Telford Homes Plc

annual report and accounts

knowledge

construction

regeneration

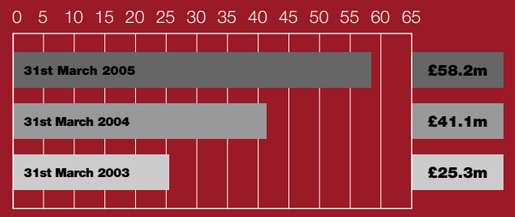
relationships

telfordhomes

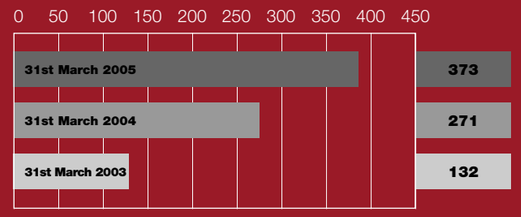
our **knowledge** is our key to success

financial highlights 2005

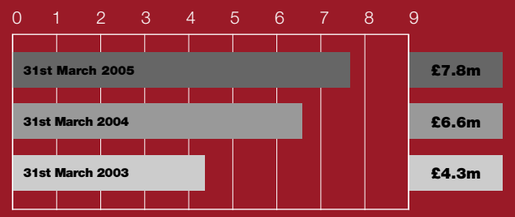
turnover



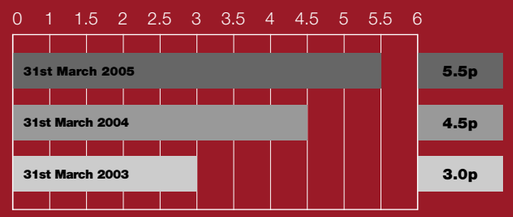
contracts exchanged on properties



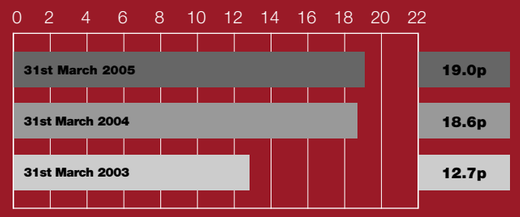
profit before tax



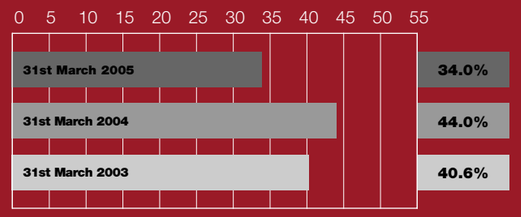
dividend per share

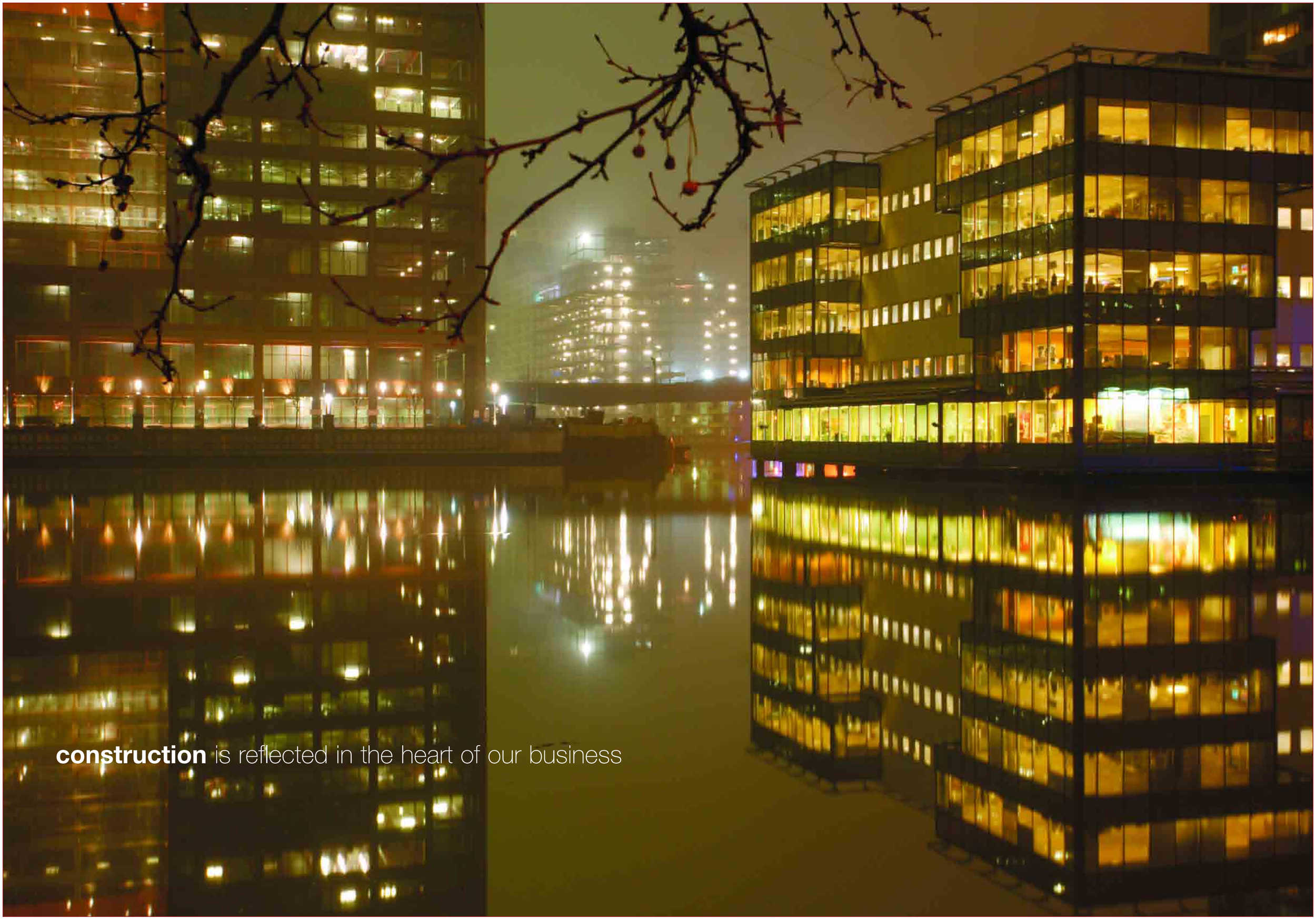


earnings per share



pre-tax return on average equity



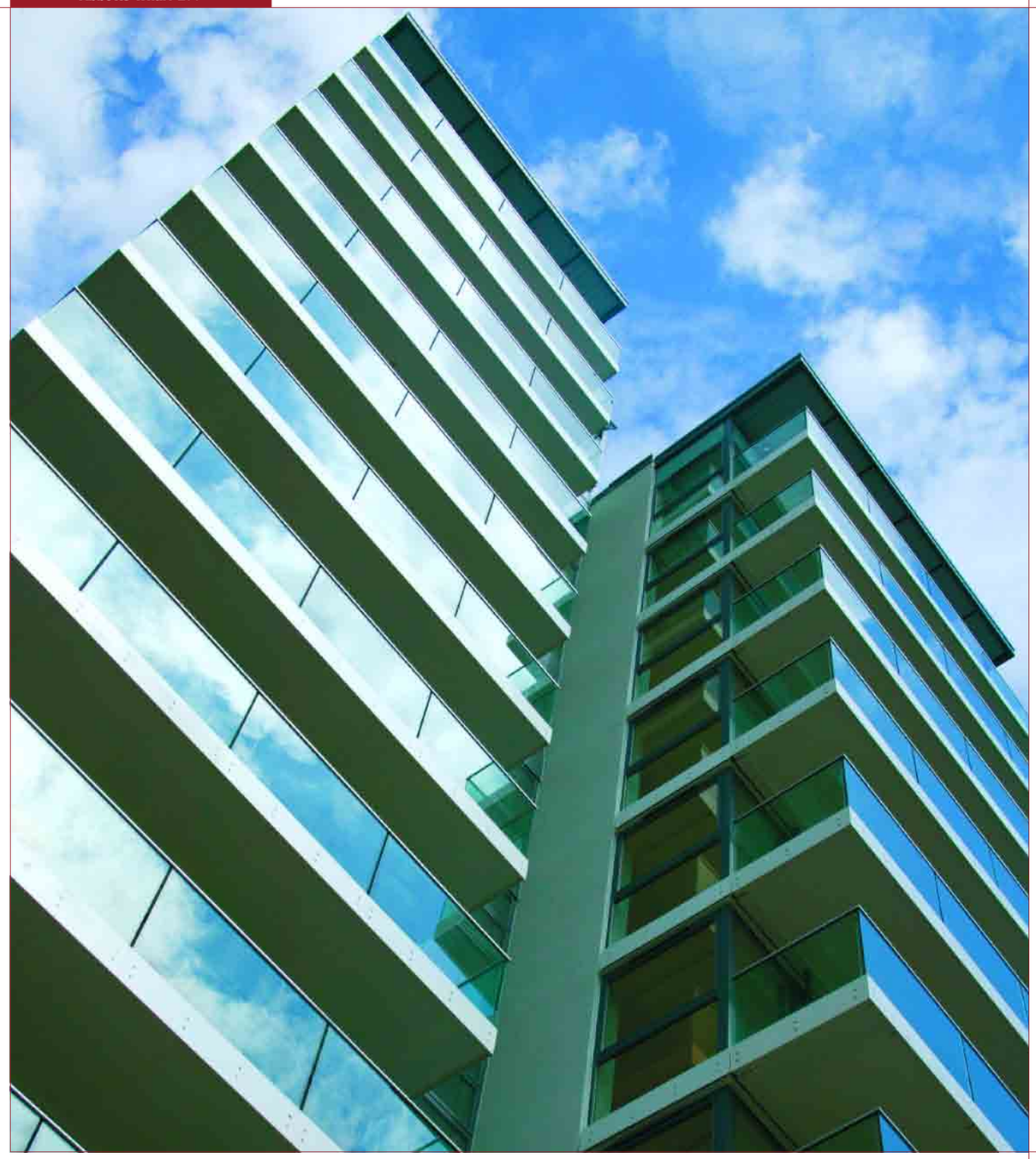


construction is reflected in the heart of our business

chairman's statement David Holland

David Holland Chairman (Non-Executive)

Abbotts Wharf E14



In our fourth accounting period since incorporation I am pleased to report on another successful year for Telford Homes. The Company has continued its growth despite an environment of rising interest rates and pessimism surrounding the housing market.

We are delighted to have sold over 100 more properties this year than the year before and to have delivered 17% growth in profit before tax. It is worth noting that since the Company started we have now exchanged contracts on properties worth a combined total of £175 million, a sign of what we have achieved in a short space of time.

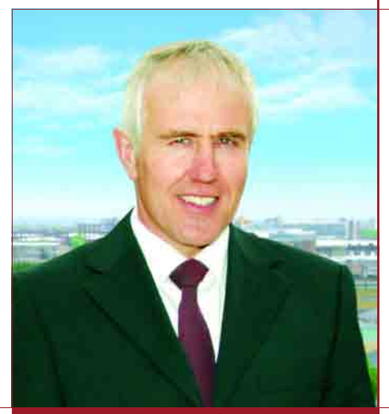
It is particularly pleasing to see the difference in the built environment in East London, a change that Telford Homes is playing a significant role in. With the help of our housing association partners this is having an uplifting effect on the local communities. We are looking forward to becoming involved in wider regeneration schemes in the future.

