

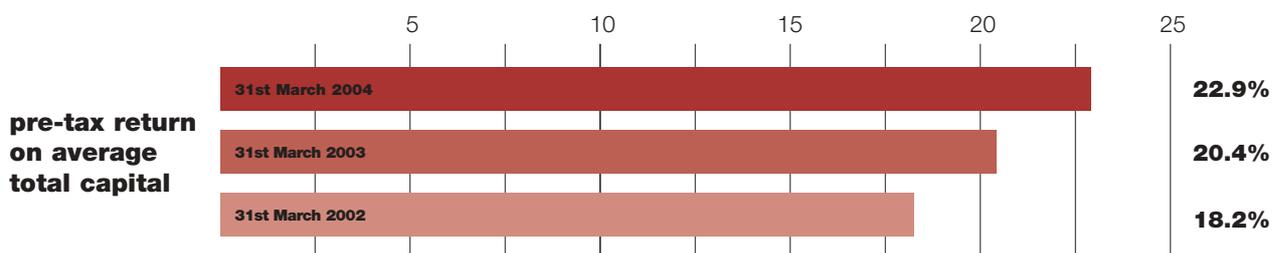
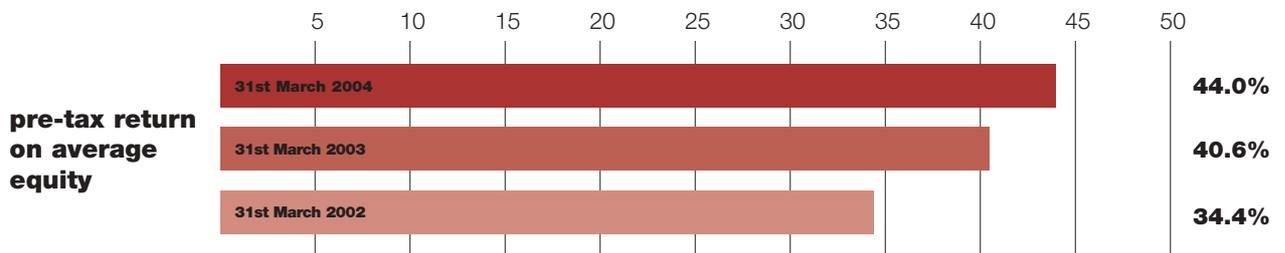
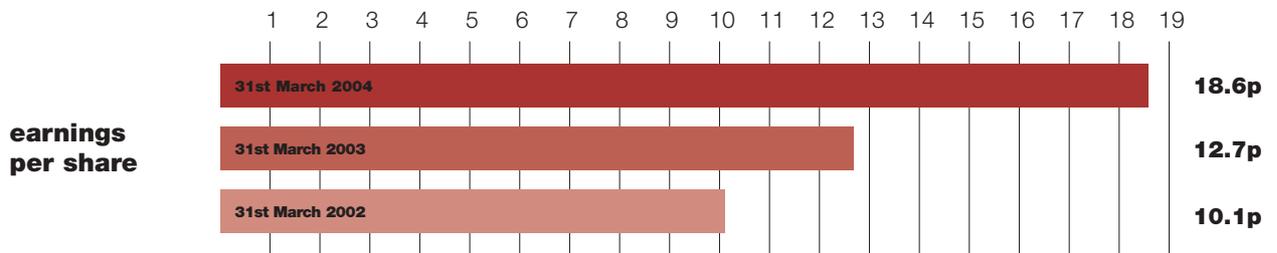
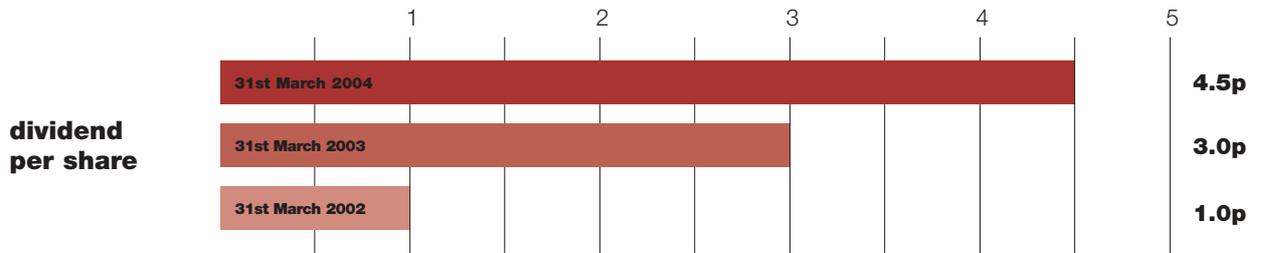
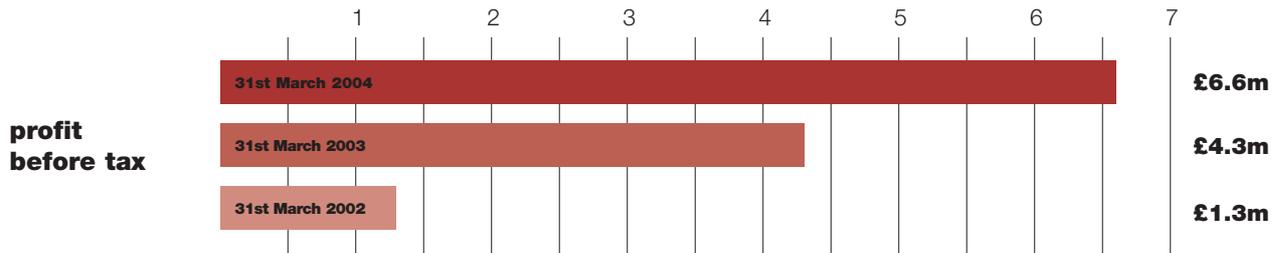
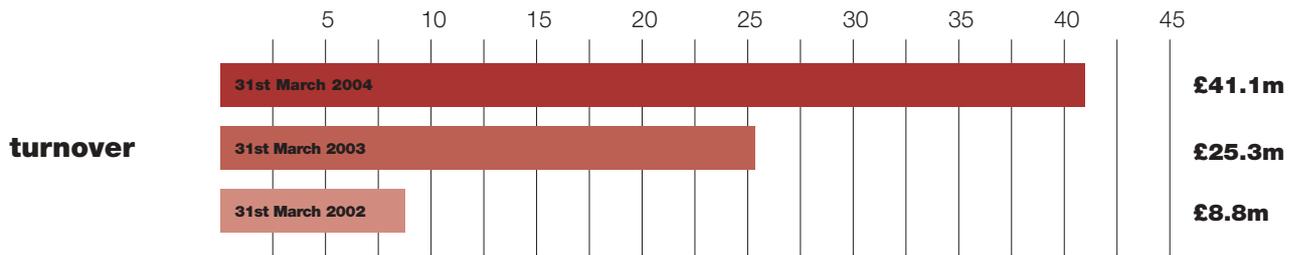
**knowledge  
construction  
regeneration  
relationships**

