Press Release **2 December 2008**

Telford Homes Plc

('Telford' or 'the Company')

Interim Results

Telford Homes Plc (AIM:TEF), the residential developer in East London noted for regeneration projects within public sector partnerships, today announces its interim results for the six months ended 30 September 2008.

Highlights

- Revenue of £35.6 million (H1 2007: £11.3 million*)
- Profit before exceptionals and tax of £0.3 million (H1 2007: loss £3.6 million*)
- Exceptional land write down of £1.4 million
- Gross margin before exceptional items of 14.5 per cent in line with expectations
- No payment of interim dividend (H1 2007: 4.5 pence per share)
- 119 open market private homes legally completed (H1 2007: 19 open market homes legally completed)
- Over 600 open market homes becoming due for legal completion in the next 12 to 15 months – all secured through exchanged contracts and representing revenue of £156 million

* 2007 figures have been restated to comply with IFRIC 15 and IAS 23 (revised)

Commenting on the interim results, Andrew Wiseman, Chief Executive of Telford Homes, said: "Market conditions in the last six months have been the most difficult faced by Telford Homes since the Company started trading in 2000. Importantly, eight years of continued growth and establishment of a solid reputation have put the Company in a strong position to enable it to weather the storm.

Telford Homes' development partnerships with registered social landlords, and investment partner status with the Housing Corporation will insulate the Company from the current economic climate to some extent. East London is still in a period of significant regeneration and, with the Olympic works progressing as we move towards

2012, the Company is well placed for a successful future as and when the housing market and economy begin to recover."

- Ends -

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CHIEF EXECUTIVE'S STATEMENT

Overview

The last six months have, as anticipated, seen a continuing deterioration in market conditions with the lack of availability of mortgage finance, declining property prices and low levels of customer confidence combining to make trading extremely difficult.

The Company's strategy of pre-selling in previous years has proved to be beneficial and it has been successful in converting those sales into cash receipts through legal completions. The next twelve months are an important period in terms of realising cash inflows from pre-sold open market homes and this is the Company's main challenge moving into the second half of the financial year.

Early adoption of IFRIC 15 and IAS 23 (revised)

On 25 September 2008 the Company announced changes to its accounting policies as a result of the early adoption of two new accounting standards. Revenue and profit from the sale of open market private homes is now recognised on legal completion. In addition borrowing costs are capitalised within inventories on a site by site basis and expensed through cost of sales as and when revenue is recognised. These changes are reflected in the results to 30 September 2008 and the prior periods have been restated on the same basis. Further details are provided in note 7.

Results for the six months ended 30 September 2008

Revenue for the six months ended 30 September 2008 was £35.6 million (H1 2007: £11.3 million) with a total of 119 open market private homes legally completed. This performance is in line with management expectations for the first half of the year with only one contract failure in the period. The majority of forecast completions for the twelve months to 31 March 2009 will be ready for handover in the second half of the year.

Revenue and profit continues to be recognised on a percentage of completion basis on affordable homes sold to housing associations under construction contracts. There are currently 691 affordable homes being developed with stage payments being received as construction progresses.

Restated revenue for the comparative six month period to 30 September 2007 was just £11.3 million as there were only 19 open market homes completed. This was a very successful selling period for the Company but most of our developments remained under construction. The restated figures illustrate that the timing of development completions will play a significant role in the timing of revenue recognition in the future.

Gross margin before exceptional items is 14.5 per cent. This has been significantly reduced by capitalised interest now being classified as cost of sales when revenue is recognised and also by 66 of the 119 open market completions being at Queen Mary's Gate in Woodford. As previously reported this site was purchased on an expected gross margin of 14 per cent due to the higher return on equity secured as a result of land payments being made directly from sales proceeds. Given these factors, and the fact that most of the properties completed were sold in previous years, the reported margin is in line with expectations.

Going forward it is expected that margins will be lower than previously forecast as a result of market conditions. Prices have fallen with localised reductions between five and 15 per cent across our region over the last twelve months. Prices in some areas are now back to the levels at which a significant proportion of our properties were sold during 2006 and early 2007. Labour costs are gradually responding to the deteriorating market but some material costs remain high, further squeezing achievable margins. In addition, the Company is actively exploring the possibility of building out some developments, which have not yet been started on site, entirely for affordable housing and this will result in lower margins reflecting both reduced risk and limited capital investment being required.

Controlling costs remains essential and this applies to overheads and selling expenses as much as it does to construction costs. Administrative expenses of £3.9 million in the first half of the year are slightly reduced against the previous year despite a 25 per cent increase in headcount between the two periods in order to deliver the properties already sold and under construction. Selling expenses have fallen to £0.7 million from £1.2 million last year due to reduced sales activity.

Exceptional item

The exceptional item of £1.4 million is a write down in the carrying value of land and work in progress. The net realisable value of land and work in progress on each development has been re-assessed assuming current selling prices and cost estimates and just one site has been affected. Given the deterioration in the market over the last six months, and current sentiment, the Board cannot rule out the possibility of additional write downs being required in the future.

Profit before tax and exceptional items is £300,000 reducing to a loss before tax of £1.1 million after the exceptional item.

