Energiser Investments plc

Annual Report and Accounts

For the year ended 31 December 2017

Board of Directors and advisers

Non-executive Chairman
Stephen Wicks

Chief Executive
Dominic White

Director
Nishith Malde

Company registration number
00298654

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Website
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Company Secretary
Nishith Malde

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Auditor
UHY Hacker Young
Chartered Accountants & Statutory Auditor
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Chairman's statement

I am delighted to present the accounts for Energiser Investments plc ("Energiser" or "the Group") for the year ended 31 December 2017.

Energiser Investments Plc is an investment company whose strategy is to invest in quoted and unquoted companies to achieve capital growth. In our interim report we stated that the Group's focus was on the real estate sector, in particular, in residential property, self-storage and short-term property lending. We noted that we were looking for ways to realise the equity within our Wellingborough residential portfolio and were continuing to look at the opportunities in the self-storage sector.

In 2017 and since the year end we have delivered as follows.

- Energiser has remained focused on its real estate portfolio: the team maintained almost 100% occupancy at the Wellingborough investment portfolio, and outstanding monies and profits owed on the Kingswood, Surrey, development loan were repaid in full
- The company successfully sold the Wellingborough portfolio
- Part of the capital returned from the Wellingborough sale was invested into a higher yielding 7.5% p.a. short term secured property loan
- Energiser subsequently made an investment into a private rented residential investment vehicle, KCR Residential REIT Plc ("KCR"), taking a 24.7% holding in the company

It has been a solid 2017 and a very positive and exciting start to 2018. We're looking forward to updating you further as the year develops.

Stephen Wicks

Non-executive Chairman

Chief Executive's Report

I have pleasure in reporting to you on the Group's performance for the year ended 31 December 2017.

Investments

The key investment activity came after the year end, in February and April 2018, and is not reflected in the 2017 year end accounts. It will be reported in full in the Interim statement for the period to 30 June 2018.

Investment in Micro Self Storage

In June 2017, Energiser committed to an investment of £0.6m with an industry leading self-storage entrepreneur Paul Fahey to launch a micro self-storage operator ("Micro Self Store"). The funding was to be used to launch Micro Self Store and open a micro self-storage facility. The objective of Micro Self Store was to grow a network of more than 20 facilities in the next three to five years.

As well as working with Paul Fahey to find suitable sites, routes to quicker implementation included discussions with operators including Flexispace, Urban Locker, City Storage, Smart Storage, Durham Self-Storage and Boxman. Although a site has not yet been identified, Energiser continues to be interested in the sector.

Investment in a 7.5% short term secured property loan

In February 2018, Energiser invested £494,100 in a short term loan secured on a 21,900 sq. ft office property in Croydon with planning permission to convert into 71 residential units. It is let to a number of commercial tenants whose tenancy can be terminated at short notice to enable the residential conversion.

The loan represents 30% of the estimated value of the property and the interest is covered by rental income at a ratio of 4:1 (rent: interest). The gross interest paid on the loan is 7.5% p.a. The short term loan is due to be repaid in October 2018. The property value would have to fall by more than 70% for the loan principal to be at risk. Energiser views the ongoing investment of part of its portfolio into short term loans secured on property as a way to access high income returns for relatively low risk.

Acquisition of 24.7% of KCR Residential REIT Plc ("KCR")

In March 2018, Energiser acquired 2,435,710 new KCR ordinary shares at £0.70 per share for a total of £1,704,997. The investment, made by participation in a subscription alongside other investors, was made at a 9% discount to net asset value per share of KCR as reported in its half-yearly report announced on 16 March 2018. This investment represented a 24.7% shareholding in KCR. The subscription was funded with cash of £1,210,897 and the novation of the rights to its short term loan investment of £494,100 described above.

KCR is an AIM quoted Real Estate Investment Trust ("REIT") focused on investment in the UK residential Private Rented Sector ("PRS"). Including properties exchanged under binding contracts, the portfolio is expected to increase, as the Ladbroke Grove transaction completes, to more than £16m. KCR invests in whole apartment blocks of studio, one and two-bedroom flats, in city centres, close to railway stations and shopping facilities. It focuses on more affordable rental properties for private tenants.

