Press Release **27 May 2009**

Telford Homes Plc

('Telford Homes' or 'the Group')

Preliminary Results Statement for the year ended 31 March 2009

Telford Homes Plc (AIM:TEF), the residential developer in East London noted for regeneration projects within public sector partnerships, today announces its preliminary results for the year ended 31 March 2009.

Highlights

- Profit before tax and exceptional items of £7.3 million (2008 restated: £6.5 million), and profit of £4.3 million after exceptional items
- Continuing to achieve legal completions on properties sold off-plan to the investor market
- Increased emphasis on housing association partnerships and developments that are entirely affordable housing, so that profitable construction work can continue
- £57 million Homes and Communities Agency ("HCA") grant programme that will part finance over 400 affordable homes over the next three years
- Strong relationships with banks central to successful renewal of existing facilities
- Net assets increased to £50.3 million (2008: £48.9 million) being 129.8 pence per share (2008: 130.3 pence)
- Given the Group's focus on controlling cash, the Board has taken the prudent decision not to pay a dividend for the year to 31 March 2009 (2008: 10.0 pence per share)

Andrew Wiseman, Chief Executive of Telford Homes, commented: "The Board has continued to position the Group to withstand the downturn in open market housing and is now receiving grants from the HCA to increase the provision of affordable housing. This will enable us to continue profitable construction with the security of substantial forward sales on these projects. We are continuing to work with each of our customers to achieve successful completions but we are cautious in our expectation of failed contracts, should mortgage availability not improve.

Consequently we are putting contingency plans in place to mitigate the impact of failures on cash flow.

“The regeneration of East London is ongoing, and we are confident in the prospects for the area, particularly as the slow down in open market residential construction will exacerbate the shortage of new housing. The Board is cautiously optimistic, noting increased activity at our sales outlets over the last few weeks, steady progress on legal completions and our ability to secure affordable housing revenue.”

- Ends -

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CHAIRMAN'S STATEMENT

I am extremely pleased that Telford Homes is able to report a profit before tax of £7.3 million before exceptional items and a profit before tax of £4.3 million after exceptional items for the year to 31 March 2009.

Our focus over the last six months has been on achieving legal completions on properties pre-sold to the investor market, primarily during 2006 and 2007, in an environment where mortgage availability is heavily restricted and confidence in the housing market and the wider economy remains low. Despite this the sales and customer service teams have been very successful in working with each customer individually to secure as many completions as possible.

In the past year Telford Homes has not committed to new land purchases beyond its existing partnerships with affordable housing providers, nor has the Group commenced construction on several sites that are ready for development. The Group is working hard to secure contracts to construct a number of its developments entirely for affordable housing and the £57 million grant programme that Telford Homes has recently agreed with the HCA is assisting the Group in ensuring that profitable construction work can continue. Together, the grant programme and partnerships with housing associations will ensure the Group plays a role in continuing the supply of new housing at a time when construction of new homes has slowed to just 25 per cent of government targets.

I am also delighted to report that the excellent relationships the Group has with each of the banks financing Telford Homes have been critical in concluding negotiations to renew or extend existing facilities. Securing this debt finance enables the Group to focus on generating operational cash flows and reducing gearing where appropriate.

Control of cash remains a priority over the coming months as the Group continues to pursue legal completions on pre-sold properties. Despite the success to date the Board must remain cautious of an increase in the rate of failed contracts. As a result the Board has concluded that it is not appropriate to pay any dividend in relation to the year to 31 March 2009. Telford Homes remains on a sound operational and financial platform and depending on market conditions the Board hopes and expects to be able to return to paying dividends in the near future.

David Holland
Chairman (Non-Executive)
26 May 2009

CHIEF EXECUTIVE'S REVIEW

In spite of the unprecedented and difficult financial environment for the Group's investor customers the number of open market property completions achieved in the year to 31 March 2009 rose to 350 from 306 in the previous year. Total revenue has grown by 10 per cent to £106.7 million with profit before tax and exceptional items up 12 per cent to £7.3 million.

