Press Release **28 May 2014**

Telford Homes Plc

("Telford Homes" or the "Group")

Preliminary Results

Telford Homes Plc (AIM:TEF), the London-focused residential property developer, today announces its preliminary results for the year ended 31 March 2014.

Highlights

- Buoyant London market with contracts exchanged for the sale of 515 open market properties in the year, further increasing the Group's pre-sold position
- 98 per cent of expected open market completions for the year to March 2015 forward sold, over 70 per cent for FY16 and over 25 per cent for FY17, enabling the Group to control risk and enhancing profit and cash flow visibility
- All sales secured without assistance from the 'Help to Buy' initiative or any other government backed mortgage scheme
- Operating in areas of London where demand exceeds supply and where people want to live and can afford to live
- Strong current trading with over £70 million of apartments sold at Stratford Central, E15 over the last four weeks
- Substantial increase in operating margin to 17.1 per cent (2013: 9.7 per cent)
- Profit before tax more than doubled to £19.2 million (2013: £9.0 million)
- Proposed final dividend of 5.1 pence bringing the total to 8.8 pence for the year (2013: 4.8 pence), an increase of 83 per cent
- £20 million equity raised in June 2013, along with over £45 million of deposits received from forward sales, driving investment in new opportunities
- Development pipeline anticipated to deliver future revenue of more than £875 million (2013: £627 million), a 40 per cent increase and over six times the revenue recognised in the year to 31 March 2014
- Net cash balance at 31 March 2014 and zero gearing (2013: 47.3 per cent)
- Board expects pre-tax profit to double again by 31 March 2018 with a cumulative total of more than £120 million anticipated over the next four financial years

Commenting on the Preliminary Results, Jon Di-Stefano, Chief Executive of Telford Homes, said: "I am delighted to be reporting another excellent year for Telford Homes resulting in an enhanced forward sold position, substantially improved margins and pre-tax profits more than doubling. Our development pipeline has increased to £875 million of future revenue, which is more than six times the revenue reported in the year to 31 March 2014.

"Our long term growth plans are underpinned by the demand for somewhere to live significantly exceeding the supply of new homes in the Group's non-prime inner London locations. We are operating in areas where people want to live and many can still afford to live with strong demand from both owner-occupiers and tenants. Our customers do not typically need high loan to value mortgages and we have not made any sales under 'Help to Buy'. The Board anticipates that cumulative pre-tax profit over the next four financial years will be in excess of £120 million, positioning Telford Homes as one of the most significant developers in London."

- Ends -

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Copies of this announcement are available from the Group at Telford House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire EN8 7TF and on the Group's website www.telfordhomes.plc.uk.

CHAIRMAN'S STATEMENT

I am delighted to be reporting on another excellent year for Telford Homes during which the Group has increased its forward sold position and more than doubled pre-tax profits. The number of people who want to live in London continues to be far in excess of the supply of homes and this underpins the Board's expectations of significant growth in output and profit levels over the next few years.

The imbalance between supply and demand in London is evidenced by the success of the Group's sales launches where properties have been bought within hours of being released. Throughout its history Telford Homes has maintained a strategy of selling homes well in advance of build completion in order to control the Group's exposure to risk. The additional funding and enhanced security achieved from the deposits taken on forward sales dictates the level of investment in future developments and means the Group is operating from a sound financial platform.

Alongside the deposits, the Group raised £20 million of new equity in June 2013 from a combination of existing shareholders and new investors. Together with bank finance this equity has been invested in a number of attractive development opportunities and, as a result, the Group's development pipeline has increased by 40 per cent in terms of anticipated future revenue. This pipeline is now in excess of £875 million (2013: £627 million) which represents more than six times the revenue recognised in the year to 31 March 2014.

It is entirely appropriate that the Group's shareholders are rewarded for their investment and the Board is maintaining its policy of paying one third of earnings each year in dividends. The final dividend proposed is 5.1 pence making a total of 8.8 pence for the year, an increase of 83 per cent on the previous year (2013: 4.8 pence).

