THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. **If you are in any doubt about the contents of this document and/or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.**

If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this document, together with the accompanying Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

The Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

The Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that admission to AIM and dealings in the Placing Shares will commence on 27 October 2006.

Telford Homes Plc

(Registered in England with number 4118370)

Placing of 5,769,230 new Ordinary Shares at a price of 260 pence per share

Proposed adoption of the Share Plan and Employee Trust

Notice of Extraordinary General Meeting

Nominated Adviser to the Company

Shore Capital and Corporate Limited

Your attention is drawn to the letter from the Chairman of the Company which is set out in Part 1 of this document and which recommends that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting referred to below.

Shore Capital and Corporate Limited, which is authorised and regulated in the UK by the Financial Services Authority, is acting as nominated and financial adviser to the Company for the purposes of the AIM Rules in connection with the matters described in this document. Persons receiving this document should note that Shore Capital and Corporate Limited will not be responsible to anyone other than the Company for providing the protections afforded to clients of Shore Capital and Corporate Limited or for advising any other person on the arrangements described in this document. Shore Capital and Corporate Limited has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Shore Capital and Corporate Limited for the accuracy of any information or opinions contained in this document or for the omission of any information. Shore Capital and Corporate Limited's responsibilities as nominated adviser pursuant to the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or the Directors.

The Placing Shares will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States and do not qualify for distribution under any of the relevant securities laws of Canada, Australia or Japan, nor has any prospectus in relation to the Placing Shares been lodged with or registered by the Australian Securities and Investments Commission or the Japanese Ministry of Finance. Accordingly, subject to certain exceptions, the Placing Shares may not be, directly or indirectly, offered, sold, taken up, delivered or transferred in or into the United States, Canada, Australia or Japan. Overseas Shareholders and any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate advice before taking any action.

Notice of an Extraordinary General Meeting, to be held at First Floor, Stuart House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire EN8 7TF at 10.00 a.m. on 23 October 2006, is set out at the end of this document. To be valid, the accompanying Form of Proxy for use in connection with the Extraordinary General Meeting should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 10.00 a.m. on 21 October 2006. Completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting in person at the Extraordinary General Meeting.

CONTENTS

		Page
Directors and Advisers		3
Placing Statistics		4
Expected Timetable of Principal Events		4
Definitions		5
Part 1	**Letter from the Chairman**	7
Part 2	**Risk Factors**	11
Part 3	**Additional Information**	13
Notice of Extraordinary General Meeting		19

DIRECTORS AND ADVISERS

Directors	David John Holland, *Non-executive Chairman* Andrew Graham Wiseman FCMA, *Chief Executive* Jonathan Graham Di-Stefano ACA, *Financial Director* David Leonard Durant, *Group Managing Director* Sheena Ellwood, *Executive Director* James Henry Furlong, *Executive Director* Robert Charles Clarke FCA, *Non-executive Director* The business address for the above Directors is at the Company's Registered Office
Registered Office	First Floor, Stuart House Queensgate Britannia Road Waltham Cross Hertfordshire EN8 7TF
Nominated Adviser	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Broker	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU
Solicitors to the Company	SJ Berwin LLP 10 Queen Street Place London EC4R 1BE Coldham Shield & Mace 123 Station Road London E4 6AG
Solicitors to the Placing	Rosenblatt Solicitors 9-13 St. Andrew Street London EC4A 3AF
Auditors	Moore Stephens LLP St Paul's House Warwick Lane London EC4M 7BP
Bankers	Allied Irish Bank The Manor House High Street Wanstead London E11 2RL Royal Bank of Scotland 1st Floor, Conqueror House Vision Park Chivers Way Cambridge CB4 9BY
Registrars and Receiving Agents	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PLACING STATISTICS

Placing Price	260 pence
Number of Ordinary Shares in issue prior to the Placing	30,343,055
Number of Placing Shares being placed on behalf of the Company	5,769,230
Estimated proceeds receivable by the Company, net of expenses	£14.4 million
Number of Ordinary Shares in issue following the Placing	36,112,285
Number of Placing Shares as a percentage of the enlarged issued share capital	16.0 per cent

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 21 October 2006
Extraordinary General Meeting	**10.00 a.m. on 23 October 2006**
Admission and dealings in the Placing Shares expected to commence on AIM	27 October 2006
Expected date for CREST stock accounts to be credited for the Placing Shares in uncertificated form	27 October 2006
Expected date for posting of share certificates for the Placing Shares	3 November 2006

