innovation

knowledge

construction

regeneration

relationships

direction

annual report and accounts 2008

innovation

"The name Telford Homes is taken from the engineer Thomas Telford, renowned for innovative ideas and designs. Innovation in all areas of the business including design, construction, partnerships and marketing has played a major role in our success."

financial highlights 2008

revenue

08	£160.4m
07	£104.4m

£160.4m

gross profit margin

08	20.9%
07	22.4%

20.9%

operating margin

08	15.8%
07	16.0%

15.8%

profit before tax

08	£17.7m
07	£13.5m

£17.7m

dividend per share

08	10.0p
07	8.9p

10.0p

earnings per share

08	33.3p
07	29.4p

33.3p

development pipeline

08	1,842 properties
07	2,221 properties

1,842 properties

gearing

08	144%
07	102%

144%

uncovered gearing

08	48%
07	18%

48%

pre-tax return on average equity

08	30.0%
07	31.2%

30.0%

future revenue already secured

08	£125m
07	£91m

£125m

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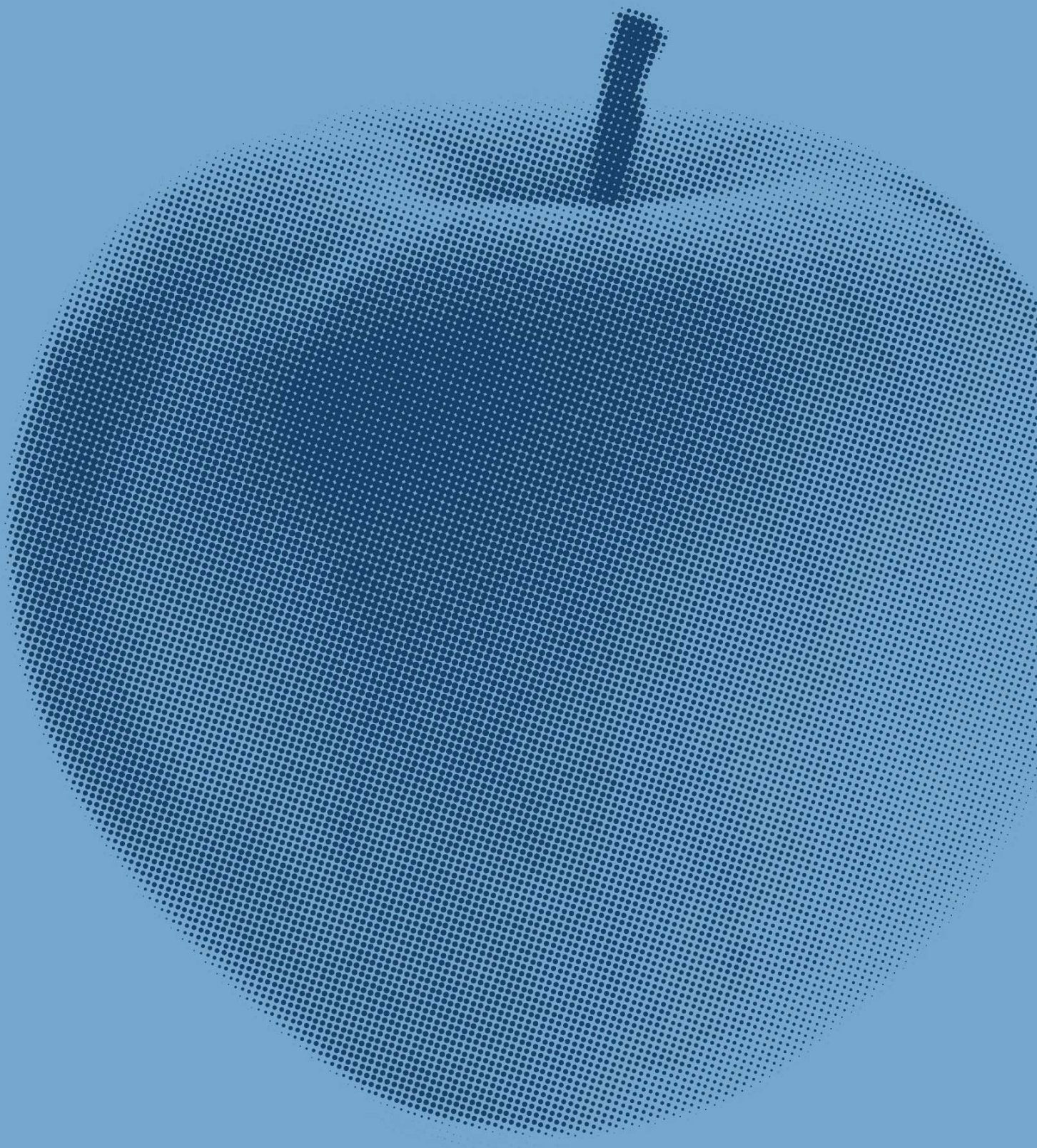


knowledge

"Our knowledge of developing in East London is second to none. It remains a competitive advantage in working with local councils, the planning process, affordable housing partnerships, acquiring land and selling homes."

chairman's statement

David Holland
Chairman (Non-Executive)

"Telford Homes has continued to make good progress during the last 12 months and once again I am reporting on a record year in which our financial targets have been exceeded."

The Company's strategy is to pre-sell properties as early as possible, in many cases before construction has commenced, and a number of successful sales launches have contributed to this aim of reducing risk in the business. At 31st March 2008 unrecognised revenue secured by contracts exchanged was £125 million, higher than ever before. Our strategy has put us in a very strong position in the face of a weakening market.

Since last summer the Company has been more cautious when investing in new land given the restricted availability and higher costs of mortgage finance for homebuyers and the impact this had on consumer confidence. This prudent approach will continue. Funds have been retained for investment in our partnerships with housing transfer organisations but other land purchases will be restricted to those where the initial cash outflow is limited or cash inflows from the development are secured.

We expect trading conditions to improve when restrictions ease in the mortgage market although it is not clear when this will occur. There remains a need to increase the supply of new homes over the next few years and this, together with ongoing growth and regeneration in East London, underpins the future success of Telford Homes.

David Holland
Chairman (Non-Executive)
27th May 2008

business & financial review

Computer generated image of Greenwich Creekside, SE8

chief executive's review

Andrew Wiseman
Chief Executive

"An excellent performance in the first six months of the year continued into the second half despite increasingly difficult market conditions. Revenue has grown by 54% to £160.4 million and profit before tax is up 31% to £17.7 million."

This has been achieved as a result of the strength of the Telford Homes brand, incorporating realistic pricing and consistent delivery, together with strong marketing concepts which have allowed the Company to continue selling homes to the investor market at an early stage in the development process.

Property sales and affordable housing

Contracts were exchanged on 523 open market private homes, 502 affordable homes and ten commercial units, making a total of 1,035 properties in the year. Included within this number are 230 homes being constructed under joint ventures where we recognise half of the revenue and profit from the development.

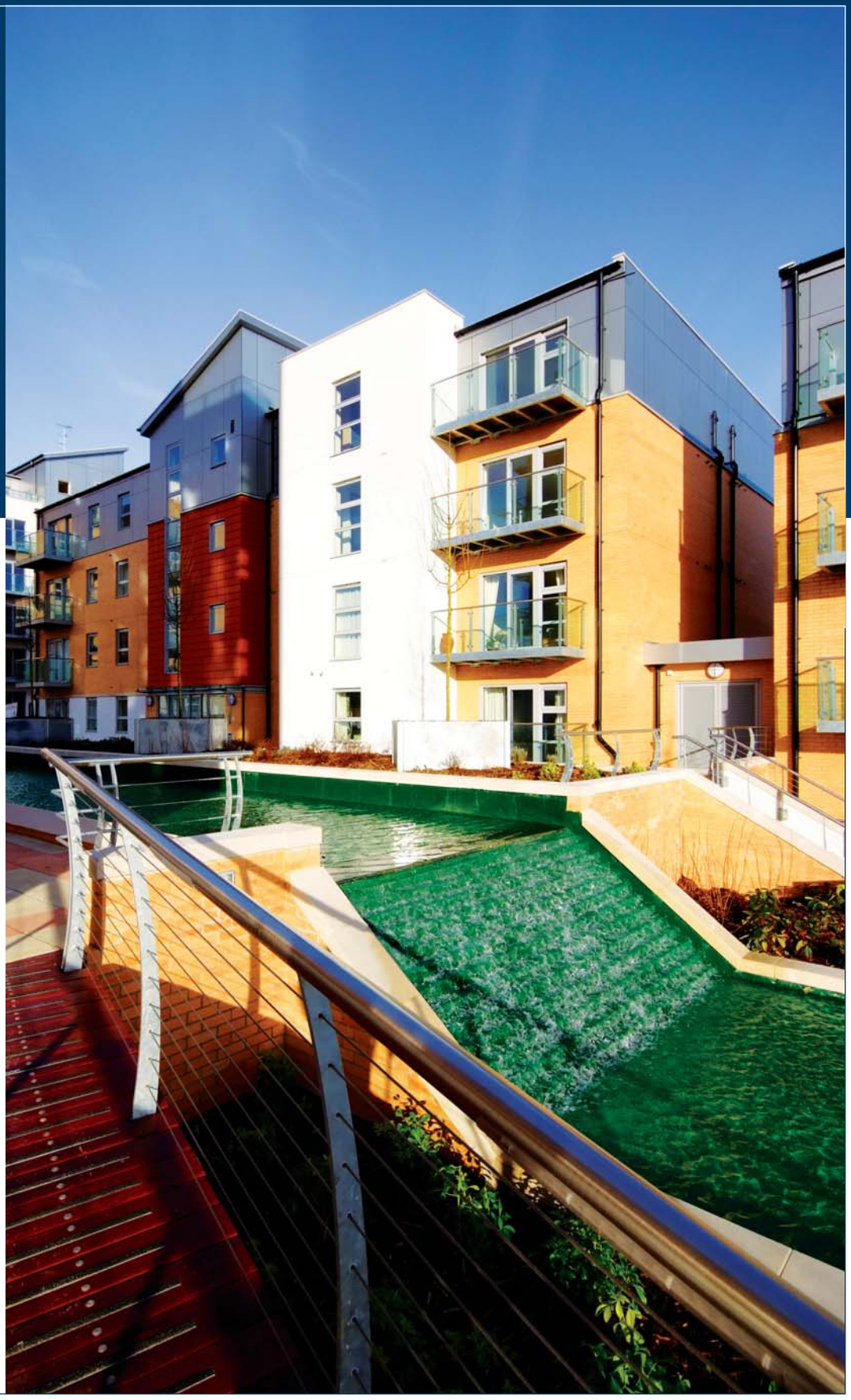
Where the market allows we maintain our policy of de-risking the business by contracting sales before much of the development work on each site has taken place. This secures future cash flows and has led to extended bank finance on a number of developments where the volume of sales offsets the risk of increased gearing. In total we had 2,051 properties under construction at 31st March 2008 of which 73% were secured by contracts exchanged.

The number of open market private homes sold has increased by 9% this year with the average selling price of those homes increasing to £264,000 from £258,000. Successful sales launches during the year include the sale of all 161 open market homes at Merchants' Quarter on the British Estate, E3; Stadthaus, N1 where all 19 open market homes were sold in November 2007; Vellum in Walthamstow where contracts have been exchanged on 24 of 66 open market homes and Kinetica, E8 where 25 of 41 have been secured. Vellum and Kinetica were launched in the first few months of 2008 and reservations are still being taken at these developments. Handovers of the completed homes will take place in 2010, by which time our investors anticipate that the market will have recovered.

In contrast expected handover dates for the first and second phases at Queen Mary's Gate in South Woodford are all during 2008. This development has been the Company's

business & financial review

Queen Mary's Gate,
South Woodford, E18



Icona, Stratford, E15

most significant sales outlet during the year with properties largely for the owner-occupier market. The first phase is 93% sold with 172 out of 184 open market homes secured and over 150 legally completed and occupied. The second phase is due to be completed in November 2008 and contracts have been exchanged on 18 of 93 open market homes with a further one reserved.

Whilst properties for the owner-occupier market are less likely to sell at an early stage, the rate of sale has significantly slowed at Queen Mary's Gate. Without improvement in the current market conditions we expect to be carrying a number of completed homes for sale on this development into 2009 and the Company is budgeting on this basis.

The number of affordable homes sold has increased to 502 from 84 last year, partly reflecting the timing of some significant contracts. Partnerships with affordable housing providers remain integral to our business and typically 35% of any development is sold for affordable housing.

These partnerships are even more significant in the current climate and we will continue to be active in seeking opportunities where an increased level of affordable housing reduces the open market risk in a development.

Our development at Papermill Place in Walthamstow incorporates 175 homes being constructed for East Thames Housing Group for £19.3 million as well as 66 open market homes being marketed as Vellum. This mix of homes improves the return on equity from the development and secures cash inflows over the course of construction in return for a lower anticipated margin. In total at 31st March 2008 amounts due under affordable housing contracts over the next few years were in excess of £60 million.

Completions

Consumer confidence in the national housing market has been hit in recent months by the reduced availability and higher cost of mortgage finance. Restrictions on mortgage finance make the process of legally completing finished properties more protracted.

Telford Homes is communicating with each purchaser to ensure their financial arrangements have been instigated at an early enough stage to meet our completion dates. In addition we have been in dialogue with some of the major lenders and valuers to maximise confidence through transparency of information. The Telford Homes approach to sales is based on net prices agreed at the point of sale with no undisclosed discounts or incentives distorting true valuations.

In the last six months we have legally completed more than 300 open market homes at Icona in Stratford and Queen Mary's Gate with a quarter of these in the past eight weeks. Although some have taken slightly longer than usual to complete there have only been a few serious issues; on two occasions we rescinded contracts with the buyer and retained the 10% deposit. One of these properties was immediately resold and completed, the other was rescinded in April 2008 and is expected to be resold at no less than the original purchase price.

Despite the problems in the mortgage market, our performance on completions to date coupled with our early dialogue with customers due to complete later in 2008 means that we remain confident that the projected cash inflows from exchanged properties will be realised.

chief executive's review

Site acquisitions

The Company has reduced its investment in the development pipeline over the last few months in response to a climate of continuing uncertainty in the housing market and the economy. Protection of cash has become our immediate priority and we are therefore appraising sites which have lower up-front net equity requirements including joint ventures and partnerships with housing associations.

