3 September 2019

BELVOIR!

BELVOIR GROUP PLC
(the "Company", “Group” or "Belvoir")

Interim Results for the six months ended 30 June 2019

Strong trading and growth continues

Belvoir Group PLC (AIM: BLV), the UK's largest property franchise, is pleased to announce interim results for the six months ended 30 June 2019.

Financial Highlights

- 48% increase in Group revenue to £9,047,000 (H1 2018: £6,123,000)
- 5% increase in Management Service Fees (MSF) to £4,201,000 (H1 2018: £4,015,000)
- Financial Services division revenue up significantly to £3,969,000 (H1 2018: £1,311,000) benefitting from November 2018 acquisition of MAB (Gloucester) Limited (“MAB Glos”)
- 18% increase in gross profit to £6,198,000 (H1 2018: £5,242,000)
- 23% increase in adjusted profit before tax to £2,999,000 (H1 2018: £2,429,000)
- MAB Glos and the underlying business each contributed around 50% of the increased gross profit and adjusted profit before tax
- Adjusted earnings per share up by 21% to 6.9p (H1 2018: 5.7p) and basic earnings per share of 6.1p (2018: 6.9p – included exceptional £0.8m credit to profit)
- Interim dividend is maintained at 3.4p with interim dividend cover at 2.0x

Operational Highlights

- 300 (2018: 300) property franchise offices having opened in four new territories and merged four into adjacent offices
- Net increase of 100 financial services advisers bringing total to 136 (H1 2018: 36) of which 87 were acquired with MAB Glos
- 16 franchisee assisted acquisitions completed in the year to date comprising £4,194,000 of acquired franchisee turnover
- Gross profit split of 66% lettings: 15% sales: 19% financial services (H1 2018: 74%:17%:9%) reflects continued lettings bias and growing investment in financial services
- Number of managed properties increased 6% to 64,650 (H1 2018: 61,100)

Dorian Gonsalves, Chief Executive Officer of Belvoir Group, commenting on the results, said:

“I am delighted to report another half year of further strategic and trading progress for the Group, with our diversification into financial services building on the growth of the underlying business. Trading across lettings, sales and financial services continues to outperform their respective markets and deliver strong results for the Group.

"The further take-up of property sales, financial services and franchisee-led acquisitions demonstrates the entrepreneurial spirit of our franchisees in the face of even more challenging market conditions.

"I am pleased to further report that Belvoir has achieved a promising start to the second half, and as such the Company is on track to meet management expectations for the full year."

For further details:

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Buchanan	0207 466 5000
Charles Ryland, Victoria Hayns, Tilly Abraham	

Belvoir will host an analyst meeting today at 10.30am at the offices of Buchanan, 107 Cheapside, EC2V 6DN.

About Belvoir Group PLC

Founded in 1995 and listed on AIM in 2012 (BLV.L), Belvoir operates a nationwide property franchise group with 372 offices across four brands specialising in residential lettings, property management, residential sales and property-related financial services. With its Central Office in Grantham, Lincolnshire, the Group manages 64,650 properties and reported record revenues of £13.7m in 2018 making Belvoir the largest property franchise group in the UK.

For further information, please visit: www.belvoirgroup.com

Chief Executive's Report

It gives me great pleasure to report on the Group's interim results for the six months ended 30 June 2019.

Performance

Over the first six months of the year the Group has continued to outperform the three markets in which it operates; lettings, property sales and financial services, reporting strong growth from both the underlying business and from our 2018 investment in financial services.

During a period when the sector is witnessing offices closures among both small independent and larger networks, Belvoir has maintained its presence on the high street with 300 (H1 2018: 300) franchise offices across the UK. The Group opened in four new locations, each off the back of an Assisted Acquisition for an existing franchise owner, and six offices have been resold. Meanwhile, four franchise owners have merged one of their offices into an adjacent office, none of which have resulted in a reduction in the lettings book. The Group continues to attract new franchisees with three having joined to acquire an existing office from a retiring franchisee. Our focus on supporting franchisees and their business development means that our franchisees are not just surviving, but thriving with the average revenue per office up 6% to £133,000 (H1 2018: £125,000).