Sales

Telford Homes has just two active sales outlets, one at Queen Mary's Gate in Woodford, and the other at Market Place, Romford. Sales at Queen Mary's Gate have been very slow with reduced visitor levels and potential customers being reluctant to commit to a purchase or deferring their decision due to the current economic climate. The Company is maintaining marketing activity on this development and expects to negotiate on price in order to achieve sales in the coming months.

Lower average prices at Market Place in Romford are resulting in good demand from first time buyers utilising the 'My Choice Home Buy' product from the Housing Corporation which provides a mortgage for 50 per cent of the home at an interest rate of 1.75 per cent. This demonstrates the underlying demand for these homes which is currently stifled by the restricted availability of open market mortgage products. Increasing the funding for 'My Choice Home Buy' would be an excellent way to support first time buyers and the Company expects the Housing Corporation to respond to this. Between these two developments the Company has a total of 92 finished homes currently held as stock units.

Against the background of the current economic climate Telford Homes has undertaken just one sales launch this period. This was at Greenwich Creekside, the Company's joint venture with The Royal Bank of Scotland, a development designed by Michael Squires and programmed to be completed in 2011. In March 2008, the Company secured the sale of the 129 affordable homes to London & Quadrant Housing Association. Since 30 September the Company has exchanged contracts for the sale of over half of the 100,000 square feet of commercial space at a price in excess of £8 million and following the launch the Company has also exchanged contracts on four open market apartments in the first phase of the development.

In total Telford Homes has exchanged contracts for the sale of 21 open market homes in the first six months of the year with eight more secured since 30 September along with the significant commercial sale at Greenwich Creekside.

The Company's development partnerships with registered social landlords will insulate it, to some extent, from the low level of activity in open market housing. As an investment partner of the Housing Corporation the Company is able to bid for grant funding in order to convert open market housing to affordable housing provided it can prove good value. The Company is already pursuing grant bids to deliver affordable housing to its housing transfer partners, who are not investment partners of the Housing Corporation, and the Board expects this to maintain the Company's activity at a higher level than would otherwise be the case. The Company is also exploring opportunities to build on its success in new build construction within estate regeneration projects by tendering for complementary refurbishment work. This has the additional benefit of employing the Company's construction skills and of delivering regeneration with its partners in a more co-ordinated manner.

Legal completions

The lack of mortgage finance for Telford Homes' customers is the key issue for the business today and over the next twelve months. The few remaining lenders in the buy-to-let market are charging higher fees for lending a reduced percentage of the value of a property. Valuation surveyors, acting for the mortgage lenders, are applying increasing caution due to market sentiment and the few comparable transactions that are taking place are individual distress sales or extreme actions by some competitors to reduce their levels of finished stock.

This is causing difficulties for those customers who have committed to purchase new homes, off plan, in a different economic environment. As a result, the sales team is concentrating on managing 'the completion process' involving lenders, brokers and valuation surveyors, as well as customers, on each and every property. This is a demanding exercise but has proved to be extremely worthwhile to date.

In October Telford Homes entered an intense period of development completions which will result in just over 600 open market homes, secured through exchanged contracts, becoming due for legal completion in the next 12 to 15 months across twelve developments. If these are all successfully completed then they will represent secured revenue of £156 million resulting in net cash inflows, after repayment of loans and remaining land payments, in excess of £45 million. The Board expects the Company's hands-on approach to every completion will ensure a good rate of success. However, the Board is also anticipating a number of completion failures and in these cases the Company will retain the 10 per cent cash deposit and pursue the defaulting purchaser for any further losses incurred.

Since 1 October 2008 Telford Homes has legally completed the first 52 of these 600 homes with no contract failures. A further 15 properties are overdue for completion to the extent that the contracts could be rescinded. These contracts are left in place while each purchaser is arranging mortgage finance and/or providing their own equity and nearly all of them are expected to complete.

The construction and customer service teams are managing the delivery of the highest number of homes the Company has ever constructed, achieving excellent customer satisfaction results and winning major construction awards. The site manager at OneStratford, Greg Scott, has recently won the NHBC 'Pride in the Job' regional award for the South East in the large residential category.

Cash management

As a result of market conditions, in particular uncertainty over the rate of success on completions and the more difficult banking environment, the Company is entirely focused on careful management of cash. Telford Homes has not been investing in new land or in construction work unless future revenue is substantially secured by contracts exchanged or significant stage payments are being received on the affordable homes within a development. This will continue to be the case until the Company is more certain of the rate of success on the properties due for completion.

Following the change in accounting policies reported in September, and the consequent restatement of profits in previous years, the Company submitted a claim for the repayment of corporation tax paid during 2007 and 2008. The Company has subsequently received a repayment of £3.7 million which will increase the level of free cash over the next few months.

With the Company committed to careful management of cash the Board is of the opinion that it would be prudent to retain all available cash in the short term. Therefore the Board has taken the decision not to pay an interim dividend. Payment of a final dividend will however be considered by the Board in the light of trading and cash flows over the next six month period.