**2004**  
**annual  
report  
and  
accounts**



**telford**homes

# financial highlights 2004



01

the  
only  
source  
of  
**knowledge**  
is  
experience

Albert Einstein

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the  
road  
to  
success  
is  
always  
under  
**construction**

Lily Tomlin

03



**David Holland** Chairman (Non-Executive)

Telford Homes continues to go from strength to strength and once more I am delighted to report on an excellent set of results. Turnover and profit before tax have increased by more than half in the year and this is still being achieved within our areas of focus, particularly East London.

We laid the foundations of the business in our relationships with landowners and affordable housing providers and in our board and management team and these foundations are providing a sound base for the current and future success of the Company.

The Company was formed in December 2000 and has grown significantly in just over three years, producing turnover of over £41 million in the year to March 2004. We now employ in excess of 60 people and have sold 271 properties in the 12 months under review. This level of growth requires careful management and co-operation amongst our employees and this has been achieved thanks to the attitude and commitment of each and every member of the Telford Homes team. Every employee has made a contribution to the performance and continuing success of the Company and once more I must thank them and congratulate them on their outstanding efforts.



The Show Apartment at De Beauvoir N1

I was delighted to play a role in the successful placing of shares in the Company which raised £4.8 million in March 2004. This satisfied two short to medium term objectives of the business in terms of providing equity to drive future growth and widening the shareholder base with an increased number of institutional shareholders.

With this new equity in place and with the exciting development stock the Company already has in its portfolio I look forward to reporting on further significant growth in the next few years.

**David Holland**

Chairman

17th May 2004



Goldsmith's Row E2



Garden Walk EC2

# every generation needs **regeneration**

Charles H Spurgeon

07



**Andrew Wiseman** Chief Executive

### **Financial results**

It gives me great pleasure to report on another year of growth for Telford Homes resulting in turnover of £41.1 million up 62% on last year and profit before tax of £6.6 million up 55% on last year.

We exchanged contracts on a total of 271 properties, made up of 233 open market private homes, 37 affordable homes produced for housing associations and one retail unit. The private homes were exchanged at an average price of £209,000 against an average last year of £214,000. These year on year changes are typically driven by product mix much more than absolute movements in market prices and we expect the average price to increase next year due to some higher value developments planned for release in the next 12 months.

Affordable homes are increasingly a significant part of our output particularly with our involvement in larger development sites. The 37 affordable homes this year come from five development sites and were built for four different housing associations.

Earnings per share have increased to 18.6p (2003 – 12.7p) up 47% and the directors propose a final dividend of 3.0p making a total of 4.5p for the year, up 50% on last year.

### **Our product and the market place**

We continue to concentrate our business in a few key areas, the London Boroughs of Tower Hamlets, Hackney and Greenwich and Chelmsford town centre. This focus, on a market place we know well, has enabled us to reinforce our local relationships which are so important throughout the development process, including those with landowners, planning authorities, subcontractors and customers. The ongoing regeneration of East London provides potential for future development in these areas. We expect to take advantage of opportunities within other London Boroughs as we pursue further growth and extend our geographical focus.

We continue to produce a high quality product with an emphasis on customer service. The majority of our properties are sold at an early stage in the development process and we are experiencing strong demand from investors, tenants and end-users, all of whom are chasing a restricted supply of new homes.

**Planning and development pipeline**

The Barker Review confirmed that the restricted supply of new homes is a major factor in increasing prices. Her proposal, to create a planning system capable of increasing the supply of development land to satisfy forecast increasing housing demand, is extremely sensible. This will need great commitment from government to effect change at a local level.

We have recently received planning consents for two significant developments at Island Gardens on the Isle of Dogs and in Wenlock Road, Islington. Our development pipeline includes 401 units with planning consent, all of which are under development, and 388 units that are going through the planning process.

**Development partners and development sites**

Our strong relationships with housing associations are producing benefits both in terms of delivering the affordable housing on our existing sites and in the supply of new development opportunities. During the year we acquired three sites on the Aberfeldy estate from Poplar HARCA, from whom we have purchased a number of successful sites in the past. We exchanged contracts on all of the 48 private apartments on these three sites in the year ended March 2004. We will shortly welcome a new member to the Telford Homes team who has worked extensively in public sector housing. His objective will be to cement existing relationships and replicate our successful partnering with housing associations in new areas.



Tudor Lodge E3



Abbotts Wharf E14, under construction May 2004

We have commenced construction of our major development of 201 apartments at Abbotts Wharf in partnership with East Thames Housing Group. Contracts were exchanged on 91 of the 101 private apartments in the year and construction is well underway on both the private and affordable elements of the development.