The Group reported in September 2008 that new accounting standards had resulted in a change to its accounting policies in relation to open market private homes with revenue and profit now recognised on legal completion. On affordable homes, sold to housing associations under construction contracts, revenue and profit is recognised on a percentage of completion basis. There are currently over 700 affordable homes being developed and payments will continue to be received from the Group's housing association partners as construction of these homes progresses.

Sales

The strategy of Telford Homes has always been to pre-sell open market homes at a very early stage of construction whenever possible. The success of this strategy in the past has meant that the Group has had relatively few properties available for sale over the past twelve months. Market conditions have affected the confidence of purchasers of new homes and as such the marketing of unsold homes on developments due for completion in 2010 and 2011 has been held back while construction continues. With substantial forward sales on these projects, including the affordable housing, the Group's decision to continue building has been taken with a recognition that lower open market sales prices may be realised in the future.

Efforts to secure new sales have been concentrated at the Group's developments at Queen Mary's Gate in South Woodford and Nayland Court in Romford. At Queen Mary's Gate the first phase of the development, including 184 open market homes, was completed in May 2008 and all but one have been sold and occupied with the final property now reserved. The second phase, including 93 open market homes, was completed in November 2008 and 29 have been sold to date. The third phase including 95 open market homes will not be build complete until the second half of 2010. Overall sales at Queen Mary's Gate have been considerably slower throughout the last twelve months although eight sales have completed in the last twelve weeks with a further four reserved and one property where contracts have been exchanged. Visitor levels are now much higher than at the end of 2008 and this gives the Board an expectation that a slow but steady rate of sales will continue to be achieved through the rest of this year.

At Nayland Court in Romford, Telford Homes has 26 build complete homes remaining for sale with demand for these being maintained by the ‘My Choice Home Buy’ scheme (“MCHB”) from the HCA which provides a mortgage for up to 50 per cent of the home with a very low deposit and interest rate. The processing of MCHB applications suffers from periodic delays in the release of funds but the Group has seven homes currently reserved on the development all using this product. Here again, recent progress means the Group would expect to sell the majority of the remaining properties during 2009.

Telford Homes will bring other developments back to the market when conditions are right and when construction on those developments reaches an appropriate stage to attract buyers.

Completions

From 1 October 2008 Telford Homes began a rolling programme where 613 open market homes sold in previous years would become due for legal completion in the period up to March 2010. As at 31 March 2009, 220 of these properties had been legally completed.

The key issues for the Group’s customers are the restriction of mortgage finance for buy-to-let investors and the increasing caution applied by valuation surveyors with a lack of comparable transactions. Importantly the Group’s properties continue to attract tenants for its investor customers and this underpins their value. The general problems experienced in securing mortgages are illustrated by statistics for the number of mortgage approvals for house purchases in 2008. The Bank of England seasonally adjusted figures show that the number of approvals per month fell rapidly from 71,000 in January 2008 to 27,000 in November 2008. Since then there has been some improvement in these statistics with the number of approvals reaching 39,000 in March 2009. This is still well below normal levels and, whilst to date the process of achieving new sales and completions has not got any easier, the Board hopes it is an indication that mortgage availability will improve during the rest of 2009.

Telford Homes continues pro-active communication with each purchaser to ensure their financial arrangements are instigated at the right stage and the Group has been working with each of them to maximise the chances of achieving completions. In addition Telford Homes has maintained a dialogue with some of the major lenders and their valuers to give maximum comfort in the pricing of the Group's apartments through transparency of information and supporting evidence. The Board has reported in the past that the Telford Homes approach to sales is based on net prices agreed at the point of sale with no undisclosed discounts or incentives and this has proved extremely important both to customers of Telford Homes and their lenders.

The Group will rescind contracts on properties where its customers are unable to complete the purchase, retaining the 10 per cent deposit already paid. Where necessary, Telford Homes will also take legal action against the defaulting purchasers as a result of their failure to honour contractual obligations. Despite achievements to date the Group is experiencing significant delays in securing each completion. As a result the Board has positioned Telford Homes to withstand an increased number of delays and failures. The total number of failures in the year to March 2010 is forecast to reach between 60 and 80 of the pre-sold homes due to complete over that period, assuming there is no improvement in mortgage availability.