Towards the end of 2004 the board reviewed the strategy of the Company and concluded that, market conditions permitting, there is an exciting future ahead with continued growth coming from the many opportunities in our area of operation. To facilitate this we formed two new operating divisions, Telford Homes Metro and Telford Homes Alto, which we reported at the end of our financial year. I am delighted to say that to date the resulting re-organisation has been very successful which can only be a credit to the people involved, both existing personnel and those that have joined us in new roles.

I have the annual pleasure of thanking each and every person who has contributed to the progress of Telford Homes and in particular this year I thank each of our employees for their tremendous efforts across every department. I know these efforts are already continuing into this year and I anticipate reporting on further success for the Company in future years.

David Holland
Chairman (Non-Executive)
23rd May 2005


regeneration is unlocking the potential of East London



Andrew Wiseman Chief Executive

chief executive's review Andrew Wiseman

Once more I can report on an excellent set of results for Telford Homes. Turnover has grown by 42% to £58.2 million and profit before tax has grown by 17% to £7.8 million.

Earnings per share have increased to 19.0p from 18.6p, the smaller increase reflecting the dilution of the share placing in March 2004. The directors are proposing a final dividend of 3.7p, making a total of 5.5p for the year.

Property sales and affordable housing

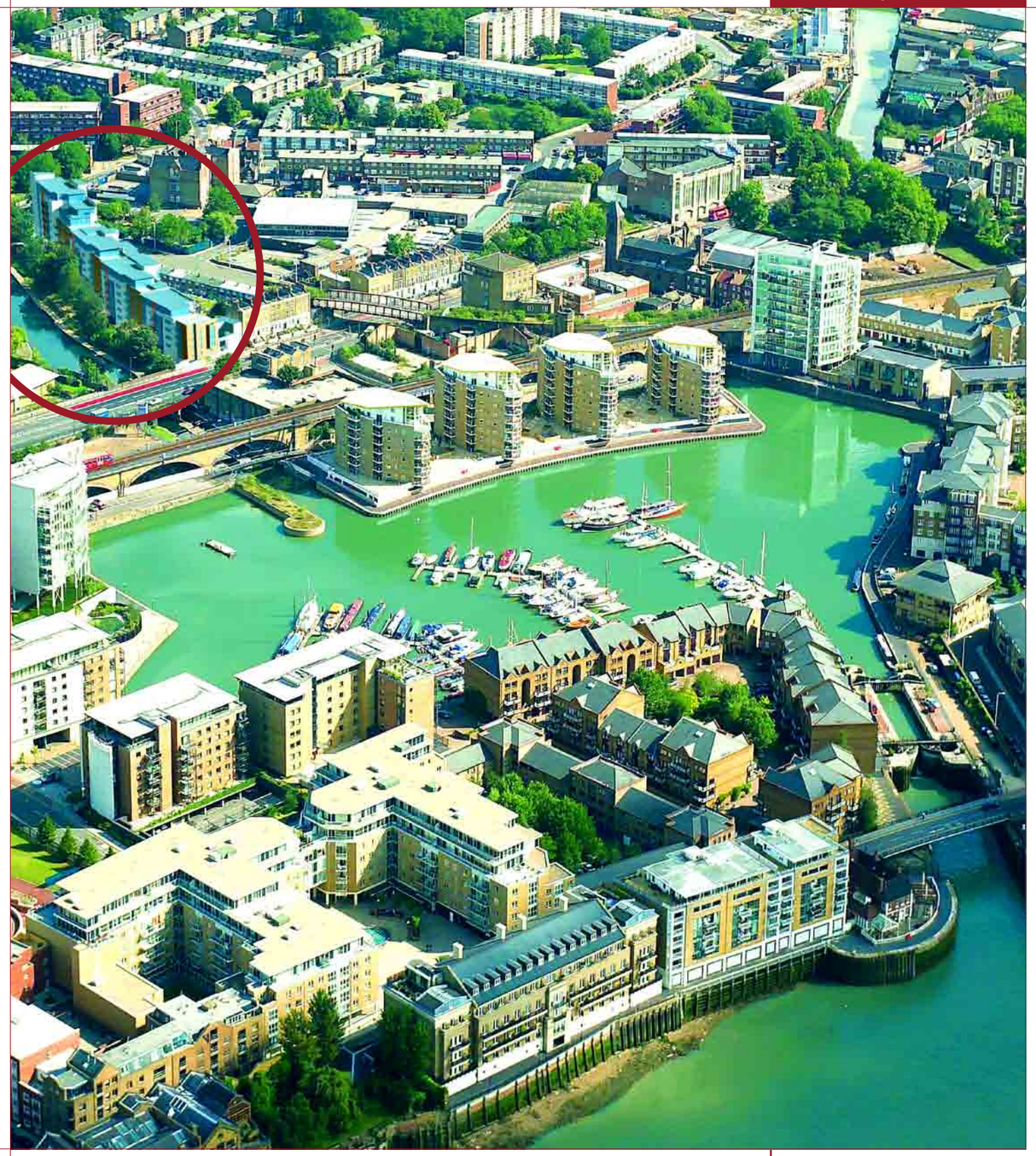
Contracts were exchanged on 373 properties in the year comprising 225 private homes, 147 affordable homes and one commercial unit.