Abbotts Wharf was the 2003 winner of the 'Investor potential award for apartments' presented by Hot Property magazine, recognising its appeal in achieving pre-sales to investors. In addition we received the accolade of 'Highly Commended' from the Evening Standard New Homes Awards for the best new development with a housing association at Goldsmith's Row, where we built 11 apartments for Bethnal Green & Victoria Park Housing Association.

As we look forward into 2004 and 2005 we will be launching a number of significant developments accompanied by strong branding to emphasise their excellent location and high quality specification. At the forefront of these will be Island Gardens across the Thames from the Royal Naval College in Greenwich, Limehouse on the Regents Canal at Limehouse Basin and Stratford adjacent to the proposed Olympic swimming pool. Both Limehouse and Stratford are subject to achieving planning consent. In addition at Wenlock Road, facing southwest across the Wenlock Basin, we expect strong off-plan demand for the smaller apartments and end-user demand for the larger properties.

Following the share placing in March 2004 our development capacity is strong and we are actively exploring the acquisition of further sites to add to our existing portfolio.



Anthony Atkinson, Customer Service Manager

### **People and systems**

We continue to add strength to the Company in key areas in order to manage an ever-changing business. John Fitzgerald has been appointed to the board as Construction Director to recognise the key role he plays in some of our major developments. Alongside Jeremy Brett he will lead the construction team which is being strengthened by the addition of experienced project managers and site staff as major developments achieve planning consent.

The surveying department has been expanded to accommodate the growing number of developments in progress at any one time and, as I reported in our interim announcement, we have appointed a dedicated Customer Service Manager who has had a significant impact on the business in terms of ensuring consistently high product finish and providing after-sales service to customers. During the year ended 31st March 2004 we completed the handover of 166 new homes and six commercial units across 12 development sites.

The team will develop further over the next year and our employees represent one of the key assets of the business helping us to achieve continued success.

### **Current trading and outlook**

We continue to receive strong interest in all of the major developments due for launch this year. The recent launch of the Cubix apartments at Brock Place on Violet Road has resulted in 40 of the 50 private apartments being sold subject to contract. To date for the coming year we have exchanged contracts on, or have sold subject to contract, a total of 76 properties. We are also continuing to recognise profit on developments in progress where contract exchanges have been recorded in previous years.

The level of interest we are seeing is very encouraging and I expect a substantial number of sales from new developments during the year, with continued pre-selling to investors, to contribute to another prosperous year for Telford Homes.

### **Andrew Wiseman**

Chief Executive

17th May 2004



CGI of Cubix Apartments E3



Hawgood Street E3

technology  
does  
not  
run  
an  
enterprise,  
**relationships**  
do

Patricia Fripp

### **Results for the year**

We have achieved significant growth once again this year, expanding the business both in terms of our results and our operations. This rapid expansion of the Company is being carefully managed to ensure it is achieved from a sound financial base and, in order to underpin our future growth potential, we raised £4.8 million after expenses through a successful share placing in March 2004. We have already invested some of this equity in new development opportunities and expect to invest the remainder over the next 12 months. The benefits of this will be felt to some extent in the coming year but to a much greater extent in the year to March 2006 ensuring we are well placed to fund further growth over the next two to three years.

### **Operating results**

Turnover has increased to £41.1 million compared with £25.3 million last year. An analysis of properties sold in the year is given in the Chief Executive's review.

Gross profit has increased to £10.4 million from £6.9 million with a margin achieved of 25.3% against 27.2% last year. The gross margin has reduced over the last two years as the effects of previous house price increases have become less significant. On a new development we target a gross margin in excess of 20% and therefore we would expect our margin to be closer to this level, assuming a stable market.

Our operating margin has also reduced, in line with the gross margin, to 18.2% from 19.6%. Overheads were £2.9 million increased from £1.9 million last year. As the business grows overheads necessarily grow to ensure appropriate control is maintained, however we expect them to reduce as a percentage of turnover as the business moves forward reflecting the solid infrastructure already in place. This year that percentage is 7.0% reduced from 7.5% in 2003.

### **Interest**

Interest paid was £0.9 million compared with £0.7 million last year. Interest rates have risen over the last 12 months and further increases are anticipated over the coming year. The majority of our finance is at base rate plus 1.5% to 1.75% and, with interest cover of 8.6, the Company is not exposed to significant loan interest risk.

### **Profit before tax**

Profit before tax is £6.6 million increased from £4.3 million and once again this represents excellent returns on our equity. Pre-tax return on average equity was 44.0% with return on average capital at 22.9%, both increased over last year.

### **Taxation**

The effective tax charge in the year to March 2004 is 28.7% as a result of a prior year adjustment and the recognition of a deferred tax asset in the year.

### **Dividends**

The Company paid an interim dividend of 1.5p per share in January 2004. A final dividend of a further 3.0p is now proposed, making a total for the year of 4.5p against a total dividend last year of 3.0p. This dividend is covered in excess of four times by earnings per share. The final dividend is expected to be paid on 9th July 2004 to ordinary shareholders on the register on 18th June 2004.

### **Earnings per share**

Earnings per share increased to 18.6p from 12.7p. The weighted average number of shares in issue increased from 23.6 million to 25.4 million. The share placing occurred late in the year and therefore had limited impact on earnings per share.

### **Balance sheet**

Net assets have been increased to £21.7 million from £13.3 million, reflecting both the substantial profit in the year and the new equity raised.

Total assets are £51.7 million with the majority represented by work in progress being costs expended on land purchases and development and by debtors awaiting legal completion of the properties we have exchanged to date. These assets convert into cash as we exchange and complete more units.

### **Finance**

Bank finance provides 70% of development land and construction expenditure, with repayments made as completion monies are received.

We are delighted by the support we receive from both of our major banking partners and as our facilities increase we look forward to continuing these relationships in the coming years. Allied Irish Bank fund the majority of our sites and our facilities with them are in the process of being increased to £22 million for the coming year. The Royal Bank of Scotland finances some of our more significant sites and we have facilities agreed of £61 million, which includes joint arrangement facilities.