Telford Homes has contingency plans in place to deal with failed contracts which will mitigate the impact on cash flow. These plans include temporarily securing tenants for the properties before reselling them into an orderly market. The Group has obtained outline terms from each of its three banks to provide mortgages against a portfolio of these rented properties at between 50 and 60 per cent of their value and in addition the Group is well advanced with contractual negotiations to secure £6 million of funding from alternative sources at a 75 per cent loan to value ratio. This will enable the business to withstand significantly more failures than anticipated as well as providing cash resources to further our partnerships with housing associations and housing transfer organisations.

HCA and affordable housing

The Board has taken a number of steps to maintain activity in the construction of new homes through partnerships with housing associations and the HCA. As reported on 20 April 2009 the Group has agreed a grant programme with the HCA of £57 million across four sites owned by Telford Homes and three estate regeneration projects in partnership with Eastend Homes. The grants will part finance over 400 affordable homes over the next three years.

Partnerships with affordable housing providers remain integral to the business and typically 35 per cent of any development is sold for affordable housing. However in order to de-risk new projects the Group has sought to construct some developments entirely for its housing association partners utilising HCA grant. Although at a lower margin, this gives Telford Homes the ability to commence construction on these sites with secured cash inflows over the course of the development. The Group has recently entered into a contract with Family Mosaic to construct 63 affordable homes across two sites in Queens Road, Southwark and a contract with Gallions Housing Association to construct 53 affordable homes in St Anne's Row, E14. The Group has also agreed terms to construct 64 affordable homes for Poplar HARCA in Lanrick Road, E14.

Partnerships and the development pipeline

Telford Homes has maintained its prudent approach to investment in land during the last twelve months whilst retaining financial resources to deploy in its partnerships with Eastend Homes and Poplar HARCA. The Group reported last year that these housing transfer organisations are both significant land owners in East London and have chosen Telford Homes to be their partner on a number of large regeneration schemes.

The British Estate, E3, has set the model for the partnership with Eastend Homes where land payments made by Telford Homes have been reinvested into the third party refurbishment of existing homes on the estate. The Group has now entered into a contract to build 54 affordable homes on the St George's Estate, E1 for Eastend Homes along with a construction contract for infrastructure works required on the estate. In addition Telford Homes has option contracts over land on the estate to provide 139 open market homes and these are due from 2010 onwards. Construction of the affordable homes is now underway and as such the Group has drawn its first grant tranche from the HCA.

Telford Homes continues to progress master plans for the regeneration of five other estates with Eastend Homes and the Group expects to commence construction of 74 affordable homes on the Bede Estate, E3, in autumn 2009. Bede and the other estates are expected to add in excess of 900 properties to the development pipeline over the next few years and the partnership with Poplar HARCA an additional 400 properties.

As at 31 March 2009 the total pipeline of open market and affordable properties not yet legally completed was 2,635 including 2,400 with planning permission. This total includes sites under option contracts within the control of the Group. Of these properties 1,503 are under construction with 1,115 currently secured by contracts exchanged either for open market sale or for affordable housing. Open market pre-sales contracts totalled £128.4 million at 31 March 2009 although some of these will fail to complete leaving the Group with unsold property. Affordable housing revenue contracted but not yet recognised totalled £34.6 million at the year end and this is secured through payments received from housing associations as construction progresses.

Planning

The Group's focus on East London gives Telford Homes significant development presence that engenders respect from the local planning authorities and the Group has achieved a number of important permissions this year. These include 193 homes on the St George's Estate, 236 homes on the Bede Estate and 209 homes on the Holland Estate. The Group is working with both Eastend Homes and Poplar HARCA to achieve planning permissions on land owned by them that will later be developed under the existing partnerships. Only two of the sites owned directly by Telford Homes do not have detailed planning permission and the Group is progressing plans on each of these with the aim of receiving approvals during 2009.

