

Interim results to 30 September 2010



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Queen Mary's Gate, E18



Overview

- Revenue and profits reduced in line with expectations due to the Group's strategy during the recession
- Interim dividend of 1.25 pence per share given the Board's confidence in future growth
- Over 250 new sales achieved since 1 April 2010 despite lack of mortgage finance and uncertain economic outlook
- Cash balances remain strong at £22.0 million with gearing at historically low levels
- New banking facilities at an advanced stage and will give significant headroom for acquiring and developing new sites
- Increasing shortage of new homes in London will create opportunities for long term growth

Group income statement

	September 2010	September 2009	March 2010
Revenue	£58.2m	£85.9m	£159.3m
Gross margin adjusted for interest	15.2%	18.3%	16.5%
Profit before tax	£2.0m	£5.7m	£7.3m
EPS	3.3p	10.6p	13.7p
Dividend per share	1.25p	0.75p	2.0p

Revenue and profit

- Revenue down by 32% in line with expectations due to the Group's strategy during the recession
- 133 open market completions (2009: 224)
- No land acquisition during 2008 and 2009 therefore lower output of completed homes from 2010 to 2012
- Gross profit margin before loan interest down to 15.2%
- Below normal levels due to higher proportion of lower risk affordable homes started during the recession
- Until March 2012 profits expected to remain at lower levels but now investing in the development pipeline for later years
- Board are confident of future growth and have therefore declared an increased interim dividend

Matchmakers Wharf, E9



Sales

- Over 250 new open market sales achieved since 1 April 2010 assisted by overseas sales events
- Overseas sales being secured up to two years ahead of build completion underpinning investment in future developments
- Steady rate of UK sales to owner-occupiers and to a lesser extent investors
- Strong rental market in East London
- Sales centre visitor levels modest but consistent
- Very low cancellation rates
- Shortage of supply but demand constrained by lack of mortgage finance

Greenwich Creekside, SE8



Acquisition

- Acquired remaining 50% interest in Creekside joint venture from RBS on 17 September
- Value of net assets acquired was £511,000 for a purchase price of £500
- The Group has recognised this difference as a 'bargain gain' within exceptional items in the income statement
- Existing RBS equity of £8 million converted to debt repayable from sales proceeds
- Full funding package agreed such that the second phase of the development is now under construction
- Handovers due through 2011 and 2012
- Acquisition will enhance profits in future years

Lanrick Road, E14



Grant funding

- Status as a grant partner of the HCA remains a significant strength
- Secured £73 million grant programme well advanced with first sites due to be completed in the next few months
- There will be a significant reduction in the availability of grant funding in the future
- Not acquiring any new sites where grant funding is required until the levels available become more certain
- Relationship with the HCA and record of delivering finished homes puts the Group in best possible position to secure future grant allocations

The Hawksmoors, E1



Partnerships and development pipeline

- Excellent relationships with housing associations
- Partnership with EastendHomes continues to be a great success with affordable housing under construction on three estates
- Group holds options to acquire open market sites on all three estates and has started to exercise these options
- Remaining options will be exercised over the next two years depending on market conditions
- Plans are being progressed on three further estates with EastendHomes
- Development pipeline of 2,041 homes of which 1,397 are under construction with 925 of those secured by contracts exchanged

Group balance sheet

	September 2010	September 2009	March 2010
Non current assets	£0.4m	£0.5m	£0.5m
Inventories	£139.2m	£146.2m	£120.0m
Cash and cash equivalents	£22.0m	£15.1m	£33.6m
Other current assets	£9.5m	£8.2m	£7.6m
Borrowings	(£75.6m)	(£86.4m)	(£70.8m)
Other liabilities	(£31.1m)	(£28.9m)	(£27.8m)
Net assets	£64.4m	£54.7m	£63.1m
Net assets per share	132p	135p	127p

Cash and borrowings

- Cash balances remain healthy at £22.0 million and include £11.6 million of grant held for future expenditure
- Gearing of 83.3% remains historically low
- The Board continues to take a careful approach to the level of debt within the business
- Repaid all outstanding loan notes in respect of Clifford Contracting acquisition
- This had provided a form of finance against unsold properties
- No longer required as a result of the sales achieved over the last 12 months
- Early redemption of the last loan notes saves interest costs of £300,000 and resulted in the repurchase and cancellation of 1.1 million shares

Vellum, Walthamstow E17



Bank finance

- The Group has been seeking to agree a new corporate banking facility with a 'club' of banks to replace existing bilateral facilities
- Delighted to report that credit approvals have been secured from three banks that would result in a total facility of £70 million
- Formal agreement is subject to synchronising terms between banks, normal due diligence and a legal agreement
- The Board is confident this process will be completed early in 2011
- Facility will be in addition to funding already secured for joint ventures and subsidiaries
- It will replace £28.7 million of current debt including £11.4 million owed to Allied Irish Bank
- Significant headroom for acquiring and developing new sites over the next few years

Avant-garde, Bethnal Green Road E1



Outlook and Board changes

- Given the mortgage market and economic uncertainty the Board maintains a cautious approach
- The number of new sales secured over the last few months has been encouraging
- The Olympic development along with improved infrastructure and associated regeneration is positioning East London for long term growth
- An ongoing shortage of new homes will result in opportunities for Telford Homes to be part of that growth
- The Group has announced some changes in the make up of the Board and these changes will take place during 2011