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

"Act"	the Companies Act 1985 (as amended)
"Admission"	admission of the Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
"AIM"	the AIM market operated by the London Stock Exchange
"AIM Rules"	the AIM rules for companies whose shares are traded on AIM and their nominated advisers as published by the London Stock Exchange from time to time
"Articles"	the articles of association of the Company
"Capita Registrars"	a trading division of Capita IRG Plc
"certificated form" or "in certificated form"	an ordinary share recorded on a company's share register as being held in certificated form (namely, not in CREST)
"Company" or "Telford"	Telford Homes Plc
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which CRESTCo is the operator (as defined in those regulations)
"CRESTCo"	CRESTCo Limited, the operator of CREST
"Directors" or "Board"	the directors of the Company whose names are set out on page 3 of this document, or any duly authorised committee thereof
"EGM"	the extraordinary general meeting of the Company to be held at First Floor, Stuart House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire EN8 7TF at 10.00 a.m. on 23 October 2006 (or any adjournment thereof)
"EGM Notice"	the notice convening the EGM which is set out on pages 19 and 20 of this document
"Form of Proxy"	the form of proxy for use in connection with the EGM which accompanies this document
"FSA"	the Financial Services Authority
"Group"	the Company and its subsidiaries
"London Stock Exchange"	London Stock Exchange plc
"Official List"	the Official List of the UKLA
"Ordinary Shares"	the ordinary shares of 10 pence each in the capital of the Company in issue at the date of this document, all of which are admitted to trading on AIM
"Placing"	the conditional placing of the Placing Shares by Shore Capital, as agent on behalf of the Company, pursuant to the Placing Agreement, further details of which are set out in this document
"Placing Agreement"	the conditional agreement dated 28 September 2006 and made between the Company, the Directors, Shore Capital and Shore Capital Stockbrokers Limited in relation to the Placing, further details of which are set out in this document
"Placing Price"	260 pence per Placing Share, being the price at which each Placing Share is to be issued under the Placing
"Placing Shares"	the 5,769,230 new Ordinary Shares to be issued pursuant to the Placing
"Proposals"	the Placing and the adoption of the Share Plan and Employee Trust

"Resolutions"	the resolutions to be proposed at the EGM as set out in the EGM Notice
"Shareholders"	holders of Ordinary Shares
"Share Option Scheme"	the Company's existing share option scheme
"Share Plan and Employee Trust"	the proposed Telford Homes Plc 2006 Deferred Payment Share Purchase Plan and an employee benefit trust
"Shore Capital"	Shore Capital and Corporate Limited, the Company's nominated adviser, authorised and regulated in the UK by the FSA
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UKLA"	the FSA, acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000
"US" or "United States"	the United States of America, each State thereof, its territories and possessions (including the District of Columbia) and all other areas subject to its jurisdiction
"uncertificated" or "in uncertificated form"	an ordinary share recorded on a company's share register as being held in uncertificated form in CREST and title to which, by virtue of the Uncertificated Securities Regulations 2001, may be transferred by means of CREST

PART 1

LETTER FROM THE CHAIRMAN

Telford Homes Plc

(Registered in England with number 4118370)

Directors:
David John Holland, *Non-executive Chairman*
Andrew Graham Wiseman FCMA, *Chief Executive*
Jonathan Graham Di-Stefano ACA, *Financial Director*
David Leonard Durant, *Group Managing Director*
Sheena Ellwood, *Executive Director*
James Henry Furlong, *Executive Director*
Robert Charles Clarke FCA, *Non-executive Director*

Registered Office:
First Floor, Stuart House
Queensgate
Britannia Road
Waltham Cross
Hertfordshire EN8 7TF

28 September 2006

To Shareholders

Dear Shareholder

Placing of 5,769,230 new Ordinary Shares at a price of 260 pence per share
Proposed adoption of the Share Plan and Employee Trust

Introduction

Your Board announced today that it proposes to raise £15.0 million, before expenses, by way of a placing of 5,769,230 new Ordinary Shares at a price of 260 pence per share. The net proceeds of the Placing will allow the Group to invest in further land opportunities for development. The Placing is conditional, *inter alia*, upon the Company obtaining Shareholders' approval.

In addition, the Company is proposing to adopt the Share Plan and Employee Trust in order to provide suitable incentives to existing and new employees of the Group.

The purpose of this document is to provide you with information regarding the Proposals, to explain why the Directors consider the Placing to be in the best interests of the Company and its Shareholders as a whole and why they recommend that you should vote in favour of the Resolutions to be proposed at the EGM, notice of which is set out at the end of this document.

Background to and reasons for the Placing

Telford Homes is a successful London-based housebuilder specialising in the development of brownfield sites within residential areas principally in North and East London. The Company participates in the regeneration of these areas and works closely with housing association partners targeting gross margins of 20 per cent on new developments comprising principally one and two bedroom apartments with an average selling price of around £250,000.

The Directors believe they have well-established relationships with a wide range of specialist sub-contractors which assists in enabling the Company to build high quality homes delivered in accordance with agreed construction schedules. As a result of its significant expertise in processing planning applications through local authorities, the Company has grown strongly over the previous five years.

At the Annual General Meeting of the Company held on 6 July 2006, Andrew Wiseman, Chief Executive, made the following comments:

> "Telford Homes has had an excellent start to the new financial year. We recently held the first major sales launch of the year at OneStratford, our development in High Street, Stratford. We have exchanged contracts on 134 of the 179 private homes with 35 of the remaining 45 sold, subject to contract.
>
> Along with the success of the Stratford launch the local market in East London has remained strong and sales across all of our developments are in line with our expectations for the first quarter. In total to

date, due to contracts exchanged and properties sold, subject to contract, we have 237 private homes and 35 affordable homes contributing to our results for the year to 31 March 2007. Interest in Queen Mary's Gate, our major development in South Woodford, remains high ahead of the launch later this year.