People

In December 2008 the Group reported that the Board expected to reduce the number of people employed by Telford Homes by between a quarter and a third before the end of 2009, depending on success in securing projects that do not require a cash investment. The HCA grant programme and the Group's expectation of constructing affordable housing on a number of developments gives the Board confidence that the number of redundancies will be less than originally feared. As ever, and in particular during these difficult times with pay frozen and no bonuses being paid, the Board is extremely grateful for the commitment and effort shown by all of the Group's employees.

Construction

Despite the impact that market conditions and the redundancy programme have had on morale, Telford Homes has continued to produce well designed and well built developments. This is a real credit to the work of the operating divisions in a period that has seen continual appraisal of prospects and a consequent re-organisation, alongside redundancies.

The quality of the finished product continues to be ensured by the work of the Telford Homes Customer Service team that provide quality control and give a consistent 'face' to customers. The delivery of a first rate home is a fundamental step in the completion process.

Construction is the heart of Telford Homes and Health and Safety is at the forefront of the Group's working practices. The Group has continued to develop and monitor its policies and procedures during the year and its very good record has been maintained.

Current trading and outlook

The focus at the start of the new financial year remains on maximising positive cash flows into the business including achieving legal completions. Already since 1 April 2009 over 50 open market homes have been completed and handed over to customers and this progress remains encouraging.

The Group will continue to work on securing profitable contracts to construct affordable housing on some of its sites with the added cash flow benefit to Telford Homes. This will be substantially supported by the grant programme with the HCA and the Group expects to draw up to 60 per cent of its total allocation before 31 March 2010. This will partly be utilised as payment for land purchased from the Group's development partners. Alongside this, sales and marketing activity will be concentrated on the completed units at Queen Mary's Gate, where we are experiencing increased interest from potential purchasers, and Romford before turning to other sites again at the appropriate time and when market conditions are right.

Across the country construction of new homes has reached a new low for recent years with National House-Building Council ("NHBC") statistics for new home starts at 16,200 for the first quarter of 2009 against 37,800 in the first quarter of 2008 and 53,700 for the same period in 2007. This will inevitably lead to an increased shortage of new homes in the next few years and Telford Homes will be ready to meet the challenge of satisfying demand when the time comes. East London will be at the forefront of increasing the supply of new homes in London as regeneration of the area continues.

The Board is cautiously optimistic in its outlook due to increased activity at Queen Mary's Gate and legal completions on pre-sold homes progressing as well as could have been anticipated. The HCA grant programme and the Group's partnerships with affordable housing providers will underpin the performance of Telford Homes in the next few years. The Board believes the business is now in a strong position and is well placed to benefit from a future improvement in market conditions.

Andrew Wiseman
Chief Executive
26 May 2009

FINANCIAL REVIEW

Control of cash and careful monitoring of cash flow forecasts has been critical over the last twelve months. This has included ensuring that the Group's banking arrangements and facilities are sufficient and capable of supporting the business in the future. Negotiations with each of the three banks funding Telford Homes have resulted in new and extended facilities with appropriate covenants and I am pleased that the Group's relationships with the banks remain as strong as ever in a very difficult economic climate.

Accounting changes

On 25 September 2008 the Group announced changes to its accounting policies as a result of the early adoption of two new accounting standards, IFRIC 15 and IAS 23 (revised). 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 31 March 2009 and the previous year has been restated on the same basis. Further details are provided in note 7.

In addition the Group has increased the number of subsidiaries in its ownership during the year with trading activity taking place in a subsidiary for the first time and trading continuing in the Group's jointly controlled entities. As a result the 2009 financial statements have been prepared as consolidated Group accounts with comparative information provided for 2008.

Operating results

Revenue increased to £106.7 million from £96.8 million with 350 open market completions secured at an average price of £253,000. Adjusting for homes sold through jointly controlled entities, where the Group recognises half of the revenue and profit, the total revenue from open market housing and commercial units in the year was £83.2 million, with a further £22.3 million arising from progress on construction contracts for affordable housing and £1.2 million of other income.

