

**Telford Homes Plc**

**09**

**interim  
report and  
accounts**



**telfordhomes**

# highlights

for the six months ended 30 September 2009

Revenue of **£85.9 million** (H1 2008: £35.6 million); full year revenue and profit expected to be heavily weighted towards the first half

Profit before tax and exceptional items of **£6.5 million** (H1 2008: £0.3 million)

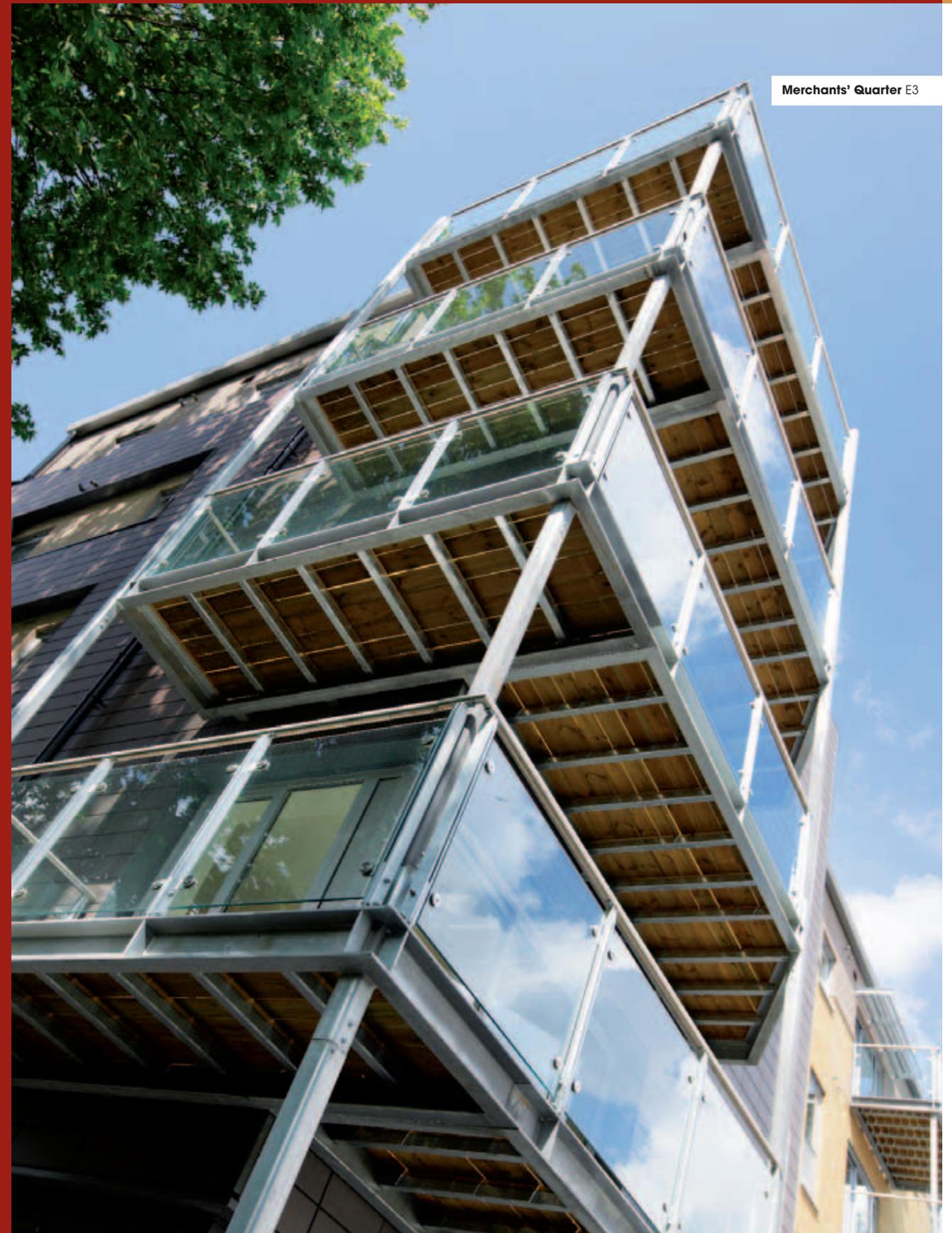
Dividend payment reinstated at **0.75p** given the strong results

**224** open market homes legally completed (H1 2008: 119)

Strengthened partnership with the Homes and Communities Agency, with the grant programme now extended to **£73 million**

Net debt reduced to **£71.3 million** (31 March 2009: £107.2 million) with gearing at 130%

Merchants' Quarter E3



## chief executive's statement

"The housing market in East London has shown encouraging signs in the past few months and the Group has secured an increased number of sales across several of its developments. There is a shortage of homes in the area and this, along with the continued strength in the lettings market, is underpinning an improvement in sentiment."