The private homes were exchanged at an average price of £245,000 compared to £209,000 last year. This increase is due entirely to the specific locations in which we have been developing and is not a reflection of changes in general market prices, which have remained broadly constant in East London over the past year. Developments closer to Canary Wharf and the City will always attract higher prices and at Tequila Wharf on Commercial Road, E14 we sold 106 private homes in the year at an average price of £250,000. In addition we have sold properties at Equinox, Island Gardens, E14 and Estilo on the Wenlock Basin, N1 where average prices are above £300,000. These have been offset by the sale of our more traditional product, for example at Cubix, Brock Place, E3 where we exchanged contracts on 48 private homes in the year at an average price under £200,000.

This year we will be marketing the remaining units at Island Gardens and Estilo and I expect the average price to remain around £250,000 while these properties are being sold alongside our traditionally priced developments. Developments we have in the pipeline are moving back towards our traditional price levels and this is part of our strategy in the current marketplace.

Affordable homes represent 39% of properties exchanged in the year, which demonstrates that this is a major component of our business. Housing associations fund the construction of affordable homes over the course of the building work and therefore while margins may be lower in some cases, the return on capital from these contracts is excellent.

CGI of **Tequila Wharf** E14



Devons Road E3

We are particularly pleased to have secured the sale of three whole developments for affordable housing. Bethnal Green & Victoria Park Housing Association have purchased a 35 unit development at Carr Street, E14 and ASRA Greater London Housing Association have purchased 55 units across two sites in Lea Bridge Road, E10. The sites in Lea Bridge Road are being developed as part of our ongoing partnership with James Smith Estates Plc. These sales will deliver secured revenues at our typical margin and will continue to contribute to revenue and profit in the coming year.

Operating divisions

In November 2004 the directors undertook a strategic review which concluded that the Company could achieve significant growth within its target markets. The financial resources and strategies are in place for this growth but the review identified that a change in the operational structure of the business would help us achieve our ambitions.

This change involved the creation of two new operating divisions reporting into the main board of Telford Homes. These divisions are called Telford Homes Alto and Telford Homes Metro. It is typical in our industry for a number of geographic operating divisions to report into a group board. However it remains one of our strengths that we operate in a relatively small area primarily in East and North London. The board decided that this concentration of our business should continue, to maximise the benefit of the excellent relationships we have established in this locality. In addition it is clear that the regeneration of some of these neighbourhoods has barely commenced and therefore many more development opportunities exist.

These divisions will concentrate on different types of construction with Metro developing complex infill sites with shorter construction periods and consequently higher returns on capital and Alto developing our larger flagship developments.

Planning and development pipeline

The planning environment remains difficult in some cases, with planning appeals now taking around 14 months to be heard. We have maintained our close relationships with planners and local councils and have achieved several planning consents during the year including our major joint development with the Royal Bank of Scotland at Warton Road, Stratford.

In addition we have purchased, or agreed to purchase subject to planning, a number of new development sites. Our development pipeline, being properties that will produce profit in future years not including those built for joint venture partners, consists of 559 units with planning consent and 354 units subject to the planning process.

John Penn Street SE13

Development sites

We are currently active either in design or construction on 15 separate development sites. Abbotts Wharf, our development of 201 homes on the Limehouse Cut, E14 is almost complete and handovers will commence shortly. We completed and handed over 169 homes during the last financial year and this number will be substantially higher this year. Our customer service team has been strengthened to maintain consistently high standards in product finish and after sales service. Our balance of product quality and service excellence has brought the Company a high level of repeat purchasers and recommendations from satisfied customers.

We expect to commence development of 162 private homes, 87 affordable homes and commercial space at Warton Road, Stratford in the Summer of this year and this development will contribute to our results for the next three years. Construction continues at our other flagship developments, Tequila Wharf, E14, Island Gardens, E14, and Estilo, N1, which will all be completed during 2006.

We also have a number of smaller sites of between eight and 35 units that continue to form a vital part of our business and are typical of the opportunities that arise for development in East London.

People

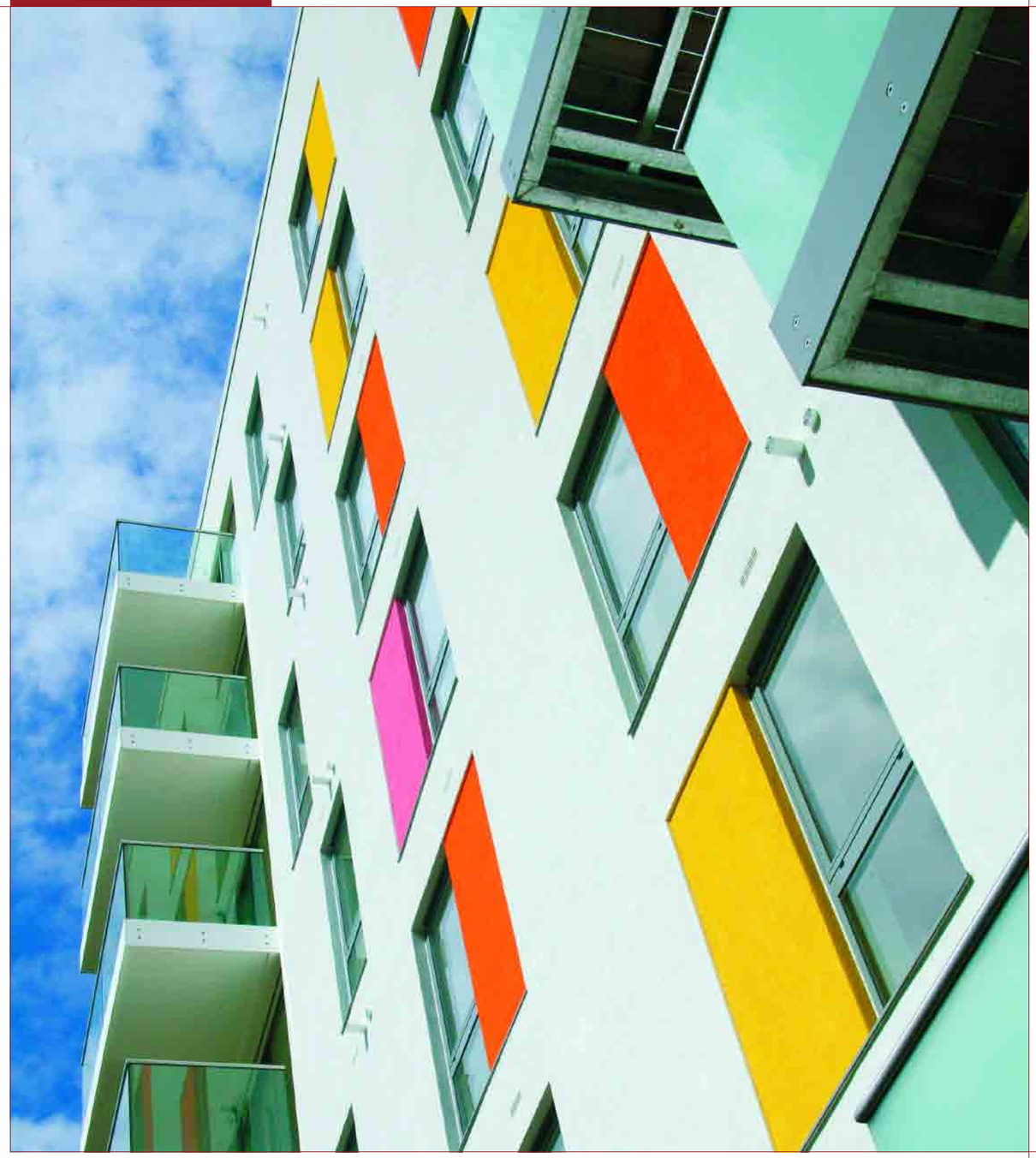
As a result of creating the new operating structure I have outlined above, the Company underwent an internal re-organisation and appointed new people to the management team.