Lettings

Our core recurring revenue stream, lettings MSF, was up 4% on H1 2018 compared with a rental index of 1.3%[1]. This was mainly the result of our entrepreneurial franchisees acquiring a local competitor under our successful Assisted Acquisitions programme. Belvoir now manages a nationwide portfolio of 64,650 (H1 2018: 61,100) rented properties, providing a reliable and recurring income for both our franchisees and the Group. This further strengthens Belvoir's position as managing the second largest lettings portfolio within the UK.

Property sales

The Belvoir Group continued to deliver growth from property sales with MSF up 7% against house price inflation of 0.9%[2] and property transactions down by 2.2%[3] in the first six months of 2019 compared with the same period last year. Greater emphasis on estate agency has seen our lettings-biased networks, Belvoir and Northwood, boost their revenue from estate agency by 17% having embraced sales as an additional revenue stream. We continue to see sales as a real growth opportunity for our network.

As a result of increased revenue from both lettings and sales, our overall MSF growth was 5%. The lettings to sales revenue ratio from our 300 offices remained unchanged at 81:19 as the growth in estate agency within the Northwood and Belvoir networks was matched by our increased lettings book under the Assisted Acquisitions programme.

Financial Services

Financial services, a real differentiator for Belvoir, contributed 19% of gross profit following the 2017 acquisition of Brook Financial Services ("Brook") and the November 2018 acquisition of MAB Glos. Brook has continued its strong growth path increasing its income by 21% in H1, having grown by 20% in 2018. MAB Glos has also started well contributing approximately 50% of increased Group profitability in H1. Our number of advisers is up 11% since the start of the year, and we now have a total of 136 advisers, compared with just 13 at the end of 2016. Our growth strategy for financial services is two-fold; firstly through extending the number of advisers working with independent lead sources and secondly from pairing advisers with our group franchise offices. We now have 66 group offices introducing leads to our financial services adviser network and are working to achieve further penetration. Ongoing recruitment of advisers into new territories is critical to our long-term objective of providing each of our offices access to a specialist mortgage adviser either by phone or within their office.

Sector

The most significant change for the sector has been the introduction of a ban on tenant fees on 1 June. As a Group, Belvoir has taken proactive measures to enable our franchisees to mitigate the impact of the tenant fee ban by increasing onsite support visits fourfold, delivering growth workshops, providing increased training and introducing new revenue streams. As a result, our assessment of the impact has been borne out by trading since 1 June.

The Government continues to announce initiatives aimed at professionalising the sector. The regulation of property agents (ROPA) report was published on 18 July 2019 which sets out seven initiatives including licensing of agents, mandatory qualifications and new codes of conduct. We welcome all efforts to improve standards across the sector, as Belvoir has provided its franchisees with in-depth training and has self-regulated for many years. Such increased regulation is likely to drive further consolidation and we believe that our well-trained and well-supported franchisees are best placed to respond to the impact of these changes.

Technology
In recognition of the productivity gains that technology brings to the traditional estate agency model, the Group has committed to a new software platform that will enable our franchisees to benefit from productivity tools and will improve the customer journey. We are ten months through a two year programme to roll this system out to all our franchise offices. Our appointment of a Head of Digital as of April this year reinforced our ongoing commitment to improving technology across the Group.

Board changes
I would like to take this opportunity to thank Mike Goddard, Belvoir's founder and previous Chairman, who stepped down from the Board in May, for his inspirational and entrepreneurial leadership of the Belvoir Group over the past 24 years; and to welcome Michael Stoop, who joined the Board in March 2018 and has 40 years' experience of the property franchise sector, into his new role as Non-Executive Chairman.

Outlook
Having reported significant growth in the first half of 2019, underpinned by clear strategic progress for the Group, I am pleased to report further that, despite the tough market conditions, Belvoir has achieved a promising start to the second half of the year, and is trading in line with management expectations for the full year.

Dorian Gonsalves
Chief Executive Officer

[1] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/july2019

[2] http://landregistry.data.gov.uk/app/ukhpi#targetText=Current%20index,compared%20to%20the%20previous%20year.