Our most recent acquisition is a parcel of five sites in Southwark in partnership with Family Mosaic Housing Association which are expected to deliver over 100 new homes. There are no initial land payments from Telford Homes and the expected proceeds will be shared with Family Mosaic under the terms of the agreement. Three of the sites are already under construction and the other two are subject to receipt of full planning permission.

Planning

The planning process remains a significant barrier to the efficient delivery of new homes in London. We retain a competitive advantage through our knowledge of the local planning environment in East London and this puts us in a strong position. During the year we have had a number of successes including full planning permission for the 371 homes at Greenwich Creekside, our joint venture with The Royal Bank of Scotland, and for 360 homes in Bethnal Green Road, our joint venture with Genesis Housing Group.

Increasing bureaucracy and the need to satisfy several different bodies with competing views have led to delays in the development of some sites which are expected to be under construction during 2008. Two of our developments await appeal decisions which, if allowed, will mean work can commence later this year. Overall the number of units in the development pipeline that are subject to the planning process has reduced to 25% of the total pipeline from 42% last year.

Cosmopolitan Apartments, Enfield

Computer generated image of Bethnal Green Road, E1

Development pipeline and partnerships

Our development pipeline, being properties that will produce profit in future years excluding those built for joint venture partners, consists of 1,388 properties with planning permission and 454 subject to the planning process. This is a total of 1,842 properties which are expected to provide turnover in excess of £430 million and gross profit of over £80 million.

Although we have reduced our investment in new land, we have retained financial resources to deploy in our partnerships with Eastend Homes and Poplar HARCA. These housing transfer organisations are both significant land owners in East London and have chosen Telford Homes to be their partner on a number of large regeneration schemes.

Following the success of our partnership with Eastend Homes on the British Estate, E3, we have now submitted plans for the St George's Estate, E1 and we continue to progress master plans for the regeneration of five other estates. The British Estate has set the model for this partnership with land payments made by Telford Homes being reinvested into the third party refurbishment of existing homes on the estate. In total the partnership with Eastend Homes is expected to add in excess of 1,000 properties to the development pipeline and the partnership with Poplar HARCA is expected to add over 400 properties.

In further recognition of our contribution to the supply of affordable housing we were chosen as a pre-qualified partner of the Housing Corporation during 2007. This enables the Company to bid directly for grant funding and gives us greater influence in the provision of new affordable housing.

chief executive's review

Computer generated image of Stadthaus, N1

Operating performance

The operational output of the business continues to grow and we have over 3,000 properties either in the planning process, in detailed design or under construction. There are now three operating divisions managing delivery, following the formation of Strada earlier this year to join Alto and Metro. In many ways it is business as usual in the operational management of the development pipeline and it will remain so if we continue to be successful in selling our homes at an early stage in the development process.

Health and Safety remains at the forefront of our business and we have continued to develop and monitor our policies and procedures during the year.

People

Staff numbers have risen in the last 12 months to manage increasing activity. We will maintain and expand this infrastructure to deliver our properties whilst we are able to secure the cash inflows from their development. Every employee contributes to the excellent reputation of Telford Homes and I thank each of them for their efforts this year in producing another set of record results.

Current trading and outlook

The reduced availability of mortgage finance is continuing to weaken confidence in the national housing market which makes it more difficult to secure individual sales, even in London, traditionally the most resilient region. Our developments with completion dates 12 months or more into the future continue to attract buyers' interest confirming long term confidence. Queen Mary's Gate, still with availability and completing later in 2008, has seen a significant slowdown in sales in the past few months due to short term concerns.

We will time sales launches at Greenwich Creekside and Bethnal Green Road to get the best results in light of prevailing market conditions; both of these developments are due for completion in 2011. Reflecting our high percentage of pre-sales at 31st March 2008 we have made only a handful of sales since the end of the year with no new launches and relatively little marketing activity taking place during this period.

Recent figures from the Department for Communities and Local Government show that the supply of new homes is not going to meet current government targets in the short term. New housing starts for the three months to March 2008 were 32,100 against an annual target of 240,000. Ongoing tighter terms for mortgage finance will further restrict new starts as developers will not construct properties that cannot be sold. The imbalance between the supply of new homes and the need for somewhere to live is increasingly evident and the rental market in East London is growing steadily as a result.

The Company is in a strong position both to withstand the current market and to benefit once conditions begin to improve. Our strategy in previous years of pre-selling is now paying off and as at 31st March 2008 revenue secured but not yet recognised was £125 million, up from £91 million at the same time last year.

We are cautious in our approach to the new financial year, but the need for new housing in East London, together with an ongoing programme of regeneration, our brand's reputation and our beneficial partnerships with affordable housing providers, gives me confidence that the medium to longer term outlook for Telford Homes remains positive.

Andrew Wiseman
Chief Executive
27th May 2008

Computer generated images of Kinetica, E8

financial review

Jonathan Di-Stefano
Financial Director

"Telford Homes has produced another year of record revenue and profit during a period of increasing uncertainty. In response to the change in market conditions the Company is taking a prudent approach to its deployment of cash for land acquisition."

The protection of cash balances and the appropriate funding of the business must be key priorities in the current climate.

Operating results

Revenue increased to £160.4 million from £104.4 million last year. An analysis of properties sold in the year is given in the Chief Executive's review.

Gross profit has increased to £33.6 million with the margin falling to 20.9% from 22.4% last year. This fall is partly due to a number of developments where the cash profile results in higher returns on equity balanced during the site appraisal by a reduced margin. Each new site is appraised to achieve a gross margin of at least 20% unless high returns on equity can be secured either through deferred land payments or early revenue receipts.

Queen Mary's Gate in South Woodford was purchased for consideration of 35% of all private sales proceeds achieved from the development. The total expected payments now exceed £35 million with only £14 million paid up to 31st March 2008, resulting in a high rate of return on equity. The profit margin on our share of sales proceeds is in excess of 20% as this represents our risk in the development. However, the reported margin is 14% when taking the proceeds being paid directly to the vendor into account, still in line with our original expectations for the site. The gross margin in 2008 excluding Queen Mary's Gate is 22.6%, down from 23.5% last year.

The operational teams continue to monitor and control development costs in a period that has seen significant cost pressures particularly for some raw materials. Cost contingencies cover much of this inflation and careful management will be required going forward to minimise the impact on margin in a period when increasing costs will not be offset by increasing sales values.

Showhome interiors at Queen Mary's Gate, South Woodford, E18

financial review

OneStratford,
Stratford, E15

Some of these pressures are likely to be alleviated in the current market but it will take time for this to manifest itself in subcontract tender prices. Our commercial teams are focused on achieving cost savings in the coming months. Total build costs in the year to 31st March 2008 were £76 million up from £50 million last year.

The operating margin has fallen to 15.8% from 16.0% with overheads reducing as a percentage of revenue to 5.1% from 6.4% last year. Overheads remain controlled given the need to recruit adequately to manage the increasing number of properties in design and under construction.

Interest

Interest charged in the year was £8.1 million, up from £4.0 million last year in line with our expectations. This reflects a significant increase in activity on site during the year together with the impact of investing funds from the 2006 share placing in new development sites where bank finance provides 70% of the cash requirement.

Interest received in the year was £0.5 million, down from £0.8 million last year as a result of lower average cash balances following the investment of the placing funds. Pressure on finance costs has been alleviated to some extent by the recent reductions in the base rate. The majority of the Company's bank finance is linked to the base rate with some exposure to LIBOR linked funding in one of our jointly controlled entities.

All of our facilities with The Royal Bank of Scotland and Barclays Bank are at base rate plus margins of 1.5% to 1.75% depending on whether each site has planning permission. The Company has recently negotiated a £33 million development facility with The Royal Bank of Scotland for Greenwich Creekside at base rate plus 1.5% and these rates are still being achieved thanks to our strong relationships and proven track record in achieving sales.

Our revolving facility with Allied Irish Bank is renegotiated on an annual basis each April and whilst the bank is borrowing at LIBOR they are moving away from any base

rate linked funding. In this context we have negotiated base rate plus usual margins plus an additional 0.5% while three month LIBOR remains more than 0.5% over base rate. Essentially this caps the additional LIBOR liability at 0.5% whilst the current differential is nearer to 0.9%.

Interest cover was 3.6 times in 2008 which remains well within acceptable limits.

Dividends

The board proposes a final dividend of 5.5 pence per ordinary share. Together with the interim dividend of 4.5 pence paid in January 2008, this will give a total dividend for the year of 10.0 pence which is covered 3.3 times by earnings per share. The total dividend last year was 8.9 pence.

The final dividend is expected to be paid on 18th July 2008 to shareholders on the register on 27th June 2008.

The board's dividend policy is to maintain the level of cover at around 3.3 times in order to achieve an appropriate mix between profits returned to shareholders and those reinvested in the business. At all times the Company monitors expected cash flows to ensure that this dividend can be accommodated within current and future resources.

Earnings per share

Earnings per share increased to 33.3 pence from 29.4 pence and the weighted average number of shares in issue was 37.0 million up from 32.8 million shares because the shares issued in the October 2006 placing had a full year weighting.

Balance sheet

Net assets have increased to £64.2 million from £54.8 million and net assets per share at 31st March 2008 were 171 pence, up from 148 pence last year.

The placing funds raised in 2006 have been allocated to new land opportunities and we have reserved some equity for investment over the next two years in our partnerships with housing transfer organisations. Some of the sites purchased with the placing funds will take time to flow into revenue as they have only just received planning permission or are still going through the planning process.

Pre-tax return on equity in the year ended 31st March 2008 was 30.0%, falling from 31.2% last year partly as a result of the weighting of the additional equity raised in late 2006.

Icona, Stratford, E15

financial review

Queen Mary's Gate, South Woodford, E18

Finance

The Company uses loan finance to acquire development land and undertake site construction and facilities are in place with three banks secured by a debenture over the assets of the Company and by charges over the development sites owned by the Company. Typically the debt to equity ratio in these facilities is 70/30 with extended funding available on some sites where all properties have been sold.

We maintain excellent relationships with each of our banking partners and fully involve them in our cash flow forecasting and sensitivity analysis. The detailed nature of our reporting, together with our existing rate of pre-sales and the nature and location of our developments, has reinforced confidence in the Company and is directly assisting the negotiation of new facilities, and the renewal of existing facilities, in a period of reduced liquidity in the banking industry.

Our revolving loan facility with Allied Irish Bank of £40 million is allocated to certain development sites. At 31st March 2008 we had utilised £24.8 million of this facility leaving an unutilised balance of £15.2 million. The facility is next due for an annual review in April 2009.

In addition the Company's jointly controlled entity, Bishopsgate Apartments LLP, has a credit facility with Allied Irish Bank of £20 million in respect of the purchase of development land in Bethnal Green Road. Interest is charged at LIBOR plus 1.25%. At 31st March 2008 Bishopsgate Apartments LLP had utilised £19 million of this facility and Telford Homes has recorded its 50% share of the loan in the balance sheet at 31st March 2008. This facility expires in January 2009 and an increased development land and construction facility is being negotiated following the grant of planning permission in March 2008.

The Company has site specific loan facilities with The Royal Bank of Scotland of £84.3 million. At 31st March 2008 we had utilised £51.6 million of these facilities leaving an unutilised balance of £32.7 million. Facilities are repayable on completion of each development directly from the sales proceeds received.

In addition the Company's jointly controlled entity, Telford Homes (Creekside) Limited, has a credit facility with The Royal Bank of Scotland of £51.3 million in respect of the purchase of development land and construction at Greenwich Creekside. At 31st March 2008 Telford Homes (Creekside) Limited had utilised £13.8 million of this facility leaving an unutilised balance of £37.5 million. The Company has recorded its 50% share of the loan in its balance sheet at 31st March 2008. This facility is due for repayment in 2011.

The Company has site specific loan facilities with Barclays Bank of £12.6 million. At 31st March 2008 we had utilised £5.4 million of these facilities leaving an unutilised balance of £7.2 million. These facilities are due for repayment during 2010.

Gearing at 31st March 2008 was 144% increased from 102% last year when this was lowered by placing funds held on the balance sheet. Gearing is down from 173% reported for the interim results as we have reduced investment in the development pipeline.

We remain comfortable with our level of gearing as we can balance the certainty of future cash inflows against exposure to debt. Our business model of selling properties at an early stage of construction reduces the risk of carrying debt as the sales revenue on a given development, secured by exchanging contracts, will be used to repay loans specific to that development.

financial review

Internally we calculate 'uncovered gearing' which excludes debt matched by the value of contracts exchanged on a given development. This is an important performance indicator in the business and is monitored by all three banks currently funding the Company. The board has determined that levels of uncovered gearing up to 100% are acceptable. Uncovered gearing at 31st March 2008 was 48%, up from 18% last year but down from 56% at September 2007.

The Company had access to immediate funding on pre-sold sites of £9 million at 31st March 2008 and had this been drawn then uncovered gearing would have reduced to 34%. Facilities are managed to minimise the drawdown of funds where these are not immediately required in the business in order to control interest costs.

At 31st March 2008 the Company had unutilised overdraft facilities of £3 million (2007 - £2.5 million).

Cash flow

We maintain a detailed month by month cash flow forecast as part of our management information systems. This extends five years into the future and is subject to continual re-assessment and sensitivity analysis. The cash flow position is reviewed by the board and by each of the Company's banking partners on a monthly basis.

International Financial Reporting Standards

Telford Homes has adopted International Financial Reporting Standards (IFRS) for the year ended 31st March 2008. There were no significant changes in accounting required as a result of the Company adopting IFRS.

Future change in accounting policy

The International Financial Reporting Interpretations Committee (IFRIC) has recently concluded lengthy deliberations on the accounting treatment for real estate sales. Their proposed amendment to the accounting required under IFRS will mean that Telford Homes will have to account for revenue and profit from open market private sales on legal completion of each property. Currently revenue and profit for all properties is recognised from the point of exchange of contracts and then on a percentage complete basis. The accounting for affordable homes sold under construction contracts will remain unchanged. This proposal is expected to be agreed in June 2008 and would be effective for the year ended 31st March 2010. The method of accounting will not change the financial health or day to day operation of the business but will have a significant impact on reported revenue and profit in each year and the Company will assess this over the next few months.

Jonathan Di-Stefano
Financial Director
27th May 2008

Estilo, N1

construction

"Telford Homes has over 3,000 properties going through the planning process, in detailed design or being developed. Just over 2,000 of these are under construction and 73% are already sold with contracts exchanged."

area of operation

Telford Homes is all about East London. The business has been built up in this area and ongoing regeneration across several boroughs means there are many more opportunities to come in the future across a wide area.