Mark Parker has joined us from the Barratt Group to become the Managing Director of Telford Homes Metro. Mark has many years experience in the industry and is a valuable asset to the Company. Mark Duffield has been appointed Technical Director and Jeremy Brett, Construction Director of Telford Homes Metro.

John Fitzgerald has been promoted to become the Managing Director of Telford Homes Alto. John was previously Construction Director of Telford Homes Plc where he built up a first class construction team. Chris Dreher has been promoted to become the Commercial Director of Telford Homes Alto.

The directors of the new divisions will take over the operational management of the business and the role of the main board of Telford Homes will increasingly focus on the overall strategy and direction of the Company. In these circumstances it is appropriate to have a smaller board.

Abbotts Wharf E14



As a result of these changes John Fitzgerald, Mark Duffield and Jeremy Brett have all stepped down from the board of Telford Homes Plc and therefore resigned as directors with effect from the close of business on 31st March 2005. I thank each of them for their contributions to the board during the first growth phase of Telford Homes.

Outside of the operational changes we have continued to add strength to the Company, bringing in new people in every department. This included the creation of a new role, early in the year, to concentrate on partnerships with affordable housing providers and acquiring regeneration opportunities both from these housing associations and from local councils. I see this as increasingly important for Telford Homes as public sector landowners look for partnerships with 'hands on' construction companies.

The importance of employing quality personnel with the ability to cope with continued expansion cannot be overstated and all of our employees have been instrumental in our success. We will continue to add to the team and maintain an infrastructure that can deliver future growth.

Current trading and outlook

Market conditions have been tougher over the last six months yet, despite this, we have achieved success due to our detailed knowledge of the area; the exceptional standard of our product; our ability to continue selling to investors some of whom are repeat purchasers; and the strength of our relationships with housing associations.

To date, due to contracts exchanged and properties sold, subject to contract, we have a total of 104 properties contributing to our results for 2006. We have a number of development launches planned over the year and these will drive sales for the next 12 months.

I believe these tougher market conditions will remain until interest rates start moving down and consequently securing sales will still represent a challenge, however I am confident the Company can continue to be successful and produce another year of growth.

Andrew Wiseman
Chief Executive
23rd May 2005


changing short term partnerships
into long term **relationships**

Jonathan Di-Stefano Financial Director

financial review Jonathan Di-Stefano

The year to March 2005 has been a further year of expansion for Telford Homes. Our results were in line with our expectations and we have continued to sell properties early in the development process both to investors and housing associations, securing future cash flow and maintaining the Company on a sound financial platform.

View of **Canary Wharf** from Abbotts Wharf E14

Operating results

Turnover increased to £58.2 million compared with £41.1 million last year. An analysis of properties sold in the year is given in the Chief Executive's review.

Gross profit increased to £13.3 million compared to £10.4 million last year and our gross margin reduced to 22.8% from 25.3%. The margin has fallen over the last three years and this decline is in accordance with our forecasts in an environment where sales prices have been stable and where we appraise new sites seeking to achieve a margin in excess of 20%. In certain situations, where affordable housing is provided as part of a large scale private development, we are undertaking contracts for housing associations at a margin below 20% in return for cash payments over the course of the construction period. These contracts have an excellent return on capital but have an impact on the overall gross margin of the business.

Our operating margin has reduced to 16.3% from 18.2% in line with the fall in the gross margin. Overheads were £3.8 million and represent 6.6% of turnover compared to 7.0% last year. We maintain a tight control on all of our costs while ensuring that we attract and retain quality people who will enable us to achieve our plans for the future. In that regard employee related costs represent over 75% of our overheads. I expect overheads as a percentage of turnover to continue to fall over time as the business grows.

Interest

Interest paid in the year was £1.8 million compared to £0.9 million last year. Bank loans at the year end were £33.1 million, substantially within our facilities. The base rate for interest rose during the year from 4% to 4.75% and while this directly increases our finance costs we have offset this by careful control of our cash flow and by undertaking a number of schemes where payments on account from housing associations have reduced the funding required from banks.

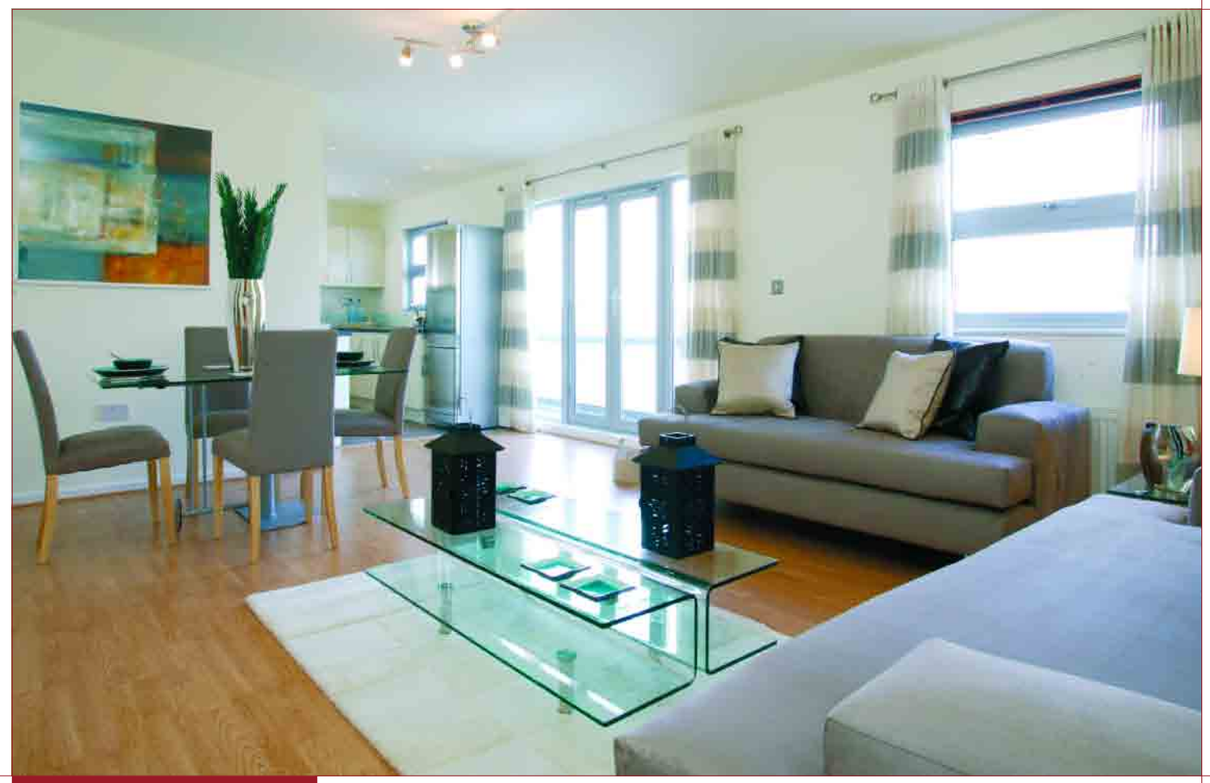
Profit before tax

Profit before tax has increased to £7.8 million from £6.6 million.

We are undertaking an increased number of larger schemes with longer periods of construction and this has impacted on our pre-tax return on equity of 34.0% and pre-tax return on capital of 18.3%. However this still represents a good rate of return in a fast growing business and we are constantly seeking opportunities that will deliver higher returns such as the affordable housing contracts mentioned above. Our partnership with James Smith Estates Plc now extends to three sites covering in excess of 80 properties and on these developments there are no land payments and therefore we achieve much higher returns on capital.

Taxation

The effective tax charge for the year is 29.6% with a prior year over provision and a deferred tax liability having offsetting effects.



Aquarius Chelmsford

De Beauvoir N1

Dividends

A final dividend of 3.7p has been proposed which, together with the interim dividend of 1.8p paid in January 2005, makes a total for the year of 5.5p. The total dividend last year was 4.5p. The dividend is covered 3.4 times by earnings per share. The final dividend is expected to be paid on 15th July 2005 to shareholders on the register on 24th June 2005.