[3] https://www.gov.uk/government/statistics/monthly-property-transactions-completed-in-the-uk-with-value-40000-or-above

Financial Review

Revenue

The first six months of 2019 saw strong performance across the Belvoir Group with revenue up 48% to £9,047,000 (H1 2018: £6,123,000), an increment of £2,924,000 of which £2,342,000 reflects the November 2018 acquisition of MAB Glos, and the remaining £582,000 represents a growth of 10% in the underlying business.

Within our property franchise division, MSF increased by 5% to £4,201,000 (H1 2018: £4,015,000) with the lettings element growing by 4%. The introduction of the tenant fee ban on 1 June 2019 reduced organic growth in the period to around 0.5% with the balance arising from franchisee-led acquisitions under the Belvoir Assisted Acquisitions programme.

In the year to date the Group completed on 16 Assisted Acquisitions with a total deal value of £3,942,000 (H1 2018: £5,492,000) of which £663,000 (H1 2018: £437,000) was funded by a Central Office loan. Based on their historic results, these acquisitions added £4,194,000 (H1 2018: 5,113,000) to our franchisee network revenue, brought in 2,432 additional managed properties and increased annualised recurring MSF of £300,000 with a contribution of £200,000 to MSF expected in 2019.

Meanwhile, MSF from property sales increased by 7% which resulted mainly from our focus on sales as an additional income stream to help our franchisees combat the impact of the tenant fee ban.

Revenue from corporate-owned offices was up 26% to £600,000 (H1 2018: £475,000) having acquired two local lettings agencies to bolt onto our Newton Fallowell Grantham corporate-owned office; one in September 2018 and the other in May 2019.

Franchise fees and other income, including insurance, conveyancing and other commissions, and fees for other services to franchisees, contributed £277,000 (H1 2018: £322,000).

Financial services increased revenue by £2,658,000 to £3,969,000 (H1 2018: £1,311,000). The further investment in financial services, through the acquisition of MAB Glos, added £2,342,000 whilst revenue from our existing financial services business, Brook, was up 21%, adding a further £316,000.

Gross profit

Gross profit increased by 18%, to £6,198,000 (2018: 5,242,000) with an almost equal additional contribution from each of the underlying business and MAB Glos, adding £482,000 and £474,000 respectively.

As a result of the significant element of distribution from the financial services income to our advisers, gross profit now represents the key metric in determining contribution from the different elements of the business. Gross profit performance by our property franchise division was up 6% to £5,078,000 (H1 2018: £4,805,000) and our financial services division was up 156% to £1,120,000 (H1 2018: £436,000). In addition to the 474,000 contribution from MAB Glos, the underlying financial services business delivered £646,000 (2018: £436,000) in gross profit representing impressive growth of 48%. Financial services now represents 18% of gross profit and is a key part of the Group's strategy to diversify into property-related services that support franchisee growth.

Administrative expenses

Ongoing administrative expenses increased to £3,437,000 (H1 2018: £3,159,000), an increase of £278,000 of which £170,000 related to operating MAB Glos and £58,000 arose from the increase in staffing and overheads associated with the two small lettings books acquired by Newton Fallowell Grantham. Otherwise, overheads were broadly consistent with the prior period.

Exceptional items

There were no exceptional items in the period under review compared to a net credit of £745,000 in the first half of 2018 relating to the final settlement of the Northwood contingent consideration being less than the provision for contingent consideration assessed at completion.

Profit before taxation

Profit before taxation for the period was £2,695,000 (H1 2018: £2,869,000). Having adjusting for the exceptional credit last year, share-based payments and amortisation of acquired intangibles, adjusted profit before taxation was up 23% to £2,999,000 (2018: £2,429,000).

Taxation

The effective rate of corporation tax for the period was 21% (H1 2018: 15.5%), with the low effective rate last year reflecting the exceptional credit arising from the reduction in contingent consideration.

