7 October 2019

**Angling Direct plc**

(“Angling Direct” the “Company” or the “Group”)

**Half-yearly report for the period ended 31 July 2019**

Angling Direct plc (AIM: ANG), the UK’s largest and fastest growing fishing tackle and equipment retailer, is pleased to announce its unaudited financial results for the six months ended 31 July 2019 (“H1-20” or the “Period”), which are in line with the management’s expectations and show strong sales momentum and cash generation.

The Group made considerable progress, during the Period, on all key areas of its strategy: market consolidation, online sales growth and increased store footprint. The business is continuing to perform well and significantly outperform the overall UK retail market and is on track to deliver results in line with market expectations for the full year ending 31 January 2020 (“FY-20”).

Angling is one of the most popular participation sports in the UK and the market for fishing tackle and equipment continues to grow. With this in mind and our activity in Europe growing rapidly, the Board remains optimistic for the future growth and success of the business.

**Financial highlights:**
- Revenue of £26.5m (H1-19: £21.9m) - up 21%
- Gross profit of £8.5m (H1-19: £7.2m) - up 18%
- Adjusted EBITDA[1] of £1.25m (H1-19: £1.08m) - up 15.7%
- Net cash from operating activities of £1.7m, compared to £0.6m in H1-19 and (£2.9m) in FY-19
- Net cash and cash equivalents as at 31 July 2019 of £13.3m (31 July 2018: £0.8m)
- Continued investment in online marketing, customer service, logistics and distribution

**Operational highlights:**
- In-store - revenue up 41.1% to £14.0m (H1-19: £9.9m)
  - Acquisition of stores in Hull and Scunthorpe from Chapman’s Angling Ltd (February 2019)
  - New destination stores opened in Nottingham (April 2019) and Sutton-in-Ashfield (June 2019)
  - Like-for-like sales up 14.9% (HY-19: 4.2%)
  - Like-for-like footfall increasing by 9.8% (HY-19: 4.2%)
- Online - material growth in revenue:
  - UK up 16.8% to £9.2m (H1-19: £7.8m) with UK conversion up 8% to 5.66% (H1-19: 5.24%)
  - Europe up 29% to £2.7m (H1-19: £2.1m)

**Current trading and outlook:**
- Further new stores opened in Leeds (August 2019) and Milton Keynes (September 2019)
- Portfolio of 34 stores expected by the financial year end
- In-store like-for-like sales up 13.3% and 26.7% online between 1 June 2019 to 31 August 2019
- Adjusted EBITDA[1] expected to benefit from distribution efficiencies in H2 20
- On track to meet market expectations
- The Board remains highly optimistic for the future growth and success of the business

1. *Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortization and exceptional items.*

**Martyn Page, Executive Chairman, said:** *“It has been another highly successful period for the Group with strong growth achieved across our network of stores and online. We have successfully executed our strategy to deliver new store openings in the Period and have further consolidated the market through selective acquisitions.*

*"Our retail store portfolio in the UK, which is growing rapidly and to plan, is delivering good results, as are our new German, French and Dutch websites which were launched last year. Our new store opening programme for the next 12 months is progressing as planned with future locations identified.*

*"The second half has started well, with the opening of two new stores and a record performance in August with sales up 33% on prior year, I am pleased to report that the Group is on track to meet market expectations. The Board views the future with confidence and I look forward to reporting further on the Group's progress at the full year.*

*"I would like to thank my fellow directors and the whole of the Angling Direct team for their continued efforts."*

**For further information:**


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**About us:**
Angling Direct is the largest specialist fishing tackle retailer in the UK. The Company sells fishing tackle products and related equipment through its network of retail stores, located throughout the UK, as well as through its own website (www.anglingdirect.co.uk) and other third-party websites.

The Company currently sells over 21,500 fishing tackle products, including capital items, consumables, luggage and clothing. The Company also owns and sells fishing tackle products under its own brand 'Advanta', which was formally launched in March 2016.