Whilst the market has been favourable, the strength of the business is down to the people who make Telford Homes successful on a day to day basis. I would like to thank each of our employees for their contribution this year and in particular to congratulate the management team who are responsible not only for current performance but also for laying the foundations for the future.

Telford Homes is now a bigger and stronger company than it has ever been. Profits are increasing, the business is heavily forward sold and there has been substantial investment in the development pipeline. The Board is confident that the Group is developing in the right place at the right time and that there is much more to come in the years ahead.

Andrew Wiseman
Chairman
27 May 2014

CHIEF EXECUTIVE'S REVIEW

Telford Homes continues to go from strength to strength, with considerably improved margins leading to pre-tax profit increasing by 113 per cent to £19.2 million (2013: £9.0 million). This represents an increase of over 500 per cent over the course of the last two financial years and yet this is only half of the story. The Group's forward sold position and enhanced development pipeline are the foundations for a significant change in the operational capacity and output of the business over the next few years.

Sales performance

The Group has continued to achieve excellent results from its sales launches and in total exchanged contracts for the sale of 515 open market properties in the year to 31 March 2014. This exceeded the 492 open market properties physically completed and handed over to customers in the year thereby increasing the Group's strong forward sold position. As at 31 March 2014 the Group was 98 per cent sold in terms of the open market homes expected to legally complete in the year to 31 March 2015, over 70 per cent sold for 2016 and over 25 per cent sold for 2017. Including contract revenue from affordable housing the total value of secured but unrecognised revenue as at 31 March 2014 was £341 million (2013: £280 million).

This has been achieved without any significant development launches in the second half of the financial year but has since been enhanced by the launch of Stratford Central, E15 in the last few weeks. This development includes 157 open market apartments on the doorstep of Stratford station and the Board is delighted to report that 148 of these homes have already been sold for a total value just in excess of £70 million. This phenomenal success has taken place over just four weeks and includes more than 60 sales achieved at a UK only sales launch held prior to similar events overseas. Stratford Central is expected to be completed in the year to 31 March 2018 and therefore the Group has now secured forward sales four financial years ahead for the first time. The Group's brand and reputation for exceptional quality and service are important to this success with several sales made to repeat purchasers. There were also a number of customers who missed out on the apartment they wanted and are now waiting to buy at subsequent Telford Homes' launches.

Our customers

The split of the Group's sales has changed slightly during the year in favour of owner-occupiers and UK based investors. In the year to 31 March 2014 the split was 35 per cent sold to owner-occupiers, 33 per cent to UK based investors and 32 per cent to overseas investors. The same percentages last year were 33, 28 and 39 respectively.

There has been substantial negative commentary in recent months on the issue of marketing London property to overseas investors. However much of this commentary is poorly informed and the Board remains comfortable with its strategy of selling a proportion of its homes overseas and will continue to do so in the future. Without the ability to forward sell properties well ahead of build completion the Group would not have been able to grow output to the same extent and this cannot be achieved selling exclusively to owner-occupiers.

The investors buying from Telford Homes, either UK based or overseas, are not deliberately leaving their properties empty and are not contributing to the shortage of supply of homes in London. In fact the vast majority invest to secure a rental return, therefore satisfying increasing demand from potential tenants who either cannot afford to buy or do not want to buy.

Notwithstanding this Telford Homes has always marketed each of its developments to UK based buyers before going overseas and the Group has committed to continuing this practice for all future launches.

London market

The Group's strategy is to target sales early in the development process to control risk, enhance profit and cash flow visibility and to enable further investment in the development pipeline. The success of this strategy has allowed the Board to manage sales releases to take advantage of improving prices in inner London. Underlying price inflation in the Group's typical locations over the past year has been between 10 and 15 per cent with the average price of the open market homes exchanged in the year to 31 March 2014 increasing to £400,000 (2013: £353,000).

This level of price growth has led to concerns about a property market bubble in London and yet it is important to look at the underlying factors. There remains a significant imbalance between the demand for somewhere to live in London and the supply of homes and this is a fundamental issue that will continue to underpin the market.