Bank finance and gearing

Approaching a period where several developments are reaching completion in a relatively short timeframe has resulted in bank debt reaching a peak in the last few months. Overall borrowings are in line with expectations and stand at £127.5 million as of 30 September 2008. Levels of debt are expected to significantly reduce over the next year as a result of the 600 forthcoming completions.

The accounting policy changes have had a direct impact on reported gearing and uncovered gearing. While debt levels and security of revenue remain unchanged the net assets of the Company have been significantly lowered by the change to accounting for profits on legal completion. Net assets at March 2008 were restated from £64.2 million to £48.9 million. As a result gearing as at 30 September 2008 was 265 per cent with uncovered gearing at 91 per cent. Uncovered gearing excludes the amount of debt on any project that is matched by future revenue secured by binding contracts. Like-for-like gearing with previously reported levels would have been approximately 200 per cent ignoring the restatement.

When the Company decided to adopt the new accounting policies a year earlier than required it entered into discussions with Allied Irish Bank and Barclays Bank to adjust previously agreed covenants to bring them into line with the new policies. The Board is pleased to report that, as a result of the excellent relationships maintained with all of the Company's banks, the relevant covenants have been waived in order to allow for the impact of the change in accounting on the interim results.

As part of the normal process of renewing and reviewing banking arrangements the Company has some site specific facilities with The Royal Bank of Scotland and Barclays due for review over the next few months along with the revolving facility with Allied Irish

Bank for £40 million that is reviewed in April of each year. In all cases the Company has undertaken preliminary discussions with each bank in terms of levels of funding required, pricing and appropriate covenants given the change in accounting policies. As a result of these discussions the Board is confident that all required funding will remain in place with the likely outcome being that pricing will be linked to LIBOR rather than the Bank of England base rate.

Development pipeline

The Telford Homes brand is built upon a value for money product in high quality developments that enhance the regeneration of areas which are already well connected by excellent transport facilities. The Company has major regeneration projects to deliver in East London; at the Lesney site on the River Lee Navigation at the northern boundary of the Olympic Park and in Bethnal Green Road at the new Shoreditch Station close to Bishopsgate. Telford Homes has recently achieved planning permission on three development sites at Lanrick Road (near Canning Town Jubilee line station), St. Anne's Road (near Westferry DLR station) and Trades Hall, Leyton.

All the sites in the Company's ownership now benefit from detailed planning permission except for the Lesney site and Chepstow in Wanstead. Lesney received an Inspector's decision refusing permission but stating that the design was excellent and the content acceptable with an increase in affordable housing and family provision. This is straightforward to address. Similarly the Inspector's decision against Chepstow provides clear direction on an alternative scheme and appropriate planning applications will be submitted for both developments. Bethnal Green Road is subject to an application by objectors to the scheme for a judicial review of the planning process. This application will be allowed or refused on 8 December 2008.

Achieving planning permission underpins the value of the Company's development sites but delivery of these schemes and other projects not yet commenced will depend on the availability of finance for Telford Homes and for our customers and our ability to secure future revenues. At this time the Company is not planning to start work on any of these developments.

As at 30 September 2008 Telford Homes' total pipeline of open market and affordable properties not yet legally completed is 2,774 including 2,532 with planning permission. Of these properties 1,912 are already under construction with over 70 per cent secured by contracts exchanged either for open market sale or for affordable housing. Forward sales at 30 September 2008, as represented by the total amount of secured revenue not yet recognised, amounted to £214 million.

In addition the Company continues to progress the regeneration of the other Eastend Homes estates following the success of the British Estate, marketed as Merchant's Quarter. The first buildings at Merchant's Quarter are now handing over to customers and many of our buy to let landlords have achieved immediate success in letting their properties. The next estate regeneration project is the St. George's Estate just north of St. Katherine's Dock and East of the City where the Company plans to deliver 54 homes for affordable rented accommodation followed, when appropriate, by 139 open market homes. Other estates are going through the planning process and will then proceed to contract with Eastend Homes. The development land value will be linked to current market conditions.

Strategy

Reduced availability of credit will restrict the Company's ability to leverage the business in the future if it impacts our ability to pre-sell our developments. By securing off plan sales at an early stage of the construction process Telford Homes has been able to de-risk projects and enter into new ventures, typically, with 70 per cent of cost financed by debt. This has led to a fully geared debt to equity ratio on individual sites in excess of 230 per cent. The Company has controlled these high levels of gearing by monitoring uncovered gearing against a target level of 100 per cent. If the Company is unable to secure future revenue on new sites, it will limit the amount of debt that it takes on so that actual gearing will fall closer to the Company's uncovered gearing maximum of 100 per cent. This will reduce the Company's ability to invest capital in land and work in progress and will therefore slow the rate of growth in the future, albeit with lower levels of gearing.

As a result of this, and the desire to protect cash balances, the strategy for 2009 is to pursue projects that are cash positive. These may include acting as a contractor in some circumstances as well as delivering wholly affordable housing schemes on sites where Telford Homes has achieved planning permission for mixed tenure developments.