Gross profit before exceptional items was £17.6 million which is stated after expensing loan interest that has been capitalised within inventories under the new accounting standard, IAS 23 (revised). Total loan interest included within cost of sales was £3.7 million and before charging this interest the gross margin in the year was 20.0 per cent against a restated adjusted margin of 21.6 per cent in 2008. Despite a move to undertake lower risk and lower margin construction work, such as the development of affordable housing, the margin before interest has held at the Group's target level for a normal economic environment. This is primarily due to revenue and profit being recognised on legal completion of properties which were secured by contract before the downturn in the property market. In the coming year Telford Homes expects to undertake more development for housing associations at lower margins commensurate with the risk and also expects an increasing number of previously sold homes to fail to complete at their original contract price. Both of these factors will result in a lower reported margin in the future.

The operational teams continue to monitor and control development costs in a period that has seen significant changes in some raw material costs, due in many cases to adverse movements in exchange rates, but has also seen a gradual decline in labour and subcontract costs as the demand for construction work has fallen. The Group's commercial teams are focused on achieving cost savings in the coming months and, while maintaining good relationships with all suppliers, they will ensure that Telford Homes achieves appropriate tender prices in the current market.

Total build costs in the year to 31 March 2009 were £79 million up from £76 million last year with the rate of expenditure declining over the last six months as developments have been completed and have not been replaced by new site starts. Telford Homes has taken a cautious approach to commencing construction on some sites where future revenues cannot be substantially secured at an early stage in the development.

The operating margin before exceptional items and interest charged to cost of sales was 11.3 per cent to 31 March 2009, up from 10.6 per cent last year. Administrative expenses are carefully controlled and have reduced year on year by three per cent. The Group has taken the decision not to increase salaries or to pay any bonuses to employees this year while the threat of redundancies remains. Selling expenses are down significantly, falling by 41 per cent, in keeping with reduced sales and marketing activity in the last twelve months.

Exceptional items

The exceptional items reported in the year to 31 March 2009 are primarily write downs to the value of land and work in progress across a number of sites totalling £2.9 million along with £0.1 million in relation to redundancy costs. The write downs represent less than two per cent of the value of inventories. Write downs have not been required on developments where the Group expects to construct 100 per cent affordable housing at a positive margin.

Interest

Total interest paid in the year was £6.4 million reduced from £7.4 million last year. Average borrowings were higher in the year to 31 March 2009 at £113 million against £93 million last year and therefore significant savings have been achieved as a result of the fall in the base rate over the course of the last twelve months. Prior to refinancing the majority of the Group's loans were linked to the base rate. Interest charged to the income statement includes £3.7 million in cost of sales (2008: £3.9 million) and a further £1.2 million of finance costs (2008: £0.4 million) primarily as a result of suspending the capitalisation of interest on certain sites that are not progressing in terms of design or construction.

Interest received in the year was £0.2 million, down from £0.5 million last year as a result of lower interest rates on deposits.

All bank facilities have been extended, renewed or refinanced over the last few months. Going forward interest will be charged on the Group's facilities at base rate plus a margin of between 2.5% and 4.0% or LIBOR plus a margin of between 2.0% and 3.0%. The rates Telford Homes has secured are competitive in the current market and recognise the Group's long term relationships and the quality of the information provided to each bank to assess the risk inherent in each development.

Borrowings

All of the companies within the Telford Homes Group use loan finance to acquire development land and undertake site construction. Loan facilities are in place with three banks and are secured by debentures and by charges over development sites.

The Group has site specific loan facilities with Allied Irish Bank totalling £27.6 million in respect of certain development sites. These facilities were renegotiated in April

2009. At 31 March 2009 the Group had utilised £21.2 million of its facilities with Allied Irish Bank leaving an unutilised balance on the new facilities of £6.4 million going forward. The facilities expire on different dates depending on the specific circumstances of each development and are normally repayable on build completion of each development from the sales proceeds received.

The Group's jointly controlled entity, Bishopsgate Apartments LLP, has a fully utilised loan facility with Allied Irish Bank of £20.0 million in respect of the purchase of development land in Bethnal Green Road. The Group has recorded its 50 per cent share of the loan in its balance sheet at 31 March 2009. The facility is on a rolling one year term.

