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**HML Holdings plc**  
**(“HML”, the “Company” or the “Group”)**

**Preliminary Results for the Year Ended 31 March 2020**

HML Holdings plc (AIM: HMLH), the property management services group, is pleased to announce its final unaudited results for the year ended 31 March 2020.

**Financial Highlights:**

- Revenues up 11% to £31.2m (2019: £28.1m)
- EBITDA down 1% to £2.78m (2019: £2.80m)\*\*
- Adjusted operating profit down 2% to £2.35m (2019: £2.41m)\*
- Adjusted basic earnings per share down 4% to 4.4p (2019: 4.6p)\*\*\*
- Dividend per share proposed of 0.52p (2019: 0.47p)
- Net debt of £1.7m (2019: £1.0m)\*\*\*\*

*\*before interest, share based payment charges, amortisation and tax*

*\*\*before interest, share based payment charges, depreciation, amortisation and tax*

*\*\*\*before share based payment charges and amortisation*

*\*\*\*\*cash at bank less borrowings, excludes IFRS16 lease liabilities*

**Commenting on the results, Alec Guthrie, Chief Executive of HML said:**

“FY2020 was a challenging year and despite the unprecedented impact of the Coronavirus pandemic, HML produced a solid set of results and recorded another year of revenue growth.

HML responded quickly to the UK Government lockdown and successfully moved 85% of its service delivery into an environment of home working for the length of the lockdown. This presented the operation with some initial challenges, but these have largely been overcome and we do not see any long-term impact on the delivery of our service to our client base.

We do not foresee any long-term impact on the Group’s wider strategic plan, however in the short-term, a reduction in housing transactions will reduce a number of the ancillary revenue streams, which will materially impact the Group’s financial performance in FY2021. For FY2022 the Board intends to focus on accelerating the digital transformation of the Group’s processes to see promising levels of adoption in all branches. This will improve the business output and the Group will be able to take advantage of recent acquisitions along with recent restructures and demonstrate growth in all areas as the management team matures. The intention of the digital transformation is to help reduce the burden of maintaining a geographically spread branch network and adopt more regional hubs along with engaging locally with clients through readily accessible digital tools. All of which will positively improve our business whilst we continue to deliver good property management of buildings.”

**For further information:** [www.hmlgroup.com](http://www.hmlgroup.com)

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## **REVIEW OF BUSINESS**

### **Financial performance**

We are pleased to report a solid set of results with revenue growth of 11% to £31,215,000 (2019: £28,110,000) for the year ended 31 March 2020, albeit tempered by a 2% decline in earnings before interest, share-based payments, amortisation and tax reduced to £2,351,000 (2019: £2,413,000).

Despite the growth in revenue, the Group has faced some headwinds during the year due to a slower than anticipated integration of two of our recent acquisitions, changes in market regulation and the impact of COVID-19 during the last six weeks of the financial year.

On the operational side of the business, we have made significant progress completing two major internal restructuring projects and also embarked on an initiative to introduce more digitalization into the business with the appointment of Anand Verma as non-executive director. Anand, who joined in early March 2020, brings more than 20 years of experience in digital and technology innovation and transformation to the business.

### **Progress on acquisitions**

HML made four acquisitions during the year.

In the first half of the year, HML purchased the trade and assets of Thornes Chartered Surveyors (“TCS”), a property management business with an office in Luton and acquired 100% of the share capital of Prima Property Services Ltd, a lettings business based in Birmingham. Both businesses were acquired to strengthen and develop our lettings provision and we are delighted with the additional regional coverage they bring to our national network of offices.

HML also purchased two block management businesses. In the first half of the year, HML acquired Francis Butson Associates, based in St Neots and in the second half of the year, HML purchased Leasehold Management Ltd (“LML”), a business based in Worthing. Both specialise in traditional block management and in time will bring the usual synergies to our Group.

