Hunters Property PLC - HUNT Interim Results
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Hunters Property Plc

Interim Results for the six months ended 30 June 2019

Hunters Property Plc ("Hunters" or the "Company" or the "Group"), one of the UK's largest franchised sales and lettings agency businesses, is pleased to announce its unaudited interim results for the six months ended 30 June 2019.

'Robust half year results underpin confidence for full year outcome'

Financial Highlights:

- Network Income up +7% to £19.2m (six months to June 2018: £17.9m);
- Revenue £6.6m (2018: £6.7m);
- Adjusted operating profit* up +30% to £1.1m (2018: £0.85m);
- Adjusted earnings per share increased +13% to 2.30p (2018: 2.03p); and
- Interim dividend up +9% to 0.87p per share (2018: 0.80p per share).

* Adjusted operating profit is before depreciation, amortisation, impairments and profit/loss on disposal of non-current assets, acquisition and share-based payments expenses. Excluding the impact of IFRS 16 Adjusted operating profit for H1 2019 was £857,000.

Operational Highlights:

- Converted eight new branches in this period at an average Network Income per branch of £425,000 (2018: £186,000);
- Expanded our branch network to 200 (December 2018: 197);
- Investing significantly in our software capability as well as bolstering the management team;
- Two further lettings books have been acquired by franchisees, making use of our acquisition fund facility for branches to expand, and bringing our investments to 15;
- Grown lettings income across the network by 12% for the period; and
- Returned a Customer Satisfaction Rating of 96% (Dec 2018: 96%).

Outlook

- Board remains confident the second half will, as in prior years, outperform the first six months despite the impact of the Tenant Fee Ban (which at £0.3m remains broadly in line with the Board's expectations) and against sales listings for the market as a whole reporting a 7%[1] decline this period according to Rightmove data;
- Independent businesses continue to join the Hunters network to mitigate the current uncertainty and challenging economic backdrop; and
- Strong net asset position and facilities available to continue our growth plans.

Glynis Frew, Chief Executive of Hunters Property Plc, commented:

"We have delivered a good set of results in the first six months. The market has been held back by the wider economic uncertainty and the tenant fee ban. However, we continue to roll out our mitigation strategy as regards the ban which is well underway and is on plan.

We continue to offer a very attractive solution to suitable, independent businesses who see the advantages of joining the Hunters network. In fact, we are experiencing increasingly strong businesses seeing that benefit.

Going forward we believe our exceptional customer service at local level combined with enhanced technical expertise, automated compliance and increased productivity will boost our offering even further. We are investing in our software to advance our strategy to grow and develop the franchise system having recruited a COO with fifteen years' experience in the industry as well as being bolstered by the support of our network in embracing that change.

The continuing work and support displayed by our staff and the franchise network itself is a credit to the Group. I offer, on behalf of the Board, our gratitude to everyone that is involved."

For further details:

Hunters Property Plc	**Tel: 01904 756 197**
Kevin Hollinrake, Chairman	
Glynis Frew, Chief Executive Officer	
Ed Jones, Chief Financial Officer	
Dowgate Capital Limited	**Tel: 020 3903 7715**
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Mark Brady and Andrew Emmott (Nominated Adviser)	

1 - Based on Rightmove data in Hunters' areas

Chairman's Statement

Overview

On behalf of the Board I am pleased to comment on the half year results for 2019. In this period the Group added another eight branches to the network making a total of 132 in the last five and a half years. Network Income in the six months to June grew by 7% to £19.2m (six months to June 2018: £17.9m). The average per branch for this first six months has increased 9% to £96k (six months to June 2018: £88k) in part as a result of the new branches averaging their income at £425,000 (2018: £186,000) and an income balance of 64:36 sales to lettings for this period (2018: 66:34).

Turnover was maintained at £6.6m (2018: £6.7m) but with an increase in adjusted operating profit of 30% to £1.1m (2018: £0.85m) as a result of adoption of the IFRS 16 accounting treatments. Excluding the IFRS adjustments profit has been maintained at £857,000. The Group's strategy is to grow a predominantly franchise network and during this period welcomed eight branches to the network (2018: eight) that were existing businesses converting to Hunters. At the end of June, the network stood at 200 (June 2018: 203) branches, of which 188 (2018: 192) are franchised.