From 1986 to 2003 the Company's Founders acquired interests in a number of small independent fishing tackle shops in Norfolk and, in 2003, they acquired a significant premises in Norwich, which was branded Angling Direct. Since 2003, the Company has continued to acquire or open new stores, taking the total number up to 30 retail stores. In 2015 the Company opened a 30,000 sq ft central distribution centre in Rackheath, Norfolk, where the Company's head office is also located.

Angling Direct's shares are traded on the AIM market of the London Stock Exchange under the ticker symbol ANG.L.

**CHIEF EXECUTIVE'S REVIEW**

The Group delivered a strong set of results in the Period and further executed on its strategy, outlined during the fundraise in October 2018, to accelerate the roll-out of Angling Direct stores in the UK and to drive further online sales in the UK and Europe.

**Results**

Revenue increased significantly during the Period, rising by 20.9% to £26.5 million (H1-19: £21.9 million). Gross profit increased by 18% to £8.5m (H1-19: £7.2m). Adjusted EBITDA[1] grew by 15.7% to £1.25 million (H1-19: £1.08 million), as the Group continued to invest in online development to support the future growth of the online business. As well as infrastructure, we also invested in the Group's marketing and customer services functions to support expansion and growth.

After accounting for leases under IFRS 16, the Group reported a pre-tax profit of £0.3 million, a decrease of £0.2 million on the prior year, primarily due to an increase in depreciation of £0.3 million, resulting from the continued capital investment programme and property depreciation under IFRS16 (H1-19: £0.5 million).

Cash generation in the Period was strong, as expected, with net cash from operating activities of £1.7m, compared to £0.6m in H1-19 and (£2.9m) in FY-19.

**Operational review**

***Retail stores***

The Group performed strongly and in line with our expectations in the Period with in-store revenue rising by 41.1% to £14.0 million (H1-19: £9.9 million). Importantly, and most pleasingly, we demonstrated our ability to deliver ongoing growth with like-for-like sales improving by 14.9% and like-for-like footfall increasing by 9.8%. Furthermore, average baskets overall were up 10.7% to £37.33 (H1-19: £33.72). We attribute this growth to the combination of our broad, industry-leading product range, in-store experience and successful merchandising.

In February 2019, we acquired Chapman's Angling, which added two new locations to the Group in Hull and Scunthorpe. The business is now fully integrated and is performing in line with our expectations.

***Online***

Online revenue increased by 9.6% to £11.9 million (H1-19: £10.8 million) supported by further investment in the Group's e-commerce platform and focused marketing in the UK and Europe. The number of unique users visiting the UK website rose by 12.2% and we are delighted with the conversion increase to 5.66% (H1-19: 5.24%). The average basket value was 1% higher at £79.92 (H1-19: £78.97). Whilst this might seem a modest increase, our success in attracting online customers back to the site is resulting in more frequent purchases and greater overall annual spend per customer.

We successfully launched our German, French and Dutch websites last year, which are building momentum with revenue growth of 48%, 52%, and 59% respectively. We are excited by the growth of our online business internationally, with the Group now selling into 35 countries.

***eBay and insurance***

The Group is now almost solely focused on driving sales through its own websites. Accordingly, sales through eBay decreased by 39% to £0.5 million (H1-19: £0.8 million). Insurance replacement sales also decreased during the Period to £0.1 million (H1-19: £0.3 million), as claim volumes reduced.

***Product range***

We have continued to invest in our own brand product range, Advanta, which contributed £0.8 million to Group sales in the Period, an increase of 56.9% on the prior year (H1-19: £0.5 million). Additionally, we have broadened our product range and invested further in stock to improve availability throughout the year on key selling items.

***Pricing***
It is vital that Angling Direct stays competitive on product pricing across the Group to deliver the best possible value to our customers. As such, we remain committed to our price checker policy. Despite further discounting by our competitors, increasing online sales of lower-margin capital items in Europe and price increases from suppliers, we still managed to achieve gross margins of 32.1% in the period (H1-19: 32.9%). We will continue to monitor these factors and seek to improve our margin by focusing on our suppliers, committing additional investment to drive sales growth of our Advanta product range and other specific product opportunities.