Earnings per share

Earnings per share increased to 19.0p from 18.6p and the weighted average number of shares in issue was 28.8 million.

Balance sheet

Net assets at 31st March 2005 were £25.2 million representing a net asset value per share of 86.5p. Total assets were £73.5 million with the majority being work in progress on development sites and debtors awaiting legal completion of properties where we have exchanged contracts. These assets convert into cash as we exchange and complete our homes.

Finance

As in previous years we have bank facilities in place to provide 70% of development land and construction expenditure with repayments made from completion monies received.

Our facilities with Allied Irish Bank include a revolving loan facility of £22 million. We have also secured site specific funding with the Royal Bank of Scotland totalling £60 million including joint venture funding. Interest is charged on the majority of this funding at rates of between 1.25% and 1.75% over the base rate.

Our combined overdraft facility stands at £2.5 million and is intended to cover short term funding only. With cash balances at the year end of £4.1 million we are not currently utilising this facility.

Gearing at 31st March 2005 was 132% increased from 92% last year. This level of gearing is not excessive where the realisable value of much of our stock is secured by binding contracts with purchasers early in the development process.

Cash flow

We maintain a detailed cash flow forecast as part of our management information systems. This extends for a number of years into the future and is subject to continual re-assessment. The cash flow position is reported to the board and our banking partners on a monthly basis and is instrumental in the strategy of the Company.

Share price

The share price on 31st March 2005 was 140.5p (31st March 2004 – 163.5p), with a high in the year of 166.5p and a low of 120.5p.

Jonathan Di-Stefano
Financial Director
23rd May 2005

operating divisions

During the year Telford Homes created two new operating divisions to assist the Company in achieving significant growth in its target markets. This has allowed the board of directors to focus on the overall strategy and direction of the Company while ensuring the operational management of the business remains carefully controlled. The new divisions take advantage of the specialist knowledge required to undertake construction work at different scales and using different methods.

Metro management team at **Cubix** E3

LEFT TO RIGHT

Mark Parker
Managing Director

Jeremy Brett
Construction Director

Mark Duffield
Technical Director

Alto management team at **Abbotts Wharf** E14

LEFT TO RIGHT

Mike French
Technical Manager

John Fitzgerald
Managing Director

Chris Dreher
Commercial Director

Telford Homes Metro

Telford Homes Metro are responsible for smaller scale developments where each design is unique and construction can often be complex and involve operating under difficult conditions. The focus on these developments will be to minimise the time between land purchase and handover of the completed apartments in order to maximise return on capital. Our historically high rate of return on capital has been driven by these smaller scale developments.

Telford Homes Alto

Telford Homes Alto are responsible for larger developments where the time required both in design and planning of the construction work is much greater and where the construction itself is usually reinforced concrete frame and requires different skills to those required on a smaller development. Typically these are flagship developments with substantial investment on each site.

Working together under one brand

The brand name of Telford Homes Plc has become strong in our key areas and therefore all of our developments will continue to be marketed under the group name. Sales and Marketing, Land Buying, Social Housing Partnerships, Finance and Administration will be central services working very closely with the new operating divisions.

directors and advisors

Directors

Andrew Wiseman	Chief Executive
David Durant	Group Managing Director
Robert Clarke	Non-Executive Director
Jonathan Di-Stefano	Financial Director
Sheena Ellwood	Sales and Marketing Director
James Furlong	Land Director
David Holland	Chairman (Non-Executive)

Company Secretary
Margaret Turner

Registered Number
4118370

Registered Office
3 Buckingham Court, Rectory Lane, Loughton, Essex, IG10 2QZ

Auditors
Moore Stephens, St. Paul's House, Warwick Lane, London, EC4P 4BN

Bankers
Allied Irish Bank, The Manor House, High Street, Wanstead, London, E11 2RL

Royal Bank of Scotland, 1st Floor, Conqueror House, Vision Park, Chivers Way, Cambridge, CB4 9BY

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

FRONT LEFT TO RIGHT

David Holland
Chairman (Non-Executive)

Andrew Wiseman
Chief Executive

Jonathan Di-Stefano
Financial Director

BACK LEFT TO RIGHT

Robert Clarke
Non-Executive Director

David Durant
Group Managing Director

Sheena Ellwood
Sales and Marketing Director

James Furlong
Land Director

environment and social responsibility

Telford Homes is committed to supporting the environment and minimising any harmful impact our business activities have upon it. The Company has an environmental policy and we ensure that this is communicated throughout our operations including appropriate subcontractors and suppliers. The key aims of the policy are:

- Integration of environmental responsibilities into the organisation.
- Ensuring that all operations take account of the Environmental Protection Act.
- Undertaking regular reviews of our working practices to minimise pollution and waste.
- Ensuring that contractors involved in the removal of waste are registered carriers.
- Assessment of any environmental impact when performing risk assessments for the control of substances hazardous to health.
- A commitment to achieving high levels of energy efficiency and water management in all of our operations.

There are many examples of this policy in action in our business:

- On almost all of our sites we undertake extensive remediation works in existing residential areas to remove pollutants and material harmful to the environment.
- We use tyre rubber as a sound deadening membrane in a number of our developments thereby recycling waste materials and reducing noise pollution.
- Many of our developments are ‘car free’ and these are usually located near public transport links and have provision for bicycles to be stored.
- At Victoria Road in Barking we are replacing lost wildlife habitat with a ‘brown roof’ which will provide a nesting location for birds.
- We have designed underground refuse facilities at recent sites which are self contained and environmentally friendly and on larger developments we are introducing recycling facilities alongside the normal refuse bins.
- At Equinox, Island Gardens we are testing a waste management system which separates certain waste created during construction for recycling.
- We are increasing our use of pre-fabricated external walls and bathroom pods, these reduce waste as they are manufactured off-site.

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.

health and safety

It is the policy of Telford Homes that our operations are conducted in such a way as to safeguard the health, safety and welfare of all employees at work and all other persons who may be affected by our activities.

The Company regards 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.

Every employee who works on our construction sites, or is a regular visitor to them, receives appropriate health and safety training. All of these employees, including the directors, have undertaken a health and safety assessment accredited by the Construction Industry Training Board to ensure their knowledge is up to date and relevant.

Development sites are regularly visited and inspected by an independent Health and Safety consultant to ensure that best practice is being followed.

Mark Parker and John Fitzgerald are responsible for Health and Safety in each of the operating divisions and they report to David Durant, the Group Managing Director, who has responsibility on the board. Mark Parker and John Fitzgerald report on Health and Safety at weekly management meetings. David Durant prepares a report for each monthly board meeting that includes details of any accidents that have occurred on sites, continual staff training and the results of any inspections that have been carried out by the Health and Safety Executive.

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 (the Code) 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. The revisions to the Code following the Higgs review of non-executive directors and the Smith review of audit committees have been considered by the board and the directors have sought to adopt the measures where appropriate and practical.

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 seven 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. On the 31st March 2005 three directors resigned from the board as part of an internal re-organisation. 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 33 and 34.

Audit committee

During the period the audit committee, which is chaired by Robert Clarke has met three times, the external auditors being in attendance.

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 eliminate 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 2005 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 2005.

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 three times 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.

During 2004 the Company set up 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 9 to the financial statements.

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.

Directors' emoluments

The directors' emoluments for the year ended 31st March 2005 are as follows:

	Salary and fees £	Bonus £	Benefits in kind £	Pension contributions £	Total 2005 £	Total 2004 £
Andrew Wiseman	87,125	35,000	21,485	8,713	152,323	135,629
David Durant	87,125	35,000	16,967	8,713	147,805	132,486
Jeremy Brett	66,250	35,000	14,768	6,625	122,643	100,418
Robert Clarke	24,375	-	-	-	24,375	22,500
Jonathan Di-Stefano	68,000	35,000	8,495	6,800	118,295	97,605
Mark Duffield	66,250	35,000	16,083	6,625	123,958	108,165
Sheena Ellwood	71,750	35,000	11,301	7,175	125,226	108,374
John Fitzgerald	68,000	35,000	14,888	6,800	124,688	35,684
James Furlong	68,000	35,000	32,237	-	135,237	119,461
David Holland	30,625	-	-	-	30,625	27,500
Total	**637,500**	**280,000**	**136,224**	**51,451**	**1,105,175**	**887,822**

Jeremy Brett, Mark Duffield and John Fitzgerald resigned as directors on 31st March 2005 and these figures include their emoluments for the full year.