Our strategy to invest further in technology to offer an enhanced customer experience whilst managing labour costs is a key area for the future and I am delighted with our additional management and our plans for investment in this regard whilst ensuring we never lose sight of the importance of genuine local area expertise.

We continue to drive professional standards through our industry leading Hunters Training Academy, which has seen almost 5,000 courses completed by the network in the first six months of this year. Our web sessions increased by 5% in the period to July against the same period last year whilst our online appointment booking has grown by 40%. Our customer service rating to June was 96% (to December 2018: 96%), being our 8th consecutive year above 90%.

Outlook

Given the market challenges it is very encouraging that our strategies have been able to mitigate against the tenant fee ban and that good quality independent businesses are increasingly seeing the benefit of joining the Hunters network. I am pleased to report that we remain in line with expectations.

We are delighted with these results and we're looking this year to increase our level of branch conversions. Our strong pipeline of opportunities give the management team confidence for H2 and beyond. Consequently, the Board is declaring an increase of 9% in its interim dividend to 0.87p (2018: 0.8p) per share. The dividend will be paid on 18 October 2019 to shareholders on the register on 20 September 2019.

I look forward to updating you again in due course.

Kevin Hollinrake
Chairman

Financial report

	H1 2019	**H1 2018**	
Network Income	£19.2m	£17.9m	+7%
Sales	£6,588,000	£6,699,000	(2%)
Adjusted operating profit[1]	£1,111,000	£854,000	+30%
Adjusted profit before tax[2]	£785,000	£714,000	+10%
Profit before tax	£246,000	£263,000	(6%)
Cash generated	(£376,000)	(£465,000)	
Net debt	£3,224,000	Dec-18 £2,363,000	
Shareholders' funds	£7,150,000	Dec-18 £7,757,000	
Shares in issue	32,502,088	31,827,088	
Weighted average number of shares	32,200,650	31,818,043	
Earnings after tax	£209,000	£207,000	+1%
Adjusted earnings[3]	£734,000	£646,000	+14%
EPS	0.66p	0.65p	+2%
Adjusted EPS	2.30p	2.03p	+13%
Dividend	0.87p	0.80p	+9%

Branches	200	203	(1%)

1 Adjusted operating profit is before depreciation, amortisation, impairments and profit/loss on disposal of non-current assets, acquisition and share-based payments expenses. Excluding the impact of IFRS 16 Adjusted operating profit for H1 2019 was £857,000.
2 Adjusted profit before tax is Adjusted earnings less tax. Excluding the impact of IFRS 16 Adjusted profit before tax for H1 2019 was £726,000.
3 Adjusted earnings is profit after tax adjusted to exclude amortisation, and profit/loss on disposal of intangibles, time-value interest costs, acquisition expenses, shared-based payments, other gains and losses and finance income. Excluding the impact of IFRS 16 Adjusted earnings for H1 2019 was £681,000.

Revenue
Network income from sales and lettings across the network rose by 7% to £19.2m from £17.9m for the same period last year. Turnover was slightly down at £6.6m (2018: £6.7m) as against a market as reported down by 7%[1].

We continued the strategy of converting independent agents to new franchise branches and in the six month period to June 2019 opened eight (2018: eight). This sets the total number of branches at 200 (2018: 203).

Adjusted operating profit
Adjusted operating profit for the six months to June 2019 was £1.1m, an increase of 30% on the same period last year (2018: £0.85m), a result of the adoption of IFRS 16. Excluding IFRS16, adjusted operating profit was £0.86m.

Adjusted profit before tax
Adjusted profit before tax for the six months ended June 2019 was £785,000, an increase of 8% on the equivalent period last year (2018: £714,000) reflecting the balance of income generated.

Earnings per share
Basic earnings per share for the six months ended 30 June 2019 was 0.66p (2018: 0.65p). Adjusted earnings per share, excluding amortisation and acquisition costs, finance timing investment income and share-based payment expenses for the six months to June 2019 was 2.30p (2018: 2.03p).