**Andrew Wiseman**  
Chief Executive



### Results for the six months ended 30 September 2009

Revenue for the six months ended 30 September 2009 was £85.9 million (H1 2008: £35.6 million) with a total of 224 open market homes legally completed (H1 2008: 119 homes) as well as two commercial units. The restricted availability of mortgage finance has made it very difficult for many off-plan investment buyers to complete their contractual obligations. Telford Homes has continued to work with each individual purchaser to achieve completions as far as possible, and has been successful in securing re-sales in situations where the original purchaser could not possibly complete the transaction. With fewer pre-sold properties remaining to complete, revenue and profit expected for the year to 31 March 2010 will be heavily weighted towards the first half although the overall expectation for the year remains unchanged.

Gross profit before exceptional items was £12.6 million (H1 2008: £5.1 million) which is stated after expensing loan interest that had been capitalised within inventories of £3.2 million (H1 2008: £1.2 million).

As anticipated, gross margin before exceptional items and interest declined slightly to 18.3 per cent (full year to 31 March 2009: 20.0 per cent).

This is in line with the Group's more cautious approach to risk, as developments now being constructed entirely for affordable housing achieve lower margins commensurate with the risk taken.

The margin has also been impacted by lower selling prices achieved on new sales. The average price of sales of open market homes on which contracts were exchanged in the first six months of the financial year was £228,000. While the mix of homes sold in each period will not be the same, this is 12.6 per cent lower than the average price of pre-sales secured in 2007 and 2008.

Construction costs, administrative expenses and selling expenses remain under careful control. The commercial teams within the Group have been successful in reducing anticipated costs during a period which has seen less construction activity across the industry, although raw material prices and exchange rates have constrained overall savings.

Total loan interest paid during the six months to 30 September 2009 was £2.0 million including interest capitalised within inventories (H1 2008: £3.1 million) with lower average borrowings and falls in the base rate and LIBOR contributing to the reduction against the same period last year.



OneStratford E15

# chief executive's statement

Greenwich Creekside



Profit before tax and exceptional items was £6.5 million (H1 2008: £0.3 million). The exceptional items reported in the period are write downs to the value of land and work in progress of £0.7 million along with a final £0.1 million of redundancy costs. The write downs are primarily due to elongated selling periods and mortgage availability issues for some stock units. No write downs are expected in the second half of the year given the change in market sentiment in East London in the last few months. Profit before tax and after exceptional items for the six months ended 30 September 2009 was £5.7 million against a loss last year of £1.1 million.

#### Dividend

Given the results for the first half of the year, along with enhanced cash balances and reduced borrowings, the Board feels it appropriate to declare a modest interim dividend of 0.75 pence per share. The dividend policy will remain under review while the Group continues to manage the effects of the downturn and will consider anticipated profits over an extended timeframe. The interim dividend is expected to be paid on 15 January 2010 to those shareholders on the register at the close of business on 18 December 2009.

#### Sales

Sales performance has been much improved since the start of the Group's new financial year as the market in East London has shown signs of recovery. The Group has continued to market finished homes at Queen Mary's Gate, Woodford and Nayland Court, Romford and across the two sites 48 homes have been sold since 1 April 2009, including 19 since 1 October 2009. The recent improvement in sales at Queen Mary's Gate has given the Board confidence to continue with the development of the third and final phase, and marketing is expected to commence early in 2010. In addition, a total of 52 homes have been sold off-plan at developments completing in 2010 and beyond, principally Greenwich Creekside, signalling that there is still investor demand for the Group's homes in East London.

Since 1 April 2009, a total of 57 pre-sold homes have failed to reach completion and the contracts have been rescinded with the 10 per cent deposit being retained and the Group reserving the right to recover any further loss. The Board is pleased to report that 44 of these homes have subsequently been re-sold to new buyers. These re-sales, together with the 10 per cent deposits retained, generally achieve almost the same total revenue as the original sales.



# chief executive's statement



Queen Mary's Gate E18

## Completions

Mortgage finance remains a constraint to achieving legal completions on homes pre-sold in previous years. The availability of mortgages and the time taken to process each application have not yet improved and lead to inevitable delays in each completion. However, as of 30 November 2009, 470 of the 613 pre-sold homes that were due to complete between 1 October 2008 and 31 March 2010 had either completed or been re-sold. This success has assisted Telford Homes in reducing net debt.