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' share options

The share options held by the directors at 31st March 2005 and the movements during the year then ended were as follows:

	Company scheme	31st March 2004 Number	Granted in year Number	Exercised Number	31st March 2005 Number	Exercise price	Dates normally exercisable
Jonathan Di-Stefano	approved	40,000	-	-	40,000	75p	1 Oct 2005 to 1 Oct 2012
	unapproved	60,000	-	-	60,000	75p	1 Oct 2005 to 1 Oct 2012
Sheena Ellwood	approved	40,268	-	-	40,268	74.5p	20 Feb 2006 to 20 Feb 2013
	unapproved	59,732	-	-	59,732	74.5p	20 Feb 2006 to 20 Feb 2013

By order of the board,

David Holland
Chairman of the Remuneration Committee
23rd May 2005

report of the directors

The directors present their report and the audited financial statements for the year ended 31st March 2005.

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 8 to 24.

Results and dividends

Profit after taxation for the year to 31st March 2005 was £5,467,000 (2004 - £4,718,000).

The directors recommend a final dividend of 3.7p per ordinary share which, together with the interim dividend of 1.8p paid on 10th January 2005, makes a total of 5.5p for the year (2004 – 4.5p).

Substantial shareholdings

As at 16th May 2005, the Company had been advised of the following notifiable interests in its ordinary share capital:

	Number held	Percentage
F & C Asset Management	3,106,667	10.67%
The Puma (II) Fund (managed by Shore Capital Stockbrokers Limited)	2,763,294	9.49%
K P Furlong	2,000,000	6.87%
T D Waterhouse Nominees (R Stokes)	1,607,760	5.52%
D G Furlong	1,300,000	4.46%
Pershing Nominees (M Trim)	1,185,000	4.07%
M K B Turner	1,123,116	3.86%

Directors

Details of the directors of the Company are shown on page 27.

Jeremy Brett, Mark Duffield and John Fitzgerald resigned as directors on 31st March 2005.

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 are shown together with their interest in the shares of the Company at 31st March 2005 and 31st March 2004:

	31st March 2005	31st March 2004
Andrew Wiseman	2,345,876	2,343,399
David Durant	1,044,783	1,002,306
James Furlong	1,212,543	1,210,066
David Holland	944,783	902,306
Robert Clarke	94,783	92,306
Sheena Ellwood	114,783	112,306
Jonathan Di-Stefano	110,783	108,306

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 9 to the financial statements.

Details of share options held by directors are given in the directors' remuneration report on pages 33 and 34.

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 2005 trade creditors represented 23 days purchases (2004 – 18 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.

Charitable donations

The Company made charitable donations of £6,800 (2004 - £5,050). 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 3 Buckingham Court, Rectory Lane, Loughton on the 7th July 2005 at 12.30pm.

Auditors

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

By order of the board,

Margaret Turner
Company Secretary
23rd May 2005

statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which 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 whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which 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.

auditors' report

Independent auditors' report to the shareholders of Telford Homes Plc

We have audited the financial statements of Telford Homes Plc for the year ended 31st March 2005 set out on pages 39 to 53. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 42 and 43.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the directors is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement, Chief Executive's review, financial review, report of the directors, policy on corporate governance and directors' remuneration report. 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 United Kingdom Auditing Standards 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 of the state of the Company's affairs as at 31st March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moore Stephens
Registered Auditors and Chartered Accountants,
St. Paul's House, Warwick Lane, London EC4P 4BN
23rd May 2005

profit and loss account 31st March 2005

	Note	Year ended 31st March 2005 £000	Year ended 31st March 2004 £000
Turnover		**58,245**	**41,051**
Cost of sales		(44,947)	(30,674)
Gross profit		**13,298**	**10,377**
Administrative expenses		(3,827)	(2,893)
Operating profit	1	**9,471**	**7,484**
Interest receivable		79	47
Interest payable and similar charges	4	(1,780)	(916)
Profit on ordinary activities before taxation		**7,770**	**6,615**
Taxation on profit on ordinary activities	5	(2,303)	(1,897)
Profit on ordinary activities after taxation		**5,467**	**4,718**
Dividends paid and proposed	6	(1,596)	(1,247)
Retained profit for the year		**3,871**	**3,471**
Earnings per share:			
Basic	7	18.96p	18.57p
Diluted	7	18.45p	17.96p

The Company has no recognised gains and losses other than those included in the profit and loss account.

All activities are in respect of continuing operations.

balance sheet 31st March 2005

	Note	31st March 2005 £000	31st March 2004 restated (note 9) £000
Fixed assets			
Tangible assets	8	775	583
Current assets			
Stocks and work in progress	10	28,576	24,444
Debtors	11	40,052	25,533
Cash at bank and in hand		4,067	848
		72,695	50,825
Creditors - amounts falling due within one year	12	(48,191)	(29,921)
Net current assets		**24,504**	**20,904**
Total assets less current liabilities		**25,279**	**21,487**
Creditors - amounts falling due after more than one year	13	(58)	(75)
Provision for liabilities and charges	14	(24)	-
Net assets		**25,197**	**21,412**
Financed by:			
Capital and reserves			
Called up share capital	15	2,912	2,912
Share premium	16	12,300	12,310
Profit and loss account	16	9,985	6,190
Equity shareholders' funds	17	**25,197**	**21,412**

These financial statements were approved by the board on 23rd May 2005 and signed on its behalf by:

Andrew Wiseman
Chief Executive

Jonathan Di-Stefano
Financial Director

cash flow statement 31st March 2005

	Note	Year ended 31st March 2005 £000	Year ended 31st March 2004 £000
Cash outflow from operating activities	20	**(4,334)**	**(2,912)**
Returns on investments and servicing of finance			
Interest received		79	47
Interest paid		(1,768)	(904)
Hire purchase interest		(12)	(12)
		(1,701)	(869)
Taxation		(2,226)	(2,244)
Capital expenditure			
Purchase of tangible fixed assets		(367)	(93)
Sale of tangible fixed assets		51	65
Purchase of own shares		(216)	(325)
Sale of own shares		95	68
Equity dividends paid		(1,394)	(882)
Cash outflow before financing		(10,092)	(7,192)
Financing			
Issue of ordinary share capital		-	5,055
Expenses of share issue		(10)	(201)
Increase in bank loans		13,454	3,092
Capital element of hire purchase payments		(133)	(145)
		13,311	7,801
Increase in cash		**3,219**	**609**
Reconciliation of net cash flow to movement in net debt			
Increase in cash		3,219	609
Increase in bank loans		(13,454)	(3,092)
Capital element of hire purchase payments		133	145
Increase in debt arising from cash flow		(10,102)	(2,338)
Inception of hire purchase agreements		(109)	(99)
Movement in net debt in the year		(10,211)	(2,437)
Net debt brought forward		(18,988)	(16,551)
Net debt carried forward	21	**(29,199)**	**(18,988)**

statement of accounting policies 31st March 2005

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year except as noted below.

The Company has adopted Urgent Issues Task Force Abstract 38 : 'Accounting for ESOP trusts' and the amended Urgent Issues Task Force Abstract 17 : 'Employee share schemes' for the results to 31st March 2005. As a result of this shares held by the Share Incentive Plan, previously recognised as an investment in own shares on the balance sheet, are now recognised as a deduction from shareholders funds (note 9).

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

Turnover and profit recognition
Turnover 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 turnover less deposits and completion monies received is included as amounts recoverable on contracts within debtors. All turnover is generated in the United Kingdom.

Profit on developments is recognised over the life of each contract in proportion to turnover 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.

Joint arrangements
The Company has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Company includes its share of the assets, liabilities, profits and cash flows in such joint arrangements, measured in accordance with the terms of the arrangement and pro-rata to the Company's interest in the arrangement, in its financial statements.

