Press Release **1 June 2011**

Telford Homes Plc

("Telford Homes" or the "Group")

Preliminary Results

Telford Homes Plc (AIM:TEF), the residential developer in East London noted for regeneration projects in partnership with the public sector, today announces its preliminary results for the year ended 31 March 2011.

Highlights

- Contracts exchanged for the sale of 368 open market properties, an increase of 45% (2010: 253)
- Profit before tax and after exceptional items in line with expectations at £3.0 million (2010: £7.3 million)
- Final dividend of 1.25 pence making a total of 2.5 pence for the year (2010: 2.0 pence), reflecting the strong longer term prospects for the Group
- Number of open market properties completed in the year is as expected at 281 (2010: 389) due to reduced output
- £70 million banking facility finalised with The Royal Bank of Scotland, HSBC and Santander in March 2011
- Strong demand for early sales of future developments, particularly from purchasers in the Far East
- Over 170 sales at Avant-garde, E1, following a launch in the Far East and UK in April and May 2011
- The Group has been acquiring land during the period, to enable future growth

Andrew Wiseman, Chief Executive of Telford Homes, commented: "As anticipated, the Group's strategy during the recession has resulted in reduced output and margins, but it is expected that these effects will have been worked through the business by March 2012. Beyond this date the Board expects significant growth as the market in East London remains robust, and is continuing to benefit from the substantial investment being made in advance of the 2012 Olympics.

”Sales performance during the period has been better than expected, with off-plan marketing of developments in the Far East showing particular success. The Board is confident that the long term prospects for the business remain strong.”

- Ends -

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CHAIRMAN'S STATEMENT

In the year to 31 March 2011 Telford Homes exchanged contracts for the sale of 368 open market properties, an increase of 45 per cent over last year. This performance has been driven by successful marketing campaigns in the Far East, selling properties before construction has commenced, together with a steady rate of demand from UK buyers.

During the recession the Group reduced its investment in new land opportunities and switched some of its developments to wholly affordable housing. As expected this has reduced both the output of finished open market homes and profit margins. Despite this the Group met market forecasts for the year to 31 March 2011 achieving profit before tax and after exceptional items of £3.0 million.

Our success in marketing developments in the Far East has continued with the launch of Avant-garde in April and May 2011. Together with a strong performance at the UK launch we have achieved over 170 sales out of the 257 open market homes on the development. These sales secure the recognition of profit for Telford Homes and our new joint venture partner, The William Pears Group, when the homes are handed over in 2013 and 2014.

Reduced output and margins will continue to keep profits at a lower level in the new financial year but these effects will have substantially been worked through the business by March 2012. Beyond this date the Board expects significant growth in the number of finished homes from the existing development pipeline and has secured pre-sales on some of those developments at normal margins. The signing of our new bank facility in March this year will improve our ability to add to the development pipeline for future years in a climate where many smaller developers are struggling to access finance.

As a result the Board is maintaining a progressive dividend policy in proposing a final dividend of 1.25 pence making a total of 2.5 pence for the year (2010: 2.0 pence).

Finally it gives me great pleasure to welcome Jon Di-Stefano as our new Chief Executive with effect from 1 July 2011. Jon replaces Andrew Wiseman and I am confident that Telford Homes will continue to prosper under his leadership. After ten years in our current roles Andrew will take over from me on his full time return to

Telford Homes in January 2012, assuming the position of Executive Chairman, thus retaining his skills and knowledge within the business. I have been delighted to serve as Chairman over a successful decade and I look forward to continuing as a Non-Executive Director in the future.

David Holland
Chairman (Non-Executive)
31 May 2011

CHIEF EXECUTIVE'S REVIEW

The Board is pleased to report that profit before tax for the year to 31 March 2011 is in line with expectations at £3.0 million after exceptional items (2010: £7.3 million). Although the number of open market properties completed in the year is lower at 281 (2010: 389) the Group has experienced strong demand for early sales of its future developments, particularly from purchasers in the Far East, such that the number of sales secured by contracts exchanged in the year has increased to 368 (2010: 253). As a result of this and continued sales of affordable housing to our housing association partners, the Group has revenue secured by contracts exchanged of over £135 million to flow into the business over the next three years.