During the year we entered into a joint arrangement with Royal Bank of Scotland Property Ventures to develop our site in Warton Road, Stratford. The total land and development costs anticipated on this site are in excess of £30 million and we are delighted to have secured this relationship. This enables us to use our equity on other developments while ensuring that we are not over-exposed to the timing of the planning process on any individual site.





CGI of Limehouse E14

Our combined overdraft facility stands at £2.0 million giving us significant short-term flexibility. We are not currently using this facility.

Gearing at 31st March 2004 was 92% reduced from 126% last year. This is due to the placing late in the year and we expect this figure to increase as the new equity is utilised in the business.

#### **Cash flow**

Cash flows are carefully monitored and continuously re-assessed to ensure that future growth can be financed by a combination of equity and debt. This situation is reported on a monthly basis to both the board and our major banking partners.

We continue to pursue our policy of pre-selling well in advance of development completion and this secures a substantial proportion of the future cash flows of the business.

#### **Share price**

The share price on 31st March 2004 was 163.5p (31st March 2003 – 76.0p), with a high in the year of 163.5p and a low of 75.5p.

#### **Jonathan Di-Stefano**

Financial Director

17th May 2004

# directors and advisors

**Robert Clarke**  
Non-Executive Director

**Jeremy Brett**  
Construction Director

**David Durant**  
Managing Director

**David Holland**  
Chairman  
(Non-Executive)

**James Furlong**  
Land Director



Rooftop garden at Goldsmith's Row E2

**Mark Duffield**  
Technical Director

**John Fitzgerald**  
Construction Director

**Sheena Ellwood**  
Sales and  
Marketing Director

**Andrew Wiseman**  
Chief Executive

**Jonathan Di-Stefano**  
Financial Director



Goldsmith's Row E2

**Company Secretary**

Margaret Turner

**Registered Office**

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

**Registered Number**

4118370

**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, Unit 2, Wellbrook Court, Girton, Cambridgeshire, CB3 0AN

**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

# 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 ten 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 is responsible for taking all major strategic decisions and 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. The board meets once a month and the directors make every effort to attend all board meetings.

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.

Management information systems are in place to enable the directors to make informed decisions to properly discharge their duties. As the business continues to develop, the composition of the board will be reviewed to ensure that it is 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 candidate's 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 21 and 22.

### **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 2004 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 site developments.

### **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 2004.

## 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 except directors and a scheme for executive directors. 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 the year under review the company set up a Share Incentive Plan (SIP) in which all employees are entitled to participate. The SIP has been set up 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.

## 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 2004 are as follows:

	<b>Salary and fees £</b>	<b>Bonus £</b>	<b>Benefits in kind £</b>	<b>Pension contributions £</b>	<b>Total 2004 £</b>	<b>Total 2003 £</b>
Andrew Wiseman	77,500	30,000	20,379	7,750	135,629	121,622
David Durant	77,500	30,000	17,236	7,750	132,486	118,424
Jeremy Brett	57,500	30,000	7,168	5,750	100,418	90,859
Robert Clarke	22,500	-	-	-	22,500	16,875
Jonathan Di-Stefano	57,500	30,000	4,355	5,750	97,605	25,641
Mark Duffield	57,500	30,000	14,915	5,750	108,165	118,045
Sheena Ellwood	62,500	30,000	9,624	6,250	108,374	28,797
John Fitzgerald	4,250	30,000	1,009	425	35,684	-
James Furlong	57,500	30,000	31,961	-	119,461	99,822
David Holland	27,500	-	-	-	27,500	21,875
<b>Total</b>	<b>501,750</b>	<b>240,000</b>	<b>106,647</b>	<b>39,425</b>	<b>887,822</b>	<b>641,960</b>

The emoluments for John Fitzgerald are shown from his date of appointment.

### Directors' share options

The share options held by the directors at 31st March 2004 and the movements during the year then ended were as follows:

	<b>Company scheme</b>	<b>31st March 2003 Number</b>	<b>Granted in year Number</b>	<b>Exercised Number</b>	<b>31st March 2004 Number</b>	<b>Exercise price</b>	<b>Dates normally exercisable</b>
Robert Clarke	unapproved	50,000	-	(50,000)	-	50p	3 Jul 2003 to 5 Dec 2011
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
Mark Duffield	approved	49,586	-	-	49,586	60.5p	5 Mar 2005 to 5 Mar 2012
	unapproved	50,414	-	-	50,414	60.5p	5 Mar 2005 to 5 Mar 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
John Fitzgerald*	approved	40,000	-	-	40,000	75p	1 Oct 2005 to 1 Oct 2012
	unapproved	160,000	-	-	160,000	75p	1 Oct 2005 to 1 Oct 2012

\*John Fitzgerald was appointed as a director during the year under review.

On 12th March 2004 50,000 shares were issued as a result of Robert Clarke exercising share options at an exercise price of 50p. On that date the market value of the shares was 138p.

By order of the board,

**David Holland**

Chairman of the Remuneration Committee

17th May 2004

# report of the directors

The directors present their report and the audited financial statements for the year ended 31st March 2004.

## 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 4 to 16.

## Results and dividends

Profit after taxation for the year ended 31st March 2004 was £4,718,000 (2003 - £2,990,000).

The directors recommend a final dividend of 3p per ordinary share which, together with the interim dividend of 1.5p paid on 12th January 2004, makes a total of 4.5p for the year (2003 - 3p).