In addition the Group and its subsidiaries have site specific loan facilities with The Royal Bank of Scotland totalling £66.3 million in respect of certain development sites also renegotiated in April 2009. At 31 March 2009 the Group had utilised £62.2 million of its facilities leaving an unutilised balance of £4.1 million. These facilities also expire on different dates depending on the specific circumstances of each development.

The Group's jointly controlled entity, Telford Homes (Creekside) Limited, has a loan facility with The Royal Bank of Scotland of £51.3 million in respect of the purchase of development land and construction in Greenwich. At 31 March 2009 Telford Homes (Creekside) Limited had utilised £16.2 million of this facility leaving an unutilised balance of £35.1 million. The Group has recorded its 50 per cent share of the loan in its balance sheet at 31 March 2009. This facility is due for repayment in December 2011.

Finally the Group has site specific loan facilities with Barclays Bank totalling £12.6 million in respect of certain development sites again renegotiated in April 2009. At 31 March 2009 the Group had utilised £7.3 million of these facilities leaving an unutilised balance of £5.3 million. The facilities are due for repayment between June 2010 and September 2010.

At 31 March 2009 the Group had unutilised overdraft facilities of £3.0 million (2008: £3.0 million).

These bank facilities ensure that adequate funding is available to cover working capital requirements and the Board consider that existing facilities are sufficient to cover funding requirements in the foreseeable future. Where facilities are due to expire within one year this is due to the timing of development completions and therefore the expected repayment dates. In all of these cases the loans are expected to be repaid by the date the facility expires.

Some of the Group's bank facilities are subject to a number of general and financial covenants which are tested periodically by each bank. In all cases the Board have assessed whether the Group will remain in compliance with the covenants in the short to medium term and are satisfied that there will be no breach of the covenants that cannot be easily rectified.

Borrowings at 31 March 2009 were £112.0 million (2008: £101.4 million) with gearing at 206.6% (2008: 191.5%). Total debt and gearing rose for the first seven months of the year while development work continued on sites nearing build completion and reached a peak in October 2008 of £127 million and 275%. The subsequent flow of completion proceeds has enabled significant repayments to be made and borrowings have now fallen below £100 million.

Telford Homes continues to monitor 'uncovered gearing' which excludes debt matched by the value of contracts exchanged on a given development. This is an important performance indicator in the business and is monitored by all three banks currently funding Telford Homes. Allowing for the risk that a proportion of secured contracts fail to complete the level of uncovered gearing at 31 March 2009 remains within acceptable limits at 80.7% (2008: 65.6%).

The Group's focus on generating operating cash inflows will result in further reductions in the level of debt and gearing in the business over the next twelve months and this will continue unless additional funding is required for projects where the future revenues can be secured at an early stage in the development.

Balance sheet

Net assets have increased to £50.3 million from £48.9 million and net assets per share at 31 March 2009 were 129.8 pence. The Group continues to carry forward tax losses arising from the change in accounting policies and restatement of the 2008 figures but expects to utilise remaining losses in the year to 31 March 2010 and return to making tax payments.

Dividends

Telford Homes remains cautious in its appraisal of future cash flows and as such the Board has taken the decision not to pay any dividend in relation to the year to 31 March 2009. This is a prudent approach reflecting the uncertain timing of completion proceeds. The Board will continue to monitor performance with a view to re-instating a dividend as soon as the Board considers it prudent to do so.

Cash flow

Control of cash remains of critical importance and we maintain a detailed month by month cash flow forecast as part of our management information systems. This enables the Group to continuously monitor forecast and actual cash flows over a five year period and to perform sensitivity analysis on these forecasts. The forecasts are necessarily subject to a number of assumptions and judgements and these are tested on a reasonable basis by the sensitivity analysis. These forecasts and the related sensitivity analysis are reviewed by the Board in detail on a monthly basis. In addition all of the forecasts and supporting calculations are made available to each bank on a monthly basis. The current forecasts show positive cash balances beyond the next twelve months and at no time is the Group forecasting to make use of its overdraft facilities.