Dividend
The Board declares an interim dividend of 0.87p (Interim 2018: 0.80p) per share, an increase of 9% as part of its policy to pay a progressive dividend whilst maintaining dividend cover of at least two times. The dividend will be payable on 18 October 2019 to shareholders on the register on 20 September 2019.

Cash flow
The Company generated net cash from operations of £728,000 during the six months to June 2019. There were further debt drawdowns in the six months to June 2019 totalling £516,000, which was used along with the operating cash inflow to fund the opening of the additional franchisee branches during the first six months of 2019.

Liquidity and capital reserves
As at 30 June 2019, the Group's cash balance was £1,342,000 (June 2018: £1,117,000) with net debt of £3,224,000 (December 2018: £2,363,000; June 2018: £2,997,000).

Risks
The primary risk to the business continues to be the state of the UK property market. Some uncertainty remains in the marketplace, as individuals and businesses take stock and assess the macro-economic outlook. Our balance between franchising, sales and lettings and geographical mix allows us, as these results have demonstrated, to mitigate against this risk.

Ed Jones
Chief Financial Officer
5 September 2019

1 - Based on Rightmove data in Hunters' areas

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	6 months ended 30 June 2019	6 months ended 30 June 2018	Year ended 31 December 2018
	£'000s	£'000s	£'000s
Revenue	6,588	6,699	13,982
Ongoing administrative expenses	(5,480)	(5,845)	(11,698)
Adjusted operating profit	1,108	854	2,284
Depreciation and adjustments on disposal	(238)	(57)	(80)
Amortisation and adjustments on disposal	(449)	(409)	(949)
Business combination acquisition expenses	-	(2)	(13)
Share-based payment expense	(11)	(33)	(62)
Operating profit	410	353	1,180
Finance income	1	8	13
Finance costs	(167)	(98)	(201)
Other gains and losses	2	-	(23)
Profit before taxation	246	263	969
Taxation	(37)	(56)	(127)
Profit and total comprehensive for the period	209	207	842

Basic earnings per share	6	0.66p	0.65p	2.65p
Diluted earnings per share	6	0.64p	0.63p	2.55p

The Group has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Refer to note 5 for details on the impact of IFRS 16.

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019	30 June 2018	31 December 2018
		£'000s	£'000s	£'000s
ASSETS				
Non-current assets				
Intangible assets	3	11,584	11,195	11,214
Investment property		454	-	-
Property, plant and equipment	4	2,179	305	282
Investments		30	50	28
Deferred tax assets		118	124	90
		14,365	11,674	11,614
Current assets				
Trade and other receivables		1,570	1,840	1,608
Cash and cash equivalents		1,342	1,117	1,718
		2,912	2,957	3,326
Total assets		**17,277**	**14,631**	**14,940**
LIABILITIES				
Current liabilities				
Borrowings		(82)	(80)	(80)
Lease liabilities		(459)	(20)	(21)
Current tax liabilities		(123)	(250)	(129)
Trade and other payables		(1,903)	(2,003)	(2,068)
		(2,567)	(2,353)	(2,298)
Non-current liabilities				
Borrowings		(4,484)	(4,034)	(4,001)
Lease liabilities		(2,297)	(52)	(42)
Other payables		(19)	(19)	(19)
		(6,800)	(4,105)	(4,062)
Provisions for liabilities				
Provisions		(52)	(60)	(65)
Deferred tax liabilities		(708)	(720)	(758)
		(760)	(780)	(823)
Total liabilities		**(10,127)**	**(7,238)**	**(7,183)**
Net assets		**7,150**	**7,393**	**7,757**
EQUITY				
Share capital		1,300	1,273	1,273
Share premium		4,417	4,107	4,107
Merger reserve		899	899	899
Retained earnings		534	1,114	1,478
Total equity		**7,150**	**7,393**	**7,757**

The Group has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Refer to note 5 for details on the impact of IFRS 16.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share capital	Share premium	Merger reserve	Retained earnings	Total equity attributable to owners of the parent
	£'000s	£'000s	£'000s	£'000s	£'000s
At 1 January 2018	1,272	4,105	899	1,320	7,596
Profit and total comprehensive income	-	-	-	207	207
Dividends paid	-	-	-	(477)	(477)
Credit to equity for equity settled share-based payments	-	-	-	33	33
Issue of share capital	1	2	-	-	3
Deferred tax on share-based payment transactions	-	-	-	31	31
At 30 June 2018	1,273	4,107	899	1,114	7,393
Profit and total comprehensive income	-	-	-	635	635
Dividends paid	-	-	-	(255)	(255)
Credit to equity for equity settled share-based payments	-	-	-	29	29