On 23 May 2006 I reported that, due to our position as a local specialist and our close relationships with the affordable housing sector, Telford Homes was well placed to benefit from an increasing number of development opportunities in East London. This remains the case and we have the capacity to extend our development pipeline in the next few months.

Our trading performance in the first quarter, and our expectations for the future in East London, support us in believing that we will meet market expectations for continued growth in the year to 31 March 2007 and beyond."

On 5 September 2006, the Company issued the following trading update for the year ending 31 March 2007:

"The Directors are pleased to announce that the strong start to the year reported at the time of our Annual General Meeting on 6 July 2006 has continued with sales progressing well. In particular, all 179 private homes at our development in High Street Stratford, OneStratford, are now sold with 175 contracts exchanged and the remaining four proceeding to contract.

In addition, we have secured an enhanced planning consent at our major development in South Woodford, Queen Mary's Gate, increasing the number of homes in the development from 441 to 498. Although we have not yet begun marketing of the private apartments (the launch is at the end of September), we have already registered enquiries from more than 800 prospective purchasers, indicating very strong interest in this development. We have already sold 14 of the 16 private townhouses that form the first phase of the development.

New land opportunities are continuously being appraised as we seek to extend our development pipeline; we have recently exchanged contracts to acquire another site close to the future Olympic Park which we hope to develop in the medium term.

As a result of successful trading to date, the Directors expect the interim results to be very strong with profits weighted towards the first half of the year. In addition, we are confident that our results for the year ending 31 March 2007 will exceed current market expectations."

The Directors consider that, in the specialised areas of the market in which Telford Homes operates, the housing market remains strong and they intend to acquire further sites for residential development. It is the Directors' intention that these will be either previously undeveloped sites within urban areas or existing built-on industrial, commercial or residential sites. The Directors' skills and experience enable the Company to acquire sites which may require planning approvals or sites where the Directors believe that existing planning consents can be improved upon so as to generate a greater return for the Company.

In addition, the Directors believe that there are significant development opportunities upon social housing estates which will be redeveloped to provide a mix of new open-market housing and improved social housing, supported by market forecasts of increased demand for new homes.

As a result, the Directors have decided to raise £15.0 million by means of the Placing in order to provide the Company with sufficient net funds to invest in attractive opportunities as they arise.

The Placing

The Company proposes to raise £15.0 million, before expenses, by the issue of 5,769,230 new Ordinary Shares at a price of 260 pence per share.

Certain Directors and/or their Connected Persons (as defined in Section 346 of the Act) have agreed to subscribe in aggregate £174,200 for 67,000 Placing Shares. The balance of the Placing Shares have been conditionally placed by Shore Capital Stockbrokers Limited with institutional and other investors. The Placing Shares represent approximately 16.0 per cent of the issued share capital following the Placing. The net proceeds of the Placing will amount to approximately £14.4 million.

The Placing Shares will rank *pari passu* with the existing Ordinary Shares and will rank in full for any dividends and distributions paid or made in respect of the Ordinary Shares. It is expected that definitive title to the Placing Shares will be delivered either under CREST on the date of their Admission where delivery is requested in uncertified form, or by first class post not later than 14 days after such date where delivery is requested in certificated form. No temporary documents of title will be issued.

Application is expected to be made on 23 October 2006 for the Placing Shares to be admitted to trading on AIM. It is expected that dealings in the Placing Shares will commence on AIM on 27 October 2006. The Placing Shares represent 16.0 per cent of the issued share capital of the Company as enlarged by the Placing.

The Placing Agreement

Pursuant to the terms of the Placing Agreement, Shore Capital has conditionally agreed to use its reasonable endeavours, as agent for the Company, to place the Placing Shares at the Placing Price with certain institutional and other investors. The Placing Agreement is conditional upon, *inter alia*, the Resolutions being duly passed at the EGM and Admission becoming effective which is expected to take place on or before 8.00 a.m. on 27 October 2006 (or such later time and/or date as the Company and Shore Capital may agree, but in any event by no later than 30 November 2006).

The Placing Agreement contains warranties from the Company and the Directors in favour of Shore Capital in relation to, amongst other things, the accuracy of the information contained in this document and certain other matters relating to the Group and its business. In addition, the Company and the Directors have agreed to indemnify Shore Capital in relation to certain liabilities it may incur in respect of the Placing. Shore Capital has the right to terminate the Placing Agreement prior to Admission in the event, *inter alia,* (i) that Shore Capital becomes aware that any of the warranties have been breached in any material respect, or (ii) there occurs any change in the market, economic or financial conditions which in the reasonable opinion of Shore Capital arrived at in good faith renders the Placing temporarily or permanently impracticable or inadvisable. Fees and commissions are payable to Shore Capital and Shore Capital Stockbrokers Limited for services under the Placing Agreement.

Further particulars of the Placing Agreement are set out in paragraph 10(b) of Part 3 of this document.