Sales and completions

Telford Homes is in the middle of a two year period during which the number of open market homes being finished is lower than capacity. The Group refrained from investing in new land during the recession and, given the average construction period for a development is two years, this is affecting the number of homes available for sale and legal completion up to the middle of 2012. Therefore the decline in the number of open market completions in the year to 31 March 2011 is caused more by the reduced supply of finished homes than by market demand or the ability to make sales. Overall sales performance has been better than expected due to the successful off-plan marketing of developments that are due to be finished between mid-2012 and mid-2014.

Profit margins in the year to 31 March 2011 have been affected by changes made during the recession to favour affordable housing and by impaired open market developments that were acquired by the Group in 2006 and 2007. As expected this combination of reduced supply of finished open market homes and lower profit margins has brought total profits in the business down. The impact of both will continue into the year to 31 March 2012 such that the Board expects profit before exceptional items to be similar year-on-year. Almost all of the developments that switched to affordable housing and those impaired by prices falling during the recession will have worked through the development pipeline by the end of the new financial year.

The rate of sales of finished homes to UK buyers has remained steady and visitor levels to the Group's sales centres have been consistent during the year.

Construction of the third and final phase of Queen Mary's Gate in Woodford finished towards the end of 2010 and we now have fewer than 60 homes left to sell out of nearly 500 across the development. In September 2010 the Group acquired The Royal Bank of Scotland's 50 per cent interest in Telford Homes (Creekside) Limited, the joint venture set up to develop Greenwich Creekside. This development is undergoing a period of phased handovers and over half of the 121 open market homes in the first phase have now been handed over to their purchasers.

The availability of mortgage finance for new build properties remains the most significant restriction on demand in the UK and this is particularly true for first time buyers. Bank of England statistics show mortgage approvals have been continuing at a steady rate, albeit at just 40 per cent of the long term average. Whilst there have been some signs of improvement in the number of mortgages available, the Council of Mortgage Lenders expects gross lending for housing to be unchanged in 2011.

Alongside a steady UK market, overseas launches including Matchmakers Wharf, E9, the Hawksmoors, E1 and, in April and May 2011, Avant-garde in Shoreditch have been very successful. Avant-garde is located just a few minutes from Liverpool Street station and over 120 off-plan sales have been secured with buyers in the Far East, an unprecedented performance for this type of development. There has been equally strong off-plan demand in the recovering London market such that in total over 170 of the 257 open market homes have been sold in just two months of initial marketing. Construction is underway and handovers will take place from late 2013 onwards.

The majority of overseas sales are secured with a 20 per cent deposit either all paid at contract exchange or paid in stages not later than one year before completion. This provides the Group with equity to be used for further site acquisitions and the repayment of debt. The Group will continue to market appropriate developments overseas to secure revenue that will be recognised on legal completions in future years.

Partnerships and affordable housing

Telford Homes remains a grant partner of the Homes and Communities Agency ("HCA") and has now completed the first four developments under its 2008 to 2011 grant agreement. The Group has received £55.1 million out of a total grant allocation of £72.9 million and the vast majority of the remainder will be received by March

2012 as affordable homes are completed in accordance with their construction programmes.

The Group has a secured revenue stream contracted for the affordable housing on all of its current developments and is now developing a greater proportion of open market housing such that it is not reliant on future, uncertain, grant funding. New opportunities are appraised on a conditional basis until the value and amount of affordable housing required is clear.

The Spending Review has had a significant impact on the new four year affordable housing grant programme for 2011 to 2015. Central funding for new projects is expected to be around 25 per cent of the total grant allocation for 2008 to 2011 and housing associations have been invited to close the funding gap by charging higher rents to new tenants under the new 'affordable rent' model. This will only partially substitute for the reduction in government funding and therefore less affordable housing will be built.

There remains a housing shortage in London and Telford Homes will continue to work with both the HCA and the local authorities to address the need for new housing developments to be brought forward and to provide affordable housing whilst ensuring that each new development remains financially viable.

Land acquisition

The developments in the Group's ownership during 2008 and 2009 were in good locations and were flexible in terms of housing mix such that write downs were less than three per cent of total assets and profitable development could proceed with increased levels of affordable housing. However the impact of not investing in new sites during the recession, albeit a necessity at the time, is now being felt in terms of reduced output.