As sites are completed during 2009 the construction teams will have to be scaled down to match the Company's reduced financial capacity and this will also have an impact on staff numbers at the head office. The Board expects to reduce the number of people employed by Telford Homes by between a quarter and a third over the next 12 months depending on its success in securing projects that do not require a cash investment. During eight years of growth the business has been built upon excellent people and it is distressing for the Company to have to lose them.

Outlook

The deteriorating economic situation has led to a collapse in confidence in off plan purchases so the Company is unable, at present, to secure any significant speculative pre-sales. However the substantial and rapid reduction in interest rates together with a decline in the price of homes is leading to increasing affordability for purchasers and improved equity yields for investors. This, coupled with a continuing imbalance between supply and demand for places to live, will help to maintain the attraction of Telford Homes' apartments to buyers in the medium to longer term, despite a period of recession.

Uncertainty over the rate of success on turning pre-sold properties into cash, due to the lack of mortgage finance and uncertainty over valuations, makes it difficult for the Company to plan future investment and prudent control of cash is our main objective. The Company will concentrate on ensuring completions are successful rather than forcing them to happen on time and this may impact on the results for the full year to 31 March 2009.

Market conditions in the last six months have been the most difficult faced by Telford Homes since the Company started trading in 2000. Importantly, eight years of continued growth and establishment of a solid reputation have put the Company in a strong position to enable it to weather the storm. East London is still in a period of significant regeneration and, with the Olympic works progressing as we move towards 2012, the Company is well placed for a successful future as and when the housing market and economy begin to recover.

Andrew Wiseman
Chief Executive
1 December 2008

INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Note	6 months ended 30 September 2008	6 months ended 30 September 2007	Year ended 31 March 2008
			restated (note 7)	restated (note 7)
		£000	£000	£000
Revenue		**35,564**	**11,263**	**96,777**
Cost of sales before exceptional item		(30,420)	(9,737)	(79,756)
Exceptional item	3	(1,400)	-	-
Gross profit		**3,744**	**1,526**	**17,021**
Administrative expenses		(3,893)	(3,948)	(8,253)
Selling expenses		(718)	(1,236)	(2,340)
Operating (loss) profit		**(867)**	**(3,658)**	**6,428**
Finance income		156	291	493
Finance costs		(388)	(188)	(379)
(Loss) profit before income tax		**(1,099)**	**(3,555)**	**6,542**
Analysed as:				
Profit (loss) before income tax and exceptional item		**301**	**(3,555)**	**6,542**
Exceptional item		(1,400)	-	-
		(1,099)	**(3,555)**	**6,542**
Income tax credit (expense)	4	84	1,150	(2,045)
(Loss) profit after income tax		**(1,015)**	**(2,405)**	**4,497**
Earnings per share:				
Basic	6	(2.7p)	(6.5p)	12.2p
Diluted	6	(2.7p)	(6.4p)	12.1p

All activities are in respect of continuing operations.

BALANCE SHEET
AT 30 SEPTEMBER 2008

	30 September 2008 £000	30 September 2007 restated (note 7) £000	31 March 2008 restated (note 7) £000
Non current assets			
Property, plant and equipment	788	841	907
Deferred income tax assets	-	207	-
	788	1,048	907
Current assets			
Inventories	200,216	179,612	179,113
Trade and other receivables	7,461	6,369	11,312
Income tax assets	5,491	4,387	4,624
Cash and cash equivalents	2,247	1,094	4,698
	215,415	191,462	199,747
Total assets	**216,203**	**192,510**	**200,654**
Non current liabilities			
Hire purchase liabilities	(3)	(53)	(18)
Deferred income tax liabilities	(264)	-	(4)
	(267)	(53)	(22)
Current liabilities			
Trade and other payables	(42,254)	(43,720)	(50,272)
Borrowings	(127,499)	(105,186)	(101,424)
Hire purchase liabilities	(51)	(97)	(83)
	(169,804)	(149,003)	(151,779)
Total liabilities	**(170,071)**	**(149,056)**	**(151,801)**
Net assets	**46,132**	**43,454**	**48,853**
Capital and reserves			
Issued share capital	3,800	3,715	3,750
Share premium	30,221	29,094	29,749
Retained earnings	12,111	10,645	15,354
Total equity	**46,132**	**43,454**	**48,853**

CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	6 months ended 30 September 2008	6 months ended 30 September 2007 restated (note 7)	Year ended 31 March 2008 restated (note 7)
	£000	£000	£000
Cash flow from operating activities			
Operating (loss) profit	(867)	(3,658)	6,428
Depreciation	200	202	404
Write down in value of own shares	69	52	109
Share-based payments	97	48	109
Profit on sale of tangible fixed assets	(28)	(9)	(24)
Increase in inventories	(18,631)	(54,259)	(50,104)
Decrease (increase) in receivables	3,851	(4,420)	(9,363)
(Decrease) increase in payables	(7,734)	19,718	26,614
	(23,043)	(42,326)	(25,827)
Interest paid	(3,144)	(3,210)	(7,400)
Income taxes paid	(553)	(1,655)	(5,048)
Cash flow from operating activities	**(26,740)**	**(47,191)**	**(38,275)**
Cash flow from investing activities			
Purchase of tangible assets	(91)	(64)	(332)
Proceeds from sale of tangible assets	38	9	24
Interest received	156	291	493
Cash flow from investing activities	**103**	**236**	**185**
Cash flow from financing activities			
Proceeds from issuance of ordinary share capital	522	474	774
Purchase of own shares	(522)	(332)	(422)
Sale of own shares	220	189	211
Increase in bank loans	27,629	32,867	59,825
Repayment of bank loans	(1,554)	(891)	(31,611)
Dividend paid	(2,062)	(1,816)	(3,498)
Capital element of hire purchase payments	(47)	(59)	(108)
Cash flow from financing activities	**24,186**	**30,432**	**25,171**
Net decrease in cash and cash equivalents	**(2,451)**	**(16,523)**	**(12,919)**
Cash and cash equivalents brought forward	4,698	17,617	17,617
Cash and cash equivalents carried forward	**2,247**	**1,094**	**4,698**