The Share Plan and Employee Trust

The Directors are seeking Shareholders' approval at the Extraordinary General Meeting to establish the Share Plan and Employee Trust, being a deferred payment share purchase plan and an employee benefit trust for the benefit of employees of the Company with Abacus Corporate Trustee Limited, acting as trustee of the Trust.

The Company wishes to introduce the Share Plan and Employee Trust to encourage its senior executives to invest in the Company's shares whilst minimising the accounting costs and to ensure that, over the long term, the interests of the Company's executives will be even more closely aligned with Shareholders' interests.

The Directors intend to issue initially up to 550,000 new Ordinary Shares under the Share Plan and Employee Trust at market price to key employees which will be financed through interest-free loans. The underlying shares will be held by the trustee on behalf of the participants until the earlier of the end of the vesting period and the date of cessation of employment (if the participant is a 'good leaver', as defined in the Share Plan and Employee Trust rules). The source of shares for the satisfaction of these awards will be new shares which will be subscribed for by participants.

Further details of the terms of the Share Plan and Employee Trust are set out in paragraph 6 of Part 3 of this document.

Extraordinary General Meeting

Set out on pages 19 and 20 of this document is the EGM Notice convening the EGM to be held on 23 October 2006 at First Floor, Stuart House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire EN8 7TF at 10.00 a.m. at which the following Resolutions will be proposed for the purposes of implementing the Proposals:

1. to authorise the Directors to allot relevant securities pursuant to Section 80 of the Act up to an aggregate nominal amount of £576,923 in connection with the Placing, which represents approximately 19 per cent of the current issued share capital of the Company;

2. in addition to the authority referred to above, to authorise the Directors to allot relevant securities up to an aggregate nominal amount of £1,395,284, which represents approximately 36 per cent of the issued share capital of the Company together with share options granted under the Share Option Scheme assuming completion of the Placing for the period expiring on the fifth anniversary of the date this Resolution comes into effect;

3. to disapply the statutory pre-emption rights contained in Section 89(1) of the Act, provided that such authority be limited to the allotment of 5,769,230 new Ordinary Shares in connection with the Placing,

which represents approximately 19 per cent of the issued share capital of the Company as at the date of this document;

4. in addition to the authority referred to in paragraph 3 above, to disapply the statutory pre-emption rights contained in Section 89(1) of the Act generally, provided that such authority be limited to the allotment of 1,490,050 Ordinary Shares, which represents approximately 5 per cent of the current issued share capital of the Company, such authority to expire on the earlier of the next Annual General Meeting of the Company and the date 15 months from the date this Resolution comes into effect;

5. to approve the introduction of the Share Plan and Employee Trust to encourage its senior executives to invest in the Company's shares whilst minimising the accounting costs and to ensure that, over the long term, the interests of the Company's executives will be even more closely aligned with Shareholders' interests; and

6. to approve the proposed sale by the Company of the property at Plot 180, OneStratford, at a price of £245,000 to David Holland, Director.

The provisions of Section 89(1) of the Act (to the extent not disapplied pursuant to Section 95 of the Act) confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in Section 94(2) of the Act) which are, or are to be, paid up in cash. The Resolutions referred to in paragraphs 3 and 4 above will give the Directors the power to issue new Ordinary Shares in connection with the Placing and will provide them with a limited amount of flexibility to issue Ordinary Shares for cash.

Action to be taken

You will find enclosed a Form of Proxy for use at the EGM. Shareholders are asked to complete and return it to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received as soon as possible and, in any event, no later than 48 hours before the meeting or any adjournment thereof. Completion and return of a Form of Proxy will not affect your right to attend and vote at the EGM should you wish to do so.

Recommendation

Your Directors consider that the Placing, and the Resolutions to be proposed at the EGM, are in the best interests of the Company and its Shareholders as a whole. Your Directors therefore unanimously recommend Shareholders to vote in favour of Resolutions 1, 2, 3, 4 and 5 to be proposed at the EGM, as they intend to do in respect of their own beneficial holdings amounting to, in aggregate, 5,829,108 Ordinary Shares representing approximately 19.2 per cent of the issued share capital of the Company.

In addition, your Directors, with the exception of David Holland, unanimously recommend Shareholders to vote in favour of Resolution 6 to be proposed at the EGM, as they intend to do in respect of their own beneficial holdings amounting to, in aggregate, 4,879,967 Ordinary Shares representing approximately 16.1 per cent of the issued share capital of the Company.

Yours faithfully

David Holland
Chairman

PART 2

RISK FACTORS

In addition to all the information set out elsewhere in this document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities in the UK.

The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any order of priority. In particular, the Group's performance might be affected by changes in market and/or economic conditions and in legal, regulatory and tax requirements. Additionally, there may be other risks of which the Board are not aware or believe to be immaterial which may, in the future, adversely affect the Group's businesses and the market price of the Ordinary Shares.