The level of re-sales being secured has led to the Group rescinding a number of contracts earlier than foreseen. The Group has been achieving successful completions by negotiating modest discounts to original purchasers where mortgage valuations have been abnormally poor and where the purchaser would be unable to complete without a slight price reduction. This has been commercially necessary given the numbers involved and has resulted in significant progress being made. However, with a more active market in new homes, the Group is

increasingly able to rescind existing contracts and re-sell the properties rather than negotiating any further discounts or accepting significant delays. The Board expects that, although the total number of contracts rescinded will therefore be in excess of original estimates, the vast majority of these will be re-sold over the course of the next 12 months.

## Grants and affordable housing

The Group's status as a grant partner of the Homes and Communities Agency (HCA) has been a significant strength over the last 12 months with the grant programme of £57 million reported in May 2009 now extended to £73 million. Commencing construction of 324 affordable homes across three development sites and two estate regeneration projects has led to £28 million of HCA grants being received to date including £13 million since 30 September 2009. These grants will pay for the construction of the affordable homes and as such a proportion of the £15 million that had been received by 30 September 2009 is held for future expenditure and is included within cash in the balance sheet.

Telford Homes continues to maintain excellent relationships with housing associations both in terms of the delivery of affordable housing and partnership arrangements to develop land within their ownership. These relationships have enabled the Group to sell a number of developments entirely for affordable housing that were originally intended to provide both open market and affordable housing. Supported by the HCA grants, this has allowed construction to commence on several developments during the last six months with no exposure to the risk of open market housing, and a better cash flow profile achieved at a reduced margin.

## Cash and borrowings

Cash balances at 30 September 2009 were £15.1 million including £5.6 million of HCA grants held for future expenditure and £6.3 million as a result of the acquisition of Clifford Contracting Limited announced on 23 June 2009. The funds within this acquired company are available should Telford Homes need to access

alternative finance against unsold properties as opposed to normal bank debt. The availability of this funding has given the Group's banking partners increased confidence leading to them offering additional or extended facilities where completions have been delayed. In addition, it has provided the Group with potential resources to enable the re-sales of homes that failed to complete with original purchasers to be achieved in an orderly manner.

Telford Homes has focused on cash generation and reducing net debt over the last six months. Borrowings at 30 September 2009 were £86.4 million down from £112.0 million at 31 March 2009. Net debt at 30 September 2009 was £71.3 million down from £107.2 million at 31 March 2009 with gearing reduced to 130 per cent. This has been achieved through securing completions to repay site specific facilities, not investing in new land, controlling work in progress and the receipt of HCA grants.



Casa E14

# chief executive's statement

The Group's business model requires finance for future land acquisitions and subsequent development. However, the Board has determined that long term growth can be achieved at lower levels of gearing than those required in previous years and as such expects this to remain below 150 per cent in the future. This is also consistent with sources of finance being restricted and only available at lower loan to cost percentages. Bank finance is currently difficult to secure for new projects but the Group expects to be able to replace some of its existing facilities with new facilities over time, and in addition has made encouraging progress towards securing lines of funding through non-bank sources either purely as debt finance or as part of joint venture arrangements.

### Partnerships and development pipeline

The Group's partnership with Eastend Homes continues to be an excellent source of potential development sites. The British Estate, E3 set the model for the partnership where land payments have been reinvested in the third party refurbishment of existing homes on the estate.

Construction has now commenced on 54 affordable homes on the St George's Estate, E1 and on 74 affordable homes on the Bede Estate, E3. The Group holds options to purchase and develop a number of sites on both estates for open market housing either directly or through joint venture arrangements. These options will be exercised as appropriate depending on market conditions. Plans are being progressed on a further four estates with Eastend Homes including the Holland Estate in Aldgate, E1.

At 30 September 2009, the total pipeline of open market and affordable properties not yet legally completed was 2,368 (31 March 2009: 2,635) including 2,344 with planning permission. This total includes sites under option contracts within the control of the Group. Of these properties 1,234 are under construction and a total of 821 had been secured by contracts exchanged either for open market sale or for affordable housing by 30 September 2009.



### Outlook

The Group has performed well during the period both in terms of achieving completions and securing new sales at a steady rate. The Board anticipates that the results for the full year to 31 March 2010 will be in line with market expectations. As a result of not purchasing new land and restricted expenditure on work in progress over the last 18 months the Board expects reduced output of completed homes over the next two financial years. Growth should then follow this supported by a less leveraged balance sheet.