Profit after taxation

Profit after taxation for the period was £2,121,000 (H1 2018: £2,425,000) with adjusted profit after taxation up 22% to £2,425,000 (H1 2018: £1,985,000).

Earnings per share

Basic earnings per share was 6.1p (H1 2018: 6.9p) based on an average number of shares in issue in the period of 34,938,606 (H1 2018: 34,938,606). Diluted basic earnings per share was 5.7p (H1 2018: 6.5p) based on an average number of shares in issue in the period of 37,078,679 (H1 2018: 37,255,046). As adjusted for the exceptional credit last year, share-based payments and the amortisation of acquired intangibles, the adjusted diluted earnings per share was 6.5p (H1 2018: 5.3p). See note 5 to the interim statements for detailed breakdown of adjustments to profit and EPS calculations.

Dividend

The Board is proposing that the interim dividend for 2019 be maintained at 3.4p per share. The Group aims to offer a reliable and growing income stream to investors whilst also investing in the business to further its strategic growth objectives. The interim dividend is payable to shareholders on 24 October 2019 based upon the register on 13 September 2019. The ex-dividend date will be 12 September 2019. The adjusted interim dividend cover is at 2.0x (H1 2018: 1.6x).

Cash flow

On an operational level, the Group was highly cash generative with net cash inflow from operating activities after taxation at £2,366,000 (H1 2018: £1,788,000) reflecting the enlarged Group.

In May the Group acquired a small lettings portfolio for the Newton Fallowell Grantham office for £206,000 and in January £223,000 was paid to the vendors of MAB Glos and £20,000 to the vendors of Uplong. Also, during the period there was a net outflow from the franchisee loan book of £225,000 (H1 2018: inflow 733,000) with £663,000 advanced to franchisees under the Assisted Acquisitions programme.

Liquidity and capital resources

The Group had cash balances of £1,419,000 (H1 2018: £2,392,000) and a term loan of £10,915,000 (H1 2018: £6,199,000) leaving net debt of £9,496,000 (H1 2018: £3,807,000). The increased borrowing since H1 2018 was applied to the settlement of £4,236,000 deferred and contingent consideration on Northwood and £3,536,000 consideration for MAB Glos. The term loan is repayable in half yearly payments of £445,000 with a final repayment of £7,868,000 in March 2023 and bears interest at 1.95% over the LIBOR rate.

Financial position

The Group continues to operate from a sound financial platform generating sufficient cash from the operations of the enlarged Group to meet the interest and capital payable on the loan facility and dividends to shareholders. At the end of June 2019, the Group was comfortably inside its bank covenants with the debt service cover at 3.1 times (H1 2018: 3.7). The Group maintains a franchisee loan book, currently at £3,925,000

(H1 2018: £4,028,000), which provides financial assistance to franchisees under the Assisted Acquisitions programme to accelerate their growth and therein contribute towards increased Group revenue.

The Group's operational and diversified business model has helped to consistently deliver profit growth, and the Group's capital allocation policy provides a reliable dividend with an attractive yield for investors, whilst retaining funding for the Group's growth strategy.

Louise George
Chief Financial Officer

Condensed Group Statement of Comprehensive Income

For the six months ended 30 June 2019

	Notes	**Unaudited Six months ended 30 June 2019 £'000**	Unaudited Six months ended 30 June 2018 £'000	Audited Year ended 31 December 2018 £'000
Continuing operations				
Revenue	2	**9,047**	6,123	13,702
Cost of sales		**(2,849)**	(881)	(2,372)
Gross profit		**6,198**	5,242	11,330
Administrative expenses				
Non exceptional		**(3,437)**	(3,159)	(6,616)
Exceptional		**-**	-	(169)
		(3,437)	(3,159)	(6,785)
Operating profit		**2,761**	2,083	4,545
Changes in fair value to contingent consideration		**-**	745	809
Finance costs		**(179)**	(103)	(226)
Finance income		**113**	144	265
Other income		**-**	-	87
Profit before taxation		**2,695**	2,869	5,480
Taxation	4	**(574)**	(444)	(1,106)
Profit and total comprehensive income for the financial period		**2,121**	2,425	4,374
Profit for the period attributable to the equity holders of the parent company		**2,121**	2,425	4,374
Basic earnings per share from continuing operations	5	**6.1p**	6.9p	12.5p
Diluted basic earnings per share from continuing operations	5	**5.7p**	6.5p	11.8p
Adjusted earnings per share from continuing operations	5	**6.9p**	5.7p	12.4p
Adjusted diluted earnings per share from continuing operations	5	**6.5p**	5.3p	11.7p