- There is no guarantee that the Company will be able to find further sites for development that meet its criteria. However, in the Directors' view, their combined experience and contacts will assist them in finding appropriate sites for development.
- There is no guarantee that the Company will achieve sales of completed units at the price expected by the Company. To mitigate this risk, the Directors seek to pre-sell the majority, if not all, of its homes prior to completion of construction.
- The future success of the Company is dependent to a significant degree on the services of its Directors and principal members of its management, the loss of whose services could have a material adverse effect on the business. The Directors believe that the adoption of and participation by employees in the Share Plan and Employee Trust will provide sufficient incentives to retain and recruit experienced personnel.
- The Company operates in a highly competitive market. Some of the Company's competitors have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future opportunities.
- It may be desirable for the Company to raise additional capital by way of the issue of further Ordinary Shares to enable the Company to progress through further stages of development. Any additional equity financing may be dilutive to shareholders. In addition, there can be no assurance that such funding will be available to the Company.
- The market price of the Ordinary Shares may not reflect the underlying value of the Company.
- The share price of publicly traded smaller companies can be highly volatile. The price at which the Ordinary Shares will be traded and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its proposed operations and its ability to implement successfully its intended acquisition and development plans, and some which may affect the business sectors in which the Company operates, AIM companies or quoted companies generally. These factors could include the performance of the Company's operations, large purchases or sales of its shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes relating to the business of the Group and general economic conditions. The value of the Ordinary Shares may go down as well as up.
- The future success of AIM and liquidity in the market for the Ordinary Shares cannot be guaranteed. In particular, the market for the Ordinary Shares may be, or may become, relatively illiquid and therefore the Ordinary Shares may be or may become difficult to sell.
- AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation, if appropriate, with an independent financial adviser.
- Certain statements within this document, particularly those concerning the Company's strategy, market and future prospects, constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance to

vary from those expressed or implied by such forward looking statements. There can be no assurance that those forward looking statements which are correct as at the date of this document will, in fact, occur. The Company will not release publicly any revisions to the forward looking statements to reflect changes in events and circumstances after the date of this document unless it is required by law or regulation to do so.

PART 3

ADDITIONAL INFORMATION

1. Responsibility statements

The Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

(a) The Company was incorporated on 1 December 2000 as Tenchain Homes Plc in England and Wales under the Act as a public company limited by shares with registered number 04118370. The Company changed its name to Telford Homes Plc on 8 January 2001.

(b) The Company's main activity is that of residential property development.

(c) The principal legislation under which the Company operates is the Act and regulations made thereunder.

(d) The liability of the members of the Company is limited.

3. Share capital

(a) The existing authorised and issued fully paid up share capital of the Company as at the date of this document is:

	Authorised		*Issued and fully paid*	
	Number	*Amount*	*Number*	*Amount*
Ordinary Shares	100,000,000	£10,000,000	30,343,055	£3,034,306

(b) The authorised and issued fully paid up share capital of the Company as it is expected to be following completion of the Placing is set out below:

	Authorised		*Issued and fully paid*	
	Number	*Amount*	*Number*	*Amount*
Ordinary Shares	100,000,000	£10,000,000	36,112,285	£3,611,229

(c) The Placing Shares when issued will rank in full for all dividends or other distributions hereafter declared, paid or made on the ordinary share capital of the Company.

(d) The Company has granted and there remain outstanding to Directors options in respect of 119,732 Ordinary Shares under the share option arrangements, further details of which are set out in paragraph 4(a) below.

(e) Following the Placing, and assuming subscription of all the Placing Shares under the Placing, 63,887,715 Ordinary Shares will remain authorised but unissued. Of these, 1,732,083 will be reserved to meet options already granted, and those to be granted under the Share Option Scheme referred to in paragraph 5 below.

(f) Save as disclosed in paragraph 3(e), no share capital of the Company is under option or has been agreed conditionally or unconditionally to be put under option.

(g) The amount payable on application and allotment of each Placing Share is 260 pence of which 250 pence is payable by way of premium.

4. Interests of Directors and others

(a) The interests of the Directors and their Connected Persons in the issued share capital of the Company as at the date of this document all of which are beneficial (which have been notified to the Company pursuant to Section 324 of the Act and are required to be entered in the Register of Directors' interests maintained under the provisions of Section 325 of the Act) or which could, with reasonable diligence,

be ascertained by the Directors and as they are expected (assuming full subscription under the Placing) to be immediately following completion of the Placing are as follows:

	Existing		*Following the Placing*	
Name	*Number of Ordinary Shares*	*Percentage of issued share capital*	*Number of Ordinary Shares*	*Percentage of issued share capital*
David Holland	949,141	3.13%	959,141	2.66%
Andrew Wiseman	2,175,234	7.17%	2,185,234	6.05%
Jonathan Di-Stefano	255,141	0.84%	255,141	0.71%
David Durant	1,049,141	3.46%	1,049,141	2.91%
Sheena Ellwood	259,409	0.85%	259,409	0.72%
James Furlong	1,041,901	3.43%	1,078,901	2.99%
Robert Clarke	99,141	0.33%	109,141	0.30%

Jonathan Di-Stefano holds unapproved options exercisable over 60,000 Ordinary Shares at 75p per share over the period 1 October 2005 to 1 October 2012.

Sheena Ellwood holds unapproved options exercisable over 59,732 Ordinary Shares at 74.5p per share over the period 20 February 2006 to 20 February 2013.

Save as disclosed in this paragraph 4, no Director or any of their Connected Persons has a beneficial/ non-beneficial interest in any share capital of the Company.