Inevitably this imbalance leads to increasing prices but only if the demand is ‘effective’ i.e. those who want to live in London can afford to do so. As wider economic sentiment has improved, the availability of mortgage finance has increased and the cost has decreased which has enabled many more purchasers to buy a home. Mortgage providers have not returned to the days of freely available high loan to value mortgages. Applications are still carefully policed and therefore the conditions today for securing finance remain very different to those in 2007.

Telford Homes continues to operate in relatively affordable areas of inner London and a large proportion of the Group’s sales are to purchasers taking less than 80 per cent loan to value mortgages. The Group has still not made a single sale through the government’s ‘Help to Buy’ scheme and is not reliant on a product that continues to come under intense scrutiny. The Group has been able to secure more than sufficient demand from owner-occupiers who do not want or need high loan to value mortgages and from investors on a similar basis.

The Board is confident that the market in the Group’s specific area of operation, which does not include prime central London, is underpinned by the imbalance of supply and demand and remains affordable to prospective owners and tenants.

Increasing margins

Better than expected sales prices across the Group’s development portfolio are clearly a factor in the substantial increase in both gross profit margin and operating margin. The gross margin before selling expenses and adjusted for any interest charges has risen to an all-time high of 31.9 per cent (2013: 24.3 per cent) which compares extremely favourably to the Group’s internal hurdle rate on appraising land opportunities of circa 24 per cent. The operating margin has increased to 17.1 per cent (2013: 9.7 per cent).

Profit on open market homes is recognised only on legal completion and the vast majority of those completing in the year to 31 March 2014 were sold before the year began. Profit is recognised on affordable housing as it is being built and pre-selling open market homes at higher than expected prices increases the anticipated profit margin on a development as a whole resulting in a higher margin being recognised on any affordable housing. Therefore pre-sales secured for the years to 31 March 2015, 2016 and 2017 have resulted in higher profit margins being recognised on affordable housing contracts proceeding through the year to 31 March 2014.

The Group has also benefitted from robust control of construction costs over the last 12 months resulting in a number of savings on the developments completed in the year. Whilst inflationary pressures on construction costs will undoubtedly become more evident as activity across London increases, the Group retains excellent relationships with its key contractors and suppliers and is budgeting for such inflation particularly where success on achieving forward sales is fixing the future revenue from each scheme.

Partnerships and affordable housing

Affordable housing accounts for around a third of the homes on each development and remains a significant contributor to financial performance. In the year to 31 March 2014 revenue from affordable housing represented 17.5 per cent of total revenue (2013: 18.3 per cent). Beyond securing best value for the sale of the affordable housing on each development, the partnerships that Telford Homes has forged in the sector over many years have proved to be vital in sourcing land opportunities.

A number of the Group's development sites have been purchased from local authorities, housing associations and housing transfer organisations and continuing strong relationships with some of these landowners will be of great benefit as the Group appraises opportunities to further expand its development pipeline.

Development pipeline

The Group has continued to strengthen its development pipeline utilising the £20 million of equity raised in a share placing in June 2013 together with significant deposits received from forward sales. At 31 March 2014 Telford Homes had received deposits in advance of the completion of open market units in excess of £45 million which demonstrates the scale of the forward funding provided by the Group's sales success.

Telford Homes is predominantly developing in up and coming inner London locations outside of the increasingly expensive prime central London market. A strong presence in East London is now complemented by a number of new areas with the Board's strategy being to consider any site that is well connected to the heart of the city. In the year to 31 March 2014 the Group has acquired two significant sites in Stratford to develop over 500 homes between them alongside sites of all sizes spread across Tower Hamlets, Hackney, Islington, Lambeth, Camden, Barnet and Southwark.

As a result of these acquisitions the Group's development pipeline as at 31 March 2014 is anticipated to deliver future revenue of over £875 million compared to £627 million last year, an increase of 40 per cent. Due to the differing price points of many of the Group's developments, the Board has decided to report the development pipeline in terms of expected future revenue rather than unit numbers to enable comparison with current trading levels.