Residential specialist Savills reports that the PRS market is £1.3 trillion in size, 44% larger than the entire commercial property market, and only 2% of it is professionally managed. KCR is one of the first quoted investment companies to focus on investing in and professionally managing rented residential property. With KCR, Energiser has established a strategic shareholding in a growth company with a strong management team in a very large, under-managed sector.

<u>Other assets considered</u>

- The serviced apartment sector has been of interest to the Board throughout the year. The team has held meetings with serviced apartment operators including House of Fisher, Portland Brown, Skyline, City Apartments and Executive Serviced Apartments, and continues to look for value in direct asset and operating company opportunities.
- Direct residential development transactions have been assessed and negotiated in particular in Wimbledon, Birmingham and Basingstoke.
- Secured property loans were analysed in multiple locations across the South and South East.
- The Board continues to be attracted to technology real estate investments and is reviewing a digital property lending opportunity in partnership with a respected technology developer interested in combining their market leading technology with Energiser's property expertise.
- The Company has received a number of approaches from parties interested in merging their private real estate activities with a public company which we have received positively. We are focused on ensuring that any such M&A activity would have a positive effect on shareholder value.

Results

Energiser's revenue for the year was formed of rental income for 11 months from January to November 2017 from the Wellingborough investment portfolio of 20 residential properties of £138,000 (2016: £160,000). The net rental income, after relevant operating costs, was £104,000 (2016: £118,000). Administrative costs increased to £235,000 (2016: £110,000).

Finance costs fell to £54,000 (2016: £208,000) due to lower interest payments following the repayment of the funding for the development at Kingswood, Surrey and repayment of the Barclays loan relating to the Wellingborough portfolio.

The profit before taxation was £604,000 (2016: loss £211,000) mainly due to the £773,000 priority return received from the mezzanine funding project, with earnings per share of 0.46p (2016: loss 0.40p). Following disposals and repayment of debt, net assets increased to £1,774,000 (2016: £1,748,000).

Cash in the company at year end available for investment was £1,959,000 (2016: £1,120,000), its highest level since the control of the Company in 2006. There is now no debt in the Group.

The net asset value per share at the year end was 1.43p (2016: 1.41p).

Income and gains from the post year end investments will appear in the Interims to June 2018. As the share price of the investment in KCR starts to track its underlying NAV per share, Energiser's investment gain will be reflected in its net asset value. Based on announcements, the Board estimates that KCR's NAV per share is at or greater than 90p (compared to the acquisition price of 70p per share) which is a gain of 28%. Bringing this into the Company's NAV per share would imply an Energiser NAV per share of 1.9 pence (compared to its current share price of 1.15p at 25 May 2018).

Operations

In November 2017, the 20 properties in Wellingborough were sold for £2,800,000 which, net of associated bank debt, returned approximately £1,500,000 of cash to Energiser. The portfolio was sold because the value of the asset was estimated to have been maximised in the current market cycle due to the successful active management by the team.

Outlook

In 2018 we will manage the investment that has been made in KCR to maximise its value.

Energiser remains committed to its core strategy as an investment company, investing in quoted and unquoted companies to achieve capital growth.

We look forward to updating shareholders with the detail of Energiser's ongoing progress in the coming months.

Dominic White

Chief Executive

Directors

Stephen Wicks

Non-executive Chairman

has worked in the construction and housebuilding sector all of his working life and has extensive knowledge of local and national planning policies on both greenfield and brownfield sites. He is currently the chief executive of Inland Homes plc, having founded the company in June 2005. Prior to this, Mr Wicks was the founding shareholder and chief executive of Country & Metropolitan plc, which floated on the main market of the London Stock Exchange in December 1999 with a market capitalisation of £6.9m. He directed the growth of Country & Metropolitan plc until its disposal in April 2005 to Gladedale Holdings plc for approximately £72m.