A prudent approach to investment and strong partnerships with housing associations have positioned the Group well in the economic downturn. The Board remains cautious but the steady activity in the market over the last few months has been encouraging. An ongoing shortage of new homes, related demand for rental properties and regeneration led by the 2012 Olympics all support the Board's long term confidence in East London.

**Andrew Wiseman**  
Chief Executive  
1 December 2009

## group income statement

30 September 2009

Note	Unaudited 6 months ended 30 September 2009 £000	Unaudited 6 months ended 30 September 2008 £000	Audited Year ended 31 March 2009 £000
<b>Revenue</b>	<b>85,904</b>	<b>35,564</b>	<b>106,662</b>
Cost of sales before exceptional items	(73,343)	(30,420)	(89,044)
Exceptional items 3	(710)	(1,400)	(2,868)
<b>Gross profit</b>	<b>11,851</b>	<b>3,744</b>	<b>14,750</b>
Administrative expenses	(4,642)	(3,893)	(7,971)
Selling expenses	(738)	(718)	(1,373)
Exceptional items 3	(70)	-	(116)
<b>Operating profit (loss)</b>	<b>6,401</b>	<b>(867)</b>	<b>5,290</b>
Finance income	190	156	216
Finance costs	(851)	(388)	(1,163)
<b>Profit (loss) before income tax</b>	<b>5,740</b>	<b>(1,099)</b>	<b>4,343</b>
<b>Analysed as:</b>			
<b>Profit before income tax and exceptional items</b>	<b>6,520</b>	<b>301</b>	<b>7,327</b>
Exceptional items 3	(780)	(1,400)	(2,984)
	<b>5,740</b>	<b>(1,099)</b>	<b>4,343</b>
Income tax (expense) credit 4	(1,635)	84	(1,320)
<b>Profit (loss) after income tax</b>	<b>4,105</b>	<b>(1,015)</b>	<b>3,023</b>
<b>Earnings (loss) per share:</b>			
Basic 6	10.6p	(2.7p)	8.1p
Diluted 6	10.5p	(2.7p)	8.1p

All activities are in respect of continuing operations.

## group statement of comprehensive income

30 September 2009

	Unaudited 6 months ended 30 September 2009 £000	Unaudited 6 months ended 30 September 2008 £000	Audited Year ended 31 March 2009 £000
Movement in excess tax on share options 7		(30)	(30)
<b>Other comprehensive income (expense) net of tax</b>	<b>7</b>	<b>(30)</b>	<b>(30)</b>
Profit (loss) for the period	4,105	(1,015)	3,023
<b>Total comprehensive income (expense) for the period</b>	<b>4,112</b>	<b>(1,045)</b>	<b>2,993</b>

## group balance sheet

30 September 2009

	Unaudited 30 September 2009 £000	Unaudited 30 September 2008 £000	Audited 31 March 2009 £000
<b>Non current assets</b>			
Property, plant and equipment	462	788	618
Deferred income tax assets	20	-	13
	482	788	631
<b>Current assets</b>			
Inventories	146,193	200,216	177,941
Trade and other receivables	8,158	7,461	9,098
Current income tax assets	-	5,491	342
Cash and cash equivalents	15,073	2,247	4,865
	169,424	215,415	192,246
<b>Total assets</b>	<b>169,906</b>	<b>216,203</b>	<b>192,877</b>
<b>Non current liabilities</b>			
Hire purchase liabilities	-	(3)	-
Deferred income tax liabilities	-	(264)	-
	-	(267)	-
<b>Current liabilities</b>			
Trade and other payables	(27,502)	(42,254)	(30,534)
Borrowings	(86,369)	(127,499)	(112,020)
Current income tax liabilities	(1,301)	-	-
Hire purchase liabilities	(1)	(51)	(18)
	(115,173)	(169,804)	(142,572)
<b>Total liabilities</b>	<b>(115,173)</b>	<b>(170,071)</b>	<b>(142,572)</b>
<b>Net assets</b>	<b>54,733</b>	<b>46,132</b>	<b>50,305</b>
<b>Capital and reserves</b>			
Issued share capital	4,040	3,800	3,875
Share premium	31,125	30,221	30,345
Retained earnings	19,568	12,111	16,085
<b>Total equity</b>	<b>54,733</b>	<b>46,132</b>	<b>50,305</b>