(b) No loan or guarantee has been granted or provided by the Company to any Director or any Connected Person.

(c) The Company is aware of the following persons, in addition to those disclosed in paragraph 4(a) above, who, at the date of this document and following Admission, directly or indirectly, jointly or severally, hold or will hold 3 per cent or more of the issued share capital of the Company or exercise or could exercise control over the Company.

	Existing		*Following the Placing*	
Name	*Number of Ordinary Shares*	*Percentage of issued share capital*	*Number of Ordinary Shares*	*Percentage of issued share capital*
JP Morgan Fleming Mercantile Investment Trust Plc	2,663,294	8.78%	3,663,294	10.14%
T D Waterhouse Nominees (R Stokes)	1,607,760	5.30%	1,607,760	4.45%
K P Furlong	1,496,000	4.93%	1,496,000	4.14%
D G Furlong	1,300,000	4.28%	1,300,000	3.60%
Pershing Nominees (M Trim)	1,185,000	3.91%	1,185,000	3.28%
M K B Turner	1,105,793	3.64%	1,105,793	3.06%

Save as disclosed above in this paragraph 4(c) and paragraph 4(a), the Company is not aware of any person who, immediately following the Placing, will, directly or indirectly, be interested in 3 per cent or more of the issued share capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

5. Share Option Scheme

On 23 November 2001, the Company adopted the Share Option Scheme under which, at the discretion of the Committee of the Directors designated to operate the scheme, options may be granted to employees (including full-time Directors) of the Company or any subsidiary to acquire (by subscription or purchase) Ordinary Shares.

The Share Option Scheme provides for the grant of options under an Inland Revenue approved share option scheme and an unapproved share option scheme.

6. Share Plan and Employee Trust

The Company is proposing to adopt the Share Plan and Employee Trust the principal terms of which are set out below.

Trust

1. An employee benefit trust (the "Employee Trust") will be established for the benefit of employees of the Company with Abacus Corporate Trustee Limited (the "Trustee") acting as trustee of the Trust.

2. The Company will lend the Trustee sufficient money to lend to participants in the Share Plan and Employee Trust to enable them to subscribe for shares in the Company (as set out in paragraph 3 below).

3. The Trust will offer these participants a loan to cover the cost of acquiring the shares. This loan will be interest-free and will be repayable on or before the repayment date which is normally ten years from the date the loan was made or on leaving employment or disposing of the shares. The loan has a limited recourse, such that repayment is limited to the value of the shares on the repayment date.

Awards

4. On any offer date, the total number of shares issued within the preceding ten years under the Share Plan and Employee Trust shall not exceed five per cent of the Company's issued ordinary share capital at that time.

5. Participants will be offered the opportunity to subscribe for new Ordinary Shares in the Company under the terms of the Share Plan and Employee Trust, which allows for a maximum subscription of 200 per cent of the participant's annual remuneration in a twelve month period.

6. The Board will offer selected employees and executive directors the opportunity to participate in the Share Plan and Employee Trust. The Board will not offer participation to any employee who currently holds more than 500,000 shares. This means that Andrew Wiseman, James Furlong and David Durant will not participate in the Share Plan and Employee Trust.

7. Share offers will be made within 42 days of the date on which the Share Plan and Employee Trust is adopted or within 42 days of the preliminary announcement of the Company's final results, or the announcement of the Company's interim results, to the London Stock Exchange, unless the Board considers that sufficiently exceptional circumstances exist to justify the offer of shares at any other time. However, the Board may not offer shares during a prescribed period except in circumstances where this is permitted under the Company's model code of dealings or the Company's own code on insider dealing.

8. Under the offer, participants will pay market value for the shares they acquire (the "Acquisition Price"). A loan will be available from the Trustee to meet all or any part of the Acquisition Price (as set out in paragraph 3 above). In relation to shares offered to participants at the same time as the Placing, the Acquisition Price will be the same as the Placing Price; in relation to shares offered at other times, it will be the closing offer price on AIM.

9. The beneficial ownership of the shares will be transferred to the participants on acquisition.

10. The participants will normally be unable to sell the shares during the vesting period (see paragraph 14 below).

11. The shares will be held by the Trustee as nominee for the participant until the end of the vesting period or such earlier period as set out in paragraph 14.

12. The shares are personal to the participants and (except on the death of a participant) may not normally be transferred during the vesting period.

13. The benefit of participation in the Share Plan and Employee Trust shall not form any part of a participant's remuneration or count as his remuneration for any purpose and shall not be pensionable for the purposes of calculating the employer's pension contributions to any pension arrangements.

Vesting of awards

14. The shares acquired under the Share Plan and Employee Trust will be subject to a three year vesting period or such longer period as the Board determines, during which participants will not be able to transfer, charge or otherwise alienate the shares, except to the extent necessary to provide security in respect of the loan provided by the Trustee for their acquisition, other than in the leaver circumstances or on a change of control as set out below.