Dominic White

Chief Executive

is a member of the Institute of Chartered Financial Analysts and is a Chartered Surveyor who has more than 24 years' experience in the investment sector working in private equity, real estate investment fund management and real estate advisory businesses in both the private and listed markets. During his career he has held senior investment positions at international institutions such as Security Capital European Realty Private Equity, Henderson Global Investors and Cordea Savills Investment Management and was chief executive and non-executive director of UK resident AIM-listed vehicles such as Limitless Earth plc. In 2007 Mr White founded his own advisory business, White Amba Limited, and a private investment partnership, White Amba Investments LLP. He is currently Chief Executive of KCR Residential REIT Plc, an Aim quoted real estate investment trust that invests in apartment blocks of one- and two-bed rented residential property.

Nishith Malde

Director

qualified as a Chartered Accountant in 1985 with KPMG and specialised in advising owner-managed businesses. He left KPMG in 1989 to set up a consultancy firm which later merged with an audit practice where he was the partner responsible for the affairs of Country & Metropolitan plc. Mr Malde joined Country & Metropolitan plc as finance director and company secretary in November 1998. He was actively involved in the preparation for the flotation of Country & Metropolitan plc in December 1999 and its further development (which included acquisitions and disposals) until it was acquired by Gladedale Holdings plc in April 2005. He is also a founding shareholder and finance director of Inland Homes plc which floated onto AIM in April 2007.

Group Strategic Report

for the year ended 31 December 2017

The Directors present their Strategic Report on the Group for the year ended 31 December 2017.

Review of the business

The Company is registered as a Public Limited Company (plc). The Company's shares of 0.1p each are listed on AIM, part of the London Stock Exchange.

The Group invests in quoted and unquoted companies to achieve capital growth. The Group also held investment properties during the year whereby the properties are held with rental income arising from short-term lets. It also provides mezzanine finance to housebuilders.

Results and performance

The results of the Group for the year, as set out on pages •• to ••, show a profit on ordinary activities before and after taxation of £604,000 and £572,000 respectively (2016: loss £211,000). The shareholders' funds for the Group total £1,774,000 (2016: £1,748,000).

The performance of the rental investment during 2017 was less than in 2016 due to the sale of the properties part way through the year. During the year the Group received £773,000 out of the £785,000 priority return relating to the Kingswood development of 12 residential units in Surrey, being slightly less than the full amount originally expected due to less profit being made by the development.

Strategy

Energiser's strategy as an Investing Company is to invest, directly or indirectly, in quoted and unquoted companies and in the property sector to achieve capital growth in the medium term.

Key performance indicators ("KPIs")

The Group's KPIs are the return on project investment and the net assets position of the Group including net assets per share. These indicators are monitored by the Board and the details of performance against these are given below.

	2017	2016
Return on project investment	**£104,000**	£118,000
Return on project funding	**£773,000**	—
Net assets	**£1,774,000**	£1,748,000
Net assets per ordinary share	**1.43p**	1.41p

Principal risks and uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks. The Directors have set out below the principal risks facing the business. Where possible, processes are in place to monitor and mitigate such risks. The Group operates a system of internal control and risk management in order to provide assurance that the Board is managing risk whilst achieving its business objectives. No system can fully eliminate risk and, therefore, the understanding of operational risk is central to the management process.

To enable shareholders to appreciate what the business considers are the main operational risks, they are briefly outlined below:

	Risk	**Potential impact**	**Strategy**
Housing market	A fall in the housing market in the regions in which the Group operates	• Inability to realise maximum value in a timely fashion • Adverse effect on the timing of sales	The Group seeks to ensure that funding provided to housebuilders is for developments in areas that are likely to be least affected by a decline in the housing market
Interest rates	Significant upward changes in interest rates	Increased borrowing costs and a detrimental effect on profit	The Group mitigates any adverse exposure to interest rate changes by controlling its gearing

Financial risk management objectives and policies

The Company's policy in respect of financial instruments and risk profile is set out in the Directors' Report on page 6 and in Note 18 to the accounts.

Future developments

The Group will continue to focus on direct investment in the equity and debt capital of property assets. It will also look to increase its exposure to property by investing in property operating companies such as serviced-residential, serviced-storage or serviced-leisure that combine an interest in a property portfolio with an overriding operating business.