As a consolidator of a fragmented market, opportunities to acquire businesses like these are becoming more common, although we have found that it is increasingly challenging to acquire businesses at a competitive price and then to integrate them quickly into the wider HML platform which is necessary to ensure they contribute profitably in the short term. This experience has given rise to a wider review of the HML strategy, which we will update the market on in due course. This review is ongoing and it is intended that we brief the market before the end of the 2020-21 financial year.

### **Government regulation and compliance**

Government announcements around External Wall Systems (EWS) relating to the ongoing fallout from Grenfell, have had an impact on both our Health and Safety work, as well as the ability for many developments to actively sell their properties. This is largely because neither the industry nor HML have been able to produce a certificate of safety for a large percentage of our properties. This status quo is addressed in part by the announcement of a new Government fund to support remedial works, although it will take time to access these funds.

As a business and as the spotlight focuses more on Health and Safety and compliance, we are finding it necessary to resign on buildings that are not prepared to adhere to the Government guidelines around compliance. We also continue to face competition in the market from some resident management companies who are willing to engage with less scrupulous agents.

Government appetite for regulation in the light of Brexit and in turn COVID-19 has most definitely diminished, albeit we as an operator are still well placed to cope with this when the Government decides to push ahead with mandatory changes and control of agents.

**REVIEW OF BUSINESS (CONTINUED)**

**Operational progress and update to strategy**

Over the past few years, the business has been focused on moving back office functions to a central location and we are pleased to report that these moves are now complete.

We have also completed the restructure of our business development team to ensure greater efficiency in the flow of new business enquiries directly into our national branch network.

Our business development pipeline remains healthy despite a reduction in work from developers who are not supplying the same volume of projects to the market as a result of COVID-19.

Looking to the future, the business is now focused on how to rationalise its surveying service and restructuring much of the offering to complement the resident management company client base. We are also conducting a comprehensive strategic review of our systems before embarking on further digitising the business infrastructure to ensure we become much more digital friendly.

In closing, I would like to thank Rob Plumb, who stepped down as Chief Executive Officer on 31 December 2019, for his service and commitment to the business over the past 15 years.

**HML HOLDINGS PLC**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 March 2020**

	Notes	2020 £'000	2019 £'000
<b>CONTINUING OPERATIONS</b>			
REVENUE		31,215	28,110
Direct operating expenses		(27,453)	(24,332)
Central operating overheads		(1,411)	(1,365)
Share based payment charge		(46)	(37)
Amortisation of intangibles		(690)	(640)
Total central operating overheads		(2,147)	(2,042)
Operating expenses		(29,600)	(26,374)
PROFIT FROM OPERATIONS	1	1,615	1,736
Finance costs	2	(198)	(50)
PROFIT BEFORE TAXATION		1,417	1,686
Income tax charge	4	(324)	(305)
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		1,093	1,381
<b>EARNINGS PER SHARE</b>			
Basic	5	2.4p	3.0p
Diluted	5	2.4p	3.0p
<b>ADJUSTED EARNINGS PER SHARE</b>			
Basic	5	4.4p	4.6p
Diluted	5	4.4p	4.6p

**HML HOLDINGS PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY**  
For the year ended 31 March 2020  
**COMPANY NUMBER: 5728008**

ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE GROUP

	Share capital £'000	Share premium £'000	Other reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2018	682	2,450	(88)	(15)	11,082	14,111
Profit for the year	-	-	-	-	1,381	1,381
Other comprehensive income	-	-	-	-	-	-
Transactions with owners						
Share based payment charge	-	-	-	-	37	37
Share capital issued	5	48	-	-	-	53
Shares sold by EBT	-	-	1	-	-	1
Dividend	-	-	-	-	(192)	(192)
Balance at 31 March 2019	687	2,498	(87)	(15)	12,308	15,391
IFRS16 adjustment	-	-	-	-	101	101
Adj balance at 1 April 2019	687	2,498	(87)	(15)	12,409	15,492
Profit for the year	-	-	-	-	1,093	1,093
Other comprehensive income	-	-	-	-	-	-
Transactions with owners						
Share based payment charge	-	-	-	-	46	46
Share capital issued	2	19	-	-	-	21
Shares sold by EBT	-	-	3	-	-	3
Dividend	-	-	-	-	(216)	(216)
Balance at 31 March 2020	689	2,517	(84)	(15)	13,332	16,439