In February 2010 Telford Homes raised £7.2 million of equity through a placing of new shares to bolster the Group's ability to purchase land. In addition to this the Board was delighted to sign a three and a half year £70 million banking facility with The Royal Bank of Scotland, HSBC and Santander on 31 March 2011. The process to secure this finance involved a year of extensive investigation of every aspect of the business and its financial position. It is great credit to Telford Homes that at the end of this process these three major banks are prepared to support the Group to this extent.

The new banking facility provides significant headroom for future investment but even without this finance the Group has been acquiring land. The successful partnership with Eastend Homes to develop new homes across several estates in Tower Hamlets continues and during the last twelve months the Group has exercised options to purchase eight sites to provide 141 new open market homes. The Group's partnership with Poplar HARCA also resumed in the year with contracts in place for the development of four sites.

The Group's development pipeline is the total number of properties not yet legally completed that are to be constructed on land in its ownership or held under option contracts. A significant number of affordable homes, 400, have been completed during the year with revenue and profit having been recognised over the entire construction period. The total number of properties in the pipeline was 1,904 at 31 March 2011 (2010: 2,370) with finance in place to significantly add to this over the next few years. On 27 May 2011 the Group exchanged contracts with Eastend Homes to develop 209 new homes on the Holland Estate on Commercial Street, E1, increasing the number of properties in the development pipeline to over 2,100.

All of the Group's developments have planning permission and the Group is careful to limit its exposure to planning risk, especially given uncertainty over future planning policy and the impact of 'localism'. The New Homes Bonus introduced by the coalition government is valuable to local authorities and it is hoped that this will encourage a more pragmatic approach to planning policy where appropriate. Telford Homes is working with several landowners to secure planning for developments that are not yet under the Group's control.

Operations

Few developers possess the expertise and experience of Telford Homes in East London. The quality of the Group's developments both in design and construction has been recognised by many awards in the last year including two special commendations from the London Evening Standard 2010 Homes and Property Awards and two National House-Building Council awards.

An independent survey of the Group's customers throughout 2010 resulted in a 97% customer recommendation rate, a record high. The reasons include the quality of the finished apartments, the lack of defects and the high level of customer service provided. Once again the Board extends its gratitude to each of the Group's employees, without whom the excellent standards maintained across every part of the business would not be possible.

Board changes

I am standing down as Chief Executive with effect from 30 June 2011 and I look forward to returning as Executive Chairman in 2012. At that time I will take on special responsibility for land acquisition alongside the normal responsibilities of the Chairman. I look forward to remaining with Telford Homes for many years to come working alongside Jon Di-Stefano as he steps into the role of Chief Executive. I would like to thank David Holland for his significant contribution to the business in his ten years as Non-Executive Chairman and I am pleased that he will also remain on the Board as the Senior Non-Executive Director.

I am also delighted to announce the appointment of Katie Rogers as our new Financial Director with effect from the Annual General Meeting on 14 July 2011. Katie has been with Telford Homes for three and a half years and is currently the Group's Financial Controller. She has been instrumental in securing the new banking facility and is well known to the Group's bankers.

Current trading and outlook

A high level of sales has been maintained throughout the last year due primarily to overseas pre-sales. Since 1 April 2011 this trend has continued and, with the successful launch of Avant-garde, the Group has already sold 200 open market homes in the new financial year of which over 130 have been secured by exchanging contracts.

Profits are expected to remain at a similarly reduced level in the year to 31 March 2012 but the developments that switched to affordable housing or were impaired during the recession will be finished by the middle of 2012 and significant growth both in output and margin is expected in future years. The number of pre-sales being achieved on developments that will be completed from 2012 onwards gives the Board confidence in this expectation and as such the dividend being paid this year has been increased by 25 per cent to 2.5 pence.

The Group has finance in place to add to the development pipeline and the market in East London remains robust and the subject of significant and ongoing undersupply. The 2012 Olympics in London are just over a year away and East London can only benefit from the anticipation and excitement that this major event brings to the area, let alone the substantial investment already made. The longer term prospects for Telford Homes remain strong.

Andrew Wiseman
Chief Executive
31 May 2011

FINANCIAL REVIEW

A new £70 million banking facility secured on 31 March 2011 has ensured that Telford Homes is able to continue existing developments and invest in new sites to enhance the longer term development pipeline. In addition the Group has recently agreed terms with HSBC to finance the joint venture that is responsible for Avant-garde and as such will have finance in place for every one of its developments.