# group statement of changes in equity

30 September 2009

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
<b>6 months ended 30 September 2009 (unaudited)</b>				
<b>Balance at 1 April 2009</b>	<b>3,875</b>	<b>30,345</b>	<b>16,085</b>	<b>50,305</b>
Profit for the period	-	-	4,105	4,105
Total other comprehensive income	-	-	7	7
Dividend on equity shares	-	-	-	-
Proceeds of equity share issue	165	780	-	945
Share-based payments	-	-	102	102
Purchase of own shares	-	-	(312)	(312)
Sale of own shares	-	-	142	142
Write down in value of own shares	-	-	72	72
Option to repurchase own shares (note 7)	-	-	(633)	(633)
<b>Balance at 30 September 2009</b>	<b>4,040</b>	<b>31,125</b>	<b>19,568</b>	<b>54,733</b>
<b>6 months ended 30 September 2008 (unaudited)</b>				
<b>Balance at 1 April 2008</b>	<b>3,750</b>	<b>29,749</b>	<b>15,354</b>	<b>48,853</b>
Loss for the period	-	-	(1,015)	(1,015)
Total other comprehensive expense	-	-	(30)	(30)
Dividend on equity shares	-	-	(2,062)	(2,062)
Proceeds of equity share issue	50	472	-	522
Share-based payments	-	-	97	97
Purchase of own shares	-	-	(522)	(522)
Sale of own shares	-	-	220	220
Write down in value of own shares	-	-	69	69
<b>Balance at 30 September 2008</b>	<b>3,800</b>	<b>30,221</b>	<b>12,111</b>	<b>46,132</b>
<b>Year ended 31 March 2009 (audited)</b>				
<b>Balance at 1 April 2008</b>	<b>3,750</b>	<b>29,749</b>	<b>15,354</b>	<b>48,853</b>
Profit for the year	-	-	3,023	3,023
Total other comprehensive expense	-	-	(30)	(30)
Dividend on equity shares	-	-	(2,061)	(2,061)
Proceeds of equity share issue	125	596	-	721
Share-based payments	-	-	195	195
Purchase of own shares	-	-	(721)	(721)
Sale of own shares	-	-	194	194
Write down in value of own shares	-	-	131	131
<b>Balance at 31 March 2009</b>	<b>3,875</b>	<b>30,345</b>	<b>16,085</b>	<b>50,305</b>

# group cash flow statement

30 September 2009

	Unaudited 6 months ended 30 September 2009 £000	Unaudited 6 months ended 30 September 2008 £000	Audited Year ended 31 March 2009 £000
<b>Cash flow from operating activities</b>			
Operating profit (loss)	6,401	(867)	5,290
Depreciation	170	200	387
Write down in value of own shares	72	69	131
Share-based payments	102	97	195
Profit on sale of tangible fixed assets	-	(28)	(39)
Decrease (increase) in inventories	32,818	(18,631)	6,427
Decrease in receivables	940	3,851	3,533
Decrease in payables	(2,997)	(7,734)	(21,050)
	37,506	(23,043)	(5,126)
Interest paid	(1,956)	(3,144)	(6,425)
Income taxes received (paid)	8	(553)	2,915
<b>Cash flow from operating activities</b>	<b>35,558</b>	<b>(26,740)</b>	<b>(8,636)</b>
<b>Cash flow from investing activities</b>			
Purchase of tangible assets	(14)	(91)	(99)
Proceeds from sale of tangible assets	-	38	40
Interest received	190	156	216
<b>Cash flow from investing activities</b>	<b>176</b>	<b>103</b>	<b>157</b>
<b>Cash flow from financing activities</b>			
Proceeds from issuance of ordinary share capital	945	522	721
Purchase of own shares	(312)	(522)	(721)
Sale of own shares	142	220	194
Increase in borrowings	19,054	27,629	52,774
Repayment of borrowings	(45,338)	(1,554)	(42,178)
Dividend paid	-	(2,062)	(2,061)
Capital element of hire purchase payments	(17)	(47)	(83)
<b>Cash flow from financing activities</b>	<b>(25,526)</b>	<b>24,186</b>	<b>8,646</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>10,208</b>	<b>(2,451)</b>	<b>167</b>
Cash and cash equivalents brought forward	4,865	4,698	4,698
<b>Cash and cash equivalents carried forward</b>	<b>15,073</b>	<b>2,247</b>	<b>4,865</b>

# notes

30 September 2009

## 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 2010 or are expected to be endorsed and effective at 31 March 2010.