**HML HOLDINGS PLC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**For the year ended 31 March 2020**  
**COMPANY NUMBER: 5728008**

<b>ASSETS</b>	Notes	2020 £'000	2019 £'000
<b>NON-CURRENT ASSETS</b>			
Goodwill		12,320	11,384
Other intangible assets		8,809	8,373
Property, plant and equipment		5,937	1,030
		27,066	20,787
<b>CURRENT ASSETS</b>			
Trade and other receivables		4,329	3,804
Cash at bank		-	235
		4,329	4,039
<b>TOTAL ASSETS</b>		31,395	24,826
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		6,739	6,602
Borrowings		975	529
Current tax liabilities		378	357
Lease Liabilities		1,217	-
		9,309	7,488
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		732	679
Lease liabilities		3,602	-
Deferred tax liability		1,313	1,268
		5,647	1,947
<b>TOTAL LIABILITIES</b>		14,956	9,435
<b>NET ASSETS</b>		16,439	15,391
<b>EQUITY</b>			
Called up share capital	7	689	687
Share premium		2,517	2,498
Other reserve		(84)	(87)
Merger reserve		(15)	(15)
Retained earnings		13,332	12,308
<b>ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT</b>		16,439	15,391

**HML HOLDINGS PLC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 31 March 2020**

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	Notes	2020 £'000	2019 £'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations		3,749	3,606
Income taxes paid		(303)	(297)
Interest paid		(32)	(50)
		<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>3,414</b>	<b>3,259</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(378)	(629)
Sales/acquisition of own shares		3	1
Purchase of software		(258)	(245)
Purchases of businesses		(1,424)	(994)
Payments of deferred/contingent consideration		(752)	(759)
		<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(2,809)</b>	<b>(2,626)</b>
<b>FINANCING ACTIVITIES</b>			
New bank loan		910	-
Repayment of existing bank loans		(554)	(528)
Net movement in overdraft		143	-
Principal element of lease payments		(1,144)	-
Share issue		21	53
Dividend payment		(216)	(192)
		<hr/>	<hr/>
<b>NET CASH (USED) IN FINANCING ACTIVITIES</b>		<b>(840)</b>	<b>(667)</b>
		<hr/>	<hr/>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(235)</b>	<b>(34)</b>
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>235</b>	<b>269</b>
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>-</b>	<b>235</b>
		<hr/>	<hr/>

## **GENERAL INFORMATION**

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRSs.

The financial information is presented in pounds sterling, prepared on a historical cost basis, except for the revaluation of contingent considerations and rounded to the nearest thousand. The financial information set out in this announcement does not comprise the Group's statutory accounts for the years ended 31 March 2020 or 31 March 2019.

The financial information for the year ended 31 March 2019 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

The statutory accounts for the year ended 31 March 2020 have not yet been delivered to the Registrar of Companies, nor have the auditors yet reported on them.

HML Holdings plc and its subsidiaries specifically focus on residential property management. The Group operates in the UK. The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is 9-11 The Quadrant, Richmond, Surrey, TW9 1BP. The Company is listed on the AIM market of the London Stock Exchange.

The preliminary results were authorised for issue by the board of directors on 30 June 2020.