**Store roll-out**
The Group raised c.£19.1 million in a Placing in October 2018 in part to accelerate the roll-out of Angling Direct stores in the UK. As previously stated, we plan to use these funds to expand our footprint by c.20 stores by the end of 2020.

We opened two stores and acquired two stores with Chapman's Angling in February 2019, during the Period, ending the half year owning and operating 28 stores (H1-19: 22 stores). A further two stores have already been opened since the half year end, in Leeds (August 2019) and Milton Keynes (September 2019).

We expect to end the financial year with a portfolio of 34 stores. Our plans for new UK store openings in 2020 are already well underway and these will take Angling Direct into new geographical areas.

Our market is massively fragmented and the opportunity for Angling Direct to consolidate further remains considerable. The Board continues to explore and assess strategic opportunities that will provide a functional fit with our business model and add value to the Group's overall operations.

**Outlook**
The second half of the financial year has started very positively. The Group generated record sales both in-store and online in August and like for like store growth of 11.8%, despite the issues that the wider UK retail sector is facing. Our new stores in Leeds and Milton Keynes opened their doors and, I am pleased to report strong trading.

On current performance, we remain confident that the Group will meet market expectations for FY-20. The Board remains optimistic for the future growth and success of the business.

The Group continues to invest in the future growth of the business, both online and in-store. As we grow, we will maintain a close focus on costs and seek to improve operational efficiencies and margins further. We have been extremely pleased with the performance of our online European business to date. Our approach to its expansion, backed with strong brand awareness, will ensure the correct structure is in place to achieve ongoing, sustainable growth.

Darren Bailey
***Chief Executive Officer***

**CONSOLIDATED INCOME STATEMENT**
**FOR THE 6 MONTHS ENDED 31 JULY 2019**

| | Notes | **IFRS16 Adjusted (Unaudited) 6 months to 31 July 2019 £ 000's** | IRFS 16 Adjusted (Unaudited) 6 months to 31 July 2018 £ 000's | IRFS16 Adjusted (Audited) Year ended 31 Jan 2019 £ 000's |
|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | |
| Revenue | | **26,522** | 21,939 | 42,004 |
| Cost of sales | | **(18,004)** | (14,722) | (28,183) |
| GROSS PROFIT | | **8,518** | 7,217 | 13,821 |
| Distribution costs | | **(1,457)** | (1,398) | (2,691) |
| Administrative expenses | | **(6,589)** | (5,205) | (11,150) |
| **OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS** | | **472** | 614 | (20) |
| Exceptional items | 4 | **-** | - | (188) |
| **OPERATING PROFIT** | | **472** | 614 | (208) |
| Finance costs | | **(149)** | (134) | (235) |
| **PROFIT BEFORE INCOME TAX** | | **323** | 480 | (443) |
| Income tax | | **(36)** | (94) | (1) |
| **PROFIT(LOSS) FOR THE PERIOD** | | **287** | 386 | (444) |
| Profit/(Loss) attributable to: | | | | |
| Owners of the parent | | **287** | 386 | (444) |
| Earnings/(Loss) per share attributable to the ordinary equity holders of the parent: | | | | |
| Basic (pence) | | **0.51** | 0.89 | (0.91) |
| Diluted (pence) | | **0.50** | 0.86 | (0.88) |

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE 6 MONTHS ENDED JULY 2019**

| | **IFRS 16 Adjusted (Unaudited) 6 months to 31 July 2019 £ 000's** | IFRS 16 Adjusted (Unaudited) 6 months to 31 July 2018 £ 000's | IFRS 16 Adjusted (Audited) Year ended 31 Jan 2019 £ 000's |
|---|---|---|---|
| **PROFIT/(LOSS) FOR THE PERIOD** | **287** | 386 | (444) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Item that may be reclassified subsequently to profit or loss:** | | | |
| Interest received | **44** | - | - |
| **OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX** | **44** | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **331** | 386 | (444) |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | **331** | 386 | (444) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 31 JULY 2019**