The Group has significant cash balances and undrawn debt available to fund further acquisitions. The operational set up of the business allows Telford Homes to purchase sites delivering from under ten homes all the way up to multiple hundreds of homes. This not only gives the Group flexibility in terms of what to buy but also results in a mixed portfolio appealing to a diverse range of customers and varying construction timeframes to manage return on capital appropriately. The Group's pre-tax return on average total capital employed improved to 17.5 per cent in the year to 31 March 2014 (2013: 11.2 per cent).

The planning process

The Group continues to acquire a number of sites either subject to receipt of a planning consent or unconditionally without planning but only when the Board is confident of achieving a satisfactory consent. Telford Homes has an excellent track record in obtaining planning consents in a challenging environment. Knowledge of the planning process in each London borough and working in partnership with local authorities, the Greater London Authority and other interested parties removes the majority of the risk associated with the land purchase.

A number of key consents have been achieved in the last year including 47 homes and a new church at ‘Hackney Square’ in Frampton Park, 101 homes and a new school at ‘Vibe’ in Dalston and, after a planning appeal and some careful negotiation with the London Borough of Camden, 18 homes at Allcroft Road, Camden. Alongside Westfield, the vendors of the site, the Group also secured planning permission for a total of 181 homes at Stratford Central earlier this year enabling the successful marketing of the development over the last few weeks.

Quality and customer service

The Telford Homes brand represents the consistent delivery of high quality, desirable new homes backed up by a dedicated Customer Service team, providing product finish and service that is second to none. The quality of the Group’s developments has been recognised on many occasions including a number of NHBC ‘Pride in the Job’ awards. Telford Homes was also the winner of ‘Best Design for four or more storeys’ for Matchmakers Wharf and the prestigious ‘Medium Housebuilder of the Year’ at the Housebuilder Awards 2013.

During the year the Group formed a new Customer Relations team to manage the customer’s experience from the point of sale all the way up to handover and beyond, working alongside the Sales team and the Customer Service team. This has further enhanced the Group’s ability to look after each of its customers especially when there is often a long period between their purchase and the ultimate delivery of the finished home. This focus on product and service is why Telford Homes continues to score highly on independent customer surveys including a 98 per cent recommendation rate in 2013.

Outlook

London has one of the strongest and most robust property markets in the world and Telford Homes is operating in the right locations within that market where the Group’s customers both want to live and can afford to live. Sales are being achieved at increasing prices and the Group is reporting significantly higher margins and profits with considerable levels of forward sales already achieved for the year to 31 March 2015 and beyond.

As reported in the Group's trading update on 16 April 2014, the strong pre-sold position and the substantially increased development pipeline gives good visibility over future profits. Assuming a stable market the Board can confirm that, having more than doubled pre-tax profit in the year to 31 March 2014, annual pre-tax profits are expected to increase over the next four financial years such that they more than double again by 31 March 2018. As a result the Board anticipates that cumulative pre-tax profit over the next four financial years will be in excess of £120 million positioning Telford Homes as one of the most significant developers in London.

Jon Di-Stefano
Chief Executive
27 May 2014

FINANCIAL REVIEW

The year to 31 March 2014 has been another outstanding year for Telford Homes with excellent growth in both margins and profits. Sales performance continues to exceed the Board's expectations and this has resulted in significant cash receipts from deposits such that the Group had received £45.3 million of advance funding by 31 March 2014 (2013: £20.1 million). Cash balances of nearly £33 million and headroom of over £90 million in its banking facility put the Group in a strong position to construct existing developments and further grow the development pipeline.

Operating results

Revenue was slightly down at £140.8 million (2013: £142.4 million) but gross profit increased sharply to £42.1 million (2013: £31.4 million). Gross profit is stated after expensing loan interest that has been capitalised within inventories of £2.9 million (2013: £3.2 million) and before charging this interest the gross margin in the year was substantially higher at 31.9 per cent compared to 24.3 per cent last year and 17.6 per cent the year before.