	Share capital	Share premium	Merger reserve	Retained earnings	Total equity attributable to owners of the parent
Deferred tax on share-based payment transactions	-	-	-	(45)	(45)
At 31 December 2018	1,273	4,107	899	1,478	7,757
Adjustment on initial application of IFRS 16 (note 5)	-	-	-	(356)	(356)
Profit and total comprehensive income	-	-	-	209	209
Dividends paid	-	-	-	(509)	(509)
Credit to equity for equity settled share-based payments	-	-	-	11	11
Issue of share capital	27	310	-	(292)	45
Deferred tax on share-based payment transactions	-	-	-	(7)	(7)
At 30 June 2019	1,300	4,417	899	534	7,150

Consolidated Statement of Cashflows

For the six months ended 30 June 2019

	6 months ended 30 June 2019 £000's	6 months ended 30 June 2018 £000's	Year ended 30 December 2018 £000's
Cash flow from operating activities			
Operating profit	410	353	1,180
Adjustment for:			
Depreciation of property, plant and equipment	238	57	107
Amortisation of intangible assets	461	391	836
(Gain) on disposal of property, plant and equipment	-	-	(27)
Loss/(profit) on disposal of intangible assets	(12)	18	71
Impairment of intangible assets	-	-	42
Share options fair value expense	11	33	62
Expensed/(released) element of provisions	(17)	5	10
Share exchange transactions	-	(50)	(50)
Costs of acquisitions	-	3	-
Changes in working capital:			
Increase in trade and other receivables	(54)	(195)	37
Decrease in trade and other payables	(167)	(287)	(223)
Cash generated from operations	870	328	2,045
Interest paid	(87)	(83)	(173)
Income tax paid	(53)	(23)	(260)
Net cash from operating activities	730	222	1,612
Cash flow from investing activities			
Capital expenditure (tangible and intangible)	(907)	(747)	(896)
Proceeds from sale of tangible and intangible assets	60	297	311
Business combinations, net of cash acquired	-	-	(350)
Interest received	1	8	13
Net cash used in investing activities	(846)	(442)	(922)
Cash flow from financing activities			
Dividends paid to shareholders	(509)	(477)	(732)
Repayment of borrowings	(45)	(325)	(370)
Issue of borrowings	516	564	564
Issue of share capital	45	2	2
Repayment of capital element of finance lease contracts	(267)	(9)	(18)
Net cash (used in)/ from investing activities	(260)	(245)	(554)
(Decrease) in cash and cash equivalents	(376)	(465)	136
Net cash and cash equivalents at beginning of the period	1,718	1,582	1,582
Net cash and cash equivalents at end of period	1,342	1,117	1,718

Comprised of:

Cash and cash equivalents	1,342	1,117	1,718
Bank overdraft	-	-	-

The Group has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Refer to note 5 for details on the impact of IFRS 16.

Notes to the Financial Statements

For the six months ended 30 June 2019

1. General information

Hunters Property Plc is a Company incorporated in the United Kingdom. The registered address of the Company is Apollo House, Eboracum Way, York, YO31 7RE. The consolidated financial statements (or "financial statements") incorporate the financial statements of the Company and entities (its subsidiaries) controlled by the Company (collectively comprising the "Group").

The principal activity of the Group is the provision of property services to consumers and businesses which include sales, lettings, franchising and related services.

2. Accounting policies

2.1. Basis of preparation

The financial information set out in these interim consolidated financial statements for the six months ended 30 June 2018 is unaudited. The financial information presented are not statutory accounts prepared in accordance with the Companies Act 2006, and are prepared only to comply with AIM requirements for interim reporting. Statutory accounts for the year ended 31 December 2018 on which the auditors gave an audit report which was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

New standards, interpretations and amendments adopted by the Group

The Group has initially adopted IFRS 16 Leases from 1 January 2019, replacing the current lease guidance including IAS 17. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group has adopted the standard using the modified retrospective approach, with the right of use asset being equal to the lease liability at the point of original recognition. Therefore, the cumulative impact of the adoption is recognised in retained earnings as of 1 January 2019 and the comparatives are not restated.

