Press Release **28 November 2012**

Telford Homes Plc

('Telford Homes' or the 'Group')

Interim results for the six months ended 30 September 2012

Telford Homes Plc (AIM:TEF), the London focused residential property developer, today announces its interim results for the six months ended 30 September 2012.

Highlights

- Revenue increased significantly to £78.3 million (H1 2011: £58.6 million), including 252 open market completions (H1 2011: 125)
- Considerable improvement in margins with gross margin before interest of 23.8% and operating margin before interest of 11.4% (year ended 31 March 2012: 17.6% and 6.2% respectively)
- Profit before tax more than quadrupled to £6.5 million (H1 2011: £1.5 million)
- The Group has sold over 90% of the target open market completions for the year to 31 March 2013 and over 60% for the following year
- Strong demand from both owner-occupiers and investors in the inner London locations that are now the core of the Group's land buying strategy
- Reduction in net debt to £31.7 million (31 March 2012: £54.6 million) and gearing to 45.7% (31 March 2012: 82.4%) with both expected to increase again over the next 12 months as sites are acquired and developed
- Corporate loan facility increased to £90 million during the period
- The Board is confident that profits for the year to 31 March 2013 will be in line with market expectations and anticipates significant growth in the following year

Jon Di-Stefano, Chief Executive of Telford Homes, commented: "I am very pleased to be able to report a quadrupling of profits in the first half of the year and a five percentage point increase in our operating margin. We are achieving a strong rate of sales to both investors and owner-occupiers with the Group now over 90 per cent sold for this financial year and already over 60 per cent sold for the following year. Our development pipeline represents five years of gross profit based on the current year and, with the London market remaining buoyant, the Board expects Telford Homes to continue to grow over the coming years."

- Ends -

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CHIEF EXECUTIVE'S STATEMENT

Telford Homes has more than quadrupled profit before tax for the first six months of the year and has sold over 90 per cent of target open market completions for the year to 31 March 2013 and over 60 per cent for the following year. Margins are significantly improved and the market for new homes in inner London has remained buoyant.

Results for the six months ended 30 September 2012

Revenue for the six months ended 30 September 2012 was significantly higher than the same period last year at £78.3 million (H1 2011: £58.6 million). This increase is primarily driven by the volume of open market completions with a total of 252 open market homes legally completed in the six months to September 2012 (H1 2011: 125 homes). The average selling price of these homes increased to £288,000 (year ended 31 March 2012: £263,000) largely as a result of different developments completing in each period but also due to higher underlying selling prices. The increased open market revenue is partially offset by a reduction in revenue from the construction of affordable housing as the Group returns to a more traditional split of open market and affordable output.

Total gross profit has increased to £16.8 million (H1 2011: £9.3 million) and this is stated after expensing loan interest, which had been capitalised within inventories, of £1.9 million (H1 2011: £1.3 million). The gross profit margin before interest of 23.8 per cent has increased by more than six percentage points compared to the full year to 31 March 2012 (17.6 per cent). This reflects a combination of increased open market prices combined with tight control of construction costs and less revenue and profit attributable to lower margin affordable housing contracts.

Administrative expenses in the period were higher at £6.0 million (H1 2011: £4.8 million) largely due to rising employee numbers required to manage the development pipeline and an anticipated growth in output over the next few years. Selling expenses have risen to £3.7 million (H1 2011: £2.0 million) due partly to the greater number of completions in the period and also as a result of the Group's success in pre-selling homes under construction that will be delivered, and generate profits, in future financial years. Despite higher administrative and selling expenses, the operating margin before interest increased to 11.4 per cent compared to 6.2 per cent in the last financial year.

Net finance costs have reduced to £0.5 million (H1 2011: £1.1 million) due to lower interest hedging costs and less interest being expensed directly to the income statement, which occurs only where there is no activity on a given development site.

As a result, profit before tax was considerably higher than the same period last year at £6.5 million (H1 2011: £1.5 million) and already more than double the level reported for the year to 31 March 2012. Profit before tax for the year to 31 March 2013 is expected to be in line with market expectations and therefore heavily weighted to the first half due entirely to the timing of completion of various developments.

Dividend

The Board is pleased to declare an increase in the interim dividend to 2.0 pence per share (H1 2011: 1.5 pence). The interim dividend, together with the full year dividend payable in July 2013, is expected to be consistent with the Board's stated intention of paying around a third of earnings in dividends each year.

The interim dividend will be paid on 11 January 2013 to those shareholders on the register at the close of business on 14 December 2012.

Sales

The Group has been achieving a strong rate of new sales and has exchanged contracts for the sale of 432 open market properties since 1 April 2012 with a further 128 currently reserved subject to contract. This compares to 460 open market contracts exchanged in the year to 31 March 2012.