## Substantial shareholdings

As at 10th May 2004, the Company had been advised of the following notifiable interests in its ordinary share capital:

	Number held	Percentage
Funds managed by ISIS Asset Management plc	3,241,667	11.13%
The Puma (II) Fund (managed by Shore Capital Stockbrokers Limited)	2,763,294	9.49%
K P Furlong	2,200,000	7.55%
T D Waterhouse Nominees (R Stokes)	1,607,760	5.52%
D G Furlong	1,400,000	4.81%
Pershing Nominees (M Trim)	1,185,000	4.07%
M K B Turner	1,135,639	3.90%
Gartmore	1,038,461	3.57%

## Directors

Details of the directors of the Company are shown on page 17.

John Fitzgerald was appointed to the board on 8th March 2004.

Jeremy Brett, James Furlong and David Holland retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election.

## Directors' interests

The directors serving at 31st March 2004 are shown together with their interest in the shares of the Company at that date:

	31st March 2004	31st March 2003
Andrew Wiseman	2,343,399	2,541,093
David Durant	1,002,306	1,000,000
James Furlong	1,210,066	1,407,760
David Holland	902,306	1,000,000
Jeremy Brett	357,306	350,000
Robert Clarke	92,306	40,000
Mark Duffield	114,306	12,000
Sheena Ellwood	112,306	10,000
Jonathan Di-Stefano	108,306	6,000
John Fitzgerald*	150,000	50,000

\*John Fitzgerald was appointed as a director during the year under review.

These interests include shares purchased under the Telford Homes Share Incentive Plan (SIP) in which all employees, including directors, are eligible to participate. 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 21 and 22.

### **Environment**

Telford Homes is committed to supporting the environment and minimising any harmful impact our business activities have on it. We are constantly undertaking remediation work on brownfield sites involving the removal of pollutants and material harmful to the environment and on some of our development sites we are able to benefit local ecology by providing nesting boxes and protection for local wildlife. In addition we regularly review our working practices to minimise pollution and waste and to maintain a high level of energy efficiency.

### **Health and Safety**

The Health and Safety of everybody involved in our business is the most important consideration on each and every development site. Health and Safety training is provided for all relevant employees and all site based staff together with all regular visitors to sites, including the directors, are taking Health and Safety assessments, accredited by the Construction Industry Training Board, to ensure their knowledge is up to date and relevant. Our sites are regularly visited by independent Health and Safety consultants to ensure that best practice is always being followed.

Jeremy Brett and John Fitzgerald are responsible for Health and Safety and they report monthly to the board and weekly to the management team. This report includes any accidents occurring on each site, Health and Safety inspections that have been carried out by the Health and Safety Executive and continual staff training.

### **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 2004 trade creditors represented 18 days purchases (2003 – 15 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 £5,050 (2003 - £3,400).

### **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

17th May 2004

## 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 2004 set out on pages 27 to 41. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 30 and 31.

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 2004 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

17th May 2004

## profit and loss account 31st March 2004

	Note	Year ended 31st March 2004 £000	Year ended 31st March 2003 £000
<b>Turnover</b>		<b>41,051</b>	<b>25,334</b>
Cost of sales		(30,674)	(18,449)
<b>Gross profit</b>		<b>10,377</b>	<b>6,885</b>
Administrative expenses		(2,893)	(1,910)
<b>Operating profit</b>	1	<b>7,484</b>	<b>4,975</b>
Interest receivable		47	22
Interest payable and similar charges	4	(916)	(725)
<b>Profit on ordinary activities before taxation</b>		<b>6,615</b>	<b>4,272</b>
Taxation on profit on ordinary activities	5	(1,897)	(1,282)
<b>Profit on ordinary activities after taxation</b>		<b>4,718</b>	<b>2,990</b>
Dividends paid and proposed	6	(1,247)	(755)
<b>Retained profit for the year</b>		<b>3,471</b>	<b>2,235</b>
Retained profit brought forward		2,974	739
<b>Retained profit carried forward</b>		<b>6,445</b>	<b>2,974</b>
<b>Earnings per share:</b>			
Basic	7	18.57p	12.67p
Diluted	7	17.96p	12.58p

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 2004

	Note	31st March 2004 £000	31st March 2003 £000
<b>Fixed assets</b>			
Tangible assets	8	583	681
Investments	9	255	-
		838	681
<b>Current assets</b>			
Stocks and work in progress	10	24,444	19,810
Debtors	11	25,533	18,152
Cash at bank and in hand		848	239
		50,825	38,201
Creditors - amounts falling due within one year	12	(29,921)	(25,427)
<b>Net current assets</b>		<b>20,904</b>	<b>12,774</b>
<b>Total assets less current liabilities</b>			
Creditors - amounts falling due after more than one year	13	(75)	(109)
Provision for liabilities and charges	14	-	(4)
<b>Net assets</b>		<b>21,667</b>	<b>13,342</b>
<b>Financed by:</b>			
<b>Capital and reserves</b>			
Called up share capital	15	2,912	2,518
Share premium	16	12,310	7,850
Profit and loss account	16	6,445	2,974
<b>Equity shareholders' funds</b>	17	<b>21,667</b>	<b>13,342</b>

These financial statements were approved by the board on 17th May 2004 and signed on its behalf by:

**Andrew Wiseman**  
Chief Executive

**Jonathan Di-Stefano**  
Financial Director

# cash flow statement 31st March 2004

	Note	Year ended 31st March 2004 £000	Year ended 31st March 2003 £000
<b>Cash outflow from operating activities</b>	20	<b>(2,912)</b>	<b>(7,052)</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		47	22
Interest paid		(904)	(713)
Hire purchase interest		(12)	(12)
		(869)	(703)
<b>Taxation</b>		(2,244)	(382)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(93)	(404)
Sale of tangible fixed assets		65	12
Purchase of investments		(325)	-
Sale of investments		68	-
<b>Equity dividends paid</b>		(882)	(454)
Cash outflow before financing		(7,192)	(8,983)
<b>Financing</b>			
Issue of ordinary share capital		5,055	3,530
Expenses of share issue		(201)	(158)
Increase in bank loans		3,092	6,350
Capital element of hire purchase payments		(145)	(139)
		7,801	9,583
<b>Increase in cash</b>		<b>609</b>	<b>600</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash		609	600
Increase in bank loans		(3,092)	(6,350)
Capital element of hire purchase payments		145	139
Increase in debt arising from cash flow		(2,338)	(5,611)
Inception of hire purchase agreements		(99)	(177)
Movement in net debt in the period		(2,437)	(5,788)
Net debt brought forward		(16,551)	(10,763)
<b>Net debt carried forward</b>	21	<b>(18,988)</b>	<b>(16,551)</b>