Jonathan Di-Stefano

Financial Director

26 May 2009

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009

	Note	Year ended 31 March 2009 £000	Year ended 31 March 2008 restated (note 7) £000
Revenue		106,662	96,777
Cost of sales		(89,044)	(79,756)
Exceptional items		(2,868)	-
Gross profit		**14,750**	**17,021**
Administrative expenses		(7,971)	(8,253)
Selling expenses		(1,373)	(2,340)
Exceptional items		(116)	-
Operating profit		**5,290**	**6,428**
Finance income		216	493
Finance costs		(1,163)	(379)
Profit before income tax		**4,343**	**6,542**
Analysed as:			
Profit before income tax and exceptional items		**7,327**	**6,542**
Exceptional items	3	(2,984)	-
		4,343	**6,542**
Income tax expense	4	(1,320)	(2,045)
Profit after income tax		**3,023**	**4,497**
Earnings per share:			
Basic	6	8.1p	12.2p
Diluted	6	8.1p	12.1p

All activities are in respect of continuing operations.

GROUP BALANCE SHEET
AT 31 MARCH 2009

	31 March 2009 £000	31 March 2008 restated (note 7) £000
Non current assets		
Property, plant and equipment	618	907
Deferred income tax assets	13	-
	631	907
Current assets		
Inventories	177,941	179,113
Trade and other receivables	9,098	12,631
Current income tax assets	342	4,624
Cash and cash equivalents	4,865	4,698
	192,246	201,066
Total assets	**192,877**	**201,973**
Non current liabilities		
Hire purchase liabilities	-	(18)
Deferred income tax liabilities	-	(4)
	-	(22)
Current liabilities		
Trade and other payables	(30,534)	(51,591)
Borrowings	(112,020)	(101,424)
Hire purchase liabilities	(18)	(83)
	(142,572)	(153,098)
Total liabilities	**(142,572)**	**(153,120)**
Net assets	**50,305**	**48,853**
Capital and reserves		
Issued share capital	3,875	3,750
Share premium	30,345	29,749
Retained earnings	16,085	15,354
Total equity	**50,305**	**48,853**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2009

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance previously reported at 31 March 2007	**3,694**	**28,641**	**22,496**	**54,831**
Restatement (note 7)	-	-	(7,564)	(7,564)
Restated balance at 31 March 2007	**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
Movement arising from write down in value of own shares	-	-	109	109
Balance at 31 March 2008	**3,750**	**29,749**	**15,354**	**48,853**
Profit for the year	-	-	3,023	3,023
Dividend on equity shares	-	-	(2,061)	(2,061)
Movement in excess tax on share options	-	-	(30)	(30)
Proceeds of equity share issue	125	596	-	721
Share-based payments	-	-	195	195
Purchase of own shares	-	-	(721)	(721)
Sale of own shares	-	-	194	194
Movement arising from write down in value of own shares	-	-	131	131
Balance at 31 March 2009	**3,875**	**30,345**	**16,085**	**50,305**

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009

	Year ended 31 March 2009 £000	Year ended 31 March 2008 restated (note 7) £000
Cash flow from operating activities		
Operating profit	5,290	6,428
Depreciation	387	399
Write down in value of own shares	131	109
Share-based payments	195	109
Profit on sale of tangible assets	(39)	(24)
Decrease (increase) in inventories	6,427	(50,104)
Decrease (increase) in receivables	3,533	(10,682)
(Decrease) increase in payables	(21,050)	27,938
	(5,126)	(25,827)
Interest paid	(6,425)	(7,400)
Income taxes received (paid)	2,915	(5,048)
Cash flow from operating activities	(8,636)	(38,275)
Cash flow from investing activities		
Purchase of tangible assets	(99)	(332)
Proceeds from sale of tangible assets	40	24
Interest received	216	493
Cash flow from investing activities	157	185
Cash flow from financing activities		
Proceeds from issuance of ordinary share capital	721	774
Purchase of own shares	(721)	(422)
Sale of own shares	194	211
Increase in bank loans	52,774	59,825
Repayment of bank loans	(42,178)	(31,611)
Dividend paid	(2,061)	(3,498)
Capital element of hire purchase payments	(83)	(108)
Cash flow from financing activities	8,646	25,171
Net increase (decrease) in cash and cash equivalents	167	(12,919)
Cash and cash equivalents brought forward	4,698	17,617
Cash and cash equivalents carried forward	**4,865**	**4,698**

NOTES

1 Basis of preparation

The financial information set out above does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2009 will be delivered to the Registrar of Companies and sent to all shareholders shortly. The information included within this statement has been derived from the statutory accounts of Telford Homes Plc for the year ended 31 March 2009. The report of the auditors was unqualified and did not contain statements under Section 237 (2) or (3) of the Companies Act 1985.