By order of the Board

Stephen Wicks
Non-executive Chairman

Directors' Report

for the year ended 31 December 2017

The Directors have pleasure in submitting their report, together with the financial statements of the Group and Company, for the year ended 31 December 2017.

Principal activity
The principal activity of the Group is as an investment company investing in quoted and unquoted companies to achieve capital growth. The Group also held investment properties, acquired by way of its principal activity, and is investing in residential property development projects.

Future developments
The intended activity of the Group is disclosed in the Strategic Report.

Corporate governance and compliance
The Company is listed on AIM and, accordingly, compliance with the revised UK Corporate Governance Code is not mandatory. However, the Company recognises this represents good practice and is committed to applying aspects of corporate governance where considered relevant by the Directors to a company of this size and nature. The Board is accountable to the Company's shareholders for good corporate governance. This report and the Remuneration Report describe how the Company applies the provisions of good corporate governance.

Directors
The Company supports the concept of effective Board leadership and control of the Company. The Board is responsible for approving Company policy and strategy. All Directors have access to advice from the Company Secretary and independent professionals at the Company's expense. All Directors are subject to re-election every three years and at the first Annual General Meeting (AGM) after appointment.

The Board members are listed on page 1.

Relations with shareholders
The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. It therefore encourages shareholders to offer their views.

The AGM provides an opportunity for shareholders, particularly private investors, to question the Board on issues arising.

The notice convening the AGM is the notice of the meeting sent to shareholders with this report. A separate motion will be put to the meeting on each substantial issue.

Accountability and audit
The Board endeavours to present a balanced and understandable assessment of the Group's position and prospects in all reports as well as in the information required to be presented by statutory requirements.

Going concern
The financial statements have been prepared on the going concern basis, the Directors having considered the cash balance at the year end was sufficient to cover in excess of twelve months expenditure from the date of the approval of these financial statements. In doing so they have given due regard to the risks and uncertainties affecting the business as set out in the Directors' Report and the liquidity risk disclosed in Note 18. On this basis, the Directors have a reasonable expectation that the funds available to the Group are sufficient to meet the requirements indicated by those forecasts.

Internal control
The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets, and for reviewing its effectiveness. Such a system is designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and, accordingly, even the most effective systems can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Assessment of business risk
The Board regularly reviews operating and strategic risks.

The Group's operating procedures include a system for reporting financial and non-financial information to the Board including:

- reports from management with a review of the business at each Board meeting, focusing on any new decisions/risks arising;
- reports on the performance of investments;
- reports on selection criteria of new investments; and
- consideration of reports prepared by third parties.

Control procedures
Operational procedures have been developed for each of the Group's operating businesses that embody key controls over relevant areas. The implications of changes in law and regulations are taken into account by the Group.

The Board has considered the need for an internal audit function but has decided that this is not justified at present given the size of the Group. However, it will keep the decision under review on an annual basis at least.

Appointment of Directors

The Board deals with all matters relating to the appointment of Directors including determining the specification, identifying suitable candidates and selection of the appointee. No separate Nominations Committee has been formed.

Throughout the year the Articles of Association have required each Director to seek re-election after no more than three years in office. Therefore, the Board considers it inappropriate that Non-executive Directors be appointed for a fixed term as recommended by the Code.

Policy for paying creditors

The Company's policy is to pay creditors in accordance with agreements reached with creditors. Trade creditors at the year end amount to 6 days (2016: 46 days) of average supplies.

Significant shareholdings

According to the Company's register of substantial shareholdings at 25 May 2018 the following had notified the Company of their interest in 3% or more of the Company's issued ordinary share capital, other than the Directors discussed below:

	Number of shares	%
Highlands Village Limited	17,375,000	14.00
Flemmings Property Services Limited	7,500,000	6.05

Directors and Company Secretary

Nishith Malde will retire in accordance with the Articles of Association and, being eligible, offers himself for reappointment.

Those Directors who held office during the year and their interests in shares of the Company which include beneficial and family interests, are shown below:

	As at 31 December 2017 ordinary shares of 0.1p	As at 31 December 2016 ordinary shares of 0.1p
S D Wicks*	**35,289,930**	34,327,355
D White	**1,750,000**	1,750,000
N Malde†	**12,689,964**	12,415,146

* The beneficial holding of Stephen Wicks comprises his direct shareholding of 28,558,855 shares and an interest of 6,731,075 shares in the Company held by way of his shareholding in Highlands Village Limited, of which he owns 38.74%.