Development properties
Development properties are stated at the lower of cost and net realisable value. Cost comprises costs of acquisition and development, including directly attributable fees and expenses but not loan interest. Included within development properties are freehold interests held in completed developments. These are valued at a multiple of annual rental income.

Tangible fixed assets and depreciation
Tangible fixed assets are 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:

Freehold premises	- 50 years
Short leasehold premises	- term of lease
Plant and machinery	- 2 to 5 years
Motor vehicles	- 3 years

Taxation
Corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing 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. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised 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 reversal of the underlying timing differences can be deducted.

Finance leases and hire purchase contracts
Assets held under finance leases and hire purchase contracts are capitalised and depreciated over the shorter of their expected useful lives and the lease term. The capital elements of the future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Operating leases
Operating lease rentals are charged to the profit and loss account as incurred.

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

1 Operating profit

		Year ended 31st March 2005 £000	Year ended 31st March 2004 £000
Operating profit is stated after charging:			
Depreciation	- owned assets	112	90
	- hire purchase assets	159	150
Auditors' remuneration	- audit fees	28	23
	- non-audit fees	10	29
Operating lease rentals	- property	78	49
	- motor vehicles	82	33
	- plant and machinery	2	2

2 Directors' remuneration

The total remuneration payable to the directors in the year was £1,105,175 (2004 - £887,822).

The remuneration payable to the highest paid director was £152,323 (2004 - £135,629). This includes payments to a personal pension arrangement of £8,713 (2004 - £7,750).

Further details of directors' remuneration including other benefits and share options is given in the directors' remuneration report on pages 33 and 34.

Four current directors are accruing benefits under group personal pension arrangements (2004 - seven).

3 Staff costs

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 2005 Number	Year ended 31st March 2004 Number
Construction	42	28
Administration	32	22
	74	50

The employment costs of all employees included above were:

	Year ended 31st March 2005 £000	Year ended 31st March 2004 £000
Wages and salaries	3,210	2,270
Social security costs	383	260
Other pension costs - group personal pension arrangements	131	98
	3,724	2,628

The Company operates a group personal pension scheme for its employees. At 31st March 2005 payments of £18,000 were due to the scheme (2004 - £14,000).

4 Interest payable and similar charges

	Year ended 31st March 2005 £000	Year ended 31st March 2004 £000
Interest payable on bank loans and overdrafts	1,768	904
Hire purchase finance charges	12	12
	1,780	916

5 Taxation

	Year ended 31st March 2005 £000	Year ended 31st March 2004 £000
United Kingdom corporation tax based on the profit for the year at a rate of 30% (2004 - 30%)	2,331	1,984
Prior year over provision	(102)	(33)
	2,229	1,951
Deferred taxation (note 14)	74	(54)
	2,303	1,897

Tax reconciliation

There are no significant factors affecting the tax charge in either year and therefore the rate of tax charged in the financial statements is equal to the standard rate of corporation tax at 30% for both years.

6 Dividends paid and proposed

	Year ended 31st March 2005 £000	Year ended 31st March 2004 £000
Interim dividend paid at 1.8p per ordinary share (2004 - 1.5p)	525	378
Final dividend proposed at 3.7p per ordinary share (2004 - 3p)	1,071	869
	1,596	1,247

7 Earnings per share

Earnings per share have been calculated using the following figures:

	Year ended 31st March 2005	Year ended 31st March 2004
Weighted average number of shares in issue	28,834,816	25,403,384
Dilution - effect of share options	795,720	869,203
Diluted weighted average number of shares in issue	29,630,536	26,272,587
Profit on ordinary activities after taxation	£5,467,000	£4,718,000
Earnings per share:		
Basic	18.96p	18.57p
Diluted	18.45p	17.96p

8 Tangible fixed assets

	Freehold premises £000	Short leasehold premises £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost					
At 1st April 2004	279	17	237	483	1,016
Additions	-	58	271	147	476
Disposals	-	-	-	(155)	(155)
At 31st March 2005	279	75	508	475	1,337
Depreciation					
At 1st April 2004	7	12	156	258	433
Charge	8	9	95	159	271
Disposals	-	-	-	(142)	(142)
At 31st March 2005	15	21	251	275	562
Net book value					
At 1st April 2004	272	5	81	225	583
At 31st March 2005	264	54	257	200	775

Motor vehicles with a net book value of £200,000 are held under hire purchase arrangements (2004 - £225,000). Depreciation of £159,000 was charged during the year on these assets (2004 - £150,000).

9 Investments

Investment in own shares

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 acquired 250,000 shares as part of the placing in March 2004 and a further 170,000 shares in November 2004 from shares already in issue. It 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 trust remains interested in 179,968 shares (2004 - 145,840) which have not been allocated to employees and the dividend on these shares has been waived.

The Company has adopted Urgent Issues Task Force Abstract 38 : 'Accounting for ESOP trusts' and the amended Urgent Issues Task Force Abstract 17 : 'Employee share schemes' for the results to 31st March 2005. As a result of this shares held by the Share Incentive Plan, previously recognised as an investment in own shares on the balance sheet, are now recognised as a deduction from shareholders funds. The value of these shares at 31st March 2004 was £255,000 and this amount has been reclassified from investments in own shares to the profit and loss reserve in the restated balance sheet as at that date. Shareholders' funds at 31st March 2004 are therefore reduced from £21,667,000 to £21,412,000. Movements in the profit and loss reserve relating to the Share Incentive Plan are shown in note 16.

Investment in subsidiary undertaking

At 31st March 2005 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. The Company held 50% of the issued share capital at 31st March 2004 and purchased the remaining 50% during the year for consideration of £1. Island Gardens Limited is a dormant company with share capital of £2.

Joint arrangements

At 31st March 2005 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 activity.

10 Stocks and work in progress	31st March 2005 £000	31st March 2004 £000
Development properties	28,576	24,444

11 Debtors	31st March 2005 £000	31st March 2004 £000
Amounts recoverable on contracts	39,245	24,491
Trade debtors	65	61
Other debtors	408	683
Prepayments and accrued income	334	248
Deferred tax asset	-	50
	40,052	25,533

12 Creditors - amounts falling due within one year	31st March 2005 £000	31st March 2004 £000
Hire purchase liabilities	92	99
Bank loans	33,116	19,662
Trade creditors	4,134	1,859
Land creditors	4,725	1,720
Corporation tax	1,015	938
Other taxation and social security	137	108
Accruals and deferred income	3,901	4,666
Proposed dividends	1,071	869
	48,191	29,921

The bank loans represent credit line facilities, with two banks, secured by a debenture over the assets of the Company and by mortgages over the development sites owned by the Company. Interest is payable at rates up to 1.75% over base rate. Details of facilities are given in note 22.

13 Creditors - amounts falling due after more than one year	31st March 2005 £000	31st March 2004 £000
Hire purchase liabilities 1-2 years	44	62
Hire purchase liabilities 2-5 years	14	13
	58	75

14 Provision for liabilities and charges	31st March 2005 £000	31st March 2004 £000
Provision for deferred tax	24	-

The deferred tax balance arises from the origination and reversal of short term timing differences in respect of accelerated capital allowances and land remediation costs.

In the year ended 31st March 2004 the Company recognised a deferred tax asset of £50,000 within debtors (note 11).

15 Share capital	31st March 2005 £000	31st March 2004 £000
Authorised		
100,000,000 ordinary shares of 10p each	10,000	10,000
Allotted, called up and fully paid		
29,120,740 ordinary shares of 10p each (2004 - 29,120,740)	2,912	2,912

All shares rank equally in respect of shareholder rights.