The interim accounts do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (Section 434 of the Companies Act 2006). The figures for the half years ended 30 September 2009 and 30 September 2008 are unaudited. The interim accounts were approved by the directors on 1 December 2009 and have been reviewed by the auditors whose review report is set out on page 18.

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 2009 were approved by the Board of directors on 26 May 2009, 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 237 of the Companies Act 1985 (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 2009.

## 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 2009 with the exception of new accounting policies as noted below:

### Grant income

Grants received from the Homes and Communities Agency are recognised as revenue in the income statement to match with the related costs that they are intended to compensate.

## 3 Exceptional items

The exceptional items for the six months ended 30 September 2009 of £0.8 million include £0.7 million where the net realisable value of land and work in progress on certain developments has been assessed to be lower than the costs originally recorded in inventories as a result of the deterioration in market conditions (September 2008: £1.4 million, March 2009: £2.9 million). The remaining £0.1 million relates to redundancy costs (September 2008: £nil, March 2009: £0.1 million).

## 4 Taxation

Taxation has been calculated on the profit for the six months ended 30 September 2009 at the estimated effective tax rate of 28.5% before movements in deferred taxation (September 2008: 28.8%).

## 5 Dividends

The interim dividend declared for the six months ended 30 September 2009 is 0.75 pence per ordinary share and is expected to be paid on 15 January 2010 to those shareholders on the register at the close of business on 18 December 2009. This dividend was declared after 30 September 2009.

There was no interim dividend paid for the six months ended 30 September 2008 and no final dividend paid for the year ended 31 March 2009.

## 6 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:

	6 months ended 30 September 2009	6 months ended 30 September 2008	Year ended 31 March 2009
Weighted average number of shares in issue	38,759,959	37,210,124	37,381,374
Dilution - effect of share schemes	472,283	18,457	-
Diluted weighted average number of shares in issue	39,232,242	37,228,581	37,381,374
Profit (loss) on ordinary activities after taxation	£4,105,000	(£1,015,000)	£3,023,000
<b>Earnings per share:</b>			
Basic	10.6p	(2.7p)	8.1p
Diluted	10.5p	(2.7p)	8.1p

## 7 Acquisition

On 23 June 2009 the Group acquired 100% of the issued share capital of Clifford Contracting Limited (CCL), a contracting business supplying services to residential developers. The transaction has been accounted for using the purchase method of accounting.

The net assets acquired consist only of cash and cash equivalents of £6,328,500 (book value and fair value) and the total consideration paid by the Group for the issued share capital of CCL was £6,328,500, comprising £5,695,650 in loan notes and the allotment and issue of 1,130,089 new ordinary shares, fully paid, in the share capital of Telford Homes Plc. The fair value of the shares issued was £632,850 which was determined using the average of the middle market quotations for an ordinary share in Telford Homes Plc for each of the five business days preceding the acquisition. The net cash outflow arising on the acquisition was £nil.

The loan notes are repayable on 23 June 2014 or at any time at the Group's option. On repayment of the loan notes the Group must settle a redemption premium of £632,850 payable pro-rata to the repayment of the loan notes. In order to offset this additional liability Telford Homes Plc holds a call option enabling the Group to repurchase the 1,130,089 consideration shares for an aggregate consideration of £1 upon repayment in full of the loan notes.

The accounting treatment adopted in the Group accounts is to recognise the redemption premium payable in the future as an additional liability alongside the loan notes within borrowings. The fair value of the consideration shares has been recorded in equity between issued share capital and the share premium reserve. The effect of the call option to repurchase the consideration shares is a reduction in the retained earnings reserve equivalent to £632,850, the fair value of the consideration shares.

The Group changed the name of CCL to Telford Homes Contracting Limited (THCL) on 8 July 2009.

THCL contributed finance income of £13,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of the company had been completed on the first day of the financial year the revenue of the Group would have been unchanged and Group profit before tax would have been unchanged.

# 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 2009, which comprises the group income statement, the group statement of comprehensive income, the group balance sheet, the group statement of changes in equity, the 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.

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 the 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 2009 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  
1 December 2009

## Notes:

(a) The maintenance and integrity of the Telford Homes Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of condensed financial statements may differ from legislation in other jurisdictions.

**Telford Homes Plc**

First Floor, Stuart House,  
Queensgate, Britannia Road,  
Waltham Cross, Herts, EN8 7TF

Tel: 01992 809800

Fax: 01992 809801

[www.telfordhomes.plc.uk](http://www.telfordhomes.plc.uk)



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