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

## **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 3 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.

<b>1 Operating profit</b>	<b>Year ended 31st March 2004 £000</b>	<b>Year ended 31st March 2003 £000</b>
<b>Operating profit is stated after charging:</b>		
Depreciation		
- owned assets	90	63
- hire purchase assets	150	116
Auditors' remuneration		
- audit fees	23	17
- non-audit fees	29	3
Operating lease rentals		
- property	49	45
- motor vehicles	33	10
- plant and machinery	2	2

## **2 Directors' remuneration**

The total remuneration payable to the directors in the year was £887,822 (2003 - £641,960).

The remuneration payable to the highest paid director was £135,629 (2003 - £121,622). This includes payments to a personal pension arrangement of £7,750 (2003 - £7,106).

Further details of directors' remuneration including other benefits and share options is given in the directors' remuneration report on pages 21 and 22.

Seven directors are accruing benefits under group personal pension arrangements (2003 - six).

<b>3 Staff costs</b>	<b>Year ended 31st March 2004 Number</b>	<b>Year ended 31st March 2003 Number</b>
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The average monthly number of persons employed by the Company, including executive directors, during the period analysed by activity was as follows:

Construction	28	15
Administration	22	18
	<b>50</b>	<b>33</b>

	<b>Year ended 31st March 2004 £000</b>	<b>Year ended 31st March 2003 £000</b>
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The employment costs of all employees included above were:

Wages and salaries	2,270	1,400
Social security costs	260	156
Other pension costs - group personal pension arrangements	98	57
	<b>2,628</b>	<b>1,613</b>

The Company operates a group personal pension scheme for its employees. At 31st March 2004 payments of £14,000 were due to the scheme (2003 - £12,000).

<b>4 Interest payable and similar charges</b>	<b>Year ended 31st March 2004 £000</b>	<b>Year ended 31st March 2003 £000</b>
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Interest payable on bank loans and overdrafts	904	713
Hire purchase finance charges	12	12
	<b>916</b>	<b>725</b>

<b>5 Taxation</b>	<b>Year ended 31st March 2004 £000</b>	<b>Year ended 31st March 2003 £000</b>
United Kingdom corporation tax based on the profit for the year at a rate of 30% (2003 - 30%)	1,984	1,282
Prior year adjustment	(33)	-
Deferred taxation (note 14)	(54)	-
	<b>1,897</b>	<b>1,282</b>

#### **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.

<b>6 Dividends paid and proposed</b>	<b>Year ended 31st March 2004 £000</b>	<b>Year ended 31st March 2003 £000</b>
Interim dividend paid at 1.5p per ordinary share (2003 - 1p)	378	251
Final dividend proposed at 3p per ordinary share (2003 - 2p)	869	504
	<b>1,247</b>	<b>755</b>

<b>7 Earnings per share</b>	<b>Year ended 31st March 2004</b>	<b>Year ended 31st March 2003</b>
Earnings per share have been calculated using the following figures:		
Weighted average number of shares in issue	25,403,384	23,595,753
Dilution - effect of share options	869,203	172,631
Diluted weighted average number of shares in issue	26,272,587	23,768,384
Profit on ordinary activities after taxation	£4,718,000	£2,990,000
<b>Earnings per share:</b>		
Basic	18.57p	12.67p
Diluted	17.96p	12.58p

<b>8 Tangible fixed assets</b>	<b>Freehold premises £000</b>	<b>Short leasehold premises £000</b>	<b>Plant and machinery £000</b>	<b>Motor vehicles £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1st April 2003	279	14	191	435	919
Additions	-	3	47	142	192
Disposals	-	-	(1)	(94)	(95)
<b>At 31st March 2004</b>	<b>279</b>	<b>17</b>	<b>237</b>	<b>483</b>	<b>1,016</b>
<b>Depreciation</b>					
At 1st April 2003	1	7	78	152	238
Charge	6	5	79	150	240
Disposals	-	-	(1)	(44)	(45)
<b>At 31st March 2004</b>	<b>7</b>	<b>12</b>	<b>156</b>	<b>258</b>	<b>433</b>
<b>Net book value</b>					
At 1st April 2003	278	7	113	283	681
<b>At 31st March 2004</b>	<b>272</b>	<b>5</b>	<b>81</b>	<b>225</b>	<b>583</b>

Motor vehicles with a net book value of £225,000 are held under hire purchase arrangements (2003 - £283,000). Depreciation of £150,000 was charged during the year on these assets (2003 - £116,000).

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## 9 Investments

	<b>31st March 2004</b>
<b>Investment in own shares</b>	<b>£000</b>
Brought forward	-
Purchased in the year	325
Disposed of in the year	(68)
Written down in the year	(2)
	<b>255</b>

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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.

The Company has set up a trust to administer the SIP and to hold shares on behalf of individual employees. This trust, Telford Homes Trustees Limited, is an entirely separate entity to the Company and is managed by a board of trustees. 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 at a price of £1.30 per share. It subsequently distributed 52,080 shares as Partnership shares to employees participating in the scheme. These shares remain in the trust until such time as an employee withdraws from the SIP. A further 52,080 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 145,840 shares which have not been allocated to employees and the dividend on these shares has been waived.