**HML HOLDINGS PLC**  
**NOTES**

<b>1. PROFIT FROM OPERATIONS</b>	2020 £'000	2019 £'000
Profit from operations is stated after charging:		
Depreciation and amounts written off property, plant and equipment:		
- charge on owned assets	431	385
- charge on right of use assets	1,127	-
Amortisation of intangible assets	690	640
Operating lease rentals:		
- land and buildings	-	970

Set out below is an analysis of other operating expenses:

	2020 £'000	2019 £'000
Direct costs	22,258	19,807
Management costs	543	377
Travel costs	291	287
Advertising costs	63	95
Premises costs	1,051	2,046
Office costs	679	745
Insurance brokerage	882	761
Professional fees	650	440
IT costs	852	730
Depreciation	431	385
Depreciation on right of use assets	1,127	-
Amortisation	690	640
Share based payment charges	46	37
Other expenses	37	24
Total operating expenses	29,600	26,374

Amounts payable to the auditor and its related entities in respect of both audit and non-audit services are set out below:

	2020 £'000	2019 £'000
Fees payable for the statutory audit of the Company's annual accounts	29	23
Fees payable to auditor for other services:		
Statutory audit of the Company's subsidiaries	71	49
Total fees payable to the auditor	100	72

<b>2. FINANCE COSTS</b>	2020 £'000	2019 £'000
Interest payable on bank loans and overdrafts	32	50
Interest payable on lease liabilities	166	-
	198	50

**3. PROFIT RECONCILIATION**

The reconciliation set out below provides additional information to enable the reader to reconcile to the numbers discussed in the Review of Business.

	2020 £'000	2019 £'000
Revenue	31,215	28,110
Direct operating expenses	(27,453)	(24,332)
Profit contribution from businesses	3,762	3,778
Central operating overheads	(1,411)	(1,365)
Profit before interest, tax, amortisation and share based payments	2,351	2,413
Finance costs	(198)	(50)
Profit before share based payment charges, amortisation and taxation	2,153	2,363
Amortisation of other intangible assets	(690)	(640)
Share based payment charge	(46)	(37)
Profit before taxation	1,417	1,686

Direct operating expenses and central operating overheads include depreciation and staff costs.

**HML HOLDINGS PLC**  
**NOTES**

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<b>4. INCOME TAX</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
UK Corporation tax:		
Current tax on profits of the year	324	326
Over provision of tax in previous year	-	(21)
	<hr/>	<hr/>
Tax attributable to the company and its subsidiaries	324	305

Factors affecting tax charge for the year

The tax assessed for the period is lower than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Profit before tax	1,417	1,686
	<hr/>	<hr/>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%).	268	320
Effects of:		
Amortisation and non-deductible expenses adjustment	56	6
Over provision in previous year	-	(21)
	<hr/>	<hr/>
Tax charge for the year	324	305

Future tax charges may be affected by the fact that no deferred tax asset is recognised in respect of losses. Deferred tax assets are not recognised until the utilisation of the losses is probable.

The Group has losses carried forward in its subsidiary, HML PM Limited which can be recovered against future profits arising from the same trade. The subsidiary has total tax losses carried forward to future years of £1,243,000 (2019: £1,243,000). Until there is certainty over the ability of the Group to set off these losses, the Group has an unprovided deferred tax asset in respect of these losses of £211,000 (2019: £211,000).

**5. EARNINGS PER SHARE**

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

	2020 £'000	2019 £'000
<b>Earnings</b>		
Profit after tax for the period (used to calculate the basic and diluted earnings per share)	1,093	1,381
Add back:		
Share based payment charge	46	37
Amortisation of intangible assets	690	640
Interest costs	198	50
	<hr/>	<hr/>
Adjusted profit after tax for the period	2,027	2,108
	<hr/>	<hr/>

The adjusted profit after tax has been used to calculate the basic and diluted adjusted earnings per share.

	2020 '000	2019 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	45,868	45,630
Effect of dilutive potential ordinary shares:		
- share options	437	494
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Weighted average number of ordinary shares for the purposes of diluted earnings per share	46,305	46,124
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**Earnings per share**

Basic	2.4p	3.0p
Diluted	2.4p	3.0p

**Adjusted earnings per share**

Basic	4.4p	4.6p
Diluted	4.4p	4.6p

The diluted earnings per share are the basic earnings per share adjusted for the dilutive effect of the conversion into fully paid shares of the outstanding share options.