The accompanying notes form an integral part of these consolidated interim financial statements

Consolidated Statement of Financial Position

As at 30 June 2019

	Unaudited At 30 June 2019 £'000	Unaudited At 30 June 2018 £'000	Audited At 31 December 2018 £'000
Assets			
Non-current assets			
Intangible assets	**29,217**	26,204	29,156
Financial assets	**159**	-	159
Property, plant and equipment	**650**	630	646
Right-of-use assets	**705**	-	-
Trade and other receivables	**2,095**	3,017	2,768
	32,826	29,851	32,729
Current assets			
Trade and other receivables	**4,767**	2,830	3,729
Cash and cash equivalents	**1,419**	2,392	1,798
	6,186	5,222	5,527
Total assets	**39,012**	35,073	38,256
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	**10,022**	5,499	10,452
Lease liabilities	**502**	-	-
Deferred tax	**2,049**	1,992	2,018
	12,573	7,491	12,470
Current liabilities			
Trade and other payables	**2,014**	1,527	2,499
Interest bearing loans and borrowings	**893**	700	925
Lease liabilities	**203**	-	-
Contingent consideration	**86**	4,155	-
Tax payable	**764**	463	769
	3,960	6,845	4,193
Total liabilities	**16,533**	14,336	16,663
Total net assets	**22,479**	20,737	21,593
Equity			
Shareholders' equity			
Share capital	**349**	349	349
Share premium	**12,006**	12,006	12,006
Share based payment reserve	**430**	242	337
Other components of equity	**162**	162	162
Merger reserve	**(5,774)**	(5,774)	(5,774)
Retained earnings	**15,306**	13,752	14,513
Total equity	**22,479**	20,737	21,593

The accompanying notes form an integral part of these consolidated interim financial statements

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2019

	Share capital	Share premium	Share based payment reserve	Merger reserve	Other components of equity	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018 (Audited)	349	12,006	148	(5,774)	162	12,550	19,441
Share based payments	-	-	94	-	-	-	94
Dividends	-	-	-	-	-	(1,223)	(1,223)
Transactions with owners	-	-	94	-	-	(1,223)	(1,129)
Profit and total comprehensive income for the six month period	-	-	-	-	-	2,425	2,425
Balance at 30 June 2018 (Unaudited)	349	12,006	242	(5,774)	162	13,752	20,737
Share based payments	-	-	95	-	-	-	95
Dividends	-	-	-	-	-	(1,188)	(1,188)
Transactions with owners	-	-	95	-	-	(1,188)	(1,188)
Profit and total comprehensive income for the six month period	-	-	-	-	-	1,949	1,949
Balance at 31 December 2018 (Audited)	349	12,006	337	(5,774)	162	14,513	21,593
Share based payments	**-**	**-**	**93**	**-**	**-**	**-**	**93**
Dividends	**-**	**-**	**-**	**-**	**-**	**(1,328)**	**(1,328)**
Transactions with owners	**-**	**-**	**93**	**-**	**-**	**(1,328)**	**(1,235)**
Profit and total comprehensive income for the six month period	**-**	**-**	**-**	**-**	**-**	**2,121**	**2,121**
Balance at 30 June 2019 (Unaudited)	**349**	**12,006**	**430**	**(5,774)**	**162**	**15,306**	**22,479**

The accompanying notes form an integral part of these consolidated interim financial statements

Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	**Unaudited 30 June 2019 £'000**	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Operating activities				
Cash generated from operating activities	6	**2,939**	2,318	5,612
Tax paid		**(573)**	(540)	(1,018)
Net cash flows generated from operating activities		**2,366**	1,778	4,594
Investing activities				
Capital expenditure on property, plant and equipment		**(74)**	(56)	(140)
Acquisitions net of cash acquired		**(206)**	-	(3,595)
Settlement of contingent consideration		**(243)**	(100)	(4,236)
Return of funds from escrow		**-**	100	145
Corporate office disposals		**-**	48	45
Disposals of assets		**-**	3	-
Franchisee loans granted		**(663)**	(444)	(729)
Loans repaid by franchisees		**438**	1,177	1,806
Finance income		**113**	144	265
Net cash (used in)/from investing activities		**(635)**	872	(6,439)
Financing activities				
Finance costs		**(183)**	(210)	(296)
Bank loan advance		**-**	6,500	12,000
Loan repayments		**(493)**	(6,675)	(7,000)
Lease repayments		**(106)**	-	-
Equity dividends paid		**(1,328)**	(1,223)	(2,411)
Net cash (used in)/from financing activities		**(2,110)**	(1,608)	2,293
Net change in cash and cash equivalents		**(379)**	1,042	448
Cash and cash equivalents at the beginning of the financial period		**1,798**	1,350	1,350
Cash and cash equivalents at the end of the period		**1,419**	2,392	1,798

Notes to the Interim Financial Statements

1 General information and basis of preparation

The financial information set out in these condensed consolidated interim financial statements for the six months ended 30 June 2019 and the comparative figures are unaudited.

They have been prepared taking into account the requirements of relevant accounting standards and the AIM rules. They do not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act and do not contain all the information required for full annual financial statements. This is the first set of the Group's financial statements where IFRS 16 (Leases) have been applied. Changes to significant accounting policies are disclosed below.

The statutory audited accounts for the year ended 31 December 2018 have been delivered to the Registrar of Companies in England and Wales. The Auditor’s report on these accounts was unqualified and did not contain statements under Section 498 of the Companies Act 2006.

The condensed consolidated interim financial statements are presented in sterling, which is also the functional currency of the parent company.

Belvoir Group PLC is the group’s ultimate parent company. The company is a Public Limited Company incorporated and domiciled in the United Kingdom.

The Group’s registered office and principal place of business is The Old Courthouse, 60a London Road, Grantham, Lincolnshire, NG31 6HR. Its shares are listed on the AIM market of the London Stock Exchange.

The condensed interim financial statements for Belvoir Group PLC have been approved for issue by the Board of Directors on 3 September 2019.

Significant accounting policies

The condensed consolidated interim financial statements have been prepared under the historical cost convention. Being listed on the AIM of the London Stock Exchange, the company is required to present its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS’s”) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies have been applied consistently throughout the group for the purposes of preparation of these condensed consolidated interim financial statements with the exception of the new standard, IFRS 16 Leases.

IFRS 16 Leases

IFRS 16 Leases became effective for annual periods beginning on or after 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the six months to 30 June 2018 or for the year ended 31 December 2018. All right-of-use assets have been measured at the amount of the lease liability on adoption, adjusted for any prepaid or accrued lease expenses.

IFRS 16 Leases addresses the definition of a lease, recognition and measurement of leases, and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases are accounted for on balance sheet for lessees. The Directors have reviewed the contracts for all property, vehicle and equipment leases held by the Group to identify any additional lease arrangements that need to be recognised under IFRS 16. As a result, £783,000 has been recognised as additional right of use assets together with an additional lease liability as of 1 January 2019, and the operating charge of approximately £106,000 in the six months to 30 June 2019 has been replaced by a depreciation charge of £94,000 and an interest charge of £11,000. This is not considered to have had a material impact on our reporting of operating profit.

2 Segmental information

The Executive Committee of the Board, as the chief operating decision maker, reviews financial information for and makes decisions about the Group’s overall franchising business. In the six months ended 30 June 2019 the Board identified two operating segments, that of franchisor of property agents and property-related financial services.

The Directors consider gross profit as the key performance measure. The reported segment is consistent with the Group’s internal reporting for performance measurement and resources allocation.

