Presentation November 2007

telfordhomes

www.telfordhomes.plc.uk

Headline numbers

- Revenue £82.1 million (2006 - £52.6 million)
- Profit before tax £9.5 million (2006 - £7.2 million)
- Dividend 4.5p (2006 – 4.0p)
- EPS 18.3p (2006 – 16.9p)

Icona, Stratford

About Telford Homes

- Set up in December 2000 by former members of the Furlong Homes Plc management team
- Telford Homes listed on AIM in 2001
- Developing brownfield sites primarily in East London
- Participating in regeneration of the region and working with housing association partners
- Designing high quality developments and obtaining planning permission in a complex planning environment
- Strategy of selling early in the development process to secure future cash flows

Tequila Wharf, E14

Abbotts Wharf, E14

Overview of the six months to September 2007

- Turnover up 56% and profit before tax up 32%
- Strong sales across a number of developments
- Continued growth in line with our expectations
- Current market sentiment means working harder for individual sales
- Launch of Stadthaus, N1 on 8 November extremely successful
- All 19 open market homes sold to individual professional investors at asking prices averaging £350,000

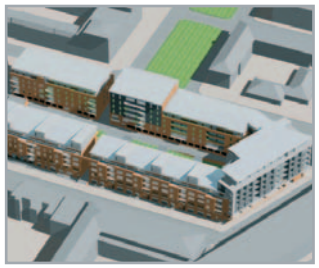
Stadthaus, N1

Analysis of financial results

- Contracts were exchanged on 363 open market homes, 62 affordable homes and five commercial units
- Number of open market homes sold increased by 41%
- Average selling price of open market homes remained steady at £257,000 (March 2007 - £258,000)
- Changes in the mix of properties offsetting modest price inflation

Merchants' Quarter

Queen Mary's Gate


SoBow

Decorum

Sales strategy and profit recognition

- Strategy of selling properties at an early stage in the development process gives security over future cash flows
- Contracts exchanged on 85% of the 1,650 properties currently under construction
- Accounting policy is to recognise turnover and profit from the point of exchange of contracts on a percentage complete basis
- Ongoing construction on properties sold in previous years results in profit this year

OneStratford

Income statement

All figures £000	6mths to Sept 2007	6mths to Sept 2006	12mths to March 2007
Revenue	82,062	52,558	104,383
Gross profit	16,418	11,973	23,382
Overheads	(3,928)	(3,003)	(6,676)
Interest	(2,964)	(1,756)	(3,191)
Profit before tax	9,526	7,214	13,515
Dividend	4.5p	4.0p	8.9p
EPS	18.3p	16.9p	30.4p

Margins and dividend

- Gross margin of 20.0% against 22.4% for the full year
- Queen Mary's Gate, Woodford reduces overall margin due to nature of contract and margin is 22.0% excluding this site
- Each new site appraised on a balance of gross margin and return on equity
- Operating margin of 15.2% with overheads falling as a percentage of turnover
- Board has declared interim dividend of 4.5 pence up from 4.0 pence last year
- First adoption of IFRS in interim accounts

Balance sheet

All figures £000 (except shares)	Sept 2007	Sept 2006	March 2007
Fixed assets	940	1,172	1,077
Current assets	188,813	94,758	143,856
Non current liabilities	(53)	(136)	(96)
Current liabilities	(129,525)	(59,052)	(90,006)
Net assets	60,175	36,742	54,831
Shares in issue	37,145,475	30,343,055	36,940,475

Finance and gearing

- Strong support from three banks
- Barclays Bank funding their first development
- Gearing at September 2007 was 173% up from 102% at March 2007
- Comfortable with higher levels of gearing due to value of contracts exchanged offsetting the risk attached to debt
- Reducing debt by those sums covered by the value of contracts exchanged gives an ‘uncovered’ gearing of 56% well within acceptable limits

Planning process

- One of the biggest challenges facing the Company
- Relationships with local councils and planning departments put us in a good position
- Increasing bureaucracy and the need to satisfy different bodies with competing views have led to delays in the development of some sites
- Despite the problems we received a resolution to grant planning permission for 372 homes at Creekside in Greenwich
- This site is a joint venture with RBS and construction is expected to commence in January 2008