Telford Homes has developed in nine East London boroughs in the past and in 2008 is developing in Southwark for the first time, commencing design and construction on five sites in partnership with Family Mosaic Housing Association.

Local knowledge has played a key role in helping the Company to grow and it remains a competitive advantage particularly in relationships with councils and affordable housing organisations and in our understanding of the local planning process.

The 2012 Olympics continues to be a major boost to East London with the Olympic Park being constructed in Stratford and with many other events due to take place in the local London boroughs. This has accelerated the programme of regeneration that was already taking place including further improving transport links to the region.

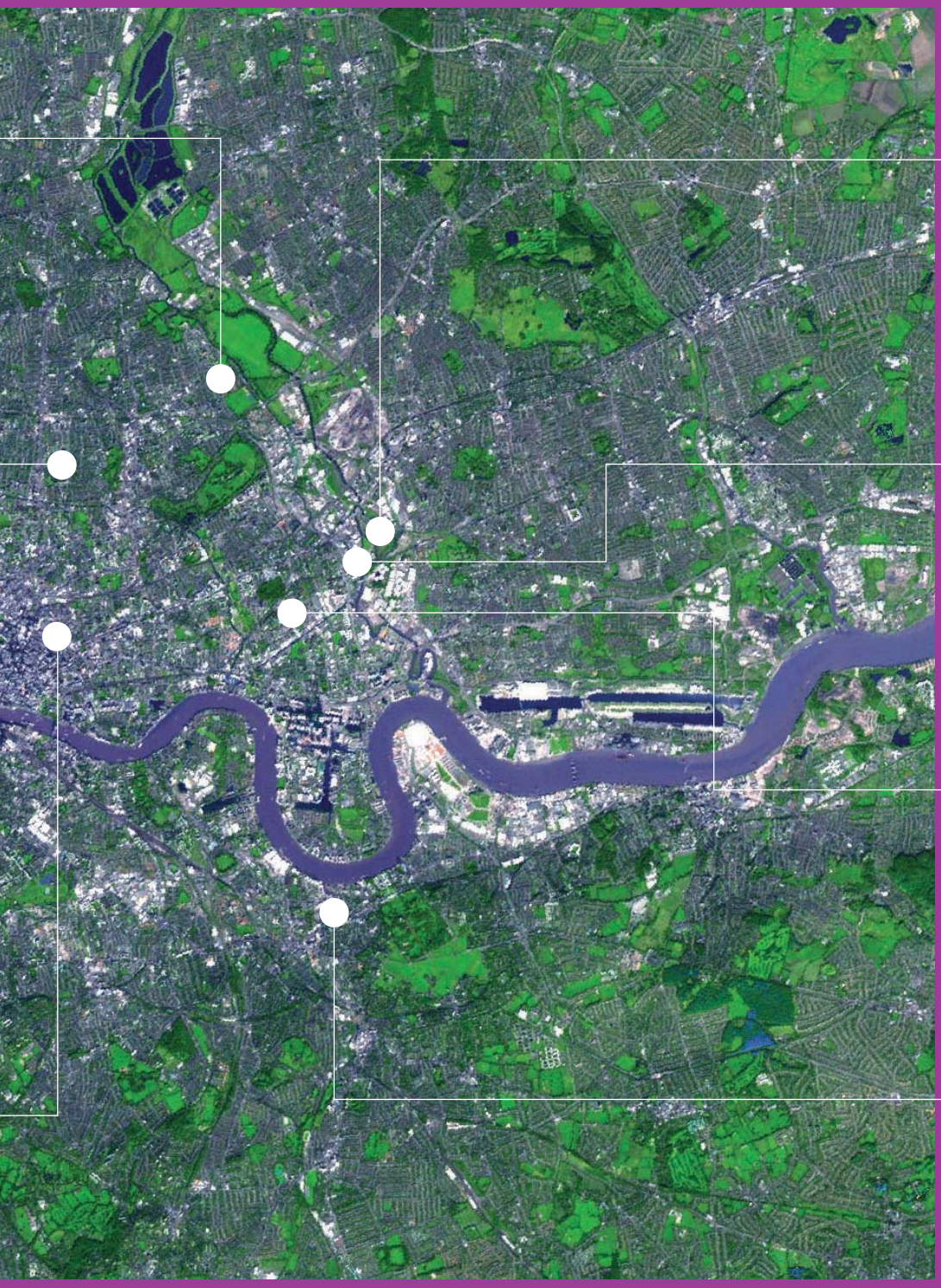
The regeneration of East London will continue for many years to come and, while the opportunities to utilise the Company's competitive advantage remain, Telford Homes will continue to play a significant role in this process.

Lesney

Kinetica

Stadthaus

Bethnal Green Road



Satellite map of East London showing a selection of Telford Homes' developments.
Image courtesy of www.gettyimages.com.

Icona

OneStratford

Merchants' Quarter

Greenwich Creekside

operational structure

At 31st March 2008 Telford Homes had over 3,000 properties going through the planning process, in detailed design or under construction.

In order to effectively manage these properties through the development pipeline the Company is now organised into three operating divisions following the formation of Strada earlier this year to join Alto and Metro.

This structure is necessary in order to focus each operational team on excellent design, high standards of construction and delivery on programme. Each division specialises in certain sizes of development and styles of construction. Alto are responsible for over 1,700 of the properties in planning, design and construction across eight developments, Metro are responsible for over 600 properties across 18 developments and Strada over 700 properties across four developments.

On the 1st August 2007 Mark Parker and John Fitzgerald were appointed to the board to jointly take on the roles and responsibilities of Group Managing Director. Together they have responsibility on the board for the management of the three operating divisions. Mark Parker is responsible for Metro and Strada and John Fitzgerald is responsible for Alto. Each division has a management team responsible for day to day operations and Mark Duffield was appointed during the year to be the Managing Director of Metro to assist Mark Parker in managing two divisions.

Sales and Marketing, Land Acquisition, Partnerships, Customer Service, Finance and Buying are regarded as core central services that deliver economies of scale in a relatively small geographic region by remaining outside of the divisional structure.

Metro management team (left to right):

David Mahoney, Mark Duffield, Trevor Northcott, Jeremy Brett

Strada management team (left to right):

Steve Waite, Mark Parker, Paul Saunders, Paul Copsey

Alto management team (left to right):

James Gaffney, John Fitzgerald, Chris Dreher, Barry Hall

key risks and uncertainties

Economic environment

Demand for properties from both investors and owner-occupiers is dependent on confidence in both the local housing market and the wider economy. This confidence is heavily influenced by factors such as interest rates, the availability of mortgage finance, rental incomes, unemployment and consumer costs for other goods and services. All of these are outside of the Company's control.

The Company's policy has been to sell early in the development process, wherever possible, to minimise the risk in each site. This policy has been very successful to date with 73% of properties under construction at 31st March 2008 secured by exchange of contracts. In addition the Sales and Marketing team have detailed knowledge of the local market and are able to formulate the best sales strategy for each development and to work with purchasers and prospective purchasers to ensure that all stages of the process from reservation to legal completion run smoothly.

Land acquisition

The Company needs new land to maintain a development pipeline and enable the business to continue to operate at a certain capacity. This land needs 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.

The Land Acquisition and Partnerships teams are responsible for sourcing land and our strong relationships with various land owners including local councils and affordable housing providers play a key role in our ability to acquire new sites. In particular our existing partnerships with housing transfer organisations are expected to be a significant source of land in the next few years. The appraisal process for new sites includes due diligence by an experienced solicitor and authorisation of all prospective purchases at appropriate levels.

Planning process

The flow of properties through the development pipeline is dependent on achieving suitable planning permission on sites purchased without planning or subject to planning. The process is time consuming and involves an increasing number of supporting reports and detailed consultations with many different bodies. Delays in achieving suitable planning permissions affect the number of properties that can be brought to market and impact on future timing of cash flows. Failure to achieve a suitable planning permission may lead to cost write offs or reduced margins on individual developments.

The Company has extensive knowledge of local planning requirements, excellent relationships with planning authorities and takes care in the appointment of professional architects, planning consultants and engineers. Early consultations with the planning authorities are a key part of the land acquisition process. While this cannot remove planning risks it mitigates them as much as possible. The Company has 454 properties in the development pipeline going through the planning process reduced from 942 last year.

Health and Safety

Construction sites are dangerous places and there are many different health and safety risks to consider. The health and safety of everyone associated with Telford Homes, both employees and sub-contractors, is the first priority of the Company.

Investment in training, the promotion of health and safety to all employees and extensive policies and procedures all contribute to a comprehensive approach to health and safety management with the objective of minimising risk and providing a safe working environment.

Construction

The construction process is critical to the efficient and timely delivery of properties to purchasers which affects both cash flow and customer satisfaction. The quality of the construction work and finish in each property affects the reputation of the Company and can impact on repeat purchase and recommendation rates.

Standards of construction and control of the building process on site are of paramount importance to each operating division. Careful planning is required to assess a development programme before construction commences and this is monitored over the course of the building work. The construction teams work very closely with the Customer Service team and their interaction commences at an early stage in the development. The Customer Service team spend a substantial proportion of their time on site carrying out quality control before a purchaser sees the property for the first time. Over 90% of surveyed customers who took ownership of a Telford Homes property in 2007 would recommend the Company to their friends and family.

Availability of materials and labour

The availability of materials and sub-contracted labour for each site can affect both the construction programme and the cost of construction. Build cost inflation will impact directly on the margin achieved on each site where this is in excess of forecasts.

Planning of the construction programme and timely management of the tender process for each sub-contracted trade reduces the risk of delays in the construction programme due to availability of materials and labour. The tender process ensures that competitive rates are achieved on every trade. Telford Homes works in partnership with all of its sub-contractors and makes timely payments to encourage an equal relationship that is beneficial to all parties.

Cash requirements and bank finance

Property development is a capital intensive business with significant initial outlays supported by bank finance and lengthy time periods before the majority of the cash inflows on each project. Forecasting of cash flows is critical to ensure the Company is not operating above its financial capacity. Part of this process involves the forecasting of bank funding required for each development and the availability of sufficient bank finance is therefore also of critical importance.

The Company maintains a detailed cash flow forecast as part of its management information systems. This extends five years into the future and is subject to continual re-assessment and sensitivity analysis. The cash flow position is reviewed by the board and by each of the Company's banking partners on a monthly basis. The Company has excellent relationships with the three banks currently funding the business and has sufficient facilities available to ensure the continuing operation of the business on all sites currently under construction.

Political environment

Changes in laws and regulations can have a direct impact on the efficient running of the Company and the costs incurred on each development. Changes in both local and national government can have a direct bearing on the regulatory environment.

The Company works closely with specialist consultants to ensure that it is up to date with current regulations and aware of any future changes so that operations can be planned accordingly.

regeneration

"Through the development of top quality and well connected housing schemes Telford Homes is a significant contributor to the regeneration of run-down housing estates and obsolete industrial land to provide inclusive, balanced and sustainable communities."

health and safety

Steve Nicoll
Group Health & Safety Manager

"My goal for this year is to achieve our Occupational Health and Safety Management System (OHSAS) 18001 accreditation which will be a significant step in demonstrating our ongoing commitment to health and safety."

The Company continues to regard the promotion of health and safety as a critical objective of all employees at every level. Every employee is issued with health and safety instructions that endeavour to identify all the risks and dangers that are likely to be encountered in the course of their work and set out precautionary measures.

As the Company continues to grow, recruitment of key staff remains crucial in sustaining the Company ethos regarding the high health and safety standards expected from our employees.

We continue to invest in the training and development of our people with the introduction of our 'Health and Safety Core' training programme. This training programme ensures that the same level of training is delivered across the Company including those joining the business. The 'Health and Safety Core' training programme is also used in the selection process for new employees.

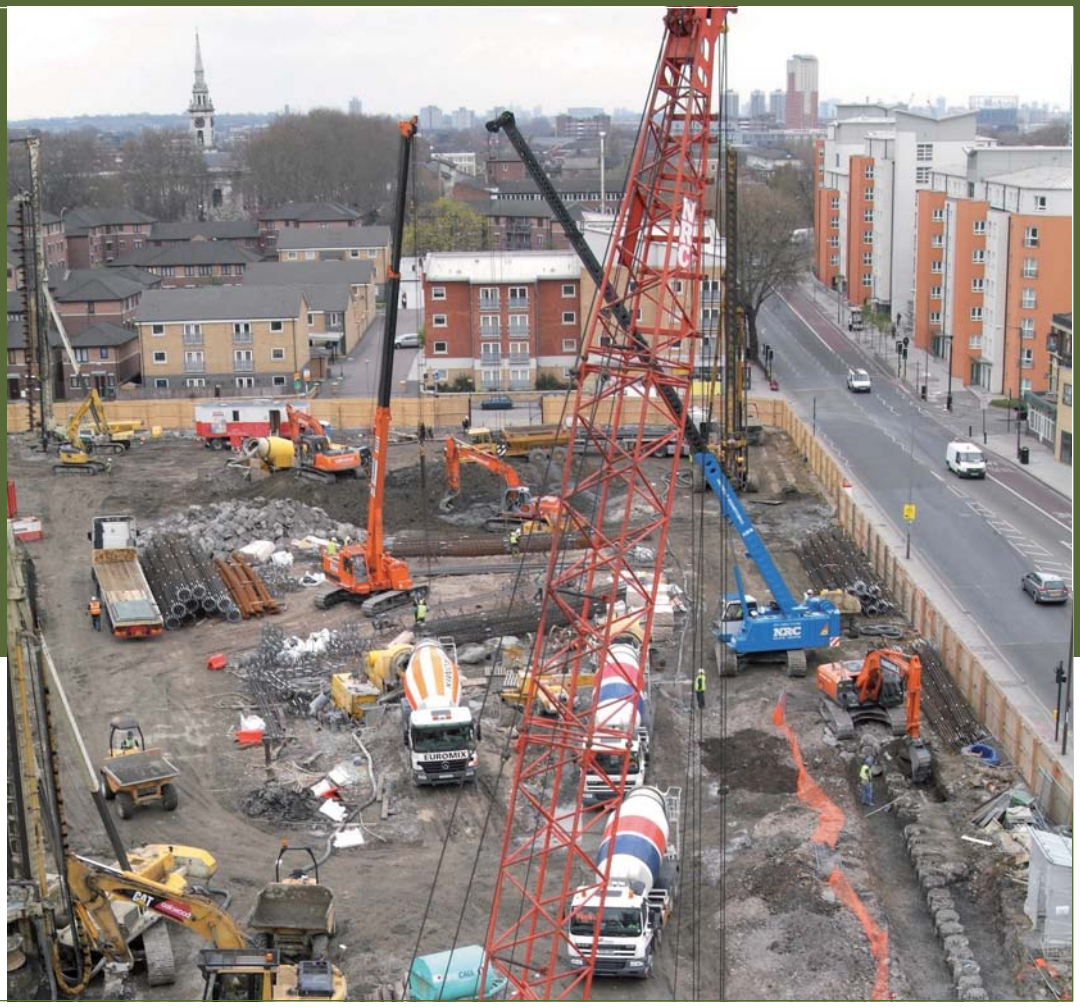
Our Accident Frequency Rate remains below industry average against a substantial increase in growth, having completed 1,656,000 man-hours in the year ended 31st March 2008, an increase of over 700,000 on the previous year.