† The beneficial holding of Nishith Malde comprises his direct shareholding of 11,230,464 shares and an interest of 1,459,500 shares in the Company held by way of his shareholding in Highlands Village Limited, of which he owns 8.4%.

Nishith Malde and Dominic White have notice periods of six months. Details of Directors' remuneration are shown in the Remuneration Report on pages 30 and 31.

Taxation status

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Principal financial risks and uncertainties

The Group's financial instruments comprise its investment portfolio, cash balances, receivables and payables that arise directly from its operations and derivative instruments. The Group is exposed to market risk through the use of financial instruments and specifically to liquidity risk, market price risk and credit risk, which result from the Group's operating activities.

The Board's policy for managing these risks is summarised below.

Liquidity risk

The Group makes investments for the long term. Accordingly, the Group rarely trades investments in the short term. Whilst the Group has no listed investments at present, historically these have been sold to meet the Group's funding requirements. However, the market in small capitalised companies can be illiquid. Accordingly, the Directors monitor the market and make disposals as appropriate. Any unlisted investments in the portfolio are normally subject to greater liquidity risk. This risk is taken into account by the Directors when arriving at the valuation of these assets.

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of carrying amount of equity, less cash and cash equivalents as presented on the face of the Statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Parent Company and Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- prepare a directors' report and a strategic report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the companys' website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit and loss of the company.
- The annual report includes a fair review of the development and performance of the business and the financial position of the company, together with a description of the principal risks and uncertainties that they face.

Auditor

UHY Hacker Young have been appointed as auditor for the ensuing year in accordance with section 487 of the Companies Act 2006.

ON BEHALF OF THE BOARD

Stephen Wicks
Non-executive Chairman
25 May 2018

Independent auditor's report

to the members of Energiser Investments plc

Opinion

We have audited the Group and Parent Company financial statements of Energiser Investments plc for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

– give a true and fair view of the state of the group's affairs as at 31 December 2017 and of its result for the year then ended;
– have been properly prepared in accordance with IFRSs as adopted by the European Union; and
– have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

The realisation of investments

Risk: During the year the Group sold its investment property portfolio and realised its Mezzanine loan, the accounting treatment and disclosure of which relies on understanding the terms of each transaction.
Response: Our audit work included, but was not limited to, obtaining and reviewing supporting agreements, verifying the net proceeds and ensuring that the transactions were appropriately disclosed in the financial statements.

Our application of materiality

We use materiality during the planning stage of our audit to determine the nature and extent of our testing, and also to assess the results of our work. We calculate materiality based on the magnitude of misstatement that could reasonably influence the economic decisions of users of the financial statements.

The materiality for the financial statements as a whole was set at £50,000, representing 2.5% of gross assets of £1,193m, and was considered appropriate in view of the nature of the Group. Performance materiality was set at 62.5% of the above figure and we agreed that any individual misstatements in excess of £500 would also be reported to the directors alongside any smaller differences that warranted reporting on qualitative grounds.

An overview of the scope of our audit

The scope of our audit was determined by gaining an understanding of the nature of the company, the system of internal control, determining materiality and assessing the risks of material misstatement or omission. As is typical of all audits, we also considered the risk of management override of internal controls. Our audit was fully substantive in nature.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
the information given in the strategic report and the directors report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report on by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

certain disclosures of directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This description forms part of our auditor's report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members' as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Hulse (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young
Chartered Accountants
Statutory Auditor
6 Broadfield Court
Broadfield Way
Sheffield
S8 0XF