### **Joint arrangements**

At 31st March 2004 the Company held 50% of the issued share capital of Island Gardens Limited, a company registered in England and Wales, which was incorporated to assist the Company in carrying out a joint activity. Subsequently the Company has purchased the remaining 50% of Island Gardens Limited which now becomes a wholly owned subsidiary.

At 31st March 2004 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.

<b>10 Stocks and work in progress</b>	<b>31st March 2004</b>	<b>31st March 2003</b>
	<b>£000</b>	<b>£000</b>
<b>Development properties</b>	<b>24,444</b>	<b>19,810</b>

<b>11 Debtors</b>	<b>31st March 2004</b>	<b>31st March 2003</b>
	<b>£000</b>	<b>£000</b>
Amounts recoverable on contracts	24,491	17,722
Trade debtors	61	55
Other debtors	683	173
Prepayments and accrued income	248	202
Deferred tax asset	50	-
	<b>25,533</b>	<b>18,152</b>

<b>12 Creditors - amounts falling due within one year</b>	<b>31st March 2004</b>	<b>31st March 2003</b>
	<b>£000</b>	<b>£000</b>
Hire purchase liabilities	99	111
Bank loans	19,662	16,570
Trade creditors	1,859	1,036
Land creditors	1,720	4,656
Corporation tax	938	1,285
Other taxation and social security	108	81
Accruals and deferred income	4,666	1,184
Proposed dividends	869	504
	<b>29,921</b>	<b>25,427</b>

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.

<b>13 Creditors - amounts falling due after more than one year</b>	<b>31st March 2004</b>	<b>31st March 2003</b>
	<b>£000</b>	<b>£000</b>
Hire purchase liabilities 1-2 years	62	79
Hire purchase liabilities 2-5 years	13	30
	<b>75</b>	<b>109</b>

<b>14 Provision for liabilities and charges</b>	<b>31st March 2004</b>	<b>31st March 2003</b>
	<b>£000</b>	<b>£000</b>

<b>Provision for deferred tax</b>	-	<b>4</b>
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The deferred tax balance arises from the origination and reversal of short term timing differences in respect of accelerated capital allowances.

In the year ended 31st March 2004 the Company has recognised a deferred tax asset within debtors (note 11). This asset will be recovered against future profits of the Company.

<b>15 Share capital</b>	<b>31st March 2004</b>	<b>31st March 2003</b>
	<b>£000</b>	<b>£000</b>

**Authorised**

100,000,000 ordinary shares of 10p each	10,000	10,000
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**Allotted, called up and fully paid**

29,120,740 ordinary shares of 10p each (2003 - 25,175,000)	2,912	2,518
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On 5th February 2004, 49,586 ordinary 10p shares were issued at 60.5p as a result of share options being exercised.

On 9th March 2004, a further 3,846,154 ordinary 10p shares were issued at 130p as a result of a share placing.

On 12th March 2004, a further 50,000 ordinary 10p shares were issued at 50p as a result of share options being exercised.

All shares rank equally in respect of shareholder rights.

At 31st March 2004 outstanding options granted over 10p ordinary shares were as follows:

<b>Share option scheme</b>	<b>Option price</b>	<b>Number</b>	<b>Dates normally exercisable</b>
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	101,264	5 Nov 2006 to 5 Nov 2013
	143.5p	125,430	24 Mar 2007 to 24 Mar 2014
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

<b>16 Reserves</b>	<b>Share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1st April 2003	2,518	7,850	2,974	13,342
Arising on issue of shares during the period	394	4,661	-	5,055
Costs arising from shares issued	-	(201)	-	(201)
Retained profit for the year	-	-	3,471	3,471
<b>At 31st March 2004</b>	<b>2,912</b>	<b>12,310</b>	<b>6,445</b>	<b>21,667</b>

<b>17 Equity shareholders' funds</b>	<b>£000</b>
Profit for the year	4,718
Dividends paid and proposed	(1,247)
	3,471
New share capital subscribed	5,055
Costs arising from shares issued	(201)
	8,325
At 1st April 2003	13,342
<b>At 31st March 2004</b>	<b>21,667</b>

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### 18 Related party transactions

The Company leases the majority of its head offices 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 2004 was £48,750 (2003 - £35,664). In the opinion of the directors the rental is at a market rate.

Andrew Wiseman purchased an apartment and a parking space from the Company at the Goldsmith's Row development in March 2003. The total price was £255,000 and a deposit of £25,500 was paid. Subsequently both the apartment and parking space were legally completed with further payments being received of £207,000 in respect of the apartment on 20th February 2004 and £22,500 in respect of the parking space on 23rd April 2004. This purchase was approved by shareholders at the Annual General Meeting held on 3rd July 2003.

Andrew Wiseman purchased a second apartment from the Company at the Abbots Wharf development in September 2003. Contracts were exchanged on 30th September 2003 at a price of £177,500. The Company has subsequently received deposits to the value of £17,750. This purchase was approved by shareholders at the Extraordinary General Meeting held on 6th January 2004. The directors are of the opinion that this sale was made at open market price.

James Furlong purchased an apartment and a parking space from the Company at the Abbots Wharf development in September 2003. Contracts were exchanged on 30th September 2003 on the apartment at a price of £265,000 and contracts were exchanged on 13th January 2004 on the parking space at a price of £15,000. The Company has subsequently received deposits to the value of £27,250. This purchase was approved by shareholders at the Extraordinary General Meeting held on 6th January 2004. The directors are of the opinion that these sales were made at open market prices.

