 25 November 2014 and have been reviewed by the auditors whose review report is set out on page 22.

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

The Group's statutory accounts for the year ended 31 March 2014 were approved by the Board of directors on 27 May 2014, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under Section 498 of the Companies Act 2006.

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty were principally the same as those applied to the Group's financial statements as at 31 March 2014.

2 Accounting policies

Accounting convention

The interim accounts have been prepared under the historical cost convention and on a basis consistent with the accounting policies in the financial statements for the year ended 31 March 2014 with the exception of the new accounting standards and accounting policies noted below.

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

Due to the change from proportional consolidation to equity accounting, the balance sheets as at 31 March 2014 and 30 September 2013 and the income statements and cash flow statements for the periods then ended have been restated. The impact of adopting these standards is purely presentational and there is no impact on net profits or net assets of the Group. Further information is included in note 6.

The adoption of these standards has resulted in the following accounting policies:

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and the Group's share of results of joint ventures. The results of subsidiaries acquired or disposed of during the period 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.

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 profit in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet.

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

Notes
30 September 2014

3 Taxation

Taxation has been calculated on the profit for the six months ended 30 September 2014 at the estimated effective tax rate of 21.0% for current taxes only (30 September 2013: 22.5%).

4 Dividends

The interim dividend declared for the six months ended 30 September 2014 is 5.1 pence per ordinary share and is expected to be paid on 9 January 2015 to those shareholders on the register at the close of business on 12 December 2014. The ex-dividend date is therefore 11 December 2014. This dividend was declared after 30 September 2014.

The interim dividend paid for the six months ended 30 September 2013 was 3.7 pence per ordinary share and the final dividend paid for the year ended 31 March 2014 was 5.1 pence per ordinary share.

5 Earnings per share

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

Earnings per share have been calculated using the following figures:

	Unaudited 6 months ended 30 September 2014	**Unaudited 6 months ended 30 September 2013**	**Audited Year ended 31 March 2014**
Weighted average number of shares in issue	59,063,188	53,919,745	56,273,560
Dilution – effect of share schemes	1,363,127	1,649,726	1,500,486
Diluted weighted average number of shares in issue	60,426,315	55,569,471	57,774,046
Profit on ordinary activities after taxation	£7,445,000	£5,995,000	£14,884,000
Earnings per share:			
Basic	12.6p	11.1p	26.4p
Diluted	12.3p	10.8p	25.8p

6 Segmental reporting

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

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

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

6 months ended 30 September 2013	Management information £000	Remove share of joint ventures £000	GAAP £000
Revenue	73,731	(8,409)	65,322
Gross profit	19,974	(2,058)	17,916
Profit before income tax	7,740	1	7,741
Total assets	198,432	(28,494)	169,938
Total liabilities	(100,665)	28,494	(72,171)
Net assets	97,767	–	97,767

Year ended 31 March 2014	Management Information £000	Remove share of joint ventures £000	GAAP £000
Revenue	140,771	(46,747)	94,024
Gross profit	42,070	(17,794)	24,276
Profit before income tax	19,230	1	19,231
Total assets	214,902	(4,183)	210,719
Total liabilities	(109,510)	4,183	(105,327)
Net assets	105,392	–	105,392

Independent review report
to Telford Homes Plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2014, which comprises the Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Statement of Changes in Equity, Group Cash Flow Statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the Company's annual financial statements.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the basis of preparation set out in note 1.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