Operating results

Revenue fell to £121.1 million (2010: £159.3 million) with gross profit before exceptional items of £15.4 million (2010: £21.0 million). Gross profit is stated after expensing loan interest that has been capitalised within inventories of £2.9 million (2010: £5.3 million) and before charging this interest the gross margin in the year was 15.1 per cent compared to 16.5 per cent last year. The reductions in revenue and margin are primarily due to lower output of finished homes and a higher than normal proportion of affordable housing under construction, both of which were as anticipated.

Profit margins will remain lower than usual next year but the impact of those sites that were impaired by the effects of the recession will have been almost fully accounted for in twelve months time and as such the Group will be back to more normal margins for the year to 31 March 2013.

The operational teams continue to monitor and control development costs with a focus on achieving cost savings wherever possible, while maintaining good relationships with all suppliers. Some savings have been made in the light of reduced development activity in London although raw material costs can be volatile and occasionally the Group holds stock of materials such as steel to maximise the benefit when prices are lower.

Administrative expenses have remained under close control and have fallen to £9.3 million (2010: £9.7 million) mainly due to lower employee bonus payments. Selling expenses have increased by 42 per cent to £2.7 million (2010: £1.9 million) in line with the increase in the number of contracts exchanged in the year. Overseas selling events are a significant investment regardless of the level of success but where a large number of sales are secured this is reducing the marketing expenditure needed in the future. Unfortunately the required accounting treatment for selling expenses does not enable the Group to match revenues with costs in relation to overseas events. The costs must be expensed as incurred even though profit recognition from any sales made is two to three years in the future.

Exceptional items

On 17 September 2010 the Group acquired the other 50 per cent of Telford Homes (Creekside) Limited, the joint venture set up to develop Greenwich Creekside, from The Royal Bank of Scotland. Their interest was acquired for the sum of £500 with all existing equity injected by the bank being converted to debt. As a result the Group recognised a 'bargain gain' of £511,000 on the acquisition representing the value of 50 per cent of the net assets of Telford Homes (Creekside) Limited on 17 September 2010 less the £500 purchase price. This gain is shown as an exceptional item in the income statement to 31 March 2011. The exceptional items reported in the year to 31 March 2010 of £0.8 million were primarily write downs to the value of land and work in progress.

Interest

The total borrowings of the Group reduced from £70.8 million to £64.9 million at 31 March 2011 and interest paid in the year reduced from £3.5 million to £2.7 million. The security of funding provided by the new longer term banking facility attracts a higher rate of interest at 3.5 per cent over LIBOR and this will increase the average rate of interest paid on borrowings in the new financial year. The benefits of the new facility far outweigh this increased cost and the rate is competitive in the current market compared to other developers.

For the first time the Board has agreed to take out some protection against future interest rates. Although the Board does not believe significant rate rises are likely in the near future the cost of interest rate protection is currently quite low for the same reason and as such it is worth investing a small amount to protect the business and ensure that interest cover covenants remain achievable. The Group has purchased a cap on LIBOR of three per cent on £30 million of debt which expires in September 2014. The cost of this cap was £290,000 paid up front and this will be expensed over the term of the product.

Interest charged to the income statement includes £2.9 million in cost of sales (2010: £5.3 million) and a further £1.1 million of finance costs (2010: £1.7 million) mainly as a result of suspending the capitalisation of interest on certain sites that were not progressing in terms of design or construction for parts of the year.

Dividend

The Board has decided to propose a final dividend of 1.25 pence which, together with the 1.25 pence interim dividend paid on 14 January 2011, makes a total dividend for the year of 2.5 pence (2010: 2.0 pence). This increase is in line with the Board's stated intention of paying a year-on-year progressive dividend in line with the business building the foundations for future profit growth.

The final dividend is expected to be paid on 22 July 2011 to those shareholders on the register at the close of business on 24 June 2011.

Balance sheet

Net assets at 31 March 2011 were £64.7 million, increased from £63.1 million last year. Net assets per share were 132.1 pence and the share price on 31 March 2011 represented just 58 per cent of that value per share (31 March 2010: 71 per cent). The Group has remained profitable, increased its volume of sales due to pre-selling developments that will complete in future years and secured finance for the next three and a half years and hence the Board believes the current share price to be significantly undervalued.

Cash balances remain high at 31 March 2011 at £18.8 million although down from £33.6 million last year. This balance includes operational balances of £12.7 million and grant monies held for future expenditure of £6.1 million. The cash balance was inflated on the final day of the year by the first drawdown under the new banking facility which generated funds over and above the repayment of previous facilities of £7.1 million.