Included as part of the right of use asset is a separable floor of a property, which accordingly has been accounted for as an investment property. As the property is subject to a fixed life contract which would have previously been accounted for as an operating lease, the directors consider it most appropriate to recognise the property at cost less depreciation. As these financial statements are interim only, the directors have not attempted to quantify the fair value of this investment property.

Further details on the Group's IFRS 16 accounting policy and transitional impact are provided in Note 5.

2.2. Basis of consolidation

The Group financial information consolidates those of the Parent Company and the subsidiaries that the Parent has control of. Control is established when the Parent is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Where a subsidiary is acquired/disposed of during the period, the consolidated profits or losses are recognised from/until the effective date of the acquisition/disposal.

All inter-company balances and transactions between group companies have been eliminated on consolidation.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those used by the Group.

2.3. Going concern

When assessing going concern the Directors have looked at the period of 12 months from the date of approval of the interim financial statements. The Directors are satisfied that the Group has sufficient resources to continue in operation and accordingly these interim financial statements have been prepared on a going concern basis.

2.4. Leases

The Group has initially adopted IFRS 16 Leases from 1st January 2019, replacing the current lease guidance including IAS 17. Previously all of the Group's leases were accounted for as operating leases (see Note 29 of the 2018 Group Annual Report and Accounts).

Under IFRS 16 Leases are accounted for on the right of use model. The Income Statement presentation and expense recognition pattern is similar to that required for finance leases by IAS 17 previously adopted by the Group. At inception, the Group assesses whether a contract contains a lease. This assessment involved the exercise of judgement about whether the Group obtains substantially all the
economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

IFRS 16 permits lessees to elect not to apply the recognition requirements to short term leases and leases for which the underlying asset is of low value. The Group has elected not to recognise short term leases of less than one year at inception and low value leases which will continue to be reflected in the Income Statement. This will be the ongoing policy adopted by the Group. There are no right of use assets or lease liabilities recognised for these leases, and the expense is recognised in the Income Statement on a straight line basis.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses an incremental borrowing rate which is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset and are now presented within property, plant and equipment.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the Group's existing impairment accounting policy.

Under IFRS 16, the straight-line operating lease expense, previously charged under IAS 17 has been replaced with a depreciation charge for the right-of-use assets and interest expense on lease liabilities.

3. Intangible Fixed Assets

	Goodwill £'000s	Software £'000s	FDG's & Rebrands £'000s	Brands £'000s	Customer Lists £'000s	Total £'000s
Cost						
At 1 January 2019	4,661	827	2,877	637	4,917	13,919
Additions - separately acquired	-	14	865	-	-	879
Disposals	-	-	(60)	-	-	(60)
At 30 June 2019	4,661	841	3,682	637	4,917	14,738
Amortisations and Impairment						
At 1 January 2019	35	345	599	271	1,455	2,705
Amortisation charged for the year	-	82	131	32	216	461
Amortisation on disposal	-	-	(12)	-	-	(12)
At 30 June 2019	35	427	718	303	1,671	3,154
Carrying amount						
At 30 June 2019	4,626	414	2,964	334	3,246	11,584
At 31 December 2018	4,626	482	2,278	366	3,462	11,214

Franchise Development Grants ("FDG's") and rebrand costs are externally incurred expenses at the inception of certain contracts with franchisees in order to assist with the transition to using the Hunters brand name. The amounts invested are amortised over the minimum life of the underlying franchise contract, typically 10 to 15 years. The Group recognises an impairment as provision against impairment losses arising from the risk of early terminations of franchise agreements.