25 May 2018

Group statement of comprehensive income

for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Continuing operations			
Revenue arising in the course of ordinary activities		**138**	160
Cost of sales		**(34)**	(42)
Gross profit		**104**	118
Administrative expenses		**(235)**	(110)
Operating (loss)/profit	2	**(131)**	8
Finance costs	3	**(54)**	(208)
Finance income	3	**—**	(11)
Gain on sale of investment properties		**16**	—
Gain on financial instrument		**773**	—
Profit/(loss) before taxation		**604**	(211)
Taxation	5	**(32)**	—
Profit/(loss) for the year attributable to shareholders of the Group		**572**	(211)
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial assets	10	—	(5)
Related deferred taxation	13	—	14
Other comprehensive income for the year, net of tax		—	9
Total comprehensive profit/(loss) for the year attributable to shareholders of the Group		**572**	(202)
Profit per share			
Basic and diluted profit/(loss) per share from total and continuing operations	6	**0.46p**	(0.40)p

Diluted profit/(loss) per share is taken as equal to the basic profit/(loss) per share as the Company's average share price during the period is lower than the exercise price of the share options and therefore the effect of including share options is anti-dilutive.

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Group statement of financial position

as at 31 December 2017

	Notes	**2017 £'000**	2016 £'000
ASSETS			
Non-current assets			
Investment property	8	—	2,844
		—	2,844
Current assets			
Trade and other receivables	9	**33**	72
Available-for-sale financial assets	10	—	553
Cash and cash equivalents		**1,959**	1,120
		1,992	1,745
Total assets		**1,992**	4,589
LIABILITIES			
Current liabilities			
Trade and other payables	11	**185**	733
Short-term borrowings	12	—	694
Tax and social security	11	**33**	126
		218	1,553
Non-current liabilities			
Long-term borrowings	12	—	1,288
		—	1,288
Total liabilities		**218**	2,841
Net assets		**1,774**	1,748
EQUITY			
Share capital	14	**2,392**	2,392
Share premium account		**7,189**	7,198
Convertible loan		**88**	88
Merger reserve		**1,012**	1,012
Revaluation reserve		—	537
Retained earnings		**(8,907)**	(9,479)
Total equity		**1,774**	1,748

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 25 May 2018.

Dominic White
Chief Executive

Stephen Wicks
Non-executive Chairman

Company Number
00298654

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Company statement of financial position

as at 31 December 2017

	Notes	**2017 £'000**	2016 £'000
ASSETS			
Non-current assets			
Financial assets held at fair value through profit or loss	7	**—**	—
		—	—
Current assets			
Trade and other receivables	9	**1,278**	1,156
Cash and cash equivalents		**1,949**	1,102
		3,227	2,258
Total assets		**3,227**	2,258
LIABILITIES			
Current liabilities			
Trade and other payables	11	**1,934**	362
Tax and social security		**1**	—
Short-term borrowings	12	—	522
Total liabilities		**1,935**	884
Net assets		**1,292**	1,374
EQUITY			
Share capital	14	**2,392**	2,392
Share premium account		**7,189**	7,198
Convertible loan		**88**	88
Merger reserve		**1,012**	1,012
Revaluation reserve		—	420
Retained earnings		**(9,389)**	(9,736)
Total equity		**1,292**	1,374

The loss for the year was £73,000 (2016: £138,000).

The financial statements were approved by the Board of Directors and authorised for issue on 25 May 2018.

Dominic White
Chief Executive

Stephen Wicks
Non-executive Chairman

Company Number
00298654

The accompanying accounting policies and notes form an integral part of these financial statements.

Group statement of changes in equity

for the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Convertible loan £'000	Merger reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	2,312	5,747	88	1,012	528	(9,268)	419
Total comprehensive loss	—	—	—	—	9	(211)	(202)
Issue of equity	80	1,451	—	—	—	—	1,531
Balance at 31 December 2016	**2,392**	**7,198**	**88**	**1,012**	**537**	**(9,479)**	**1,748**
Total comprehensive profit	—	—	—	—	(537)	572	35
Issue of equity	—	(9)	—	—	—	—	(9)
Balance at 31 December 2017	**2,392**	**7,189**	**88**	**1,012**	**—**	**(8,907)**	**1,774**