A large part of this success has been achieved through the sale of certain developments to individual investors up to three years ahead of the expected completion of the properties. These investors, who are mainly based overseas but include an increasing number of UK buyers, are all keen to invest in London and particularly the inner London locations that are now the core of the Group's land buying strategy.

Following a number of other successful overseas launches this year, the Group has sold an impressive 187 of the 198 open market homes at its Stratford Plaza development in the last few weeks. Of these, 140 were sold overseas and the remaining 47 were sold to UK investors. The development is adjacent to Stratford station and the nearby Westfield shopping centre and is due for completion in the second half of 2015. Not only is this an exceptional result for Telford Homes but it also demonstrates recognition of the substantial investment that has already been made in Stratford and that the area can and will benefit from the success of the Olympic Games.

Investors are generally being attracted to the strong rental yields being achieved across the Group's developments, which are driven by high tenant demand caused by the inability of many potential homeowners to buy their own property and a restricted supply of homes coming to the market. These buyers are stimulating the housing market in London and although institutional investment in properties for private rent has become a hot topic in recent months, this sector is already working at its most basic level through individuals acquiring small portfolios. Despite this, the Group has also agreed the sale of two smaller developments entirely for private rent to two different institutions in recent weeks. These developments comprise just 35 open market homes between them but, assuming the sales proceed to contract, this is another encouraging sign in terms of investment in residential property in London.

The mortgage market for UK buyers has seen some improvement in recent months but it seems unlikely that there will be a substantial change in the availability of finance over the next few years. However Telford Homes is developing in locations that attract buyers less affected by this restriction and therefore the Group continues to be successful in selling to those owner-occupiers who require lower loan to value mortgages. The Group has made over 200 sales to owner-occupiers since 1 April 2012 spread across a number of its developments. The rate of sales achieved has meant that the Group has not needed to become involved in some of the shared equity schemes that are assisting purchasers in other parts of the country including the recent government backed 'NewBuy' scheme.

Partnerships and affordable housing

Although the proportion of affordable housing being produced by the Group has reduced since the end of the market downturn, it still accounts for up to a third of the homes on each development. The relationships and partnerships that Telford Homes has forged in the sector over many years are vital in achieving best value for new affordable housing and sourcing land opportunities.

Land buying and development pipeline

The Group's strategy is to acquire brownfield land within inner London boroughs excluding particularly high value 'prime' areas of Central London. As expected, given the opportunities in the area, the majority of recent acquisitions have been in East London but the Group has also purchased land in Lambeth and Camden. The sites acquired predominantly have excellent links to the City, Canary Wharf or the West End and are usually in transport zones 1 and 2.

The Group is continuing to focus on sites that either already have a planning consent or can be bought subject to obtaining an appropriate consent. There remains too much uncertainty over achieving reasonable planning permissions in most London boroughs for the Group to take significant risks and consequently only smaller sites will be acquired without a consent.

A number of new sites have been acquired in the last six months with several more progressing to contract and, including those, the Group's development pipeline is currently expected to deliver gross profit in excess of £130 million from 1 October 2012 onwards. This is equivalent to over five years of gross profit based on market forecasts for the year to 31 March 2013, the most this has ever been in the Group's history. All of this development pipeline is expected to be delivered over the next three to four years.

Cash and borrowings

Total borrowings at 30 September 2012 were £47.0 million (31 March 2012: £67.0 million) and the group held cash balances of £15.3 million (31 March 2012: £12.4 million). Net debt has therefore been significantly reduced predominantly due to the number of open market completions in the period. These completions resulted in considerable cash inflows and loan repayments and outweighed the effects of on-going investment in land and work in progress. As a result, gearing has been reduced to 45.7 per cent (31 March 2012: 82.4 per cent) and remains at a much lower level than usual for the Group.

Net debt and gearing are expected to increase over the next 12 months as more land is acquired and construction continues, particularly on some of the major sites acquired in the last 18 months. All land and construction costs are funded 60 per cent by debt and 40 per cent by equity.

The Group successfully increased its corporate loan facility from £70 million to £90 million during the period. This facility extends to 30 September 2014 and is funding all of the Group's current developments with the exception of Avant-garde which is financed by a separate facility with HSBC. At 30 September 2012 there was headroom within the corporate loan facility of £51 million. This headroom is expected to fund the remaining construction costs on existing sites and further site acquisitions.

Outlook

London has a strong international reputation and is widely regarded as a safe haven for investment of all kinds. The housing market in London has remained buoyant and the Group's area of operation fits with some of the locations that are in most demand. In addition, a persistent shortage of supply of new homes underpins this demand from both tenants and owner-occupiers.