Revenue is driven by open market completions along with affordable housing contracts and although the number of open market completions increased to 492 (2013: 374), a total of 244 were within joint ventures where only 50 per cent of the revenue and profit is recognised. A significant number of these were at Avant-garde, the Group's joint venture with The William Pears Group. On this development the gross margin exceeded 40 per cent and this was a major factor in the overall increase for the year.

The average selling price of the open market homes completed in the year increased by 5.1 per cent to £329,000 (2013: £313,000) but this does not reflect the underlying growth in the London market as most of the homes were sold in previous financial years.

The improvement in gross profit margin is mainly due to strong market conditions and sales values being ahead of original expectations, but in addition the Group has kept close control of development costs and as a result cost savings have been achieved on developments completing in the current financial year.

Administrative expenses have increased to £14.1 million (2013: £12.9 million) predominantly due to higher employee costs as a result of the Group undertaking more construction work in order to deliver the expected increase in output in future years. Selling expenses have decreased in the year from £7.9 million to £6.7 million. The accounting treatment for selling expenses is that they must be expensed as incurred even though profit recognition from sales occurs when each property legally completes, which can be a number of years later. The amount expensed is therefore subject to the timing of various development launches. The Group's normal strategy of pre-selling homes well ahead of build completion tends to bring forward the recognition of selling expenses. Agents' commission forms a significant proportion of these expenses as half of this is paid when contracts are exchanged. The more successful a launch is the more impact it has on the current financial year.

During the year there were successful launches at Horizons and Lime Quay accounting for nearly £2.5 million of the selling expenses recognised during the year. These launches generated over 150 pre-sales of homes which are scheduled to complete in future financial years. The selling expenses incurred in the year in relation to these pre-sales will reduce the level of marketing expenditure required on these developments in the future.

After accounting for these administrative and selling expenses the Group's operating margin before any interest is charged increased significantly to 17.1 per cent (2013: 9.7 per cent).

Finance costs

Finance costs actually incurred in the year have increased to £4.5 million from £4.1 million. This is comprised of £2.1 million (2013: £2.2 million) of interest capitalised into work in progress and £2.4 million (2013: £1.9 million) of finance costs charged directly to the income statement.

Finance costs charged directly to the income statement are predominantly non-utilisation fees, arrangement fees and hedging costs. Increased non-utilisation fees account for most of the increase in these costs as the facility level was increased from £90 million to £120 million at the start of the year and the Group has held significant cash balances throughout the year reducing the need to draw finance under the facility.

During the year the Group has put in place some additional protection against future interest rate rises in the form of an interest rate swap. In effect this is a fixed interest rate for £50 million of borrowing and provides cover for a two year period commencing 1 October 2014 at a rate of 1.115 per cent (excluding margin).

Dividend

The Board has proposed a final dividend of 5.1 pence which, together with the 3.7 pence interim dividend paid on 10 January 2014, makes a total dividend for the year of 8.8 pence (2013: 4.8 pence). The increased dividend compared to the prior year is due to higher earnings per share and is in line with the Board's stated intention of paying around a third of earnings in dividends each year. The final dividend is expected to be paid on 18 July 2014 to those shareholders on the register at the close of business on 27 June 2014.

Balance sheet and cash

Net assets at 31 March 2014 were £105.4 million, increased from £72.7 million last year. This is equivalent to net assets per share of 177.4 pence (31 March 2013: 144.7 pence). There was an equity placing in June 2013 which raised an additional £19.1 million (net of expenses) and together with retained profits during the year accounts for the increase in net assets.

Cash balances increased from £23.7 million to £33.0 million at 31 March 2014 although a significant proportion will need to be committed to future development costs. In addition to receipts from open market completions the Group has also benefitted from deposits received on pre-sales. Typically Telford Homes receives a 10 per cent deposit when contracts are exchanged and on many developments, where sales are secured particularly early, a further 10 percent is paid 12 months later.