At 31st March 2005 outstanding options granted over 10p ordinary shares were as follows:

Share option scheme	Option price	Number	Dates normally exercisable
Company approved	50p	250,000	5 Dec 2004 to 5 Dec 2011
	60.5p	99,172	5 Mar 2005 to 5 Mar 2012
	61.5p	97,560	3 May 2005 to 3 May 2012
	75p	280,000	1 Oct 2005 to 1 Oct 2012
	74.5p	281,876	20 Feb 2006 to 20 Feb 2013
	89p	235,949	29 Jul 2006 to 29 Jul 2013
	118.5p	75,948	5 Nov 2006 to 5 Nov 2013
	143.5p	125,430	24 Mar 2007 to 24 Mar 2014
	143.5p	167,240	5 Aug 2007 to 5 Aug 2014
	144.5p	83,044	6 Jan 2008 to 6 Jan 2015
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

16 Reserves	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At 1st April 2004 as previously reported	2,912	12,310	6,445	21,667
Investment in own shares (note 9)	-	-	(255)	(255)
At 1st April 2004 restated	2,912	12,310	6,190	21,412
Costs arising from shares issued	-	(10)	-	(10)
Purchase of own shares	-	-	(216)	(216)
Sale of own shares	-	-	95	95
Write down in value of own shares	-	-	45	45
Retained profit for the year	-	-	3,871	3,871
At 31st March 2005	2,912	12,300	9,985	25,197

17 Equity shareholders' funds

	£000
Profit for the year	5,467
Dividends paid and proposed	(1,596)
	3,871
Costs arising from shares issued	(10)
Purchase of own shares	(216)
Sale of own shares	95
Write down in value of own shares	45
	3,785
At 1st April 2004 restated (note 9)	21,412
At 31st March 2005	25,197

18 Related party transactions

The Company leases part of its head office in Loughton from a pension scheme in which Andrew Wiseman and James Furlong, directors of the Company, are beneficiaries. The charge for the year to 31st March 2005 was £48,750 (2004 - £48,750). In the opinion of the directors the rental is at a market rate.

James Furlong purchased an apartment and a parking space from the Company at the Tequila Wharf development in March 2005. Contracts were exchanged on both the apartment and the parking space on 31st March 2005 at a combined price of £330,750. These contracts are subject to shareholders approval at the forthcoming Annual General Meeting. The Company has subsequently received deposits to the value of £33,075 with the balance due on legal completion. The directors are of the opinion that these sales were made at open market prices.

19 Commitments

The Company had no capital commitments at either 31st March 2005 or 31st March 2004.

Current annual commitments under operating leases are as follows:

	Property leases		Other leases	
	2005 £000	2004 £000	2005 £000	2004 £000
Leases which expire:				
Within one year	30	-	15	-
Between one and five years	53	49	83	56
Over five years	-	-	-	-
	83	49	98	56

20 Reconciliation of operating profit to cash flow from operating activities	Year ended 31st March 2005 £000	Year ended 31st March 2004 £000
Operating profit	9,471	7,484
Depreciation	271	240
Write down in value of own shares	45	2
Profit on sale of tangible fixed assets	(38)	(15)
Increase in stocks and work in progress	(4,132)	(4,634)
Increase in debtors	(14,569)	(7,331)
Increase in creditors	4,544	1,396
Movement in provisions	74	(54)
Cash outflow from operating activities	(4,334)	(2,912)

21 Analysis of change in net debt	At 1st April 2004 £000	Cash flows £000	Inception of finance leases £000	At 31st March 2005 £000
Cash at bank and in hand	848	3,219	-	4,067
Bank loans	(19,662)	(13,454)	-	(33,116)
Hire purchase liabilities	(174)	133	(109)	(150)
	(18,988)	(10,102)	(109)	(29,199)

22 Derivatives and other financial instruments

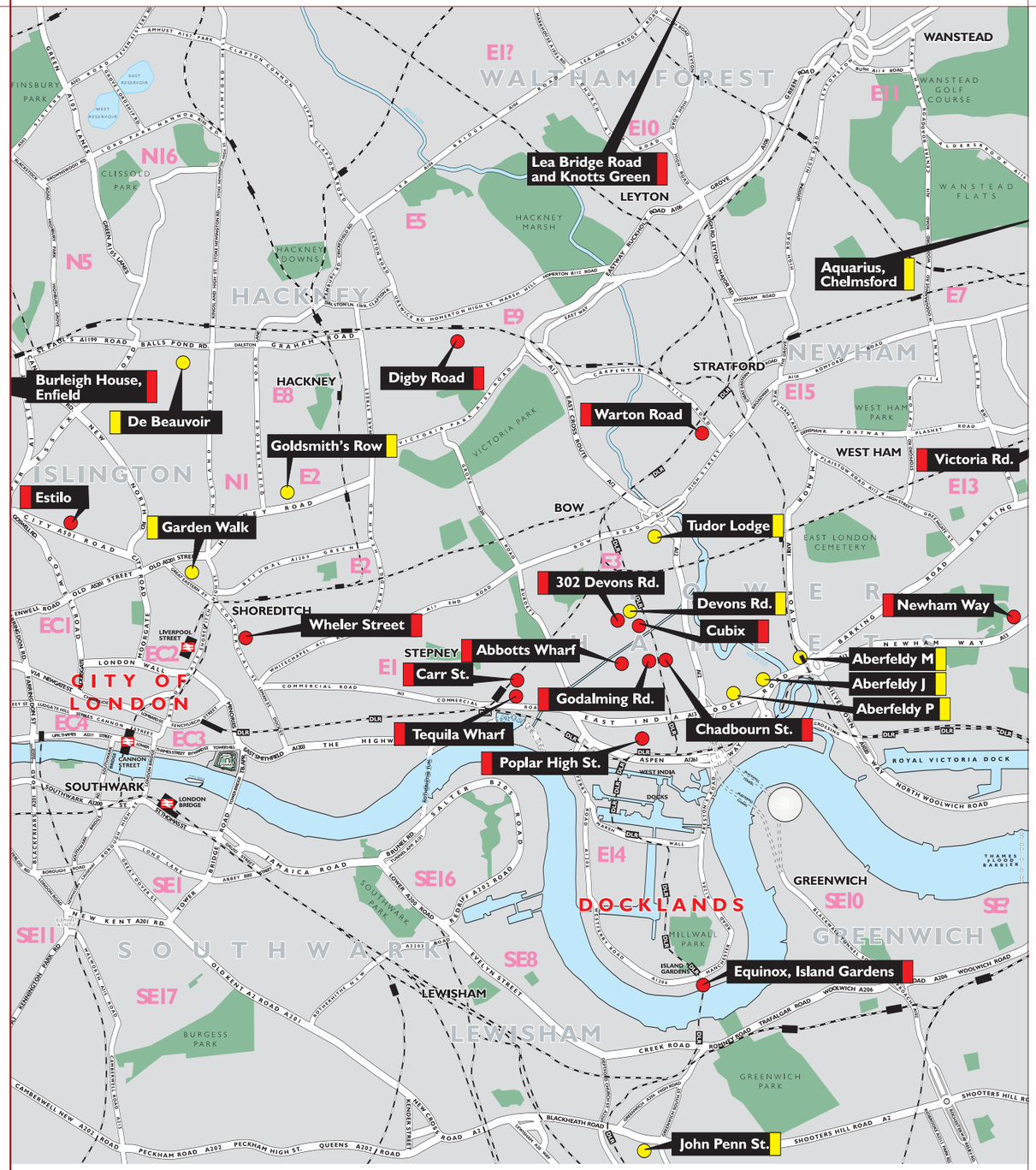
The Company's financial instruments comprise loan and overdraft facilities and various items such as trade debtors and creditors that arise from its operations. The Company uses loan finance, all of which is denominated in sterling, to acquire development land and undertake site construction. It does not enter into any derivative transactions and has minimal exposure to exchange rate movements as its trade takes place entirely within the United Kingdom.

At 31st March 2005 the Company had overdraft facilities of £2.0 million at 1.5% above base rate (2004 - £1.5 million). Subsequent to the year end these facilities have increased to £2.5 million. The facilities are due for review before April 2006.

In addition the Company has a credit line facility with Allied Irish Bank in respect of site development loans of £22 million, with interest charged at rates of up to 1.75% above base rate. This facility is due for review in September 2005. The Company has a further facility with the Royal Bank of Scotland of £60 million at similar rates, specific to certain sites and including joint arrangement funding, due for review by April 2006.

Apart from hire purchase liabilities all of the Company's financial liabilities fall due within one year.

The fair value of the Company's financial assets and liabilities at 31st March 2005 is as stated in the balance sheet at that date.



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