Cash balances were expected to reduce over the year both through ongoing expenditure of grant monies held and also through investment of the placing funds received in March 2010. The cash flow statement shows that the Group has made a net investment in working capital this year as opposed to the significant reduction in work in progress last year.

On 30 September 2010 the Group announced that it had repaid all of the outstanding loan notes in relation to the acquisition of Clifford Contracting which took place in

June 2009. This acquisition provided a form of finance against unsold properties and would have been available until 30 September 2011. The rate of sales being secured resulted in the Board concluding that the funding was no longer required. The early redemption of the loan notes saved £300,000 of interest and the Group repurchased and cancelled the 1,130,089 shares that formed part of the transaction for a total sum of £1.

Cash management and cash flow forecasting

Control of cash remains important and a detailed month-by-month cash flow forecast is maintained as part of the Group's management information systems. This enables continuous monitoring of the forecast and actual cash flows over a five year period. The forecasts are necessarily subject to a number of assumptions and judgements and these are tested on a reasonable basis by sensitivity analysis. These forecasts are reviewed by the Board in detail on a monthly basis.

Borrowings

Net debt at 31 March 2011 was £46.1 million (2010: £37.2 million) with gearing at 71.2 per cent (2010: 58.9 per cent). The Board has determined that long term growth can be achieved at lower levels of gearing than those required in previous years and as such expects this to remain below 150 per cent consistent with debt being provided at 60 per cent of cost.

On 31 March 2011 the Group signed a £70 million corporate banking facility, which extends to 30 September 2014, with a club of three banks being The Royal Bank of Scotland, HSBC and Santander. The debt is secured against a portfolio of land and development sites with only Greenwich Creekside, owned by a subsidiary, and Avant-garde, in a joint venture with The William Pears Group, remaining outside of the facility.

Interest will be charged on the new facility at 3.5 per cent over LIBOR with an arrangement fee of 1.25 per cent payable in two tranches. Funds will be advanced at 60 per cent of cost and site specific funding under the overall facility umbrella will be repaid from the first 65 per cent of the open market residential proceeds on each site. The first ten per cent of any deposits received can be retained by the Group without any loan repayment.

There are a number of site specific loan to value covenants along with corporate covenants concerning net asset value, gearing and interest cover. The Board performed a detailed assessment of these covenants, including sensitivity analysis, to ensure that they were appropriate when compared to current forecasts before signing the new facility.

As part of the acquisition of the remaining 50 per cent of Telford Homes (Creekside) Limited the Group secured finance from The Royal Bank of Scotland to complete its Greenwich Creekside development. The facility totals £57.7 million including the equity replacement mezzanine debt and is repayable in phases on 31 December 2011 and 31 December 2012. To date £18.3 million of the first phase debt has been repaid.

The William Pears Group ("William Pears") has recently become the new joint venture partner to Telford Homes in Bishopsgate Apartments LLP which is developing Avant-garde. William Pears purchased a 50 per cent interest from Genesis Housing Group at cost. HSBC has a long relationship with William Pears and has just started a relationship with Telford Homes; as a result the joint venture has been able to secure credit approval for a land and development facility of £45.9 million. This facility will repay the existing Allied Irish Bank loan of £15 million and enable the development to proceed. The formal paperwork is expected to be signed later in June 2011 and, with significant pre-sales secured, development of the open market tower is already underway.

These facilities combined ensure that the Group has sufficient bank finance available for the foreseeable future in an environment where this is not the case for all of our competitors. The initial drawdown under the £70 million facility was £31.9 million leaving headroom of £38.1 million and this will be utilised over the next three years to invest in new sites and support the future growth of Telford Homes.

Jonathan Di-Stefano
Financial Director
31 May 2011

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	Note	Year ended 31 March 2011	Year ended 31 March 2010
		£000	£000
Revenue		121,071	159,338
Cost of sales		(105,709)	(138,291)
Exceptional items		511	(710)
Gross profit		**15,873**	**20,337**
Administrative expenses		(9,255)	(9,691)
Selling expenses		(2,725)	(1,920)
Exceptional items		-	(70)
Operating profit		**3,893**	**8,656**
Finance income		249	333
Finance costs		(1,108)	(1,651)
Profit before income tax		**3,034**	**7,338**
Analysed as:			
Profit before income tax and exceptional items		**2,523**	**8,118**
Exceptional items	3	511	(780)
		3,034	**7,338**
Income tax expense	4	(742)	(2,019)
Profit after income tax		**2,292**	**5,319**
Earnings per share:			
Basic	6	4.8p	13.7p
Diluted	6	4.7p	13.5p

All activities are in respect of continuing operations.