Along with being over 90 per cent sold against expectations for the year to 31 March 2013 the Group has exchanged contracts for the sale of more than 450 open market properties that will complete in the following three financial years. Profit before tax in the first six months of the year has increased more than fourfold and the operating margin has improved by over five percentage points against the last full year results. The Board is confident that profits for the year to 31 March 2013 will be in line with market expectations and anticipates significant growth beyond this given sales already secured and the Group's substantial development pipeline.

Jon Di-Stefano
Chief Executive
27 November 2012

GROUP INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Note	Unaudited 6 months ended 30 September 2012 £000	Unaudited 6 months ended 30 September 2011 £000	Audited Year ended 31 March 2012 £000
Revenue		**78,324**	**58,603**	**124,352**
Cost of sales		(61,549)	(49,291)	(105,432)
Gross profit		**16,775**	**9,312**	**18,920**
Administrative expenses		(5,993)	(4,780)	(10,637)
Selling expenses		(3,716)	(2,022)	(3,533)
Operating profit		**7,066**	**2,510**	**4,750**
Finance income		62	78	127
Finance costs		(602)	(1,134)	(1,832)
Profit before income tax		**6,526**	**1,454**	**3,045**
Income tax expense	3	(1,547)	(420)	(759)
Profit after income tax		**4,979**	**1,034**	**2,286**
Earnings per share:				
Basic	5	10.2p	2.1p	4.7p
Diluted	5	9.9p	2.1p	4.6p

All activities are in respect of continuing operations.

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Unaudited 6 months ended 30 September 2012 £000	**Unaudited 6 months ended 30 September 2011 £000**	**Audited Year ended 31 March 2012 £000**
Movement in excess tax on share options	164	(2)	54
Other comprehensive income (expense) net of tax	**164**	**(2)**	**54**
Profit for the period	4,979	1,034	2,286
Total comprehensive income for the period	**5,143**	**1,032**	**2,340**

GROUP BALANCE SHEET
AT 30 SEPTEMBER 2012

	Unaudited 30 September 2012 £000	Unaudited 30 September 2011 £000	Audited 31 March 2012 £000
Non current assets			
Property, plant and equipment	413	421	381
Deferred income tax assets	328	-	155
	741	421	536
Current assets			
Inventories	124,473	129,294	135,810
Trade and other receivables	8,824	14,850	16,861
Income tax receivable	-	108	-
Cash and cash equivalents	15,275	14,557	12,419
	148,572	158,809	165,090
Total assets	**149,313**	**159,230**	**165,626**
Non current liabilities			
Hire purchase liabilities	-	(11)	(3)
Deferred income tax liabilities	-	(12)	-
	-	(23)	(3)
Current liabilities			
Trade and other payables	(29,796)	(32,604)	(31,937)
Borrowings	(46,997)	(60,210)	(66,983)
Current income tax liabilities	(1,563)	(900)	(484)
Hire purchase liabilities	(11)	(16)	(16)
	(78,367)	(93,730)	(99,420)
Total liabilities	**(78,367)**	**(93,753)**	**(99,423)**
Net assets	**70,946**	**65,477**	**66,203**
Capital and reserves			
Issued share capital	4,960	4,900	4,950
Share premium	37,581	37,075	37,503
Retained earnings	28,405	23,502	23,750
Total equity	**70,946**	**65,477**	**66,203**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012 (UNAUDITED)

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2012	**4,950**	**37,503**	**23,750**	**66,203**
Profit for the period	-	-	4,979	4,979
Total other comprehensive income	-	-	164	164
Dividend on equity shares	-	-	(738)	(738)
Proceeds of equity share issue	10	78	-	88
Share-based payments	-	-	71	71
Sale of own shares	-	-	191	191
Purchase of own shares	-	-	(72)	(72)
Write down in value of own shares	-	-	60	60
Balance at 30 September 2012	**4,960**	**37,581**	**28,405**	**70,946**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011 (UNAUDITED)

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2011	**4,900**	**37,075**	**22,765**	**64,740**
Profit for the period	-	-	1,034	1,034
Total other comprehensive expense	-	-	(2)	(2)
Dividend on equity shares	-	-	(611)	(611)
Share-based payments	-	-	83	83
Sale of own shares	-	-	174	174
Purchase of own shares	-	-	(5)	(5)
Write down in value of own shares	-	-	64	64
Balance at 30 September 2011	**4,900**	**37,075**	**23,502**	**65,477**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012 (AUDITED)