Change of control

15. The shares may be transferred to a third party acquirer following a change of control of the Company.

16. Where, during the vesting period, the shares are exchanged for shares in a new holding company or converted into or exchanged for shares of a different class in the Company or where there is any variation in the share capital of the Company affecting the shares, the Share Plan and Employee Trust rules shall continue to apply to the shares held by the participant unless the Board determines that the Share Plan and Employee Trust rules shall no longer apply in full or in part.

Leavers

17. If a participant ceases to be employed by reason of death, injury, ill-health, disability, redundancy, retirement or because the company or business for which he works ceases to be part of the Group, he shall be entitled to retain all shares acquired by him through the Share Plan and Employee Trust. However, he will be required to repay the loan to the Trustee. If the value of the shares is less than the value of the loan, the balance of the loan will be written off and the participant will pay income tax on the amount written off. If the value of the shares is greater than the value of the loan, the participant will be allowed to retain the profit.

18. If a participant's employment with the Group ceases for any reason other than those set out in paragraph 17 above, he may be required to offer his shares for sale at such price as may be determined by the Board which shall not be more than the Acquisition Price (and is intended to be always the lower of the Acquisition Price and the market value (ie bid price) of the shares on the date on which they are sold by the participant), save that the Board may in its absolute discretion (which must be exercised within two months of cessation of employment) permit all or some of the shares to be retained. The Board expects to exercise this discretion only in exceptional circumstances. The participant will be required to repay the loan to the Trustee. If the value of the shares is less than the value of the loan, the balance of the loan will be written off and the participant will pay income tax on the amount written off. Due to the restrictions on the sale price set out above, the participant will not be able to make a profit if he leaves in these circumstances.

Dividends

19. The participant shall be entitled to dividends in respect of his shares once they have been issued, save as regards any rights attaching to such shares by reference to a record date prior to the date of such issue.

Voting rights

20. During the vesting period whilst the shares are registered in the name of the Trustee, the participant shall be entitled to instruct the Trustee to vote in accordance with his instructions in respect of the shares held by the Trustee on his behalf.

Amendment

21. The Board may at any time amend the rules of the Share Plan and Employee Trust. However, without the prior approval of the Company in general meeting, an amendment may not be made to the benefit of existing or future participants, for the avoidance of doubt, including in relation to:

    (a) the persons to whom shares may be offered;

    (b) the limits on the number of shares which may be offered; and

    (c) the limits on the maximum number of shares which may be offered to any one participant,

    save that the Board may make (without shareholder approval) an amendment which is minor in nature and benefits the administration of the Share Plan and Employee Trust or is necessary or desirable in order to take account of a change in legislation or is made to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any member of the Group.

22. No amendment to the rules of the Share Plan and Employee Trust shall be made which would adversely affect any of the subsisting rights of participants without their consent in such manner as would be required by the Company's articles of association (with appropriate changes) if the shares which would be so adversely affected constituted a separate class of shares.

Notes

This paragraph summarises the main features of the Share Plan and Employee Trust but does not form part of the Share Plan and Employee Trust documentation and should not be taken as affecting the interpretation of the detailed terms and conditions of the Share Plan and Employee Trust. The Board reserves the right up to the time of the Extraordinary General Meeting to make such amendments and additions to the Share Plan and Employee Trust as it may consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary of the Share Plan as set out in this Part 3.

7. Taxation

(a) United Kingdom taxation

The following statements are a general guide to certain limited aspects of United Kingdom tax law relating to the Placing and are based on United Kingdom tax legislation currently in force and currently understood Inland Revenue practice, both of which may change. They assume that the shareholder is resident or ordinarily resident in the United Kingdom for tax purposes. If you are in any doubt as to your tax position, you should consult your professional adviser without delay.

The following statements apply to shareholders resident, or ordinarily resident for tax purposes in the United Kingdom who hold Ordinary Shares as an investment and who are the absolute beneficial owners thereof.

(b) Capital gains tax

Depending on their personal circumstances Shareholders may be subject to capital gains tax (or, in the case of corporate Shareholders, corporation tax on capital gains) in respect of any gain arising on disposal of new Ordinary Shares.

(c) Stamp duty and stamp duty reserve tax

The Company has been advised that the subscription for the new Ordinary Shares under the Placing will not normally give rise to any liability to stamp duty or stamp duty reserve tax.

(d) Taxation of dividends

Dividends paid on Ordinary Shares may, whether or not reinvested, be subject to UK income tax. In the case of corporate Shareholders, no corporation tax charge should arise on these dividends.

8. Working capital

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company will be sufficient for its present requirements, that is, for at least the next twelve months.

9. Litigation

The Company has not been engaged in, nor is it currently engaged in, any litigation or arbitration which has or may have a significant effect on the financial position of the Company and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company.

10. General

(a) The accounting reference date of the Company is 31 March.

(b) Under the terms of the Placing Agreement and subject to it becoming unconditional in all respects and not being terminated in accordance with its terms, the Company has agreed to pay Shore Capital a commission of approximately 3.96 per cent on the value at the Placing Price of the Placing Shares, together with all reasonable expenses and any applicable value added tax.

(c) Monies received by applicants pursuant to the Placing will be held in accordance with the terms of the Placing Letters issued by Shore Capital Stockbrokers Limited. If the Placing Agreement does not become unconditional in all respects by 30 November 2006 application monies will be returned to applicants at their risk without interest.