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Company statement of changes in equity

for the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Convertible loan £'000	Merger reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	2,312	5,747	88	1,012	420	(9,598)	(19)
Total comprehensive loss	—	—	—	—	—	(138)	(138)
Issue of equity	80	1,451	—	—	—	—	1,531
Balance at 31 December 2016	**2,392**	**7,198**	**88**	**1,012**	**420**	**(9,736)**	**1,374**
Total comprehensive loss	—	—	—	—	—	(73)	(73)
Issue of equity	—	(9)	—	—	—	—	(9)
Balance at 31 December 2017	**2,392**	**7,189**	**88**	**1,012**	**420**	**(9,809)**	**1,292**

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Group statement of cash flows

for the year ended 31 December 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit/(Loss) before taxation	**604**	(211)
Adjustments for:		
Profit on sale of investment properties	**(16)**	—
Interest expense	**54**	208
Interest income	—	11
Decrease/(Increase) in trade and other receivables	**51**	(33)
(Decrease)/Increase in trade and other payables	**(641)**	(127)
Net cash generated by/(used in) operating activities	**52**	(152)
Cash flows from investing activities		
Mezzanine finance facility repaid	**16**	3,408
Sale of investment properties	**2,816**	—
Net cash generated by investing activities	**2,832**	3,408
Cash flows from financing activities		
Net proceeds on the issue of ordinary shares	**(9)**	1,530
Repayment of borrowings	**(1,982)**	(3,670)
Interest paid	**(54)**	(214)
Net cash used in financing activities	**(2,045)**	(2,354)
Net increase in cash and cash equivalents	**839**	902
Cash and cash equivalents at beginning of financial year	**1,120**	218
Cash and cash equivalents at end of financial year	**1,959**	1,120

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Company statement of cash flows

for the year ended 31 December 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Loss before and after taxation	**(73)**	(138)
Adjustments for:		
Interest expense	**7**	30
Decrease/(Increase) in trade and other receivables	**45**	(46)
(Decrease)/Increase in trade and other payables	**(8)**	14
Net cash used in operating activities	**(29)**	(140)
Cash flows from financing activities		
Interest paid	**17**	(7)
Net proceeds on the issue of ordinary shares	**(9)**	1,530
Repayment of borrowings	**(522)**	(281)
New loans received	**1,390**	—
Net cash generated by financing activities	**876**	1,242
Net increase in cash and cash equivalents	**847**	1,102
Cash and cash equivalents at beginning of financial year	**1,102**	—
Cash and cash equivalents at end of financial year	**1,949**	1,102

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Principal accounting policies

for the year ended 31 December 2017

The principal accounting policies adopted in the preparation of the Group and Company financial statements are set out below.

Basis of accounting

Basis of preparation

The Group and Company financial statements have been prepared under the historical cost convention, except as modified by the fair value of investment property and financial assets and liabilities (including derivatives). They have also been prepared in accordance with the Companies Act 2006 applicable to companies reporting under IFRS.

The Group and Company financial statements have been prepared in accordance with the accounting policies set out below and International Financial Reporting Standards (IFRS) as adopted by the European Union and that were effective at 31 December 2017.

The accounting policies have been applied consistently throughout the Group and the Company for the purposes of the preparation of these financial statements and the same accounting policies, presentations and methods of computation are followed in this set of financial statements as were applied in the previous set of audited financial statements.

The financial statements have been prepared on the going concern basis, the Directors having considered the cash forecasts for the next twelve months from the date of the approval of these financial statements. In doing so they have given due regard to the risks and uncertainties affecting the business as set out in the Directors' Report, the liquidity of investments and the liquidity risk disclosed in Note 18 and the repayment of other loans as referred to in Note 12. On this basis, the Directors have a reasonable expectation that the funds available to the Group are sufficient to meet the requirements indicated by those forecasts.

The Parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The Parent Company's loss for the year was £73,000 (2016: loss £138,000).

Summary of significant accounting policies

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2017. Subsidiaries are entities over which the Group is exposed to, or has rights to, the variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Group obtains and exercises control through voting rights.

Intercompany transactions, balances and unrealised gains on transactions between the Parent Company and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the Group Statement of financial position at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of fair value of consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Revenue

Properties are leased out on operating leases. Rental income is recognised within revenue (excluding VAT) on a straight-line basis over the lease and direct operating expenses are reported within cost of sales.

Interest

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Dividends are recognised when the shareholders' right to receive payment is established.