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2011	**4,900**	**37,075**	**22,765**	**64,740**
Profit for the year	-	-	2,286	2,286
Total other comprehensive income	-	-	54	54
Dividend on equity shares	-	-	(1,348)	(1,348)
Proceeds of equity share issue	50	428	-	478
Share-based payments	-	-	157	157
Sale of own shares	-	-	217	217
Purchase of own shares	-	-	(510)	(510)
Write down in value of own shares	-	-	129	129
Balance at 31 March 2012	**4,950**	**37,503**	**23,750**	**66,203**

GROUP CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Unaudited 6 months ended 30 September 2012 £000	Unaudited 6 months ended 30 September 2011 £000	Audited Year ended 31 March 2012 £000
Cash flow from operating activities			
Operating profit	7,066	2,510	4,750
Depreciation	115	91	196
Write down in value of own shares	60	64	129
Share-based payments	71	83	157
Loss (profit) on sale of tangible fixed assets	6	(14)	(13)
Decrease (increase) in inventories	12,502	(2,856)	(7,452)
Decrease (increase) in receivables	8,006	(639)	(3,516)
(Decrease) increase in payables	(2,148)	4,022	3,511
	25,678	3,261	(2,238)
Interest paid	(1,872)	(2,363)	(4,851)
Income tax paid	(477)	-	(757)
Cash flow from operating activities	**23,329**	**898**	**(7,846)**
Cash flow from investing activities			
Purchase of tangible assets	(154)	(154)	(220)
Proceeds from sale of tangible assets	-	14	14
Interest received	62	78	127
Cash flow from investing activities	**(92)**	**(62)**	**(79)**
Cash flow from financing activities			
Proceeds from issuance of ordinary share capital	88	-	478
Purchase of own shares	(72)	(5)	(510)
Sale of own shares	191	174	217
Increase in bank loans	14,928	25,431	63,618
Repayment of bank loans	(34,771)	(30,099)	(60,932)
Dividend paid	(738)	(611)	(1,348)
Capital element of hire purchase payments	(7)	(6)	(16)
Cash flow from financing activities	**(20,381)**	**(5,116)**	**1,507**
Net increase (decrease) in cash and cash equivalents	**2,856**	**(4,280)**	**(6,418)**
Cash and cash equivalents brought forward	12,419	18,837	18,837
Cash and cash equivalents carried forward	**15,275**	**14,557**	**12,419**

NOTES

1 Basis of preparation

The interim accounts have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in issue that are either endorsed by the EU and effective at 31 March 2013 or are expected to be endorsed and effective at 31 March 2013.

The interim accounts do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The figures for the half years ended 30 September 2012 and 30 September 2011 are unaudited. The interim accounts were approved by the directors on 27 November 2012 and have been reviewed by the auditors whose review report is unqualified and will be included in the interim report distributed to shareholders.

The directors have assessed the Group’s projected business activities and available financial resources together with detailed forecasts for cash flow and relevant sensitivity analysis. The directors believe that the Group remains well placed to manage its business risks successfully. After making appropriate enquiries the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the interim accounts.

The Group's statutory accounts for the year ended 31 March 2012 were approved by the Board of directors on 29 May 2012, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under Section 498 of the Companies Act 2006.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty were principally the same as those applied to the Group's financial statements as at 31 March 2012.

2 Accounting policies

Accounting convention

The interim accounts have been prepared under the historical cost convention and on a basis consistent with the accounting policies in the financial statements for the year ended 31 March 2012.

3 Taxation

Taxation has been calculated on the profit for the six months ended 30 September 2012 at the estimated effective tax rate of 23.8% for current taxes only (September 2011: 24.8%).

4 Dividends

The interim dividend declared for the six months ended 30 September 2012 is 2.0 pence per ordinary share and is expected to be paid on 11 January 2013 to those shareholders on the register at the close of business on 14 December 2012. This dividend was declared after 30 September 2012.

The interim dividend paid for the six months ended 30 September 2011 was 1.5 pence per ordinary share and the final dividend paid for the year ended 31 March 2012 was 1.5 pence per ordinary share.

5 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, which are treated as cancelled. 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:

	Unaudited 6 months ended 30 September 2012	**Unaudited 6 months ended 30 September 2011**	**Audited Year ended 31 March 2012**
Weighted average number of shares in issue	48,959,318	48,369,691	48,563,906
Dilution - effect of share schemes	1,190,278	43,392	858,163
Diluted weighted average number of shares in issue	50,149,596	48,413,083	49,422,069
Profit on ordinary activities after taxation	£4,979,000	£1,034,000	£2,286,000
Earnings per share:			
Basic	10.2p	2.1p	4.7p
Diluted	9.9p	2.1p	4.6p

6 Interim report

Copies of this announcement are available from the Group at First Floor, Stuart House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire EN8 7TF. The Group's interim report for the six months ended 30 September 2012 will be posted to shareholders shortly and will be available on our website at www.telfordhomes.plc.uk.

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