The statutory accounts for the year ended 31 March 2009, including the comparative information for the year ended 31 March 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

2 Accounting policies

Accounting convention
The statutory accounts for the year ended 31 March 2009 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 Group adopted 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 have been restated, the impact of which is disclosed in note 7. As a result of adopting these standards the Group 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. These contracts are primarily for the construction of affordable homes. 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 an assessment 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. Net realisable value has been assessed for all developments and during the year this assessment led to a write down in the value of land and work in progress as disclosed in note 3. 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.

In addition the following accounting policies are required for the first time in the financial statements for the year ended 31 March 2009.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company, its subsidiaries and the Group's share of jointly controlled entities up to 31 March 2009. The results of subsidiaries acquired or disposed of during the year are included in the financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 Group's financial performance.

3 Exceptional items

The exceptional items of £3.0 million include £2.9 million where the net realisable value of land and 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 and £0.1 million of redundancy costs.

4 Taxation

Taxation has been calculated on the profit for the year ended 31 March 2009 at the estimated effective tax rate of 30.4% (2008: 31.3%).

5 Dividend paid

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Final dividend paid in July 2008 of 5.5p (July 2007: 4.9p)	2,061	1,818
Interim dividend paid in Jan 2009 of nil (Jan 2008: 4.5p)	-	1,680
	2,061	3,498

The Directors are not recommending payment of a final dividend for the year ended 31 March 2009.

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. 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:

	Year ended 31 March 2009	Year ended 31 March 2008 restated (note 7)
Weighted average number of shares in issue	37,381,374	36,971,367
Dilution - effect of share options	-	318,266
Diluted weighted average number of shares in issue	37,381,374	37,289,633
Profit from continuing operations after tax	£3,023,000	£4,497,000
Earnings per share:		
Basic	8.1p	12.2p
Diluted	8.1p	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 Group 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 Group 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 Group's case this applies to all sales of affordable homes. The accounting treatment for affordable homes is therefore unaffected by IFRIC 15.

The Group 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 Group 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 Group 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.

A restated income statement and balance sheet for the year ended 31 March 2008 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

Revenue for the year ended 31 March 2008 is reduced by £63.3 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 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 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 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 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.

Finance costs in the year ended 31 March 2008 are reduced by £7.8 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. The income tax expense is restated by 30 per cent of the net impact on profit before income tax.

Impact on balance sheet as at 31 March 2008

Property, plant and equipment is increased by £85,000 at 31 March 2008 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 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.

Receivables at 31 March 2008 reduced by £125.9 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 results from the change in percentage completion on affordable sales as a result of capitalising finance costs under IAS 23 (revised). An element of 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 asset of £4.6 million created by the impact of both IFRIC 15 and IAS 23 (revised).

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).

Net assets and therefore total equity are reduced from £64.2 million to £48.9 million at 31 March 2008.

RESTATED GROUP 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 GROUP 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)	19,198	12,631
Current income tax assets	-	-	-	4,624	4,624
Cash and cash equivalents	4,698	-	-	-	4,698
	199,318	(28,563)	6,489	23,822	201,066
Total assets	**200,140**	**(28,478)**	**6,489**	**23,822**	**201,973**
Non current liabilities					
Hire purchase liabilities	(18)	-	-	-	(18)
Deferred income tax liabilities	(4)	-	-	-	(4)
	(22)	-	-	-	(22)
Current liabilities					
Trade and other payables	(32,393)	-	-	(19,198)	(51,591)
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)	(23,822)	(153,098)
Total liabilities	**(135,893)**	**8,543**	**(1,948)**	**(23,822)**	**(153,120)**
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**

- Ends -