(d) The total costs and expenses payable by the Company in connection with the Placing (including professional fees, commissions, the costs of printing and the fees payable to the registrars and Shore Capital) are estimated to amount to approximately £628,000 (including estimated irrecoverable VAT).

(e) The existing issued Ordinary Shares and the Placing Shares will be in registered form and will be in uncertificated form in CREST. Definitive share certificates are not expected to be despatched to those

placees who have elected to receive Ordinary Shares in uncertificated form if, and only if, that person is a "system-member" (as defined in the Uncertificated Securities Regulations 2001) in relation to CREST. For those placees who elect to receive Ordinary Shares to be issued pursuant to the Placing in certificated form, share certificates are expected to be despatched to such applicants by post at their own risk no later than 14 days after Admission where delivery is requested in uncertificated form. Temporary documents of title will not be issued in connection with the Placing.

11. Documents available for inspection

Copies of this document are available free of charge during normal business hours on any weekday (Saturdays and public holidays excepted) from the Company's registered office at First Floor, Stuart House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire EN8 7TF for a period of one month from Admission.

Dated 28 September 2006

Telford Homes Plc

(Registered in England with number 4118370)

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Telford Homes Plc (the "Company") will be held at First Floor, Stuart House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire EN8 7TF on 23 October 2006 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following Resolutions of which Resolutions 1, 2, 5 and 6 will be proposed as Ordinary Resolutions and Resolutions 3 and 4 will be proposed as Special Resolutions:

ORDINARY RESOLUTIONS

1. THAT the Directors of the Company be and are hereby specifically and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (the "Act") to allot relevant securities up to an aggregate nominal amount of £576,923 in connection with the Placing, as such term is defined in a circular to shareholders of the Company dated 28 September 2006 (the "Circular"), such authority to expire on 30 November 2006.

2. THAT, subject to the passing of Resolution 1 above, the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Act to allot relevant securities up to an aggregate nominal amount of £1,395,284 for the period expiring on the fifth anniversary of the passing of this Resolution (provided that the Company may before such expiry make an offer or agreement which would or might require such shares to be allotted after such expiry and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired), and so that the authority hereby conferred shall be in substitution for the authority contained in Resolution (8) passed at the Company's Annual General Meeting on 6 July 2006 (save to the extent relied upon prior to the passing of this Resolution).

SPECIAL RESOLUTIONS

3. THAT, subject to the passing of Resolution 1 above, the Directors of the Company be and are hereby empowered, during the period expiring on 30 November 2006, to allot or make offers or agreements to allot equity securities pursuant to the authority granted by Resolution 1 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of 5,769,230 Ordinary Shares in connection with the Placing.

4. THAT, subject to the passing of Resolution 2 above, the Directors of the Company be and are hereby empowered pursuant to Section 95(1) of the Act during the period expiring on the earlier of the conclusion of the next Annual General Meeting of the Company and the date 15 months from the date that this Resolution 4 comes into effect (save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of the offer or agreement as if the power conferred by this Resolution had not expired), to allot or make offers or agreements to allot equity securities pursuant to the authority granted by Resolution 2 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

   (a) to the allotment of equity securities in connection with a rights issue in favour of the holders of relevant shares and relevant employee shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings but subject to such exclusion or other arrangements as the Directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory, or of the requirements of any generally recognised regulatory body or stock exchange in any territory;

   (b) to the allotment of equity securities in connection with the exercise of options granted by the Company pursuant to the Telford Homes Plc 2006 Employee Share Option Scheme; and

(c) to the allotment (otherwise than pursuant to sub-paragraph (a) or (b) above) of equity securities up to an aggregate nominal amount of £149,050.

In this Resolution the expression "equity securities" and references to allotment of equity securities shall have the same respective meanings as in Section 94 of the Act.

ORDINARY RESOLUTIONS

5. THAT the establishment of the Telford Homes Plc 2006 Deferred Payment Share Purchase Plan and employee benefit trust, the principal terms of which are as defined in the Circular, in the form (or substantially in the form) of the draft documentation produced to the meeting and initialled by the Chairman hereof for the purposes of identification, be and is hereby approved and that the Board of Telford Homes Plc be and is hereby authorised to do all acts and things necessary or expedient to carry the same into effect.

6. THAT the proposed sale by the Company of the property at Plot 180, OneStratford, at a price of £245,000 to David Holland, a Director of the Company, be and is hereby approved for the purposes of Section 320 of the Act.

28 September 2006

By Order of the Board

Margaret Turner
Secretary

Registered Office:
First Floor, Stuart House
Queensgate
Britannia Road
Waltham Cross
Hertfordshire EN8 7TF

Notes

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, to vote at the Meeting instead of him. A proxy need not be a member of the Company.
2. Instruments of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of authority should be sent to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive not less than 48 hours before the time fixed for the meeting.
3. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered in the Register of Members at 10.00 a.m. on 21 October 2006 (the "specified time"). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's Register of Members at the time which is not less than 6.00 p.m. two days before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

Printed by greenaways, a member of the ormolu group. 166233