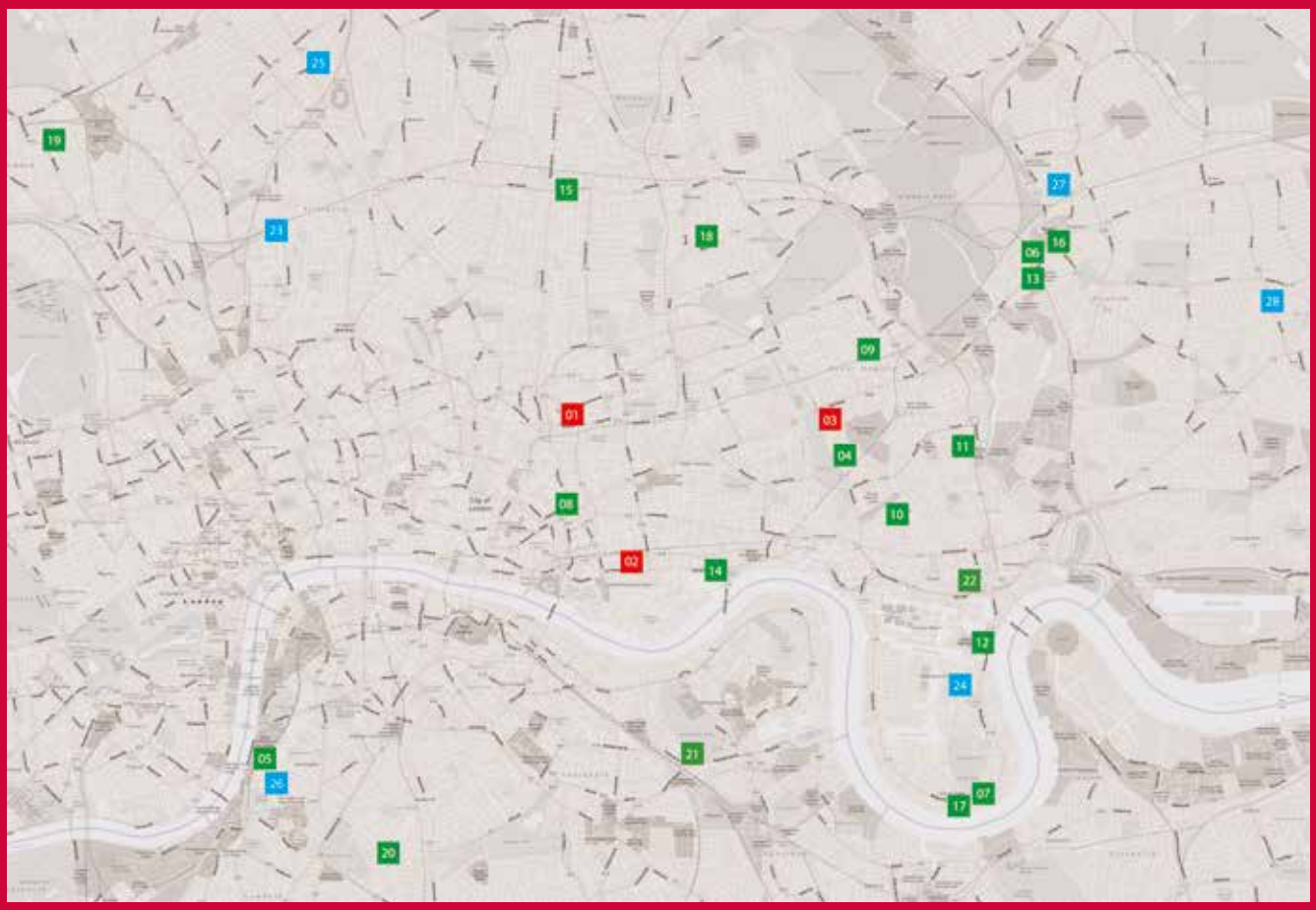
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2014 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 1 and the AIM Rules for Companies.

PricewaterhouseCoopers LLP

Chartered Accountants
St Albans
25 November 2014

Our Developments in London

This map shows what we have just finished, what we are currently doing and some of the developments we have planned for the future.



Recently completed

01 Avant-garde
02 St Georges Estate
03 Eric and Treby Estate (Bow Trinity)

In design/under construction

04 Bede Estate (Bow Trinity)
05 Parliament House
06 Stratford Plaza
07 Parkside Quarter
08 Cityscape
09 Tredegar Road
10 The Boatyard
11 Lime Quay
12 Horizons
13 Stratosphere
14 The Junction
15 Vibe
16 Stratford Central
17 Calders Wharf
18 Hackney Square
19 The Town Apartments
20 Hillingdon Street
21 Bermondsey Works (Rotherhithe New Road)
22 Manhattan Plaza (Poplar Business Park)
Brookmans Manor (not shown on map)

Future sites

23 Caledonian Road
24 Limeharbour
25 Hornsey Road
26 Jonathan Street
27 Stratford (Chobham Farm)
28 Redclyffe Road
Beechwood Avenue (not shown on map)


LIMEHARBOUR
LONDON E14


MANHATTAN
LONDON E14
PLAZA
HORIZONS
LONDON E14

Telford Homes Plc

Telford House
Queensgate
Britannia Road
Waltham Cross
Hertfordshire EN8 7TF

Tel: 01992 809 800
www.telfordhomes.london

telfordhomes