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Restated balance at 1 April 2008 (note 7)	**3,750**	**29,749**	**15,354**	**48,853**
Loss for the period	-	-	(1,015)	(1,015)
Dividend on equity shares	-	-	(2,062)	(2,062)
Movement in excess tax on share options	-	-	(30)	(30)
Proceeds of equity share issue	50	472	-	522
Share-based payments	-	-	97	97
Purchase of own shares	-	-	(522)	(522)
Sale of own shares	-	-	220	220
Write down in value of own shares	-	-	69	69
Balance at 30 September 2008	**3,800**	**30,221**	**12,111**	**46,132**

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Restated balance at 1 April 2007 (note 7)	**3,694**	**28,641**	**14,932**	**47,267**
Loss for the period	-	-	(2,405)	(2,405)
Dividend on equity shares	-	-	(1,816)	(1,816)
Movement in excess tax on share options	-	-	(23)	(23)
Proceeds of equity share issue	21	453	-	474
Share-based payments	-	-	48	48
Purchase of own shares	-	-	(332)	(332)
Sale of own shares	-	-	189	189
Write down in value of own shares	-	-	52	52
Balance at 30 September 2007	**3,715**	**29,094**	**10,645**	**43,454**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Restated balance at 1 April 2007 (note 7)	**3,694**	**28,641**	**14,932**	**47,267**
Profit for the year	-	-	4,497	4,497
Dividend on equity shares	-	-	(3,498)	(3,498)
Movement in excess tax on share options	-	-	(194)	(194)
Shares issued under the Deferred Payment Share Purchase Plan	16	374	(390)	-
Proceeds of equity share issue	40	734	-	774
Share-based payments	-	-	109	109
Purchase of own shares	-	-	(422)	(422)
Sale of own shares	-	-	211	211
Write down in value of own shares	-	-	109	109
Balance at 31 March 2008	**3,750**	**29,749**	**15,354**	**48,853**

NOTES

1 Basis of preparation

The interim accounts have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in issue that are either endorsed by the EU and effective at 31 March 2009 or are expected to be endorsed and effective at 31 March 2009.

The interim accounts do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the half years ended 30 September 2008 and 30 September 2007 are unaudited. The interim accounts were approved by the directors on 1 December 2008 and have been reviewed by the auditors whose review report is unqualified and is included below.

As part of the normal process of renewing and reviewing banking arrangements the Company has some site specific facilities with The Royal Bank of Scotland and Barclays due for review within the next 12 months along with its revolving facility with Allied Irish Bank, for £40 million, which is reviewed in April of each year. In all relevant cases the Company has undertaken discussions with each bank in terms of levels of funding required, pricing and appropriate covenants. As a result of these discussions the Directors are confident that all required funding will remain in place and therefore the interim accounts have been prepared on a going concern basis.

The Company's statutory accounts for the year ended 31 March 2008 have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain statements under Section 237 (2) or (3) of the Companies Act 1985.

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

The significant judgements made by management in applying the Company's accounting policies and the key sources of uncertainty were principally the same as those applied to the Company's financial statements as at 31 March 2008. In particular the carrying value of land and work in progress has involved considerable judgement around future margins from sites in assessing the level of net realisable value write downs.

2 Accounting policies

Accounting convention
The interim accounts have been prepared under historical cost convention and on a basis consistent with the accounting policies in the financial statements for the year ended 31 March 2008 except as noted below.

In the year ended 31 March 2009 the Company is adopting IFRIC 15 'Agreements for the construction of real estate' and IAS 23 (revised) 'Borrowing costs' for the first time. The figures for the year ended 31 March 2008 and the six months ended 30 September 2007 have been restated, the impact of which is disclosed in note 7. As a result of adopting these standards the Company has changed a number of its accounting policies and the amended policies are disclosed below.

Revenue and profit recognition

Properties for open market sale
Revenue and profit is recognised at the point of legal completion of each property.

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

Construction contracts
Contracts are treated as construction contracts when they have been specifically negotiated for the construction of a development or a number of properties. Revenue is only recognised on a construction contract where the outcome can be estimated reliably. Revenue and costs are recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by surveys of work performed to date.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Selling expenses
Selling expenses are charged to the income statement as incurred.