| | | | | |
|---|---|---|---|---|
| | | **IFRS 16 Adjusted (Unaudited) 6 months to 31 July 2019** | IFRS 16 Adjusted (Unaudited) 6 months to 31 July 2018 | IFRS 16 Adjusted (Audited) Year ended 31 Jan 2019 |
| **ASSETS** | Notes | **£ 000’s** | £ 000’s | £ 000’s |
| **NON-CURRENT ASSETS** | | | | |
| Intangible assets | | **4,887** | 4,614 | 4,614 |
| Property, plant and equipment | | **5,119** | 3,017 | 4,225 |
| Right of use assets | | **7,585** | 5,184 | 5,578 |
| | | **17,591** | 12,815 | 14,417 |
| **CURRENT ASSETS** | | | | |
| Inventories | | **12,097** | 8,524 | 9,348 |
| Trade and other receivables | | **862** | 876 | 708 |
| Cash and cash equivalents | | **13,329** | 779 | 13,540 |
| | | **26,288** | 10,179 | 23,596 |
| **TOTAL ASSETS** | | **43,879** | 22,994 | 38,013 |
| **EQUITY** | | | | |
| **SHAREHOLDERS’ EQUITY** | | | | |
| Called up share capital | **5** | **646** | 430 | 646 |
| Share premium | | **26,017** | 7,032 | 26,017 |
| Revaluation reserve | | **86** | 86 | 86 |
| Retained earnings | | **314** | 767 | (17) |
| **TOTAL EQUITY** | | **27,063** | 8,315 | 26,732 |
| **LIABILITIES** | | | | |
| **NON-CURRENT LIABILITIES** | | | | |
| Financial liabilities – Interest bearing loans borrowings and Leases | | **272** | 36 | 322 |
| IFRS 16 RTU Long Term Lease Liability | | **7,053** | 4,890 | 5,235 |

| | | | |
|---|---|---|---|
| Deferred tax | **306** | 219 | 270 |
| | **7,631** | 5,145 | 5,827 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | **8,195** | 7,218 | 4,681 |
| Interest bearing loans borrowings and Leases | **114** | 1,538 | 120 |
| IFRS16 RTU Short Term Lease Liability | **929** | 586 | 706 |
| Tax payable/(Receivable) | **(53)** | 192 | (53) |
| **TOTAL LIABILITIES** | **16,816** | 14,679 | 11,281 |
| **TOTAL EQUITY AND LIABILITIES** | **43,879** | 22,994 | 38,013 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE 6 MONTHS ENDED 31 JULY 2019**

| | Called up share capital £ 000's | Share premium £ 000's | Retained earnings £ 000's | Revaluation reserve £ 000's | Total equity £ 000's |
|---|---|---|---|---|---|
| **Balance at 31 January 2018** | **430** | **7,032** | **707** | **86** | **8,255** |
| Change in Accounting Policy | | | (326) | | (326) |
| **Restated Balance at 31st January 2018** | **430** | **7,032** | **381** | **86** | **7,929** |
| **Changes in equity** | | | | | |
| Profit/(Loss) for the period | - | - | 478 | - | 478 |
| Change in Accounting Policy | | | (92) | | (92) |
| **Restated Balance at 31 July 2018** | **430** | **7,032** | **767** | **86** | **8,315** |
| **Changes in equity** | | | | | |
| Issue of share capital | 216 | 19,784 | - | - | 20,000 |
| Costs associated with share issue | - | (799) | - | - | (799) |
| Profit/(Loss) for the period | - | - | (746) | - | (746) |
| Change in accounting Policy | | | (38) | | (38) |

| | | | | | |
|---|---|---|---|---|---|
| **Restated Balance at 31 January 2019** | **646** | **26,017** | **(17)** | **86** | **26,732** |
| | | | | | |
| **Changes in equity** | | | | | |
| Profit/(Loss) for the period | - | - | 457 | - | 457 |
| Change In Accounting Policy | | | (126) | | (126) |
| | | | | | |
| **Balance at 31 July 2019** | **646** | **26,017** | **314** | **86** | **27,063** |