4. Property, Plant and Equipment

	Right of Use Asset *(note 5)* £'000s	Leasehold Land and Buildings £'000s	Plant and machinery £'000s	Fixtures, fittings and equipment £'000s	Motor vehicles £'000s	Total £'000s
Cost						
At 1 January 2019	-	16	495	209	9	729
Impact of IFRS 16	4,564	-	-	-	-	4,564
Additions - separately acquired	67	-	15	13	-	95
At 30 June 2019	4,631	16	510	222	9	5,388
Amortisations and Impairment						
At 1 January 2019	-	13	319	110	5	447
Impact of IFRS 16	2,544	-	-	-	-	2,544
Amortisation charged for the year	168	-	29	20	1	218
At 30 June 2019	2,712	13	348	130	6	3,209
Carrying amount						
At 30 June 2019	1,919	3	162	92	3	2,179
At 31 December 2018	-	3	176	99	4	282

In addition to the above, depreciation of £20,000 (2018 - £nil) has been charged on investment property.

5. IFRS 16 Leases Transitional Impact

Leases are shown as follows in the balance sheet and Income statement for the period ending 30 June 2019:

	1 January 2019 Restated extracts £'000	Cumulative adjustment as at 30 June 2019 £'000
Consolidated Statement of Financial Position		
Non-current assets		
Investment property	474	454
Property, plant and equipment	2,301	1,919
Deferred tax assets	163	69
Current assets		
Prepayments	326	(92)
Current liabilities		
Obligations under finance leases	(458)	(437)
Current taxation	-	1
Non-current liabilities		
Obligations under finance leases	(2,434)	(2,264)
Equity		
Retained earnings	1,122	(350)

Impact of IFRS 16 in six months to 30 June 2019	£'000
Consolidated income statement	
Rent	(240)
Equipment Hire	(14)
Depreciation	188
Finance Costs	59
Current taxation	(3)
Deferred taxation	4
Total impact on income statement	(6)

Short term leases of less than twelve months at inception and low value leases are charged to the Income statement evenly over the life of the lease. In the six month period ending 30 June 2019, £nil relating to short period and low value leases were included in Operating expenses.

The liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. All leases were discounted using an estimated implicit rate of 4.50%, with almost all leases by value relating to properties.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Reliance on an assessment of whether leases are onerous immediately before the date of application as an alternative to performing an impairment review.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition the date the Group relied on its assessment made applying IAS 17 and IFRIC 4 'Determining whether an arrangement contains a lease'.

Included as part of the right of use asset is a separable floor of a property, which accordingly has been accounted for as an investment property. As the property is subject to a fixed life contract which would have previously been accounted for as an operating lease, the directors consider it most appropriate to recognise the property at cost less depreciation. As these financial statements are interim only, the directors have not attempted to quantify the fair value of this investment property.

6. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	**30 June 2019 £'000s**	**30 June 2018 £'000s**
Earnings for the purpose of basic earnings per share being net profit attributable to owners of the parent	209	207
Effects of dilutive potential ordinary shares	-	-
Earnings for the purposes of diluted earnings per share	209	207

Number of shares	**30 June 2019 £**	**30 June 2018 £**
Weighted average number of ordinary shares for the purposes of basic earnings per share	32,200,650	31,818,043
Effects of dilutive potential ordinary shares	598,611	1,016,037
Weighted average number of ordinary shares for the purposes of diluted earnings per share	32,799,261	32,834,080
Earnings per share		
Pence per weighted average shares	0.66p	0.65p
Pence per weighted average diluted shares	0.64p	0.63p

The Directors use adjusted earnings before time-value interest, investment revenue, amortisation, and costs of acquisition ("Adjusted Earnings") as a measure of ongoing profitability and performance. The calculated Adjusted Earnings for the current period of accounts is as follows:

Adjusted Earnings per Share	**30 June 2019 £'000s**	**2019 Excluding IFRS 16 £'000s**	**30 June 2018 £'000s**
Profit after taxation	209	215	207
Adjusted for:			
Time-value interest costs	63	4	3
Investment revenues	(1)	(1)	(8)
Amortisation and profit/loss of disposal of intangibles	449	449	409
Costs of acquisition	3	3	2
Share-based payment expense	11	11	33
Adjusted Earnings	734	681	646
Adjusted Earnings per share			
Pence per weighted average shares	2.30p	2.14p	2.03p
Pence per weighted average diluted shares	2.26p	2.10p	1.97p

END

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Interim Results - RNS