We continue to explore new and different ways of working to improve our efficiency and reduce our exposure to risk. A good example of this is our Stadthaus development in Murray Grove, N1 where the tallest timber structure in Europe is being constructed. Traditionally the height of our developments has precluded this type of structure but recent developments within the industry have made it possible. The modular construction process not only increases the efficiency of the build but crucially dramatically reduces the exposure to risk for those involved in the construction process.

Our 'Executive Safety Committee' and 'Operational Safety Forum' continue to meet regularly and have been instrumental in developing a significant change to Company procedures as the business grows and develops.

It was recognised that the Company approach to health and safety would be developed through the 'Safety Forum'

Greenwich Creekside, SE8, under construction



primarily, with the 'Executive Safety Committee' ruling on issues that could not be agreed by the 'Safety Forum'. To date the 'Executive Committee' has not been called to make a ruling, signifying that the intention of encouraging an inclusive culture throughout the business and delivering integrated solutions has been successful.

Our 'supply-chain' procedure continues to be developed with the majority of our suppliers now vetted by our health and safety department. A procedure is in place prohibiting the placing of orders with suppliers that have not been successfully audited.

John Fitzgerald, Mark Parker and Mark Duffield are responsible for health and safety in each of the operating divisions with the assistance of Steve Nicoll.

John Fitzgerald is the board member with overall responsibility for health and safety.

"One year on from joining the business I am pleased to say that the health and safety culture within the Company continues to develop positively. There have been some ongoing improvements starting with some of the simplest site administration issues to the launch of our revised 'Company Health and Safety Procedures'. I believe that the commitment and integrity of our site teams is second to none and I look forward to another year of support as we continue to develop and monitor our approach to health and safety within the business."

Steve Nicoll
Group Health & Safety Manager

environment and sustainability

Telford Homes is committed to designing and constructing developments that both minimise ecological impact and improve energy efficiency. The Company has an environmental policy and we ensure that this is communicated throughout our operations.

Our approach means we re-use and recycle and adopt renewable materials wherever viable and continually look for new ways to meet and exceed environmental expectations in all of our activities.

Our most recent schemes aim for a minimum of 10% of energy to come from sustainable sources. This includes biomass boilers fuelled by wood pellets to provide heat and hot water at SoBow E3, OneStratford E15, Bethnal Green Road E1 and Greenwich Creekside SE8. The harnessing of natural energy takes place in the form of solar panels at Icona E15, four helical wind turbines at Kinetica E8 and air source heat pumps at Decorum E10. A number of 'green' and 'brown' roofs across our developments protect the natural habitat of birds such as the Black Redstart.

These are just a few of the things that Telford Homes is doing and all of these initiatives are having a positive impact now and will continue to do so in the future. In order to continue to build considerately we will continue to research sustainable energy solutions to ensure the best technologies are used and that we are positively contributing towards a greener future.

Case-study - Papermill Place

Papermill Place, Walthamstow (incorporating Vellum)

What we are doing:

- A biomass boiler expected to provide 20% of the energy for heating and hot water
- On-site remediation of contaminated soil minimises the transport of material for off-site treatment or disposal
- Constructing a sustainable storm water drainage and storage system
- Fully integrated recycling facilities within the refuse collection areas
- A total of 114 cycle spaces on the development
- All new timber used in the construction process is from managed sustainable sources
- EcoHomes rating of 'very good' will be achieved in part by providing water flow restrictors on showers and taps and dual WC flushing

Left:
The Black Redstart, a bird who's natural habitat is recreated on a brown roof

Right:
Solar power panel system at Icona, E15

In addition to our commitment to the environment we consider our social responsibility in a wider sense to be of vital importance in the areas in which we operate.

The regeneration of East London is an ongoing project in which we are playing a major role. This process is increasing the quality of life for local people both by improving neighbourhoods and through the provision of new but affordable housing with our housing association partners. We have excellent relationships with local councils and housing associations and we are extremely supportive of the need to provide affordable housing for shared ownership and for rent.

Case-study - Stadthaus

Stadthaus, Murray Grove N1

What we are doing:

- Development utilises a cross laminate timber panelling system built on a reinforced concrete podium
- Saves 306,150 kg of carbon in the construction process, compared to a concrete frame
- Communal areas will be powered by rooftop photovoltaic panels
- High efficiency condensing gas 'combi' boilers in each property
- Provision of facilities for recycling
- Environmentally friendly insulation materials used in construction
- Provision of 'home user guides' to ensure homeowners are aware of all environmental features in the property and make the best use of them

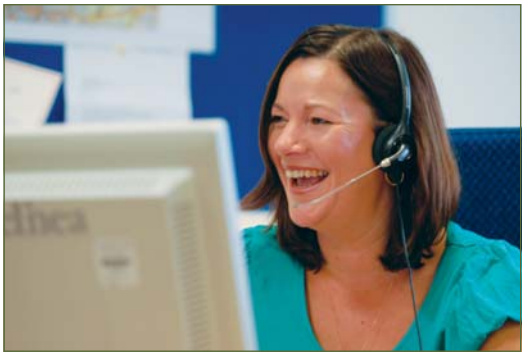
customer service

Anthony Atkinson
Customer Service Director

"The Telford Homes brand is about consistent delivery of high-quality, value-for-money new homes backed up by our dedicated Customer Service team, providing first class product finish and service excellence in equal measure."

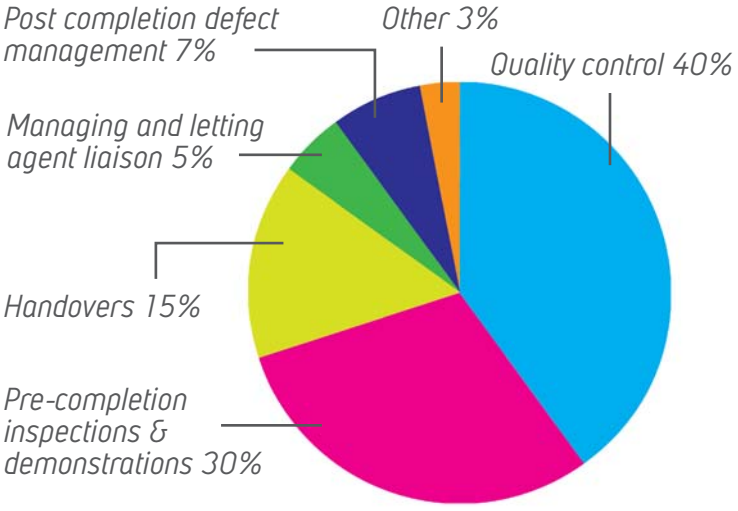
The key points of our approach are:

- Communication (build progress, completion dates and running-in advice)
- Thorough quality control inspections by our Customer Service Managers in the final weeks of construction
- The same team 'snagging' every unit across all developments to achieve consistently high standards
- Defect elimination by Telford Homes – not the customer
- Pre-completion inspections with customers to demonstrate finished quality
- Thorough demonstration on handover for trouble-free ownership
- Inductions for new tenants (showing how to use the home prevents most running-in problems)
- For the first two years a 24/7, 365 days a year free emergency service is provided for the times when our offices are closed and help is required
- Listening to feedback for future improvements



Each development has a dedicated Customer Service Manager who is responsible for quality control, purchaser liaison (pre and post completion), handover and home demonstrations. This dedicated team is both approachable and friendly and provides a professional service at all times.

Customer Service Managers' involvement with new developments



The team spend over 80% of their time on site, undertaking checks throughout each and every apartment during construction to ensure consistently high standards of product finish and function.

For the first two years, we also provide a 24/7, 365 days a year free emergency service to ensure there is always someone to help deal with any urgent problems that may arise out of hours. Telford Homes have a dedicated in-house maintenance team that are quick to respond and deal with any issues as and when they are reported. All calls and scheduled appointments are directed through a highly efficient head office based service team.

Overall, Telford Homes' product and service excellence has brought us a high level of repeat purchase and recommendation from satisfied customers. Over 90% of surveyed customers who took ownership of a Telford Homes property in 2007 would recommend the Company to their friends and family.

relationships

"Our excellent relationships with housing associations have led to a number of long term partnerships which will add to our development pipeline and provide a foundation for the future success of Telford Homes."

directors and advisors

David Holland Non-Executive Chairman, 67

David Holland has over 40 years experience in the development and house building sector having joined George Wimpey Plc in 1966. On his retirement he held the position of Group Managing Director with responsibility for worldwide housing and land development. In 1997 David held the annual position of President of the House Builders Federation. David is currently Chairman of Orchid Developments Group Ltd and non-executive director of the Harpenden Building Society. David was appointed non-executive Chairman of Telford Homes Plc in December 2001 and advises on all development issues and matters of strategic planning. He chairs the remuneration committee and is a member of the audit committee.

Andrew Wiseman BA (Hons), FCMA, Chief Executive, 51

Andrew Wiseman, together with close colleagues, founded Telford Homes Plc in December 2000 following ten years with Furlong Homes Plc initially as Financial Director then as Chief Executive for the final three years. Prior to 1990 his experience had been gained in various sectors, including seven years with B.A.T Industries. Andrew has spear-headed the successful flotation of both Furlong Homes Plc and Telford Homes Plc on AIM, the former on the launch of AIM in 1995, the latter in December 2001, one year after the Company's formation building on excellent relationships with institutional investors. Under his stewardship pre-tax profit has grown from £1.3 million in March 2002 to £17.7 million in March 2008. Andrew has been especially involved in the cementing of relationships between Telford Homes Plc and affordable housing providers which have been central to the growth of the Company.

David Durant Group Planning & Design Director, 46

David Durant is a co-founder of Telford Homes Plc and has over 20 years experience in the construction and house building sectors including 14 years at Furlong Homes where he was Group Technical Director from 1997 to 2000. David had been Group Managing Director since the start of the company's operations in 2001. In 2005 he supervised devolving responsibility for the finished Telford Homes product into two divisions in order to handle the high level of growth in units under construction. Following the re-structuring of the board in August 2007 David's role has changed to focus more on major planning consents, product design and maintaining key partnerships.

Jonathan Di-Stefano MA (Econ), ACA, Financial Director, 33

Jon Di-Stefano joined Telford Homes Plc as Financial Director in October 2002. He had one year with Mothercare following five years with Arthur Andersen. Apart from financial matters Jon also has board responsibility for personnel issues. There has been extensive growth in both areas with annual turnover up from £25.3 million to £160.4 million in the five years to March 2008 and Jon has developed a significant finance team. The role Jon has played, in nurturing the trust and support of our banking partners with the constant high quality of his financial reporting and in developing relationships with institutional investors through regular presentations, has proved invaluable to the success of the Company.

James Furlong Land Director, 72

Jim Furlong has over 40 years experience in all aspects of the construction and building industry through his involvement in roofing, civil engineering, construction and house building companies which all bore the 'Furlong' name. Prior to joining Telford Homes as Land Director Jim was a driving force within Furlong Homes, where he was Chairman with specific responsibility for land acquisition. Jim's wide experience of land acquisition played a central role in the initial growth of Telford Homes and he has overseen a significant strengthening of the land buying department in the last two years. This is reflected in a development pipeline which at March 2008 consisted of 1,388 properties with planning consent and 454 properties subject to the planning process.

Sheena Ellwood BA (Hons), Dip. Int. Marketing, Sales & Marketing Director, 49

Sheena Ellwood joined Telford Homes Plc as Sales & Marketing Director in January 2003. Prior to this, her experience includes consumer goods export and eight years as regional Sales & Marketing Director for Wimpey Homes. Sheena's contribution to the growth of Telford Homes Plc can be measured by a significant rise in the number of contracts exchanged during the last six years from 112 private open market homes in the year to March 2003, to 523 in the year to March 2008. Sheena has developed an extensive sales & marketing team at Telford Homes Plc, and set up a customer service department that plays an important role in building relationships with individual customers and investors in our properties.

Robert Clarke FCA, Non-Executive Director, 65

Robert Clarke was a partner in Binder Hamlyn and subsequently Arthur Andersen until his retirement in 2000. He is currently senior non-executive director of Huntleigh Technology Plc and Deputy Chairman of RO Group. Robert joined Telford Homes Plc as a non-executive director at the time of the AIM flotation in December 2001 and he has been influential in the fields of corporate governance and strategic direction. Robert is chairman of the audit committee and a member of the remuneration committee. He is also a member of the audit committee of the Church Commissioners and of the Royal Shakespeare Company.

John Fitzgerald Joint Group Managing Director, 37

John Fitzgerald began his career with Willmot Dixon and has over 20 years experience in the construction and house building sector. He spent the four years prior to joining Telford Homes as Project and Contract Manager with Furlong Homes where he was responsible for some of their more prestigious developments. He joined Telford Homes in February 2003 and was jointly responsible for construction until March 2005 when, following re-structuring, he was appointed divisional managing director of Telford Homes Alto where he has built a very successful team. John was appointed a director on the 1st August 2007 and takes over from David Durant as the director with responsibility for health and safety.

Mark Parker Joint Group Managing Director, 45

Mark Parker joined the Wimpey Group as a management trainee in 1981 and spent the following 21 years with various Wimpey divisions culminating in the post of Construction Director for McAlpine Homes East. He spent the next three years as one of the two initial directors of the new North London division of KingsOak Homes. Appointed as Construction Director he was involved in all aspects of the new division, from land acquisition to sales and customer care. Mark joined Telford Homes in February 2005 as divisional managing director of Telford Homes Metro and has been influential in developing strong partnerships with housing associations. Mark was appointed a director on the 1st August 2007 and jointly with John Fitzgerald has taken on the duties and responsibilities of Group Managing Director.