Borrowings

Gross borrowings at 31 March 2014 were £28.1 million (2013: £58.1 million) leaving the Group with a net cash position of £4.8 million (2013: net debt of £34.4 million). As a result gearing was zero at 31 March 2014 (2013: 47.3 per cent). Loan drawdowns against site acquisitions and development costs amounted to £21.1 million and were more than offset by repayments of £49.7 million made from open market sales proceeds. Due to the strong cash position some land and development expenditure has been funded entirely from equity although it is anticipated that the related loans, which remain available, will be drawn at a later stage.

The Board continues to monitor 'uncovered gearing' which excludes debt which would be repaid by the value of contracts already exchanged on each development. With normal gearing at 31 March 2014 being zero clearly uncovered gearing is also zero. However the Board expects debt to increase as more work is undertaken and more sites are added to the development pipeline and therefore uncovered gearing will remain an important metric of the risk inherent in the level of indebtedness of the Group.

The Group increased the corporate loan facility to £120 million in April 2013 and the term was extended by two years to 30 September 2016. This facility is provided by the Group's banking partners, being The Royal Bank of Scotland, HSBC and Santander. All current developments, with the exception of Avant-garde are funded by this corporate loan facility. Funds are advanced at 60 per cent of cost and site specific funding under the overall facility umbrella is repaid from the first 65 per cent of the open market residential proceeds on each site. At 31 March 2014, Telford Homes had utilised £28.1 million of the facility leaving a significant unutilised balance. In addition Bishopsgate Apartments LLP, a joint venture with The William Pears Group held a £43.1 million loan facility with HSBC to fund the development of Avant-garde. This loan was fully repaid during March 2014.

The corporate loan facility ensures that the Group has sufficient bank finance available for all existing schemes and headroom to purchase and develop new sites over the next few years. It is anticipated that a further increase to the facility will be sought in the latter part of 2015 to support the longer term growth plans of the business.

Katie Rogers
Financial Director
27 May 2014

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

	Note	Year ended 31 March 2014	Year ended 31 March 2013
		£000	**£000**
Revenue		140,771	142,408
Cost of sales		(98,701)	(111,006)
Gross profit		**42,070**	**31,402**
Administrative expenses		(14,143)	(12,867)
Selling expenses		(6,748)	(7,935)
Operating profit		**21,179**	**10,600**
Finance income		409	319
Finance costs		(2,358)	(1,882)
Profit before income tax		**19,230**	**9,037**
Income tax expense	3	(4,346)	(2,010)
Profit after income tax		**14,884**	**7,027**
Earnings per share:			
Basic	5	26.4p	14.3p
Diluted	5	25.8p	13.8p

All activities are in respect of continuing operations.

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Year ended 31 March 2014	Year ended 31 March 2013
	£000	£000
Movement in derivative financial instruments hedged	227	-
Movement in deferred tax on derivative financial instruments hedged	(48)	-
Other comprehensive income net of tax (items that may be subsequently reclassified into profit or loss)	**179**	**-**
Profit for the year	14,884	7,027
Total comprehensive income for the year	**15,063**	**7,027**

GROUP BALANCE SHEET
AT 31 MARCH 2014

	31 March 2014 £000	31 March 2013 £000
Non current assets		
Property, plant and equipment	1,153	406
Financial asset	227	-
Deferred income tax assets	852	727
	2,232	1,133
Current assets		
Inventories	173,110	132,478
Trade and other receivables	6,590	19,377
Cash and cash equivalents	32,970	23,706
	212,670	175,561
Total assets	**214,902**	**176,694**
Non current liabilities		
Trade and other payables	(275)	-
	(275)	-
Current liabilities		
Trade and other payables	(79,373)	(44,715)
Borrowings	(28,135)	(58,106)
Current income tax liabilities	(1,727)	(1,141)
Hire purchase liabilities	-	(3)
	(109,235)	(103,965)
Total liabilities	**(109,510)**	**(103,965)**
Net assets	**105,392**	**72,729**
Capital and reserves		
Issued share capital	5,940	5,028
Share premium	57,529	38,032
Retained earnings	41,923	29,669
Total equity	**105,392**	**72,729**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