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

	Year ended 31 March 2011	**Year ended 31 March 2010**
	£000	**£000**
Movement in excess tax on share options	(12)	14
Other comprehensive (expense) income net of tax	**(12)**	**14**
Profit for the year	2,292	5,319
Total comprehensive income for the year	**2,280**	**5,333**

GROUP BALANCE SHEET
AT 31 MARCH 2011

	31 March 2011	31 March 2010
	£000	**£000**
Non current assets		
Property, plant and equipment	358	380
Deferred income tax assets	50	109
	408	489
Current assets		
Inventories	125,181	120,047
Trade and other receivables	14,211	7,638
Cash and cash equivalents	18,837	33,642
	158,229	161,327
Total assets	**158,637**	**161,816**
Non current liabilities		
Hire purchase liabilities	(19)	-
	(19)	-
Current liabilities		
Trade and other payables	(28,554)	(27,065)
Borrowings	(64,877)	(70,800)
Current income tax liabilities	(431)	(871)
Hire purchase liabilities	(16)	-
	(93,878)	(98,736)
Total liabilities	**(93,897)**	**(98,736)**
Net assets	**64,740**	**63,080**
Capital and reserves		
Issued share capital	4,900	4,978
Share premium	37,075	37,357
Retained earnings	22,765	20,745
Total equity	**64,740**	**63,080**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2009	**3,875**	**30,345**	**16,085**	**50,305**
Profit for the year	-	-	5,319	5,319
Total other comprehensive income	-	-	14	14
Dividend on equity shares	-	-	(295)	(295)
Proceeds of equity share issues	1,103	7,343	-	8,446
Costs arising from shares issued	-	(331)	-	(331)
Share-based payments	-	-	283	283
Purchase of own shares	-	-	(312)	(312)
Sale of own shares	-	-	149	149
Write down in value of own shares	-	-	126	126
Option to repurchase own shares	-	-	(624)	(624)
Balance at 31 March 2010	**4,978**	**37,357**	**20,745**	**63,080**
Profit for the year	-	-	2,292	2,292
Total other comprehensive expense	-	-	(12)	(12)
Dividend on equity shares	-	-	(1,227)	(1,227)
Proceeds of equity share issues	35	238	-	273
Share-based payments	-	-	264	264
Purchase of own shares	-	-	(273)	(273)
Sale of own shares	-	-	191	191
Write down in value of own shares	-	-	138	138
Dividend paid on consideration shares	-	-	14	14
Cancellation of own shares	(113)	(520)	633	-
Balance at 31 March 2011	**4,900**	**37,075**	**22,765**	**64,740**

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Cash flow from operating activities		
Operating profit	3,893	8,656
Depreciation	175	288
Write down in value of own shares	138	126
Share-based payments	264	283
Profit on sale of tangible assets	(49)	-
(Increase) decrease in inventories	(3,580)	59,565
(Increase) decrease in receivables	(6,573)	1,460
Increase (decrease) in payables	1,510	(3,308)
	(4,222)	67,070
Interest paid	(2,683)	(3,483)
Income taxes paid	(1,135)	(888)
Cash flow from operating activities	(8,040)	62,699
Cash flow from investing activities		
Purchase of tangible assets	(109)	(50)
Proceeds from sale of tangible assets	52	-
Interest received	249	333
Cash flow from investing activities	192	283
Cash flow from financing activities		
Proceeds from issuance of ordinary share capital	273	8,446
Costs arising from shares issued	-	(331)
Purchase of own shares	(273)	(312)
Sale of own shares	191	149
Increase in bank loans	64,438	33,272
Repayment of bank loans	(70,347)	(75,116)
Dividend paid	(1,227)	(295)
Capital element of hire purchase payments	(12)	(18)
Cash flow from financing activities	(6,957)	(34,205)
Net (decrease) increase in cash and cash equivalents	(14,805)	28,777
Cash and cash equivalents brought forward	33,642	4,865
Cash and cash equivalents carried forward	**18,837**	**33,642**

NOTES

1 Basis of preparation

The financial information set out above does not constitute statutory accounts for the year ended 31 March 2011 or 2010 but is derived from those accounts. Statutory accounts for the year ended 31 March 2010 have been delivered to the Registrar of Companies and the statutory accounts for the year ended 31 March 2011 will be delivered to the Registrar of Companies and sent to all shareholders shortly. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006 or equivalent preceding legislation.