Company Secretary
Margaret Turner

Registered number
4118370

Registered office
First Floor, Stuart House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire, EN8 7TF

Auditors
PricewaterhouseCoopers LLP, 10 Bricket Road, St Albans, Hertfordshire, AL1 3JX

Bankers
Allied Irish Bank, The Manor House, High Street, Wanstead, London, E11 2RL
The Royal Bank of Scotland, 1st Floor, Conqueror House, Vision Park, Chivers Way, Cambridge, CB4 9BY
Barclays Bank, Corporate Banking Centre, PO Box 729, Eagle Point, 1 Capability Green, Luton, LU1 3US

Solicitors
S J Berwin, 222 Gray's Inn Road, London, WC1X 8XF
Coldham Shield & Mace, 123 Station Road, Chingford, London, E4 6AG

Nominated broker
Shore Capital Stockbrokers Limited, Bond Street House, 14 Clifford Street, London, W1S 4JU

Financial and nominated advisor
Shore Capital and Corporate Limited, Bond Street House, 14 Clifford Street, London, W1S 4JU

Registrars
Capita Registers, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, HD8 0LA

Financial public relations
Abchurch Communications Limited, 100 Cannon Street, London, EC4N 6EU

policy on corporate governance

Application of principles

Although not formally required to do so, the directors have sought to embrace the principles contained in the Combined Code (2003) (the Code) and the 2006 revised version applicable to fully listed companies, in formulating and applying the Company's corporate governance policies. These policies are monitored to ensure that they are appropriate to the Company's circumstances and comply as far as possible with the provisions of the Code given the size of the Company.

Directors

The Company is managed by a board of directors and they have the necessary skills and experience to effectively operate and control the business. There are nine directors in total of whom two are non-executive directors. David Holland and Robert Clarke, the non-executive directors, are considered independent and they comprise both the audit and remuneration committees. The board meets once a month and the directors make every effort to attend all board meetings.

The board is responsible for taking all major strategic decisions and also addressing any significant operational matters. In addition the board reviews the risk profile of the Company and ensures that an adequate system of internal control is in place. Management information systems are in place to enable the directors to make informed decisions to properly discharge their duties.

The roles of the Chairman and the Chief Executive are separate. The Chairman is responsible for running the board and he meets regularly and separately with the Chief Executive and the other non-executive director to discuss matters for the board.

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

The board takes decisions regarding the appointment of new directors as a whole and this is only done following a thorough assessment of a potential candidates skills and suitability for the role. New directors are given a full induction to the Company where required so as to ensure they can properly fulfil their role and meet their responsibilities.

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

The Chairman's statement and Chief Executive's review included in this annual report give the board's current assessment of the Company's prospects. The directors are responsible for preparing the financial statements as set out in the statement of directors' responsibilities. The responsibilities of the auditors are set out in their report.

Remuneration committee

Details concerning the composition and meetings of the remuneration committee are contained in the directors' remuneration report on pages 47 to 48.

Audit committee

During the period the audit committee, which is chaired by Robert Clarke an independent non-executive director, has met three times with the external auditors being in attendance on two occasions. The non-executive directors meet separately with the auditors once a year.

The committee has a responsibility for reviewing the financial statements provided to shareholders. In addition the committee reviews the business and financial risks and internal controls as described below.

The duties of the committee also include ensuring that the auditors provide a cost effective service to the Company and remain objective and independent and to consider from time to time the need for an internal audit function.

Relations with shareholders

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

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

Internal control

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

The board is of the view that there is an ongoing process for identifying, evaluating and managing the Company's significant risks, and that it has been in place for the period ended 31st March 2008 and up to the date of approval of the annual report and accounts, and that it is regularly reviewed by the board.

The internal control procedures are delegated to executive directors and senior management in the Company operating within a clearly defined departmental structure. The board regularly reviews the internal control procedures in the light of the ongoing assessment of the Company's significant risks.

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

Going concern

The directors consider that the funds available to the Company are sufficient for its operation for the foreseeable future.

directors' remuneration report

The directors present the remuneration report for the year ended 31st March 2008.

Composition of the remuneration committee

The remuneration committee comprises the independent non-executive directors, David Holland and Robert Clarke. The committee makes recommendations to the board on executive directors' service agreements and remuneration. In doing so it has undertaken relevant research to ensure that remuneration levels are competitive with the industry average. The committee met twice during the year.

Remuneration policy

It is the Company's policy to provide remuneration packages sufficient to attract, retain and motivate directors of the quality required. To add further incentive the directors have adopted two bonus schemes, one applicable to all staff and a scheme for executive directors and senior management. Both schemes are dependent on the Company meeting certain financial performance targets. The maximum amount that can be earned under the executive bonus scheme is 100% of basic salary.

The Company operates a Share Incentive Plan (SIP) in which all employees are entitled to participate. The SIP exists in order to increase employee ownership of shares and further details are given in note 17 to the financial statements.

During 2006 the Company set up a Deferred Payment Share Purchase Plan (DPSPP) for the benefit of selected senior employees. Further details are given in note 17 to the financial statements. The remuneration committee is responsible for approving any offers of shares made under the DPSPP.

The board as a whole determines the remuneration of the non-executive directors after considering external market research. They do not participate in the bonus schemes or in the group personal pension scheme. They are entitled to participate in the SIP.

Service contracts

The executive directors have service contracts that can be terminated on 12 months notice. These provide for termination payments equivalent to 12 months basic salary and contractual benefits.

The non-executive directors have letters of appointment that can be terminated on three months notice.

Directors' emoluments

The directors' emoluments for the year ended 31st March 2008 are as follows:

	Salary and fees	Bonus	Benefits in kind	Pension contributions	Total 2008	Total 2007
Andrew Wiseman	135,000	61,600	20,742	13,500	230,842	208,068
Robert Clarke	37,500	-	-	-	37,500	31,500
David Durant	130,000	61,600	12,229	13,000	216,829	198,096
Jonathan Di-Stefano	115,000	61,600	23,052	11,500	211,152	179,793
Sheena Ellwood	115,000	61,600	23,266	11,500	211,366	181,445
John Fitzgerald	76,667	61,600	14,492	7,667	160,426	-
James Furlong	110,000	61,600	35,898	-	207,498	192,402
David Holland	50,000	-	-	-	50,000	42,000
Mark Parker	76,667	61,600	16,861	7,667	162,795	-
Total	**845,834**	**431,200**	**146,540**	**64,834**	**1,488,408**	**1,033,304**

John Fitzgerald and Mark Parker were appointed as directors on 1st August 2007.

Directors' interests in shares and share options

Directors' interests in shares are disclosed in the report of the directors.

The share options held by the directors at 31st March 2008 and the movements during the year then ended were as follows:

	Company scheme	31st March 2007 Number	Granted in year Number	Exercised in year Number	31st March 2008 Number	Exercise price	Dates exercisable
Jonathan Di-Stefano	unapproved	60,000	-	-	60,000	75p	1 Oct 2005 to 1 Oct 2012
	approved	-	14,051	-	14,051	213.5p	14 Feb 2011 to 14 Feb 2018
David Durant	approved	-	14,051	-	14,051	213.5p	14 Feb 2011 to 14 Feb 2018
Sheena Ellwood	unapproved	59,732	-	-	59,732	74.5p	20 Feb 2006 to 20 Feb 2013
	approved	-	14,051	-	14,051	213.5p	14 Feb 2011 to 14 Feb 2018
John Fitzgerald	unapproved	160,000	-	-	160,000	75p	1 Oct 2005 to 1 Oct 2012
	approved	-	14,051	-	14,051	213.5p	14 Feb 2011 to 14 Feb 2018
Mark Parker	approved	21,660	-	-	21,660	138.5p	17 May 2008 to 17 May 2015
	unapproved	50,542	-	-	50,542	138.5p	17 May 2008 to 17 May 2015

On 14th February 2008 Jonathan Di-Stefano, David Durant, John Fitzgerald and Sheena Ellwood were each granted 14,051 share options under the approved scheme at an exercise price of 213.5p.

In total the share-based payments charge in respect of directors' share options was £5,772 (2007 - £nil).

By order of the board,

David Holland
Chairman of the Remuneration Committee
27th May 2008

report of the directors

The directors present their report and the audited financial statements for the year ended 31st March 2008.

Review of activities

The principal activity of the Company is that of property development.

A review of the activities and prospects of the Company is given in the Chairman's statement, the Chief Executive's review and the financial review on pages 7 to 23. The Company is required to prepare a business review incorporating comments on key performance indicators and this is covered in the review of activities and prospects.

The primary key performance indicators are disclosed on page 3.

Results and dividends

Profit after taxation for the year ended 31st March 2008 was £12,327,000 (2007 - £9,650,000).

The directors recommend a final dividend of 5.5p per ordinary share which, together with the interim dividend of 4.5p paid on 14th January 2008, makes a total of 10.0p for the year (2007 – 8.9p).

Substantial shareholdings

As at 16th May 2008, the Company had been advised of the following notifiable interests in its ordinary share capital:

	Number held	Percentage
Artemis Investment Management Ltd	3,240,960	8.64%
Rathbone Brothers Plc	1,966,200	5.24%
Midas Capital plc	1,877,500	5.01%
T D Waterhouse Nom. (R Stokes)	1,607,760	4.29%
K P Furlong	1,541,000	4.11%
J P Morgan Asset Management (UK) Ltd	1,314,998	3.51%
D G Furlong	1,300,000	3.47%
M Trim	1,194,000	3.18%

Directors

Details of the directors of the Company are shown on pages 43 to 44.

John Fitzgerald and Mark Parker were appointed to the board on the 1st August 2007. Both retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.

Robert Clarke and Jonathan Di-Stefano retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' interests

The directors of the Company are listed below together with their interest in the shares of the Company at 31st March 2008 and movements in the year:

	At 31st March 2007 Number	Share Incentive Plan Number	Market acquisitions and disposals Number	At 31st March 2008 Number
Andrew Wiseman	2,185,339	1,967	23,258	2,210,564
Robert Clarke	109,246	1,967	-	111,213
Jonathan Di-Stefano	330,246	1,967	-	332,213
David Durant	1,049,246	1,967	15,000	1,066,213
Sheena Ellwood	334,514	1,967	-	336,481
John Fitzgerald	191,292	1,967	-	193,259
James Furlong	1,079,006	1,967	44,000	1,124,973
David Holland	959,246	1,967	20,000	981,213
Mark Parker	153,921	1,967	-	155,888

These interests include shares purchased under the Telford Homes Share Incentive Plan (SIP) which all employees, including directors, are eligible to participate in. All shares purchased under the SIP are matched by shares provided by the Company on a one for one basis. These 'Matching' shares are also included in the interests stated but must remain in the SIP for a period of not less than three years otherwise they are forfeited. Further details on the SIP are included in note 17 to the financial statements.

Details of share options held by directors are given in the directors' remuneration report on pages 47 to 48.

Investment in own shares

The Company's investment in own shares relates solely to employee share schemes and further details of the total holding and movements in the holding are disclosed in note 17.

Creditors

It is Company policy to settle all debts with its creditors on a timely basis. Subcontractors are paid upon agreement of the value of works completed based on their applications for payment and the terms agreed. In general, other suppliers are paid during the month following the month of receipt of the invoice unless other terms have been specifically agreed.

At 31st March 2008 trade creditors represented 14 days purchases (2007 – 12 days).

Employees

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

report of the directors

Charitable donations

The Company made charitable donations of £17,000 (2007 - £14,100). These donations were made to a number of different charities supporting a broad range of good causes.

Annual General Meeting

The Annual General Meeting will be held at the registered office at First Floor, Stuart House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire on the 10th July 2008 at 12.30pm.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

Each of the directors at the time this report was approved has confirmed the following:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware;
- each director has taken steps, including appropriate enquiries of fellow directors, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

By order of the board,

Margaret Turner
Company Secretary
27th May 2008

statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

auditors' report

Independent auditors' report to the members of Telford Homes Plc

We have audited the financial statements of Telford Homes Plc for the year ended 31st March 2008 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, the statement of accounting policies and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the report of the directors is consistent with the financial statements. The information given in the report of the directors includes that specific information presented in the Chief Executive's review and the financial review that is cross referred from the review of activities section of the report of the directors.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the financial highlights, the Chairman's statement, the Chief Executive's review, the financial review, area of operation, operational structure, key risks and uncertainties, health and safety, environment and sustainability, customer service, directors and advisors, the policy on corporate governance, the directors' remuneration report and the report of the directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Company's affairs as at 31st March 2008 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the directors is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors, St Albans
27th May 2008

direction

"East London is moving in the right direction. Telford Homes is part of that process and will remain so for many years to come."

income statement 31st March 2008

	Note	Year ended 31st March 2008 £000	Year ended 31st March 2007 £000
Revenue		**160,433**	**104,383**
Cost of sales		(126,855)	(81,001)
Gross profit		**33,578**	**23,382**
Administrative expenses		(8,208)	(6,676)
Operating profit	1	**25,370**	**16,706**
Finance income	3	493	794
Finance costs	3	(8,136)	(3,985)
Profit before income tax		**17,727**	**13,515**
Income tax expense	4	(5,400)	(3,865)
Profit from continuing operations after tax		**12,327**	**9,650**
Earnings per share:			
Basic	6	33.3p	29.4p
Diluted	6	33.1p	28.5p

All activities are in respect of continuing operations.

balance sheet 31st March 2008

	Note	31st March 2008 £000	31st March 2007 £000
Non current assets			
Property, plant and equipment	7	822	851
Deferred income tax assets	13	-	226
		822	1,077
Current assets			
Inventories	9	74,446	70,135
Trade and other receivables	10	120,174	56,104
Cash and cash equivalents	11	4,698	17,617
		199,318	143,856
Total assets		**200,140**	**144,933**
Non current liabilities			
Hire purchase liabilities	12	(18)	(96)
Deferred income tax liabilities	13	(4)	-
		(22)	(96)
Current liabilities			
Trade and other payables	14	(32,393)	(15,028)
Current income tax liabilities		(1,971)	(1,655)
Borrowings	15	(101,424)	(73,210)
Hire purchase liabilities	12	(83)	(113)
		(135,871)	(90,006)
Total liabilities		**(135,893)**	**(90,102)**
Net assets		**64,247**	**54,831**
Capital and reserves			
Issued share capital	16	3,750	3,694
Share premium		29,749	28,641
Retained earnings		30,748	22,496
Total equity		**64,247**	**54,831**

These financial statements were authorised for issue by the board of directors on 27th May 2008 and signed on its behalf by:

Andrew Wiseman
Chief Executive

Jonathan Di-Stefano
Financial Director

statement of changes in equity 31st March 2008

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1st April 2006	**2,981**	**12,656**	**16,848**	**32,485**
Profit for the year	-	-	9,650	9,650
Dividend on equity shares	-	-	(2,867)	(2,867)
Movement in excess tax on share options	-	-	281	281
Shares issued under Deferred Payment Share Purchase Plan	55	1,375	(1,430)	-
Proceeds of equity share issue	658	15,237	-	15,895
Costs arising from shares issued	-	(627)	-	(627)
Share-based payments	-	-	90	90
Purchase of own shares	-	-	(365)	(365)
Sale of own shares	-	-	180	180
Movement arising from write down in value of own shares	-	-	109	109
Balance at 31st March 2007	**3,694**	**28,641**	**22,496**	**54,831**
Profit for the year	-	-	12,327	12,327
Dividend on equity shares	-	-	(3,498)	(3,498)
Movement in excess tax on share options	-	-	(194)	(194)
Shares issued under Deferred Payment Share Purchase Plan	16	374	(390)	-
Proceeds of equity share issue	40	734	-	774
Share-based payments	-	-	109	109
Purchase of own shares	-	-	(422)	(422)
Sale of own shares	-	-	211	211
Movement arising from write down in value of own shares	-	-	109	109
Balance at 31st March 2008	**3,750**	**29,749**	**30,748**	**64,247**

cash flow statement 31st March 2008

	Year ended 31st March 2008 £000	Year ended 31st March 2007 £000
Cash flow from operating activities		
Operating profit	25,370	16,706
Depreciation	358	360
Write down in value of own shares	109	109
Share-based payments	109	90
Profit on sale of tangible assets	(24)	(34)
Increase in inventories	(4,311)	(24,588)
(Increase) decrease in receivables	(64,070)	3,347
Increase in payables	16,629	4,870
	(25,830)	860
Interest paid	(7,400)	(3,900)
Income taxes paid	(5,048)	(3,554)
Cash flow from operating activities	**(38,278)**	**(6,594)**
Cash flow from investing activities		
Purchase of tangible assets	(329)	(182)
Proceeds from sale of tangible assets	24	38
Interest received	493	794
Cash flow from investing activities	**188**	**650**
Cash flow from financing activities		
Proceeds from issuance of ordinary share capital	774	15,895
Expenses of share issue	-	(627)
Purchase of own shares	(422)	(365)
Sale of own shares	211	180
Increase in bank loans	59,825	52,241
Repayment of bank loans	(31,611)	(47,984)
Dividend paid	(3,498)	(2,867)
Capital element of hire purchase payments	(108)	(123)
Cash flow from financing activities	**25,171**	**16,350**
Net (decrease) increase in cash and cash equivalents	**(12,919)**	**10,406**
Cash and cash equivalents brought forward	17,617	7,211
Cash and cash equivalents carried forward	**4,698**	**17,617**

statement of accounting policies 31st March 2008

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. These are the Company's first financial statements prepared under IFRS and IFRS 1 has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 21.

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

The Company has a dormant subsidiary and has elected to apply the Companies Act 1985 exemption from preparing consolidated financial statements on the basis that the subsidiary is immaterial. Instead, the Company has prepared economic interest financial statements in which the Company's share in jointly controlled entities is proportionally consolidated.

The accounting policies set out below have been applied consistently for all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1st April 2006 for the purpose of the transition to IFRS.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable International Accounting Standards.

Jointly controlled entities

A jointly controlled entity is an entity in which the Company holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity. Jointly controlled entities are accounted for using proportional consolidation.

Revenue and profit recognition

Revenue is recognised from the date of exchange of contracts for the sale of properties at a rate equivalent to the value of work undertaken in respect of land development. The value of revenue less deposits and completion monies received is included as amounts recoverable on contracts within trade receivables. All revenue is generated in the United Kingdom.

Profit on developments is recognised over the life of each development in proportion to revenue only to the extent that the total eventual profit on the development can be foreseen with reasonable certainty. Until there is reasonable certainty over the final outcome of a development the profit is restricted to the non-refundable deposits received. Losses are provided for as soon as foreseen.

Commission received on property sales made on behalf of third parties is recorded within revenue, with all costs associated with the sale of those properties recognised within cost of sales.

Finance leases and hire purchase contracts

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases and hire purchase contracts are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease and depreciated over the shorter of their expected useful lives and the lease term. The corresponding liability is included in the balance sheet as a finance lease or hire purchase obligation. Lease payments are apportioned between finance charges and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

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

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

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

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

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 and direct labour costs but not loan interest. Included within development properties are freehold interests held in completed developments. These are held for future sale.

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

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

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

Borrowings
Interest bearing bank loans and overdrafts are recorded at the proceeds received. Interest payable on bank loans and overdrafts is written off to the income statement using the effective interest method.

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

Land creditors
When land is purchased on extended payment terms, the Company initially records it at its fair value with a land creditor recorded for any outstanding monies based on this fair value assessment. Fair value is determined by using the effective interest method. The difference between the nominal value and the initial fair value is amortised over the period of the extended credit term and charged to finance costs, increasing the value of the land creditor so that at the date of maturity the land creditor equals the payment required.

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

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

Contingent liabilities
Disclosures are made for each class of contingent liabilities at the balance sheet date detailing, where practicable, an estimate of their financial effect and an indication of uncertainties associated with the timing or amount of the outflow, unless the possibility of a financial outflow is remote.

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

The tax currently payable is based on the profits for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are tax deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially 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 to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

Revenue and profit recognition
Revenue is recognised from the date of exchange of contracts for the sale of properties at a rate equivalent to the value of work undertaken in respect of land development. Profit on developments is recognised in proportion to revenue only to the extent that the total eventual profit on the development can be foreseen with reasonable certainty.

Assessing the percentage complete on each development involves estimation of total expected costs to be incurred until the end of the development. Recognition of profit also involves estimation of the total expected revenue from each development and therefore the expected profit margin that will be achieved. Judgement is required to assess whether the total eventual profit on each development can be foreseen with reasonable certainty.

Carrying value of land and work in progress
Inventories include land and work in progress in respect of development sites. In some cases land is held awaiting a planning consent. On each development judgement is required to assess whether the cost of land and any associated work in progress is in excess of its net realisable value.

Recent accounting developments
At the date of the authorisation of these financial statements, there are a number of standards, amendments and interpretations that have been published. The Company has not early adopted any standards, amendments or interpretations.

The standards, amendments and interpretations that are expected to impact upon the Company are:

IAS 23 (Amendment) 'Borrowing costs'. The amendment to the standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs is removed. The amendment will apply to the Company from the annual period commencing 1st April 2009.

IAS 1 (Amendment) 'Presentation of Financial Statements'. This amendment prohibits the presentation of items of income and expense (that is 'non-owner changes in equity') in the statement of changes in equity. Revised IAS 1 also sets out the additional disclosure requirements for entities making restatements or reclassifications. The amendment will apply to the Company from the annual period commencing 1st April 2009.

IFRS 2 (Amendment) 'Share-based payments'. This amendment clarifies that vesting conditions are service and performance conditions only. It also specifies that all cancellations should receive the same accounting treatment, whether cancelled by the entity or by other parties. The amendment will apply to the Company from the annual period commencing 1st April 2009.

The following standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Company:

IFRS 3 (Amendment) 'Business combinations' applies to the Company from the annual period commencing 1st April 2010. This standard includes some significant changes to how the acquisition method is applied to business combinations.

IFRS 8 'Operating segments' applies to the Company from the annual period commencing 1st April 2009. IFRS 8 amends the current segmental reporting requirement of IAS 14 and requires 'management approach' to be adopted so that segment information is presented on the same basis as that used for internal reporting purposes.

IAS 27 (Amendment) 'Consolidated and separate financial statements' applies to the Company from the annual period commencing 1st April 2010. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control.

IAS 32 (Amendment) 'Financial Instruments: Presentation' and IAS 1 (Amendment) 'Presentation of Financial Statements - Puttable Instruments and Instruments with Obligations Arising on Liquidation' applies to the Company from the annual period commencing 1st April 2009.

IFRIC 12 'Service concession arrangements' applies to the Company from the annual period commencing 1st April 2008.

IFRIC 13 'Customer loyalty programmes' applies to the Company from the annual period commencing 1st April 2008.

IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' applies to the Company from the annual period commencing 1st April 2008.

1 Operating profit		Year ended 31st March 2008 £000	Year ended 31st March 2007 £000
Operating profit is stated after charging (crediting):			
Depreciation	- owned assets	230	204
	- hire purchase assets	128	156
Operating lease rentals	- property	162	162
	- motor vehicles	216	175
	- plant and machinery	-	3
Profit on sale of tangible assets		(24)	(34)

In addition the following has been charged in respect of auditors' remuneration:

Audit and related services (PricewaterhouseCoopers LLP)		
Statutory audit of the financial statements	59	57
Other services including non-audit services (PricewaterhouseCoopers LLP)		
The audit of jointly controlled entity accounts pursuant to legislation	7	5
Other services provided pursuant to such legislation	-	-
Other services relating to taxation	23	13
All other services	21	22
Other services including non-audit services (Moore Stephens LLP)		
The audit of jointly controlled entity accounts pursuant to legislation	-	8
Other services provided pursuant to such legislation	-	5
Other services relating to taxation	-	14

2 Employee benefit expense

The average monthly number of persons employed by the Company, including executive directors, during the year analysed by activity was as follows:

	Year ended 31st March 2008 Number	Year ended 31st March 2007 Number
Construction	88	67
Administration	62	50
	150	117

The employment costs of all employees included above were:

	Year ended 31st March 2008 £000	Year ended 31st March 2007 £000
Wages and salaries	8,045	6,278
Social security costs	901	686
Other pension costs - group personal pension arrangements	324	252
	9,270	7,216

The Company operates a group personal pension scheme for its employees. At 31st March 2008 payments of £47,000 were due to the scheme (2007 - £32,000).

Six current directors are accruing benefits under group personal pension arrangements (2007 - Four).

Key management remuneration

Key management personnel, as defined under IAS 24 (Related Party Disclosures), have been identified as the directors as all key decisions are reserved for the board. Mark Parker and John Fitzgerald were appointed to the board on 1st August 2007 and prior to this held key management positions that involved reporting directly to the board. Their employment costs have been included for the full year ended 31st March 2008 and the year ended 31st March 2007.

	Year ended 31st March 2008 £000	Year ended 31st March 2007 £000
Wages and salaries (including bonuses)	1,516	1,336
Social security costs	152	132
Other pension costs	73	62
Share-based payments	6	5
	1,747	1,535

Detailed disclosures of directors' individual remuneration, pension entitlement and share options for those directors who served in the year are given in the directors' remuneration report on pages 47 to 48.

3 Finance income and costs	Year ended 31st March 2008 £000	Year ended 31st March 2007 £000
Finance income		
Interest income on short-term bank deposits	493	794
Finance costs		
Interest payable on bank loans and overdrafts	(7,607)	(3,965)
Hire purchase finance charges	(12)	(15)
Amortisation of interest on land creditors	(517)	(5)
	(8,136)	(3,985)
Net finance costs	(7,643)	(3,191)

4 Taxation

	Year ended 31st March 2008 £000	Year ended 31st March 2007 £000
United Kingdom corporation tax at a rate of 30% (2007 - 30%)	5,279	3,800
Adjustment in respect of prior periods	85	(178)
Total current taxation	5,364	3,622
Deferred taxation (note 13)	36	243
Income tax expense	5,400	3,865

In addition to the amount charged to the income statement, deferred tax of £194,000 relating to share-based payments was charged directly to equity (2007 - credit of £281,000).

Reconciliation of effective tax rate

The tax assessed for the year is higher (2007 - lower) than the standard rate of corporation tax in the UK of 30% (2007 - 30%). The differences are explained below:

Profit before income tax	17,727	13,515
Profit before income tax at standard rate of corporation tax in the UK of 30% (2007 - 30%)	5,318	4,054
Effects of:		
Adjustment in respect of prior periods	85	(178)
Expenses not deductible for tax purposes	38	28
Tax relief on land remediation costs	(41)	(39)
Income tax expense	5,400	3,865

Factors affecting future tax charges

On 21st March 2007 it was announced that the corporation tax rate will reduce from 30% to 28% with effect from 1st April 2008. This was substantially enacted on the 26th June 2007. Deferred tax is calculated using a 28% rate.

5 Dividend paid

	Year ended 31st March 2008 £000	Year ended 31st March 2007 £000
Prior year final dividend paid in July 2007 of 4.9p (July 2006 - 4.6p)	1,818	1,391
Interim dividend paid in January 2008 of 4.5p (January 2007 - 4.0p)	1,680	1,476
	3,498	2,867

The final dividend proposed for the year ended 31st March 2008 is 5.5p per ordinary share. This dividend was declared after 31st March 2008 and as such the liability of £2,062,000 has not been recognised at that date.

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. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

Earnings per share have been calculated using the following figures:

	Year ended 31st March 2008	Year ended 31st March 2007
Weighted average number of shares in issue	36,971,367	32,781,546
Dilution - effect of share schemes	318,266	1,054,146
Diluted weighted average number of shares in issue	37,289,633	33,835,692
Profit from continuing operations after tax	£12,327,000	£9,650,000
Earnings per share:		
Basic	33.3p	29.4p
Diluted	33.1p	28.5p

7 Property, plant and equipment

	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1st April 2006	256	805	427	1,488
Additions	5	137	202	344
Disposals	-	-	(133)	(133)
At 31st March 2007	261	942	496	1,699
Additions	1	328	-	329
Disposals	-	(284)	(91)	(375)
At 31st March 2008	262	986	405	1,653
Depreciation				
At 1st April 2006	6	394	217	617
Charge	25	179	156	360
Disposals	-	-	(129)	(129)
At 31st March 2007	31	573	244	848
Charge	27	203	128	358
Disposals	-	(284)	(91)	(375)
At 31st March 2008	58	492	281	831
Net book value				
At 31st March 2007	230	369	252	851
At 31st March 2008	204	494	124	822

Motor vehicles with a net book value of £124,000 are held under hire purchase arrangements (2007 - £252,000). Depreciation of £128,000 was charged during the year on these assets (2007 - £156,000).

Authorised future capital expenditure that was contracted, but not provided for, in these financial statements amounted to £nil (2007 - £nil).

8 Investments

Investment in subsidiary undertaking

At 31st March 2008 the Company held 100% of the issued share capital of Island Gardens Limited, a company registered in England and Wales, which had been incorporated to assist the Company in carrying out a joint activity. Island Gardens Limited is a dormant company with share capital of £2. Telford Homes Plc does not prepare consolidated financial statements as Island Gardens Limited is immaterial to the operations of the group.