Inventories
Development properties are included in inventories and are stated at the lower of cost and net realisable value. Cost comprises costs of acquisition and development, including directly attributable fees and expenses, direct labour costs and borrowing costs. Included within development properties are freehold interests held in completed developments. These are held for future sale.

Borrowings
Interest bearing bank loans and overdrafts are recorded at the proceeds received.

Borrowing costs directly attributable to the development of properties that take a substantial period of time to get ready for sale, are capitalised within inventories. Capitalisation of borrowing costs commences from the date of initial expenditure on a given development and continues until the properties are ready for sale.

The capitalisation of borrowing costs is suspended where land assets are being held for strategic purposes or where there are prolonged periods when development activity on a site is interrupted. Capitalisation is not normally suspended during a period when substantial technical and administrative work is being carried out.

All other borrowing costs are charged to the income statement using the effective interest method.

Other than these changes the interim accounts have been prepared on a basis consistent with the accounting policies in the financial statements for the year ended 31 March 2008 except as noted below.

Exceptional items
Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Company's financial performance.

3 Exceptional item

The exceptional item of £1.4 million has arisen where the net realisable value of work in progress on certain developments has been assessed to be lower than the costs originally recorded in inventories as a result of the deterioration in market conditions.

4 Taxation

Taxation has been calculated on the loss for the six months ended 30 September 2008 at the estimated effective tax rate of 28.8% before movements in deferred taxation (2007 – 32.2%).

5 Dividends

The directors have decided not to pay an interim dividend for the six months ended 30 September 2008.

The interim dividend paid for the six months ended 30 September 2007 was 4.5p per ordinary share and the final dividend paid for the year ended 31 March 2008 was 5.5p making a total of 10.0p per ordinary share.

6 Earnings per share

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

Earnings per share have been calculated using the following figures:

	6 months ended 30 September 2008	**6 months ended 30 September 2007 restated (note 7)**	**Year ended 31 March 2008 restated (note 7)**
Weighted average number of shares in issue	37,210,124	36,836,908	36,971,367
Dilution - effect of share schemes	18,457	672,963	318,266
Diluted weighted average number of shares in issue	37,228,581	37,509,871	37,289,633
(Loss) profit on ordinary activities after taxation	(£1,015,000)	(£2,405,000)	£4,497,000
Earnings per share:			
Basic	(2.7p)	(6.5p)	12.2p
Diluted	(2.7p)	(6.4p)	12.1p

7 Early adoption of IFRIC 15 and IAS 23 (revised)

IFRIC 15 'Agreements for the construction of real estate'

IFRIC Interpretation 15 ‘Agreements for the construction of real estate’ was issued on 3 July 2008 and is effective for periods beginning on or after 1 January 2009. The Company has taken up the option of adopting IFRIC 15 from 1 April 2008.

IFRIC 15 has arisen due to differing opinions on whether the revenue from certain real estate transactions should be recognised in accordance with IAS 18 ‘Revenue’ or in accordance with IAS 11 ‘Construction contracts’. The guidance in the existing standards allows flexibility in the accounting treatment that should be adopted.

The Company has historically accounted for revenues and therefore profits from all property sales in accordance with IAS 11. Under IAS 11 revenue is recognised on a percentage of completion basis once contracts for the sale of a property have been exchanged and then only if the eventual profit from that property can be foreseen with reasonable certainty.

IFRIC 15 concludes that revenue from open market sales of real estate should be accounted for on legal completion of the properties in accordance with IAS 18. The sale of properties under certain terms within specific construction contracts will continue to be accounted for under IAS 11 and in the Company’s case this applies to all sales of affordable homes. The accounting treatment for affordable homes is therefore unaffected by IFRIC 15.

The Company now recognises revenue from the sale of open market private homes and commercial units entirely at the point of legal completion in accordance with IAS 18. As a result of adopting IAS 18 all selling expenses previously capitalised within inventories and included with cost of sales when revenue was recognised are now expensed as incurred unless they relate to the creation of a tangible asset such as a fixed sales office. These selling expenses are charged after gross profit but within operating profit.

The most significant impact of IFRIC 15 on the reported results of Telford Homes is therefore the deferral of profits previously recognised from the point of exchange of contracts onwards until the point of legal completion.

IAS 23 (revised) 'Borrowing costs'

IAS 23 (revised) ‘Borrowing costs’ is effective for periods beginning on or after 1 January 2009. The Company has taken up the option of adopting IAS 23 (revised) from 1 April 2008.

IAS 23 (revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of those assets. Qualifying assets are those that take a substantial period of time to get ready for use or sale. Previously, under the existing IAS 23, an entity was able to choose whether to capitalise borrowing costs or to write them off as incurred.

Each development undertaken by the Company represents a qualifying asset under IAS 23 (revised) due to the period of time taken in obtaining planning consent and completing construction on the site. Each development typically has site specific finance and therefore borrowing costs can be directly attributed to each site.

As a result of the adoption of IFRIC 15 the impact of IAS 23 (revised) is typically to defer the expensing of borrowing costs to the income statement. Previously borrowing costs were written off as incurred over the life of each development and now a substantial proportion will not be expensed until legal completion of the open market private homes.