Management does not report on a geographical basis and no customer represents greater than 10% of total revenue in either of the periods reported. The Directors believe there to be: three material property franchise income streams, which are management service fees, revenue from corporate-owned offices and fees on the sale or resale of franchise territory fees; and one material financial services income stream, which is commission receivable on financial services. These revenue streams are split as follows:

	Lettings			Property sales			Total revenue		
	Unaudited H1 2019 £'000	Unaudited H1 2018 £'000	Audited FY 2018 £'000	**Unaudited H1 2019 £'000**	**Unaudited H1 2018 £'000**	Audited FY 2018 £'000	**Unaudited H1 2019 £'000**	**Unaudited H1 2018 £'000**	Audited FY 2018 £'000
Management service fees	**3,556**	3411	7,107	**645**	604	1,349	**4,201**	4,015	8,456
Corporate owned outlets	**328**	228	481	**272**	247	540	**600**	475	1,021
	3,884	3,639	7,588	**917**	851	1,889	**4,801**	4,490	9,477
Franchise fees							**65**	102	198
Other income							**212**	220	468
Franchise property division							**5,078**	4,812	10,143
Commission receivable on financial services							**3,969**	1,311	3,559
Financial services division							**3,969**	1,311	3,559
Total revenue							**9,047**	6,123	13,702

Gross profit for the two divisions is split as follows:

	Unaudited H1 2019 £'000	**Unaudited H1 2018 £'000**	Audited FY 2018 £'000
Property franchise division	**5,078**	4,812	10,143
Financial services division	**1,120**	430	1,187
Total gross profit	**6,198**	5,242	11,330

3 Dividends

The company will pay an interim dividend of 3.4p pence per share (£1,188,000) on 24 October 2019 to the shareholders on the register on 13 September 2019.

4 Taxation

Taxation has been calculated by applying the forecast full year effective rate of tax to the results for the period.

5 Earnings per share

Basic earnings per share is calculated by dividing the profit after tax for the financial period by the weighted average number of ordinary shares deemed to be in issue in the period. The calculation of diluted earnings per share is derived from the basic earnings per share, adjusted to allow for the issue of shares under share option plans.

Adjusted earnings per share and diluted adjusted earnings per share are calculated in the same way but having adjusted the profit for the year for exceptional items, amortisation of acquired intangibles and the share-based payment charge.

	Unaudited six months ended 30 June 2019 £'000	Unaudited six months ended 30 June 2018 £'000	Audited Year Ended 31 December 2018 £'000
Profit for the financial period	**2,121**	2,425	4,374
Exceptional items	-	(745)	(640)
Amortisation of acquired intangibles	**211**	211	422
Share-based payment charge	**93**	94	189
Tax on deductible exceptional items	-	-	(10)
Adjusted profit for the financial period	**2,425**	1,985	4,335
Weighted average number of ordinary shares – basic	**34,639**	34,939	34,939
Weighted average number of ordinary shares – diluted	**37,088**	37,255	37,110
Basic earnings per share	**6.1p**	6.9p	12.5p
Diluted earnings per share	**5.7p**	6.5p	11.8p

Adjusted basic earnings per share	**6.9p**	5.7p	12.4p
Adjusted diluted earnings per share	**6.5p**	5.3p	11.7p

6 Reconciliation of profit before taxation to cash generated from operations

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Profit before taxation	**2,695**	2,869	5,480
Depreciation and amortisation charges	**398**	285	581
Share based payments	**93**	95	189
Impairment of franchisee loan book	**39**	-	272
Impairment on sale of Newton Fallowell Newark trade & assets	**-**	-	88
Loss on disposal of corporate offices	**-**	-	15
Changes in fair value to contingent consideration	**-**	(745)	(809)
Amortisation of debt costs	**-**	-	52
Finance costs	**179**	144	226
Finance income	**(113)**	(144)	(265)
MAB share option recognition	**-**	-	(87)
	3,291	2,504	5,742
Increase in trade and other receivables	**(196)**	(153)	(1,393)
Decrease/(increase) in trade and other payables	**(156)**	(33)	1,263
Cash generated from operations	**2,939**	2,318	5,612