Jointly controlled entities

At 31st March 2008 the Company held 50% of the issued share capital of Telford Homes (Stratford) Limited, a company registered in Scotland, which has been incorporated to assist the Company in carrying out a joint property development.

At 31st March 2008 the Company held 50% of the issued share capital of Telford Homes (Creekside) Limited, a company registered in Scotland, which has been incorporated to assist the Company in carrying out a joint property development.

At 31st March 2008 the Company held 50% of the issued share capital of Bishopsgate Apartments LLP, a limited liability partnership registered in England, which has been incorporated to assist the Company in carrying out a joint property development.

9 Inventories	31st March 2008 £000	31st March 2007 £000
Development properties	74,446	70,135

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

Included within development properties are freehold interests held for future sale of £2,850,000 (2007 - £2,259,000).

The value of inventories expensed in 2008 and included in cost of sales was £125,698,000 (2007 - £79,910,000). The value of inventories written down and recognised as an expense in 2008 was £144,000 (2007 - £400,000).

10 Trade and other receivables	31st March 2008 £000	31st March 2007 £000
Current receivables		
Amounts recoverable on contracts	117,530	54,155
Trade receivables	43	81
Other receivables	1,878	1,479
Prepayments and accrued income	723	389
	120,174	56,104

Amounts recoverable on contracts include sales proceeds secured on exchanges of contracts, less deposits received, adjusted for percentage completion on each development. This total includes a net amount of £44,426,000 (2007 - £21,009,000) which will be received on legal completions expected after more than one year.

Amounts recoverable on contracts

Contract revenue of £159,626,000 (2007 - £103,636,000) has been recognised in the year.

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

	31st March 2008 £000	31st March 2007 £000
Contracts where costs incurred plus recognised profits exceed payments to date	117,530	54,155
Total costs incurred plus recognised profits on contracts	381,143	226,251
Payments to date	(263,613)	(172,096)
	117,530	54,155

At 31st March 2008 retentions held by customers for contract work amounted to £947,000 (2007 - £528,000).

11 Cash and cash equivalents	31st March 2008 £000	31st March 2007 £000
Cash at bank and in hand	4,698	17,617

12 Hire purchase liabilities	31st March 2008 £000	31st March 2007 £000
Gross hire purchase liabilities:		
Due within one year	87	125
Due in more than one year and less than five years	18	100
	105	225
Less future interest	(4)	(16)
Net hire purchase liabilities	101	209
Net hire purchase liabilities are repayable as follows:		
Due within one year	83	113
Due in more than one year and less than five years	18	96
	101	209

13 Deferred income tax	31st March 2008 £000	31st March 2007 £000
Deferred tax assets	76	347
Deferred tax liabilities	(80)	(121)
Deferred tax (liabilities) assets	(4)	226

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

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

	31st March 2008 £000	31st March 2007 £000
Brought forward	226	188
Charged to the income statement	(36)	(243)
(Charged) credited directly to equity	(194)	281
	(4)	226

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

	Capital allowances £000	Share-based transactions £000	Land remediation timing differences £000	Total £000
At 1st April 2006	(8)	356	(160)	188
Credited (charged) to the income statement	59	(341)	39	(243)
Credited directly to equity	-	281	-	281
At 31st March 2007	51	296	(121)	226
Credited (charged) to the income statement	8	(85)	41	(36)
Charged directly to equity	-	(194)	-	(194)
At 31st March 2008	59	17	(80)	(4)

The aggregate deferred tax credited directly to equity amounts to £411,000 (2007 - £605,000).

14 Trade and other payables	**31st March 2008 £000**	**31st March 2007 £000**
Trade payables	8,126	5,555
Social security and other taxes	329	247
Accrued expenses	10,242	7,804
Land creditors	13,696	1,422
	32,393	15,028

15 Borrowings	**31st March 2008 £000**	**31st March 2007 £000**
Bank loans	101,424	73,210

Further information on bank loans is given in note 20.

16 Share capital	31st March 2008 £000	31st March 2007 £000
Authorised		
100,000,000 ordinary shares of 10p each	10,000	10,000
Allotted, called up and fully paid		
37,500,000 ordinary shares of 10p each (2007 - 36,940,475)	3,750	3,694

On 11th June 2007, 79,570 ordinary shares were issued at 369p to Telford Homes Trustees Limited to satisfy the requirements of the Share Incentive Plan (note 17).

On 11th June 2007, 125,430 ordinary shares were issued at 143.5p as a result of share options being exercised.

On 14th December 2007, 146,335 ordinary shares were issued at 143.5p as a result of share options being exercised.

On 14th December 2007, 160,000 ordinary shares were issued at 244p to Abacus Corporate Trustee Limited to satisfy the requirements of the Deferred Payment Share Purchase Plan (note 17).

On 26th March 2008, 48,190 ordinary shares were issued at 186.5p to Telford Homes Trustees Limited to satisfy the requirements of the Share Incentive Plan (note 17).

Ordinary shares may be issued in the future to satisfy the exercise of outstanding share options (note 17).

Details of own shares held within employee benefit trusts are disclosed in note 17.

All shares rank equally in respect of shareholder rights.

17 Employee Share Schemes

Telford Homes Plc Employee Share Option Scheme

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

A charge is made to the income statement to reflect the calculated fair value of employee share options over and above the exercise price paid by employees. This charge is calculated at the date of grant of the options and is charged equally over the vesting period. The corresponding adjustment to equity is made directly to the profit and loss reserve. In accordance with IFRS 2 (Share-based payments), only costs relating to options issued after 7th November 2002 have been charged to the income statement.

The Company has used the Black-Scholes-Merton formula to calculate the fair value of outstanding options. Individual calculations have been performed for groups of share options with differing exercise prices and dates. The assumptions applied to the Black-Scholes-Merton formula for share options issued and the fair value per option are as follows:

	2008	2007
Expected life of options based on options exercised to date	4 years	4 years
Volatility of share price based on three year share price history	25 - 30%	20%
Dividend yield	3% - 6%	2% - 4%
Risk free interest rate	5.25% - 5.75%	4.75% - 5%
Weighted average share price at date of grant	231p	256p
Weighted average exercise price	231p	256p
Weighted average fair value per option	£0.42	£0.45

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

The charge calculated for the year ended 31st March 2008 was £109,000 (2007 - £90,000) with a corresponding deferred tax asset of £30,000 (2007 - £27,000) recognised in the year.

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

	Number 000's 2008	Weighted average exercise price 2008	Number 000's 2007	Weighted average exercise price 2007
Outstanding at 1st April	1,488	147p	1,952	115p
Granted in the year	1,330	231p	211	256p
Forfeited in the year	(399)	285p	(41)	146p
Exercised in the year	(272)	143p	(634)	85p
Outstanding at 31st March	2,147	173p	1,488	147p
Exercisable at 31st March	434	90p	456	92p

The aggregate fair value of options granted in the year was £388,000 (2007 - £95,000).

17 Employee Share Schemes (continued)

During the year 318,415 of the options that have been forfeited were replaced with 463,683 new options with an incremental fair value of £9,000.

The weighted average share price at the point of exercise of share options during the year was 282.5p (2007 - 263.4p).

At 31st March 2008 outstanding options granted over 10p ordinary shares were as follows:

Share option scheme	Option price	Number	Dates exercisable
Company approved	143.5p	20,905	5 Aug 2007 to 5 Aug 2014
	144.5p	83,044	6 Jan 2008 to 6 Jan 2015
	138.5p	108,300	17 May 2008 to 17 May 2015
	153.5p	234,516	10 Nov 2008 to 10 Nov 2015
	167p	71,856	27 Feb 2009 to 27 Feb 2016
	205p	87,804	15 June 2009 to 15 June 2016
	213.5p	1,110,029	14 Feb 2011 to 14 Feb 2018
Company unapproved	60.5p	50,414	5 Mar 2005 to 5 Mar 2012
	75p	220,000	1 Oct 2005 to 1 Oct 2012
	74.5p	59,732	20 Feb 2006 to 20 Feb 2013
	138.5p	50,542	17 May 2008 to 17 May 2015
	167p	50,000	27 Feb 2009 to 27 Feb 2016

Telford Homes Plc Share Incentive Plan

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

The SIP provides for employees to purchase shares up to a value of £1,500 in each tax year. These shares are known as 'Partnership shares'. Partnership shares are matched on a one for one basis by 'Matching shares' provided by the Company subject to the shares remaining in the SIP for a period not less than three years. Dividends are paid on both Partnership and Matching shares and these are allocated to employees as 'Dividend shares'.

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

The trust has distributed shares as Partnership shares and Dividend shares to employees participating in the scheme. These shares remain in the trust until such time as an employee withdraws from the SIP. Further shares have been allocated to employees as Matching shares and the cost of these shares is being written off over the three year holding period. The charge in the year ended 31st March 2008 was £109,000 (2007 - £109,000).

During the year ended 31st March 2008 the trust acquired 9,114 shares at 423.5p in April 2007, a further 79,570 shares at 369p in June 2007 and a further 48,190 shares at 186.5p in March 2008. At 31st March 2008 the trust remains interested in 7,343 shares (2007 - 41,180) which have not been allocated to employees and a further 217,489 (2007 - 206,101) that have been allocated to employees as Matching shares but have not yet vested. Shares in which the trust remains interested do not rank for dividends and all shares that have not yet vested do not count in the calculation of the weighted average number of shares used to calculate earnings per share.

Shares held by the SIP are recognised as a deduction from shareholders' funds. The value of these shares at 31st March 2008 was £305,000 (2007 - £203,000). Movements in the profit and loss reserve relating to the SIP are shown in the statement of changes in equity.

Telford Homes Plc 2006 Deferred Payment Share Purchase Plan

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

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

In September 2006 selected employees were offered, and subscribed for, a total of 550,000 shares at the market value of 260p. These shares were issued on 9th November 2006. On this date the Company provided a loan to the trustee of £1,430,000 to enable the trustee to provide a loan to each of the participants. This loan is repayable at the earlier of the sale of the vested shares and November 2016 and has been recognised as a deduction from shareholders' funds in the statement of changes in equity.

In December 2007 selected employees were offered, and subscribed for, a total of 160,000 shares at the market value of 244p. These shares were issued on 14th December 2007. On this date the Company provided a loan to the trustee of £390,400 to enable the trustee to provide a loan to each of the participants. This loan is repayable at the earlier of the sale of the vested shares and December 2017 and has been recognised as a deduction from shareholders' funds in the statement of changes in equity.

18 Commitments and contingent liabilities

Commitments

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

	Property leases		Other leases	
	2008 £000	2007 £000	2008 £000	2007 £000
Within one year	184	161	201	128
Between one and five years	737	737	320	82
Over five years	476	660	-	-
	1,397	1,558	521	210

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

Contingent liabilities

On 23rd August 2005 the Company entered an agreement to purchase the site of the former halls of residence of Queen Mary and Westfield College in South Woodford. At 31st March 2008 £13.9 million (2007 - £10.0 million) had been paid for the site and a further liability of £7.3 million (2007 - £1.4 million) has been accrued. Further payments are contingent on future sales at the development and are estimated to be approximately £14 million (2007 - £23 million).

19 Related party transactions

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

In July 2006 David Holland purchased an apartment from the Company at the OneStratford development. Subsequently contracts were exchanged on 11th December 2006 for a parking space at the same development. The combined purchase price was £262,500. The Company has received deposits to the value of £26,250 with the balance due on legal completion which is scheduled for 2009. The purchase was approved at a previous Extraordinary General Meeting.

20 Financial instruments

Categories of financial assets and financial liabilities are as follows:

	31st March 2008 £000	31st March 2007 £000
Financial assets		
Loans and receivables:		
Trade receivables	43	81
Other receivables	1,878	1,479
Cash and cash equivalents	4,698	17,617
	6,619	19,177
Financial liabilities		
Amortised cost:		
Trade payables	8,126	5,555
Land creditors	13,696	1,422
Borrowings	101,424	73,210
Hire purchase liabilities	101	209
	123,347	80,396

The Company does not enter into any derivative transactions and has no exposure to exchange rate movements as its trade takes place entirely within the United Kingdom.

Trade and other receivables, trade payables and hire purchase liabilities

The fair value of trade and other receivables, trade payables and hire purchase liabilities at 31st March 2008 is equal to the carrying value stated in the balance sheet at that date. Hire purchase liabilities include £18,000 (2007 - £96,000) due after more than one year. All other trade and other receivables and trade payables are due within one year.

Land creditors

Land purchases made on deferred payment terms are recorded at fair value using the effective interest method in accordance with IAS 39 (Financial instruments). The difference between the fair value and nominal value is amortised over the deferment period as financing costs, increasing the land creditor to its full cash settlement value on the payment date. The interest rate used in the year to 31st March 2008 was 6% (2007 - 6%). All land creditors are due within one year.

20 Financial instruments (continued)

Borrowings

The Company uses loan finance, all of which is denominated in sterling, to acquire development land and undertake site construction. Existing loans and loan facilities are in place with three banks and are secured by a debenture over the assets of the Company and by charges over the development sites owned by the Company.

At 31st March 2008 the Company had unutilised overdraft facilities of £3.0 million (2007 - £2.5 million).

The Company has a revolving loan facility with Allied Irish Bank of £40.0 million in respect of certain development sites. Interest is charged at base rate plus a margin which varies between 1.5% and 2.25% depending on the nature of individual sites and the relationship between base rate and LIBOR. At 31st March 2008 the Company had utilised £24.8 million of this facility leaving an unutilised balance of £15.2 million. This facility is due for review in April 2009.

In addition the Company's jointly controlled entity, Bishopsgate Apartments LLP, has a credit facility with Allied Irish Bank of £20.0 million in respect of the purchase of development land in Bethnal Green Road. Interest is charged at LIBOR plus 1.25%. At 31st March 2008 Bishopsgate Apartments LLP had utilised £19.0 million of this facility leaving an unutilised balance of £1.0 million. The Company has recorded its 50% share of the loan in its balance sheet at 31st March 2008. This facility expires in January 2009 and an increased development land and construction facility is currently being negotiated following receipt of planning permission in March 2008.