**CONSOLIDATED CASHFLOW STATEMENT**
**FOR THE 6 MONTHS ENDED 30 JULY 2019**

| **Cash flows from operating activities** | Notes | **(Unaudited) 6 months to 31 July 2019 £ 000's** | (Unaudited) 6 months to 31 July 2018 £ 000's | (Audited) Year ended 31 Jan 2019 £ 000's |
|---|---|---|---|---|
| Cash generated from operations | 1 | **1,858** | 762 | (2,571) |
| Interest paid | | **-** | (35) | (21) |
| Interest element of finance lease payments made | | **(149)** | (99) | (214) |
| Taxation refund | | **-** | - | 13 |
| Taxation paid | | **-** | - | (114) |
| Net cash from operating activities | | **1,709** | 628 | (2,907) |

| | | | | |
|---|---|---|---|---|
| **Cash flows from investing activities** | | | | |
| Purchase of goodwill | | **(273)** | (50) | (50) |
| Purchase of tangible fixed assets | | **(3,676)** | (1,970) | (4,205) |
| Interest Received | | **44** | - | - |
| Net cash from investing activities | | **(3,905)** | (2,020) | (4,255) |
| **Cash flows from financing activities** | | | | |
| New loans in period | | **-** | 650 | - |
| Loan repayments in period | | **-** | - | (850) |
| New finance lease | | **2,537** | 1,133 | 2,407 |
| Finance Lease repayments in period | | **(552)** | (361) | (804) |
| Share issue | | **-** | - | 20,000 |
| Cost of share issue | | **-** | - | (800) |
| Redemption of preference shares | | **-** | - | - |
| Equity dividends paid | | **-** | - | - |
| Net cash from financing activities | | **1,985** | 1,422 | 19,953 |
| **(Decrease)/Increase in cash and cash equivalents** | | **(211)** | 30 | 12,791 |
| Cash and cash equivalents at beginning of period | | **13,540** | 749 | 749 |
| **Cash and cash equivalents at end of period** | 2 | **13,329** | 779 | 13,540 |

**NOTES TO THE CASH FLOW STATEMENT**
**FOR THE 6 MONTHS ENDED 31 JULY 2019**

## 1. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

| | IFRS 16 Adjusted (Unaudited) 6 months to 31 July 2019 £000's | IFRS 16 Adjusted (Unaudited) 6 months to 31 July 2018 £000's | IFRS 16 Adjusted (Audited) Year ended 31 Jan 2019 £000's |
|---|---|---|---|
| Profit before income tax | 323 | 480 | (443) |
| Depreciation charges | 775 | 465 | 1098 |
| Finance costs | 149 | 134 | 235 |
| | 1,247 | 1,079 | 890 |
| (Increase)/Decrease in inventories | (2,749) | (1,709) | (2,533) |
| (Increase)/Decrease in trade and other receivables | (154) | (301) | (91) |
| Increase/(Decrease) in trade and other payables | 3,514 | 1,693 | (837) |
| **Cash generated from operations** | 1,858 | 762 | (2,571) |

## 2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of the statement of financial position amounts:

| **Period ended 31 July 2019** | (Unaudited) As at 31 July 2019 £000's | (Audited) As at 31 Jan 2019 £000's |
|---|---|---|
| Cash and cash equivalents | 13,329 | 13,540 |
| Bank Overdrafts | - | - |
| | 13,329 | 13,540 |

| **Period ended 31 July 2018** | (Unaudited) As at 31 July 2018 £000's | (Audited) As at 31 Jan 2018 £000's |
|---|---|---|
| Cash and cash equivalents | 779 | 749 |
| Bank Overdrafts | - | - |
| | 779 | 749 |

| **Period ended 31 January 2019** | (Audited) As at 31 Jan 2019 £000's | (Audited) As at 31 Jan 2018 £000's |
|---|---|---|
| Cash and cash equivalents | 13,540 | 749 |
| Bank Overdrafts | - | - |
| | 13,540 | 749 |