**6. BUSINESS COMBINATIONS (ACQUISITIONS)**

On 6 April 2019, HML PM Limited purchased the trade and assets of Francis Butson and Associates, a property management business based in St Neots. The acquisition gave HML PM Ltd a presence in Cambridgeshire. The estimated fair value of the new assets purchased is set out below.

The fair value of net assets acquired is set out below:

	£'000
Consideration	694
Other costs	2
	<hr/>
Total consideration	696
Less:	
Client relationships	(319)
	<hr/>
Goodwill	377
	<hr/>

The residual difference between the total consideration paid and the net value of the recognised assets acquired has been capitalised as goodwill. The goodwill recognised on the acquisition is mainly attributable to the skills and knowledge within the business.

	£'000
Satisfied by:	
Cash on completion	569
Contingent consideration	125
	<hr/>
	694
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Net cash flow arising on the acquisition was £571,000 which represents the consideration paid and transaction costs.

The contingent consideration of £125,000 is due within two years. The contingent consideration is made up of two payments that are adjustable depending on the retention of clients. The range of potential payments of contingent consideration could vary from £0 to £125,000, however the more likely outcome would be to pay £125,000.

The business contributed £487,000 to the Group's revenue and reduced the Group's profit by £4,000 from the date of the acquisition to the year-end date.

**6. BUSINESS COMBINATIONS (ACQUISITIONS) CONTINUED**

On 30 April 2019, HML LAM Limited purchased 100% of the share capital of Prima Property Services Limited, a business based in Birmingham. The acquisition will give HML LAM Ltd a presence in Birmingham.

The estimated fair value of net assets transferred is set out below:

	£'000
Consideration	149
Other costs	2
	<hr/>
Total cost of investment	151
Less:	
Tangible fixed assets	(16)
Debtors	(9)
Cash	(7)
Creditors	5
Client relationships	(60)
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Goodwill	64
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The residual difference between the total consideration paid and the net value of the recognised assets acquired has been capitalised as goodwill. The goodwill recognised on the acquisition is mainly attributable to the skills and knowledge within the business.

	£'000
Satisfied by:	
Cash on completion	120
Deferred and contingent consideration	29
	<hr/>
	149
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Net cash flow arising on the acquisition was £113,000 which represents the consideration and stamp duty paid less cash at bank acquired.

The contingent consideration of £29,000 is due within one year. The contingent consideration is a payment that is adjustable depending on the reduction of clients. The range of potential payments of contingent consideration could vary from £0 to £29,000, however the more likely outcome would be to pay £29,000.

The business contributed £95,000 to the Group's revenue and decreased the Group's profit by £45,000 from the date of the acquisition to the year-end date.

On 1 October 2019, HML LAM Limited transferred in the trade and assets of Prima Property Services Ltd.

## **6. BUSINESS COMBINATIONS (ACQUISITIONS) CONTINUED**

On 30 September 2019, HML LAM Limited purchased the trade and assets of a residential letting business in Luton called Thornes Chartered Surveyors. The acquisition gave HML LAM Limited an office in Bedfordshire.

The fair value of net assets acquired is set out below:

	£'000
Consideration	472
Other costs	8
	<hr/>
Total cost	480
Less:	
Client relationships	(239)
	<hr/>
Goodwill	241
	<hr/>

The residual difference between the total consideration paid and the net value of the recognised assets acquired has been capitalised as goodwill. The goodwill recognised on the acquisition is mainly attributable to the skills and knowledge within the business.

	£'000
Satisfied by:	
Cash on completion	378
Deferred and contingent consideration	94
	<hr/>
	472
	<hr/>

Net cash flow arising on the acquisition was £386,000 which represents the consideration and costs paid on completion.

The contingent consideration of £94,000 is due within two years. The contingent consideration is made up of a payment that is adjustable depending on the reduction of clients. The range of potential payments of contingent consideration could vary from £0 to £94,000, however the more likely outcome would be to pay £94,000.

It is estimated that the business contributed £52,000 to the Group's revenue and reduced the Group's profit by £15,000, from the date of the acquisition to the year-end date.