The Company has site specific loan facilities with The Royal Bank of Scotland of £84.3 million. Interest is charged at base rate plus a margin which varies between 1.5% and 1.75% depending on the nature of individual sites. At 31st March 2008 the Company had utilised £51.6 million of these facilities leaving an unutilised balance of £32.7 million. Facilities are repayable on the completion of each development directly from the sales proceeds received. Of the utilised loans of £51.6 million a total of £28.5 million is due for repayment within one year, £21.8 million is due for repayment after more than one year and less than two years and £1.3 million is due for repayment after more than two years and less than five years.

In addition the Company's jointly controlled entity, Telford Homes (Creekside) Limited, has a credit facility with The Royal Bank of Scotland of £51.3 million in respect of the purchase of development land and construction in Greenwich. Interest is charged at base plus 1.25% on the land facility and base plus 1.5% on the construction facility. At 31st March 2008 Telford Homes (Creekside) Limited had utilised £13.8 million of this facility leaving an unutilised balance of £37.5 million. The Company has recorded its 50% share of the loan in its balance sheet at 31st March 2008. This facility is due for repayment in 2011.

Telford Homes (Creekside) Limited has entered into a bill of exchange for £6.5 million in respect of deferred land payments due in July 2009. This bill of exchange attracts finance charges and as such has been classified as bank loans within the accounts of Telford Homes (Creekside) Limited. The Company has recorded its 50% share of the bill of exchange in its balance sheet at 31st March 2008.

The Company has site specific loan facilities with Barclays Bank of £12.6 million. Interest is charged at base rate plus 1.5%. At 31st March 2008 the Company had utilised £5.4 million of these facilities leaving an unutilised balance of £7.2 million. These facilities are due for repayment during 2010.

Market risk

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

In order to assess the risk, interest costs are forecast on a monthly basis over a five year period using estimates of likely changes in rates and actual costs are compared to this forecast. Volatility of interest costs remained at an acceptable level in the year ended 31st March 2008. Interest on all facilities currently held is charged at floating interest rates and the Company assesses the requirement for fixing interest rates on a regular basis.

The effect on the income statement of a 1% rise and a 1% fall in interest rates has been calculated to assess interest rate sensitivity. Based on average monthly borrowings in the year, a 1% rise in interest rates would have a negative effect of £988,000 before tax (2007 - £558,000), a 1% fall in interest rates gives the same but opposite effect.

Credit risk

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

Trade and other receivables include amounts recoverable on contracts from individual purchasers where title to each property does not pass until the outstanding balance of the purchase price has been paid. Deposits already received can be retained by the Company. The Company therefore considers that adequate security is held against each individual balance.

Trade and other receivables also include amounts receivable from housing associations and jointly controlled entities and the Company 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 banks that have high credit ratings as set by international credit rating agencies.

Liquidity risk

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

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows over a five year period and performing sensitivity analysis on these forecasts. The Company utilises bank loan facilities to ensure that adequate funding is available to cover working capital requirements.

The Company considers that current unutilised facilities are sufficient to cover funding requirements in the foreseeable future.

20 Financial instruments (continued)

The maturity profile of financial liabilities is as follows:

	Trade payables £000	Land creditors £000	Borrowings £000	Net hire purchase liabilities £000	Total £000
Within one year	8,126	13,696	38,042	83	59,947
More than one year and less than two years	-	-	49,816	18	49,834
More than two years and less than five years	-	-	13,566	-	13,566
31st March 2008	8,126	13,696	101,424	101	123,347

	Trade payables £000	Land creditors £000	Borrowings £000	Net hire purchase liabilities £000	Total £000
Within one year	5,555	1,422	20,302	113	27,392
More than one year and less than two years	-	-	42,264	78	42,342
More than two years and less than five years	-	-	10,644	18	10,662
31st March 2007	5,555	1,422	73,210	209	80,396

21 Transition to International Financial Reporting Standards (IFRS)

As stated in the statement of accounting policies, these are the Company's first financial statements prepared in accordance with IFRS as adopted by the EU.

The accounting policies set out in the statement of accounting policies have been applied in preparing the financial statements for the year ended 31st March 2008, the comparative information presented in these financial statements for the year ended 31st March 2007 and in the preparation of the opening IFRS balance sheet at 1st April 2006 (the date of transition). In preparing the IFRS opening balance sheet, the Company has restated the figures previously reported in accordance with UK GAAP.

An explanation of each IFRS that has resulted in a restatement of the figures prepared under UK GAAP is given below. This is followed by reconciliations between UK GAAP and IFRS covering the income statement and balance sheet for the year ended 31st March 2007 and the balance sheet at 31st March 2006. There is no impact on the Company's cash flows.

IAS 12 Income taxes

IAS 12 requires that the expected value of future tax deductions relating to the exercise of share options is recognised as a deferred tax asset over the vesting period of the options. Under UK GAAP deferred tax was recognised only to the extent that a charge for share-based payments was recorded in the profit and loss account. Under IAS 12 any deferred tax over and above that on the share-based payment charge is recognised directly in equity. Under IAS 12 other charges and tax credits in respect of employee share schemes are taken directly to equity rather than adjusting the tax charge in the year.

Adoption of IAS 12 results in an additional deferred tax asset of £324,000 at 31st March 2006 and £297,000 at 31st March 2007. The movement in this additional asset is recognised partly through the income statement and partly directly in equity depending on the calculation of share-based payment charges. The tax charge in the income statement for the year ended 31st March 2007 has increased by £308,000 as a result of net tax credits recognised in respect of employee share schemes being taken directly to equity.

IAS 39 Financial instruments - recognition and measurement

IAS 39 requires that financial assets and liabilities are recognised initially at their fair value. For land purchased on extended payment terms the Company will initially record it at its fair value with a land creditor recorded for any outstanding monies based on this fair value assessment. Previously land purchased on extended payment terms was recognised at the cost determined in the purchase contract. The difference between the ultimate cost of the land and the initial fair value will be amortised over the period of the extended payment term and charged to finance costs increasing the value of the land creditor such that at the date of maturity the land creditor equals the payment required.

Under UK GAAP the balance sheet at 31st March 2007 included a liability of £1.4 million in relation to land purchased at Queen Mary's Gate, South Woodford on extended payment terms. Adjusting this to fair value has reduced the liability by £73,000 and reduced inventories by the same amount. The interest charge in the year to 31st March 2007 has increased by £5,000 as a result of amortising the difference between the ultimate cost of the land and the fair value over the period of the extended payment term. In addition the recognition of profit at the development has changed to reflect the reduction in the recognised cost of the land resulting in a reduction in revenue of £24,000 and a reduction in trade receivables of the same amount and a reduction in cost of sales of £39,000 and a reduction in inventories of the same amount. No restatement was required to the opening balance sheet at 1st April 2006.

21 Transition to International Financial Reporting Standards (IFRS) (continued)

IFRS income statement reconciliation for the year ended 31st March 2007

	Previously reported under UK GAAP £000	IAS 12 Income taxes £000	IAS 39 Financial instruments £000	Effect of transition to IFRS £000	Restated under IFRS £000
Revenue	**104,407**	**-**	**(24)**	**(24)**	**104,383**
Cost of sales	(81,040)	-	39	39	(81,001)
Gross profit	**23,367**	**-**	**15**	**15**	**23,382**
Administrative expenses	(6,676)	-	-	-	(6,676)
Operating profit	**16,691**	**-**	**15**	**15**	**16,706**
Finance income	794	-	-	-	794
Finance costs	(3,980)	-	(5)	(5)	(3,985)
Profit before income tax	**13,505**	**-**	**10**	**10**	**13,515**
Income tax expense	(3,557)	(308)	-	(308)	(3,865)
Profit from continuing operations after tax	**9,948**	**(308)**	**10**	**(298)**	**9,650**

IFRS balance sheet reconciliation as at 31st March 2007

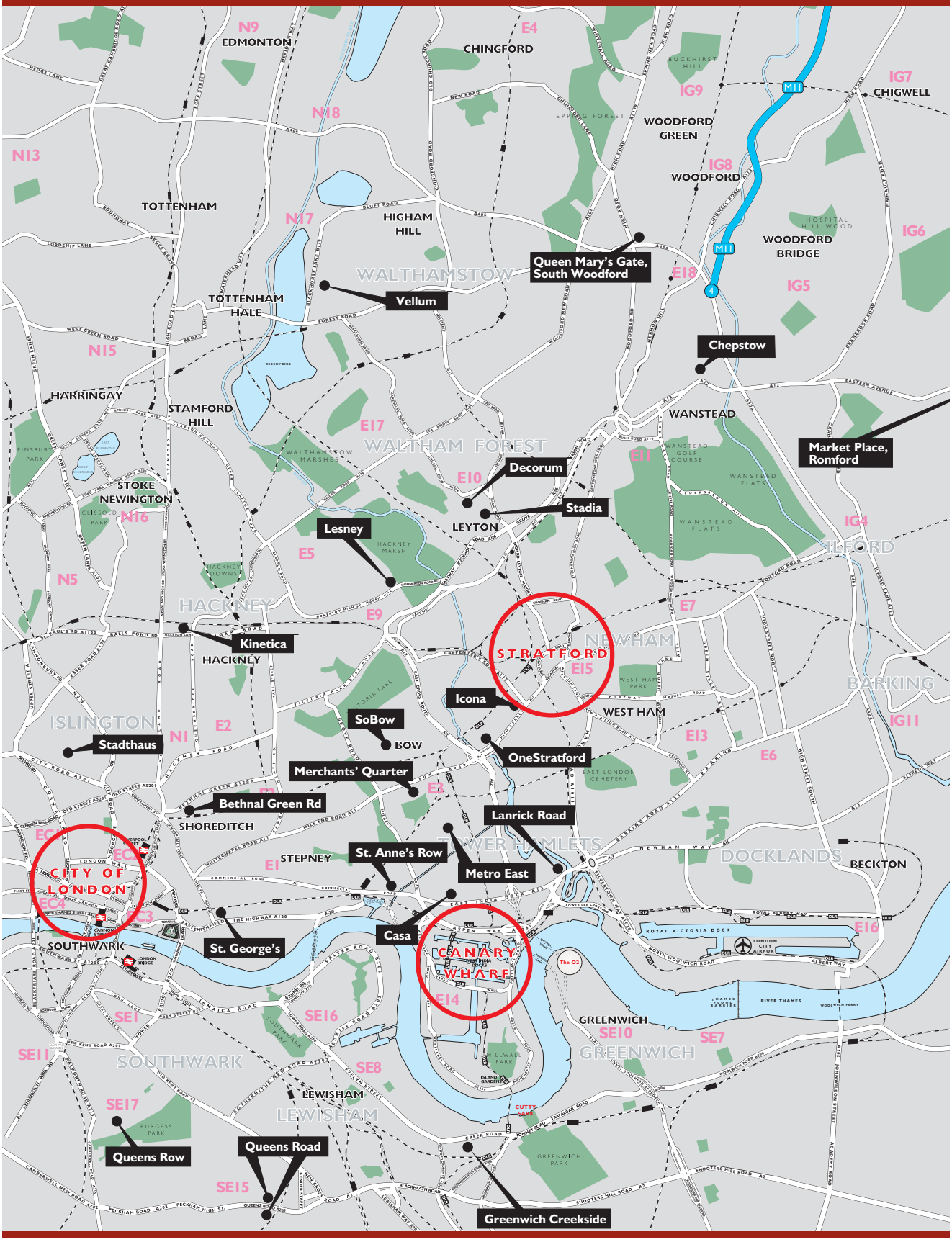
	Previously reported under UK GAAP £000	IAS 12 Income taxes £000	IAS 39 Financial instruments £000	Effect of transition to IFRS £000	Restated under IFRS £000
Non current assets					
Property, plant and equipment	851	-	-	-	851
Deferred income tax assets	-	226	-	226	226
	851	226	-	226	1,077
Current assets					
Inventories	70,174	-	(39)	(39)	70,135
Trade and other receivables	56,128	-	(24)	(24)	56,104
Cash and cash equivalents	17,617	-	-	-	17,617
	143,919	-	(63)	(63)	143,856
Total assets	**144,770**	**226**	**(63)**	**163**	**144,933**
Non current liabilities					
Deferred income tax liabilities	(71)	71	-	71	-
Hire purchase liabilities	(96)	-	-	-	(96)
	(167)	71	-	71	(96)
Current liabilities					
Trade and other payables	(15,101)	-	73	73	(15,028)
Current income tax liabilities	(1,655)	-	-	-	(1,655)
Borrowings	(73,210)	-	-	-	(73,210)
Hire purchase liabilities	(113)	-	-	-	(113)
	(90,079)	-	73	73	(90,006)
Total liabilities	**(90,246)**	**71**	**73**	**144**	**(90,102)**
Net assets	**54,524**	**297**	**10**	**307**	**54,831**
Capital and reserves					
Issued share capital	3,694	-	-	-	3,694
Share premium	28,641	-	-	-	28,641
Retained earnings	22,189	297	10	307	22,496
Total equity	**54,524**	**297**	**10**	**307**	**54,831**

21 Transition to International Financial Reporting Standards (IFRS) (continued)

IFRS balance sheet reconciliation as at 31st March 2006

	Previously reported under UK GAAP £000	IAS 12 Income taxes £000	IAS 39 Financial instruments £000	Effect of transition to IFRS £000	Restated under IFRS £000
Non current assets					
Property, plant and equipment	871	-	-	-	871
Deferred income tax assets	-	188	-	188	188
	871	188	-	188	1,059
Current assets					
Inventories	45,547	-	-	-	45,547
Trade and other receivables	59,454	-	-	-	59,454
Cash and cash equivalents	7,211	-	-	-	7,211
	112,212	-	-	-	112,212
Total assets	**113,083**	**188**	**-**	**188**	**113,271**
Non current liabilities					
Deferred income tax liabilities	(136)	136	-	136	-
Hire purchase liabilities	(75)	-	-	-	(75)
	(211)	136	-	136	(75)
Current liabilities					
Trade and other payables	(10,073)	-	-	-	(10,073)
Current income tax liabilities	(1,590)	-	-	-	(1,590)
Borrowings	(68,953)	-	-	-	(68,953)
Hire purchase liabilities	(95)	-	-	-	(95)
	(80,711)	-	-	-	(80,711)
Total liabilities	**(80,922)**	**136**	**-**	**136**	**(80,786)**
Net assets	**32,161**	**324**	**-**	**324**	**32,485**
Capital and reserves					
Issued share capital	2,981	-	-	-	2,981
Share premium	12,656	-	-	-	12,656
Retained earnings	16,524	324	-	324	16,848
Total equity	**32,161**	**324**	**-**	**324**	**32,485**

Current and future developments showing proximity to three key areas of growth and employment - The City, Canary Wharf and Stratford



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