Restated income statements and balances sheets for the year ended 31 March 2008 and for the six months ended 30 September 2007 are included below. The only changes required to cash flow statements previously reported are presentational.

Impact on income statement for the year ended 31 March 2008 and for the six months ended 30 September 2007

Revenue for the year ended 31 March 2008 is reduced by £63.3 million (September 2007 - £70.7 million) as a result of the timing difference between contract exchanges and legal completions under IFRIC 15. Revenue is reduced by a further £0.4 million (September 2007 - £0.1 million) as a result of IAS 23 (revised) and the modest effect it has on the percentage of completion of affordable homes.

Cost of sales for the year ended 31 March 2008 is reduced by £50.7 million (September 2007 - £56.3 million) as a result of the change in recognition of revenue under IFRIC 15 and the separate write off of selling expenses. Under IAS 23 (revised) cost of sales is increased by £3.6 million (September 2007 - £0.4 million) where finance costs have been capitalised within inventories and released to cost of sales as revenue is recognised.

Administrative expenses for the year ended 31 March 2008 are increased by £45,000 (September 2007 - £20,000) due to depreciation of sales offices now recognised as tangible assets. Other selling expenses are now written off as incurred increasing total expenses by a further £2.3 million (September 2007 - £1.2 million).

Finance costs in the year ended 31 March 2008 are reduced by £7.8 million (September 2007 - £3.1 million) as these are capitalised under IAS 23 (revised). Remaining finance costs relate to non development specific costs and bank interest on developments where capitalisation has been suspended.

Profit before income tax is reduced from £17.7 million to £6.5 million (September 2007 - reduced from £9.5 million to a loss of £3.6 million). The income tax expense is restated by 30 percent of the net impact on profit before income tax.

Impact on balance sheet as at 31 March 2008 and 30 September 2007

Property, plant and equipment is increased by £85,000 at 31 March 2008 (30 September 2007 - £108,000) as a result of the cost of constructing sales offices now being recognised as tangible assets rather than forming part of inventories.

Inventories at 31 March 2008 increased by £97.4 million (September 2007 - £104.1 million) as a result of the deferral of revenue recognition to the point of legal completion under IFRIC 15 and therefore the consequent reduction in inventories charged to cost of sales. Capitalisation of finance costs under IAS 23 (revised) further increases inventories by £7.3 million (September 2007 - £5.8 million).

Receivables at 31 March 2008 reduced by £125.9 million (September 2007 - £133.4 million) under IFRIC 15 as a result of revenue on open market homes now only being recognised as completion proceeds are received. A further reduction of £0.8 million (September 2007 - £0.5 million) results from the change in percentage completion on affordable sales as a result of capitalising finance costs under IAS 23 (revised). Receivables then becomes a payable balance primarily representing deposits received in advance and is reclassified as such.

As a result of the significant deferral of profits previously recognised up to 31 March 2008 into future years the previous income tax liability becomes an income tax debtor of £4.6 million created by the impact of both IFRIC 15 and IAS 23 (revised) (September 2007 - now an income tax debtor of £4.4 million from a liability of £2.8 million).

The movements in retained earnings at 31 March 2008 represent the cumulative adjustments to the income statement reducing retained profits by £19.9 million as a result of IFRIC 15 and increasing them by £4.5 million as a result of IAS 23 (revised). At 30 September 2007, retained profits are reduced by £20.4 million as a result of IFRIC 15 and increased by £3.7 million due to IAS 23 (revised).

Net assets and therefore total equity are reduced from £64.2 million to £48.9 million at 31 March 2008 (September 2007 - reduced from £60.2 million to £43.5 million).

RESTATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	Previously Reported £000	IFRIC 15 £000	IAS 23 £000	Restated £000
Revenue				
Sales of properties	159,626	(63,264)	(392)	95,970
Other direct income	807	-	-	807
	160,433	**(63,264)**	**(392)**	**96,777**
Cost of sales				
Sales of properties	(125,698)	50,712	(3,613)	(78,599)
Other direct costs	(1,157)	-	-	(1,157)
	(126,855)	**50,712**	**(3,613)**	**(79,756)**
Gross profit	**33,578**	**(12,552)**	**(4,005)**	**17,021**
Administrative expenses	(8,208)	(45)	-	(8,253)
Selling expenses	-	(2,340)	-	(2,340)
Operating profit	**25,370**	**(14,937)**	**(4,005)**	**6,428**
Finance income	493	-	-	493
Finance costs	(8,136)	-	7,757	(379)
Profit before income tax	**17,727**	**(14,937)**	**3,752**	**6,542**
Income tax expense	(5,400)	4,481	(1,126)	(2,045)
Profit after income tax	**12,327**	**(10,456)**	**2,626**	**4,497**

RESTATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Previously reported £000	IFRIC 15 £000	IAS 23 £000	Restated £000
Revenue				
Sales of properties	81,797	(70,737)	(62)	10,998
Other direct income	265	-	-	265
	82,062	**(70,737)**	**(62)**	**11,263**
Cost of sales				
Sales of properties	(64,931)	56,344	(437)	(9,024)
Other direct costs	(713)	-	-	(713)
	(65,644)	**56,344**	**(437)**	**(9,737)**
Gross profit	**16,418**	**(14,393)**	**(499)**	**1,526**
Administrative expenses	(3,928)	(20)	-	(3,948)
Selling expense	-	(1,236)	-	(1,236)
Operating profit (loss)	**12,490**	**(15,649)**	**(499)**	**(3,658)**
Finance income	291	-	-	291
Finance costs	(3,255)	-	3,067	(188)
Profit (loss) before income tax	**9,526**	**(15,649)**	**2,568**	**(3,555)**
Income tax (expense) credit	(2,774)	4,694	(770)	1,150
Profit (loss) after income tax	**6,752**	**(10,955)**	**1,798**	**(2,405)**

RESTATED BALANCE SHEET
AT 31 MARCH 2008

	Previously Reported £000	IFRIC 15 £000	IAS 23 £000	Reclassify £000	Restated £000
Non current assets					
Property, plant and equipment	822	85	-	-	907
Deferred income tax assets	-	-	-	-	-
	822	85	-	-	907
Current assets					
Inventories	74,446	97,370	7,297	-	179,113
Trade and other receivables	120,174	(125,933)	(808)	17,879	11,312
Income tax assets	-	-	-	4,624	4,624
Cash and cash equivalents	4,698	-	-	-	4,698
	199,318	(28,563)	6,489	22,503	199,747
Total assets	**200,140**	**(28,478)**	**6,489**	**22,503**	**200,654**
Non current liabilities					
Hire purchase liabilities	(18)	-	-	-	(18)
Deferred income tax liabilities	(4)	-	-	-	(4)
	(22)	-	-	-	(22)
Current liabilities					
Trade and other payables	(32,393)	-	-	(17,879)	(50,272)
Current income tax liabilities	(1,971)	8,543	(1,948)	(4,624)	-
Borrowings	(101,424)	-	-	-	(101,424)
Hire purchase liabilities	(83)	-	-	-	(83)
	(135,871)	8,543	(1,948)	(22,503)	(151,779)
Total liabilities	**(135,893)**	**8,543**	**(1,948)**	**(22,503)**	**(151,801)**
Net assets	**64,247**	**(19,935)**	**4,541**	**-**	**48,853**
Capital and reserves					
Issued share capital	3,750	-	-	-	3,750
Share premium	29,749	-	-	-	29,749
Retained earnings	30,748	(19,935)	4,541	-	15,354
Total equity	**64,247**	**(19,935)**	**4,541**	**-**	**48,853**

RESTATED BALANCE SHEET
AT 30 SEPTEMBER 2007

	Previously Reported £000	IFRIC 15 £000	IAS 23 £000	Reclassify £000	Restated £000
Non current assets					
Property, plant and equipment	733	108	-	-	841
Deferred income tax assets	207	-	-	-	207
	940	108	-	-	1,048
Current assets					
Inventories	69,722	104,105	5,785	-	179,612
Trade and other receivables	117,997	(133,407)	(477)	22,256	6,369
Income tax assets	-	-	-	4,387	4,387
Cash and cash equivalents	1,094	-	-	-	1,094
	188,813	(29,302)	5,308	26,643	191,462
Total assets	**189,753**	**(29,194)**	**5,308**	**26,643**	**192,510**
Non current liabilities					
Hire purchase liabilities	(53)	-	-	-	(53)
Deferred income tax liabilities	-	-	-	-	-
	(53)	-	-	-	(53)
Current liabilities					
Trade and other payables	(21,464)	-	-	(22,256)	(43,720)
Current income tax liabilities	(2,778)	8,758	(1,593)	(4,387)	-
Borrowings	(105,186)	-	-	-	(105,186)
Hire purchase liabilities	(97)	-	-	-	(97)
	(129,525)	8,758	(1,593)	(26,643)	(149,003)
Total liabilities	**(129,578)**	**8,758**	**(1,593)**	**(26,643)**	**(149,056)**
Net assets	**60,175**	**(20,436)**	**3,715**	**-**	**43,454**
Capital and reserves					
Issued share capital	3,715	-	-	-	3,715
Share premium	29,094	-	-	-	29,094
Retained earnings	27,366	(20,436)	3,715	-	10,645
Total equity	**60,175**	**(20,436)**	**3,715**	**-**	**43,454**

8 Interim report

Copies of this announcement are available from the Company at First Floor, Stuart House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire EN8 7TF. The Company's interim report for the six months ended 30 September 2008 will be posted to shareholders shortly and will be available on our website at www.telfordhomes.plc.uk.

Independent review report to Telford Homes Plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008, which comprises the income statement, balance sheet, cash flow statement and statement of changes in equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 1 and the AIM Rules for Companies.

Emphasis of matter – going concern

In arriving at our review conclusion, which is not qualified, we have considered the adequacy of the disclosures made in the basis of preparation note within the interim financial information concerning the Company's ability to continue as a going concern. In view of the significance of the matters outlined therein, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

PricewaterhouseCoopers LLP
Chartered Accountants
1 December 2008