Lesney Toys, Homerton Road

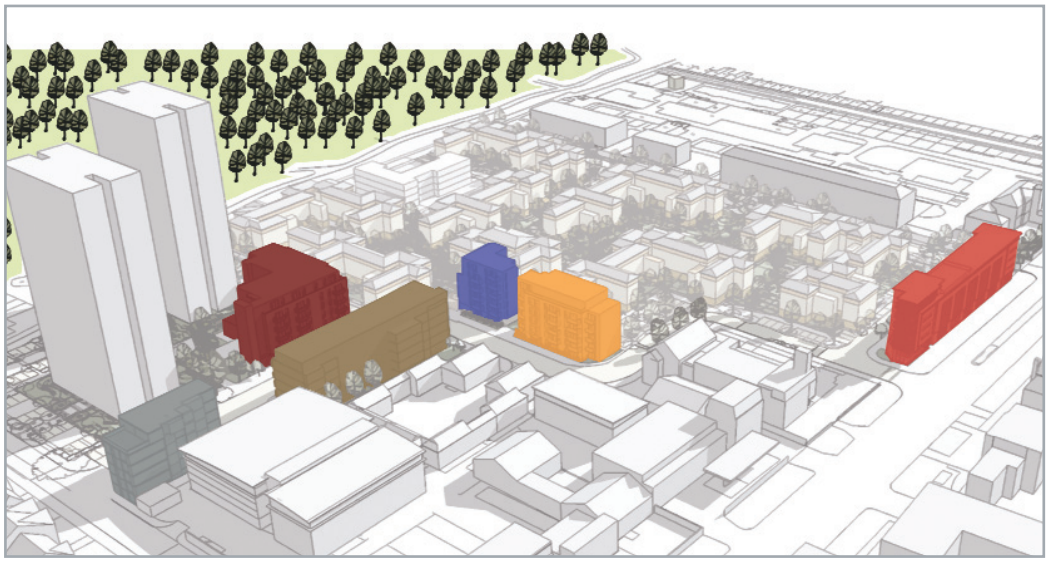
Development pipeline

- Equity placing in 2006 extended medium to long term pipeline
- Most significant acquisition in the period is a site with planning permission for 241 homes in Walthamstow
- 175 homes being delivered through a build contract with East Thames Housing Group therefore a substantial proportion of revenue already secured, with stage payments to be received over the course of construction
- Pipeline of 2,074 properties forecast to provide £480 million of revenue

Vellum, Walthamstow

Eastend Homes

- Chosen as the development partner to Eastend Homes on a number of estates in Tower Hamlets
- Eastend Homes is a housing transfer organisation
- British Estate, E3 has set the model for our partnership with land payments being reinvested into existing homes on the estate
- All 161 open market homes on the estate are sold and construction is underway
- Continuing to progress master plans for the regeneration of seven other estates with Eastend Homes



Merchants' Quarter

Partnerships

- In addition to Eastend Homes we have also agreed a development framework with Poplar HARCA to deliver over 300 new homes
- Expect to enter into a joint venture with Family Mosaic to deliver over 100 homes across five sites
- These sites and the estates with Eastend Homes are expected to add over 1,500 homes to our development pipeline
- Now submitted first bid for grant in our capacity as a pre-qualified partner of the Housing Corporation
- Status gives us greater flexibility and control in the financing of affordable housing

Bethnal Green Road

Organisation and people

- From January 2008 a third operating division will be formed
- The new division, Strada, will increase our operational capacity as the Company continues to grow
- High standards in construction recognised with two NHBC 'Pride in the Job' awards during the last six months
- Commitment to employee share ownership recognised at the 'ifs ProShare' awards
- Employee share ownership has been crucial in retaining key staff and giving them an incentive to drive the business forward

Cosmopoliton, Enfield

Current trading

- Delighted with the outcome of the launch at Stadthaus
- Indication that demand is still strong for the right product in the right location
- Sales at Queen Mary's Gate have slowed in recent weeks
- Market conditions over the next few months will determine how quickly sales at this development pick up in 2008
- The first phase completes over the period to April 2008 and most of this is already sold

Creekside Village, Greenwich

Creekside Village, Greenwich

Outlook

- Despite uncertainty surrounding the national market the prospects in East London remain sound
- Regeneration is ongoing supported by the Olympic development and the desire for an 'Olympic legacy'
- Demand continues to exceed supply and projected demographics suggest this will continue
- Partnerships with affordable housing providers and housing transfer organisations underpin the future of Telford Homes
- Six months to September extremely successful
- Company remains on track to meet market expectations for the year to 31 March 2008

Kinetica, E8