**NOTES TO THE FINANCIAL STATEMENTS UNAUDITED RESULTS**
**FOR THE 6 MONTHS ENDED 31 JULY 2019**

**1. Basis of preparation**

These interim financial statements for the six-month period ended 31 July 2019 have been prepared using the historical cost convention, on a going concern basis and in accordance with applicable International Financial Reporting Standards as adopted by the European Union ("IFRS") and with those parts of the UK Companies Act 2006 applicable to companies reporting under IFRS as adopted by the European Union. They have also been prepared on a basis consistent with the accounting policies expected to be applied for the year ending 31 January 2020 and which are also consistent with the accounting policies applied for the year ended 31 January 2019 except for the adoption of any new standards and interpretations.

These interim results for the six months ended 31 July 2019 are unaudited and do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial statements for the year ended 31 January 2019 have been delivered to the Registrar of Companies and filed at Companies House and the auditors' report on those financial statements was unqualified and did not contain a statement made under Section 498(2) or Section 498(3) of the Companies Act 2006.

**1 (a) New and amended standards adopted by the group**

A number of new or amended standards became applicable for the current reporting period, and the

group had to change its accounting policies and make full retrospective adjustments as a result of adopting IFRS 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in

note 2 below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

**2. Changes in accounting policies**

This note explains the impact of the adoption of IFRS 16 *Leases* on the group's financial statements and discloses the new accounting policies that have been applied from 1 February 2019 in note 2(b) below.

The group has adopted IFRS 16 retrospectively from 1 February 2019 and have restated comparatives for the 2018 reporting period. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the various time periods.

**2(a) Adjustments recognised on adoption of IFRS 16**

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases.* These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing of 4%.

| | 2019 £000's |
|---|---|
| Operating lease commitments disclosed as at 31 January 2019 | 3,983 |

| | |
|---|---|
| Add commitment from disclosed break clause to full right to use | 2,967 |
| Discounted using the lessee's incremental borrowing rate at the date of application | (1,009) |
| **Lease liability recognised as at 31 January 2019** | 5,941 |
| | |
| Of which are | |
| Current lease liabilities | 706 |
| Non-current lease liabilities | 5,235 |

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application

The recognised right-of-use assets relate to the following types of assets:

| | 31 July 2019 | 1 Feb 2019 |
|---|---|---|
| | £000's | £000's |
| Properties | 7,457 | 5,508 |
| Vehicles | 128 | 70 |
| | | |
| **Total right to use assets** | **7,585** | **5,578** |

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by £5,578k
- prepayments – decrease by £93k
- lease liabilities – increase by £5,941k

The net impact on retained earnings on 1 February 2019 was a decrease of £456k

**(i) Practical Expedients Applied**

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 previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 February 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

**2(b) The group's leasing activities and how these are accounted for**

The group leases various offices, warehouses, retail stores and cars. Rental contracts are typically made for fixed periods of 3 to 10 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 February 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

**3. Profit per share**
Basic Earnings Per Share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares (64,621,693 31st July 2019 and 31st January 2019, and 42,999,993 31st July 2018) outstanding during the period.

**4. Exceptional items**
There were no exceptional items in the period.

**5. Called up Share Capital**

| | (Unaudited) 31 July 2019 £ | (Unaudited) 31 July 2018 £ | Audited 31 Jan 2019 £ |
|---|---|---|---|
| **Allotted, called up and fully paid** | | | |
| Ordinary shares of £1 each | - | - | - |
| Ordinary shares of 1p each | 646,220 | 430,000 | 646,220 |
| Preference shares of £1 each | - | - | - |
| | 646,220 | 430,000 | 646,220 |

| | No of Ordinary 1p shares |
|---|---|
| Balance at 31 July 2018 | 42,999,993 |
| Balance at 31 January 2019 | 64,621,693 |
| Balance at 31 July 2019 | 64,621,693 |

**6. Post balance sheet events**
There are no post balance sheet events to report