The statutory accounts for the year ended 31 March 2011, including the comparative information for the year ended 31 March 2010 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 2006 applicable to companies reporting under IFRS.

2 Accounting policies

Accounting convention

The statutory accounts for the year ended 31 March 2011 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 2010. The accounting policies will be disclosed in full within the Group's forthcoming financial statements.

3 Exceptional items

The exceptional item for the year ended 31 March 2011 of £0.5 million is a 'bargain gain' arising as a result of the purchase of 50% of the ordinary shares in Telford Homes (Creekside) Limited in the period (note 7).

The exceptional items for the year ended 31 March 2010 of £0.8 million include £0.7 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. The remaining £0.1 million relates to redundancy costs.

4 Taxation

Taxation has been calculated on the profit for the year ended 31 March 2011 at the estimated effective tax rate of 24.5% (2010: 27.5%). The 'bargain gain' arising on the acquisition of 50% of the issued share capital of Telford Homes (Creekside) Limited is not subject to taxation (note 7).

5 Dividend paid

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Final dividend paid in July 2010 of 1.25p (July 2009: nil)	621	-
Interim dividend paid in January 2011 of 1.25p (January 2010: 0.75p)	606	295
	1,227	295

The final dividend proposed for the year ended 31 March 2011 is 1.25p per ordinary share. This dividend was declared after 31 March 2011 and as such the liability of £612,500 has not been recognised at that date.

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 2011	Year ended 31 March 2010
Weighted average number of shares in issue	47,886,813	38,804,588
Dilution - effect of share schemes	675,778	689,918
Diluted weighted average number of shares in issue	48,562,591	39,494,506
Profit on ordinary activities after taxation	£2,292,000	£5,319,000
Earnings per share:		
Basic	4.8p	13.7p
Diluted	4.7p	13.5p

7 Business combination

On 17 September 2010, the Group acquired 50% of the issued share capital of Telford Homes (Creekside) Limited, a property development company currently developing land in Greenwich, London. Following the acquisition, the Group owns 100% of the ordinary shares of Telford Homes (Creekside) Limited and has sole control of the company.

The book value and fair value of the assets and liabilities of Telford Homes (Creekside) Limited at the date of acquisition are set out below:

	Book and fair value	50% acquired
	£000	**£000**
Inventories	58,716	29,358
Cash	2,414	1,207
Trade and other payables	(28,102)	(14,051)
Borrowings	(32,006)	(16,003)
Net assets	**1,022**	**511**

The total consideration paid for 50% of the ordinary shares in issue was £500 in cash. As a result, the Group recognised a 'bargain gain' of £510,500 representing 50% of the fair value of the net assets of Telford Homes (Creekside) Limited on 17 September 2010 less the £500 purchase price. This gain is included in exceptional items in the results to 31 March 2011. The assets and liabilities acquired all relate to the company's site in Greenwich and will be realised as the development is completed over the next two years.

There was no difference between the fair value and the book value of the assets and liabilities of Telford Homes (Creekside) Limited at the date of acquisition and therefore no gain or loss arose on the existing shareholding.

This acquisition contributed additional revenue of £9.7 million and profit before tax of £0.9 million to the Group for the period between the date of acquisition and the balance sheet date. Had the acquisition occurred on 1 April 2010, the consolidated income statement would have included total additional revenue of £11.1 million and profit before tax of £0.8 million.

Acquisition related costs amounting to £2,000 are included in administrative costs in the Group income statement.

8 Repurchase and cancellation of shares

On 30 September 2010 the Company repaid all outstanding loan notes in relation to the acquisition of Clifford Contracting Limited which took place on 23 June 2009. This final repayment amounted to £4.3 million.

As a result of the loan notes being repaid the Company immediately exercised its option to repurchase 1,130,089 ordinary shares from the vendors of Clifford Contracting Limited for a total sum of £1. These repurchased shares were cancelled on 30 September 2010.

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