

WORKINGSMOVEMENT IN NUMBER OF ORDINARY SHARES

Shares in issue	30/06/15		10 m
Rights issue	30/09/14		<u>(5)</u>
			<u>5</u>
Share split	01/07/14	4: 1	
∴ Shares in issue	01/07/14	5/4	1.25 m

Calculation of adjustment factor

Theoretical ex rights value per share:

Fair value of all outstanding shares + total amount received from exercise of rights
No of shares outstanding prior to exercise + number of shares issued in the exercise.

$\frac{(5\,000\,000 \times \$1) + (5\,000\,000 \times \$0.50)}{5\,000\,000 + 5\,000\,000}$	$\frac{7\,500\,000}{10\,000\,000}$	75c
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Adjustment factor	$\frac{1.00}{0.75}$
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WEIGHTED AVERAGE NO OF SHARES

	Total	2015
BOY	1 250 000	1 250 000
Share split	<u>3 750 000</u>	<u>3 750 000</u>
	<u>5 000 000</u>	<u>5 000 000</u>
Adjustment bonus element rights issue $\frac{100}{75} \times$	6 666 667	6 666 667
Issue for full value $3\,333\,333 \times 9/12$	<u>3 333 333</u>	<u>2 500 000</u>
Basic EPS	<u>10 000 000</u>	<u>9 166 667</u>
Basic EPS	$\frac{1\,100\,000}{9\,166\,667}$	= 12.00c

DILUTED EARNINGS

Earnings per basic EPS	1 100 000
Add after tax interest saving	<u>240 000</u>
	<u>1 340 000</u>

DILUTED NO OF SHARES

Per basic EPS	9 166 667
Add conversion	<u>1 500 000</u>
	<u>10 666 667</u>

Diluted EPS	$\frac{1\,340\,000}{10\,666\,667}$	= 12.56 c
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Anti-dilution, therefore should not be reflected on the income statement.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 20X5

<u>Earnings per share and diluted earnings per share</u>	12.00c
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NOTES TO THE FINANCIAL STATEMENTS***EARNINGS PER SHARE*****Basic Earnings Per Share**

The weighted average number of shares used in the calculation is 9 166 667 calculated after taking account of a share split and rights issue.

Diluted Earnings Per Share

Diluted earnings per share resulting from the conversion of debentures is not presented as the effect of conversion is anti-dilutive. IAS 33 p70(c)