## **6. BUSINESS COMBINATIONS (ACQUISITIONS) CONTINUED**

On 07 January 2020, HML PM Limited purchased 100% of the share capital of Leasehold Management Limited, a business based in Worthing. The acquisition will not only strengthen the HML PM Limited's position in South East England but also gives HML PM Ltd critical mass that will assist in growing HML PM Limited's ancillary revenues Leasehold Management Limited

The estimated fair value of net assets transferred is set out below:

	£'000
Consideration	856
Stamp Duty	4
	<hr/>
Total cost of investment	860
Less:	
Trade and other receivables	(114)
Cash at bank	(415)
Tangible fixed assets	(6)
Trade and other payables	111
Client relationships	(238)
	<hr/>
Goodwill	198
	<hr/>

The residual difference between the total consideration paid and the net value of the recognised assets acquired has been capitalised as goodwill. The goodwill recognised on the acquisition is mainly attributable to the skills and knowledge within the business.

	£'000
Satisfied by:	
Cash on completion	773
Deferred and contingent consideration	87
	<hr/>
	860
	<hr/>

Net cash flow arising on the acquisition was £357,000 which represents the consideration and stamp duty paid, less cash at bank acquired.

The contingent consideration of £87,000 is due within two years. The contingent consideration is made up of the payment that is adjustable depending on the retention of clients and the arrival of contracted new clients. The range of potential payments of contingent consideration could vary from £0 to £87,000, however the more likely outcome would be to pay £87,000.

The business contributed £77,000 to the Group's revenue and increased the Group's profit by £16,000, from the date of the acquisition to the year-end date.



**HML HOLDINGS PLC**  
**NOTES**

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**7. SHARE CAPITAL**

	Group and Company	
	2020 £'000	2019 £'000
Authorised:		
163,733,200 ordinary shares of 1.5p each	2,456	2,456
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	2,456	2,456
	<hr/>	<hr/>
Group and Company		
	2020 £'000	2019 £'000
Allotted, issued and fully paid ordinary shares of 1.5p:		
At 1 April	687	682
Shares issued during the year – 105,000 (2019: 341,500)	2	5
	<hr/>	<hr/>
At 31 March	689	687
	<hr/>	<hr/>
No. of shares in issue at year end	45,935,138	45,830,135
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Shares issued during the year ended 31 March 2020 relate to the exercising of share options by HML staff in August 2019 and February 2020.

**8. DIVIDENDS**

The Directors have proposed paying a dividend of 0.52p per share in relation to the current year (2019: 0.47p per share).

If approved, the dividend will be paid on 16 October 2020 to shareholders on the register at 2 October 2020. The corresponding ex-dividend date is 1 October 2020.

**9. ADOPTION OF IFRS 16**

IFRS 16 "Leases" was adopted with effect from 1 April 2019 in line with transitional provisions provided in the new standard.

The Group holds leases on 23 offices and therefore the adoption of IFRS 16 significantly increased assets and liabilities in the Statement of Financial Position.

IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts. Therefore, the substantial majority of the Group's operating lease commitments were brought into the statement of financial position and amortised and depreciated separately. There was no impact on cash flows, although the presentation of the cash flow statement changed.

The effect of adoption of IFRS 16 on reserves as at 1 April 2019 is as follows:

	£'000
<b>Assets</b>	
Right of use asset	5,797
	<hr/>
<b>Total assets</b>	5,797
	<hr/>
<b>Liabilities</b>	
Lease liabilities	5,797
Trade and other payables	(101)
	<hr/>
<b>Total liabilities</b>	5,696
	<hr/>
<b>Equity</b>	
Reserves	101
	<hr/>
<b>Total equity</b>	101
	<hr/>

In relation to those leases under IFRS 16, the Group now recognizes depreciation and interest costs, instead of an operating lease expense. During the year ending 31 March 2020, this amounted to £1,127,000 of depreciation charges and £166,000 of interest costs from these leases.

Had IAS 17 continued to be applied, the overall impact on the Group statement of comprehensive income would not have been materially different.