	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 year	-	-	7,027	7,027
Movement in excess tax on share options	-	-	511	511
Dividend on equity shares	-	-	(1,727)	(1,727)
Proceeds of equity share issue	78	529	-	607
Share-based payments	-	-	229	229
Purchase of own shares	-	-	(483)	(483)
Sale of own shares	-	-	362	362
Balance at 31 March 2013	**5,028**	**38,032**	**29,669**	**72,729**
Profit for the year	-	-	14,884	14,884
Total other comprehensive income	-	-	179	179
Movement in excess tax on share options	-	-	662	662
Dividend on equity shares	-	-	(3,591)	(3,591)
Proceeds of equity share issues	912	19,497	-	20,409
Share-based payments	-	-	212	212
Purchase of own shares	-	-	(547)	(547)
Sale of own shares	-	-	455	455
Balance at 31 March 2014	**5,940**	**57,529**	**41,923**	**105,392**

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Cash flow from operating activities		
Operating profit	21,179	10,600
Depreciation	495	236
Write down in value of own shares	212	229
(Profit) loss on sale of tangible assets	(17)	8
(Increase) decrease in inventories	(38,536)	5,496
Decrease (increase) in receivables	12,786	(2,551)
Increase in payables	34,748	12,752
	30,867	26,770
Interest paid and debt issue costs	(5,661)	(3,437)
Income taxes paid	(3,270)	(1,414)
Cash flow from operating activities	**21,936**	**21,919**
Cash flow from investing activities		
Purchase of tangible assets	(1,250)	(272)
Proceeds from sale of tangible assets	25	3
Interest received	409	319
Cash flow from investing activities	**(816)**	**50**
Cash flow from financing activities		
Proceeds from issuance of ordinary share capital	20,409	607
Purchase of own shares	(547)	(483)
Sale of own shares	455	362
Increase in bank loans	21,114	37,077
Repayment of bank loans	(49,693)	(46,502)
Dividend paid	(3,591)	(1,727)
Capital element of hire purchase payments	(3)	(16)
Cash flow from financing activities	**(11,856)**	**(10,682)**
Net increase in cash and cash equivalents	**9,264**	**11,287**
Cash and cash equivalents brought forward	23,706	12,419
Cash and cash equivalents carried forward	**32,970**	**23,706**

NOTES

1 Basis of preparation

The financial information set out above does not constitute statutory accounts for the year ended 31 March 2014 or 2013 but is derived from those accounts. Statutory accounts for the year ended 31 March 2013 have been delivered to the Registrar of Companies and the statutory accounts for the year ended 31 March 2014 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 2014, including the comparative information for the year ended 31 March 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted for use in the European Union 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 2014 have been prepared under historical cost convention as modified for reassessment of derivatives at fair value and on a basis consistent with the accounting policies in the financial statements for the year ended 31 March 2013. The accounting policies will be disclosed in full within the Group's forthcoming financial statements.

3 Taxation

Taxation has been calculated on the profit for the year ended 31 March 2014 at the estimated effective tax rate of 22.6% (2013: 22.2%).

4 Dividend paid

	Year ended 31 March 2014 £000	**Year ended 31 March 2013 £000**
Final dividend paid in July 2013 of 2.8p (July 2012: 1.5p)	1,415	743
Interim dividend paid in January 2014 of 3.7p (January 2013: 2.0p)	2,184	1,000
	3,599	**1,743**

The final dividend proposed for the year ended 31 March 2014 is 5.1 pence per ordinary share. This dividend was declared after 31 March 2014 and as such the liability of £3,029,400 has not been recognised at that date.

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. 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 2014	Year ended 31 March 2013
Weighted average number of shares in issue	56,273,560	49,162,688
Dilution - effect of share schemes	1,500,486	1,598,135
Diluted weighted average number of shares in issue	57,774,046	50,760,823
Profit on ordinary activities after taxation	£14,884,000	£7,027,000
Earnings per share:		
Basic	26.4p	14.3p
Diluted	25.8p	13.8p

- ENDS -