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### 19 Commitments

The Company had no capital commitments at either 31st March 2004 or 31st March 2003. Current annual commitments under operating leases are as follows:

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	Property leases		Other leases	
	2004 £000	2003 £000	2004 £000	2003 £000
Leases which expire:				
Within one year	-	-	-	-
Between one and five years	49	49	56	17
Over five years	-	-	-	-
	<b>49</b>	<b>49</b>	<b>56</b>	<b>17</b>

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<b>20 Reconciliation of operating profit to cash flow from operating activities</b>	<b>Year ended 31st March 2004 £000</b>	<b>Year ended 31st March 2003 £000</b>
Operating profit	7,484	4,975
Depreciation	240	179
Write down of investments	2	-
Profit on sale of tangible fixed assets	(15)	(12)
Increase in stocks and work in progress	(4,634)	(6,703)
Increase in debtors	(7,331)	(11,676)
Increase in creditors	1,396	6,185
Movement in provisions	(54)	-
<b>Cash outflow from operating activities</b>	<b>(2,912)</b>	<b>(7,052)</b>

<b>21 Analysis of change in net debt</b>	<b>At 1st April 2003 £000</b>	<b>Cash flows £000</b>	<b>Inception of finance leases £000</b>	<b>At 31st March 2004 £000</b>
Cash at bank and in hand	239	609	-	848
Bank loans	(16,570)	(3,092)	-	(19,662)
Hire purchase liabilities	(220)	145	(99)	(174)
	<b>(16,551)</b>	<b>(2,338)</b>	<b>(99)</b>	<b>(18,988)</b>

## 22 Derivatives and other financial instruments

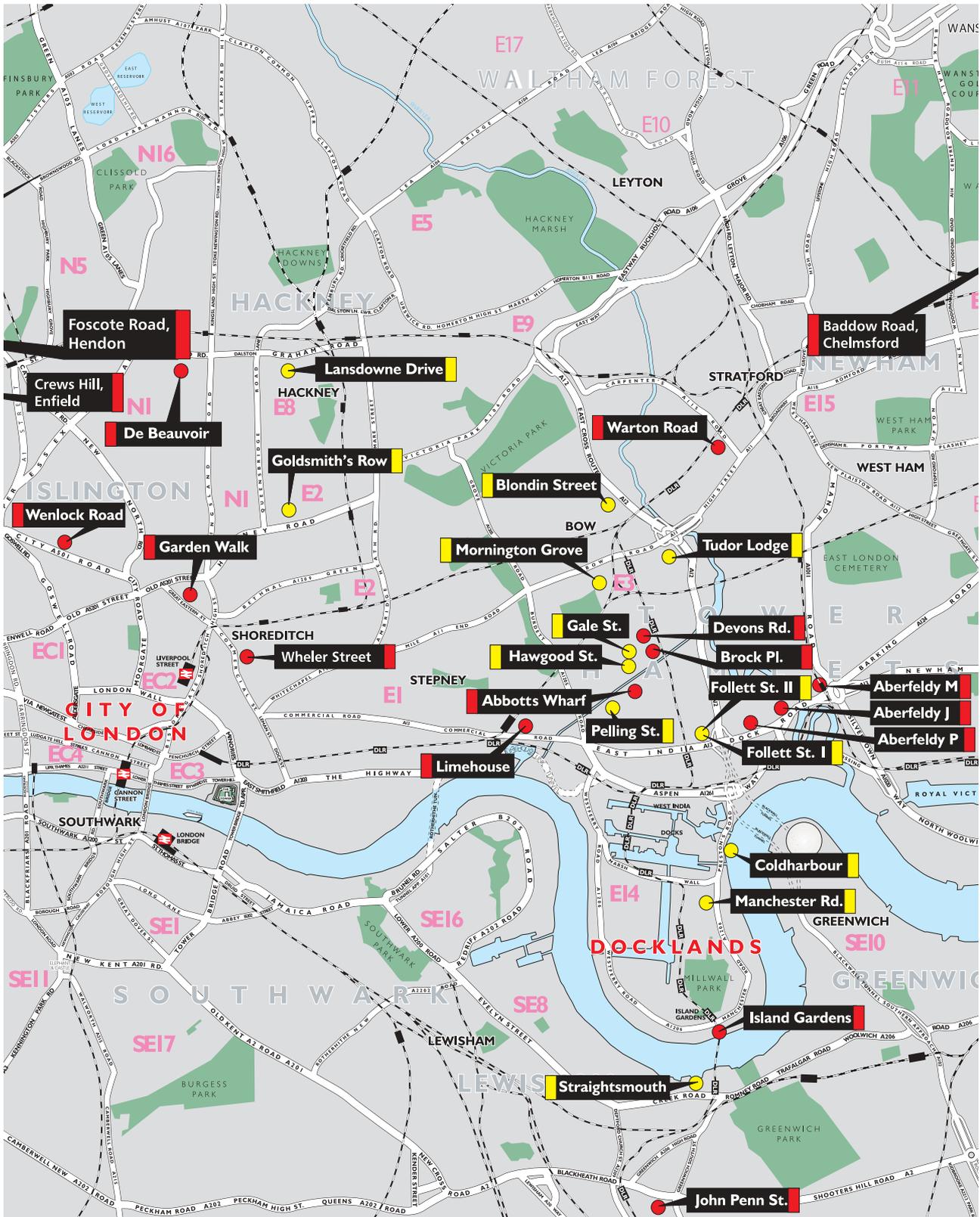
The Company's financial instruments comprise loan and overdraft facilities and various items such as trade debtors and creditors that arise from its operations. The Company uses loan finance, all of which is denominated in sterling, to acquire development land and undertake site construction. It does 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 2004 the Company had overdraft facilities of £1.5 million at 1.5% above base rate (2003 - £1.2 million). Subsequent to the year end these facilities have increased to £2.0 million. The facilities are due for review by April 2005.

In addition the Company has a credit line facility with Allied Irish Bank in respect of site development loans of £18 million, with interest charged at rates of up to 1.75% above base rate. This facility is currently being reviewed and is expected to increase to £22 million in the near future. The Company has a further facility with the Royal Bank of Scotland of £61 million, specific to certain sites and including joint arrangement funding, at similar rates, due for review by April 2005.

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 2004 is as stated in the balance sheet at that date.



- Completed by March 2004
- Current and future sites

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