Taxation

Current tax is the tax currently payable based on taxable profit/(loss) for the period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group or Company and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group or Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Statement of comprehensive income, except where they relate to items that are charged or credited directly to other comprehensive income or equity in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity.

Investment property
Investment properties are valued using the fair value model whereby the properties are measured at fair value, which is the amount for which the property could be transferred between knowledgeable, willing parties in an arm's length transaction. Any gain or loss resulting from the sale or change in fair value of an investment property is immediately recognised in profit or loss. An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Financial assets
Financial assets are divided into the following categories: loans and receivables (including trade and other receivables) and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date, at which point a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group or Company becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition they are measured at fair value, and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the revaluation reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to the Statement of comprehensive income.

Available-for-sale financial assets comprise a mezzanine funding debtor.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and certain other current assets are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the Statement of comprehensive income.

Provision against trade receivables is made when there is objective evidence that the Group or Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group or Company retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group or Company transfers substantially all the risks and rewards of ownership of the asset, or if the Group or Company neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Financial liabilities
Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group or Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs.

They are subsequently measured at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in the Statement of comprehensive income. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the Statement of comprehensive income on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires. When the obligation is extinguished by conversion to equity, a gain or loss is recognised in respect of the difference between the carrying value of the debt compared to the fair value of the shares issued.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value in the Statement of financial position. Fair values are obtained from observable market prices or valuation techniques such as discounted cash flow models. Generally, the best evidence of the fair value of a derivative at initial recognition is

the transaction price (i.e. the fair value of the consideration given or received). All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivatives are used for matching exposures on assets and liabilities. Where separate derivative instruments exist these are measured at fair value through profit or loss under IAS 39. The fair value liability is recognised in the Statement of financial position, with the associated expense recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Equity
Equity comprises the following:

- **Share capital** represents the nominal value of equity shares;
- **Share premium** represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- **Convertible loan** represents the equity element of a convertible loan which has now been settled;
- **Retained earnings** represents retained profits/(losses);
- **Merger reserve** represents the excess of the nominal value of shares issued in the acquisition of a subsidiary undertaking and the nominal value of the subsidiary undertaking's shares; and
- **Revaluation reserve** represents the excess of the current and probable future value of an asset over the recorded historic cost of that asset.

Leased assets
In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The Group holds no such assets. All other leases are regarded as operating leases and the payments made under them are charged to profit or loss on a straight-line basis over the lease-term. Lease incentives are spread over the term of the lease.

Segment reporting
In accordance with IFRS 8, information is disclosed to enable users of financial statements to evaluate the nature and financial effects of the business activities in which the Group engages. In identifying its operating segments, management differentiates between investment activities and rental of its freehold and leasehold properties. These segments are based on the information reported to the chief operating decision-maker. The rental segment utilises its freehold properties within investment property. The Group's result to date is substantially derived from investment activities.

Share-based employee remuneration
The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

Standards in issue but not yet effective
There were no IFRS standards or IFRIC interpretations adopted for the first time in these financial statements that had a material impact on the Group or Company financial statements.

The following accounting standards, amendments to existing standards and interpretations are not yet effective and have not been adopted early by the Group or Company:

- IFRS 15 Revenue from Contracts with Customers (EU effective date 1 January 2018)
- IFRS 9 Financial Instruments (EU effective date 1 January 2018)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (EU effective date 1 January 2018)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (EU effective date 1 January 2018)
- Transfers of Investment Property – Amendments to IAS40 (EU effective date 1 January 2018)
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (EU effective date 1 January 2018)
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters (EU effective date 1 January 2018)
- AIP IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment – by - investment choice (EU effective date 1 January 2018)
- IFRS 16 Leases (EU effective date 1 January 2019)
- IFRIC Interpretations 23 Uncertainty over Income Tax Treatments (EU effective date 1 January 2019)
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (EU effective date 1 January 2019)
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (EU effective date 1 January 2019)
- AIP IFRS 3 Business Combinations – Previously held Interests in a joint operation (EU effective date 1 January 2019)

- AIP IFRS 11 Joint Arrangements – Previously held Interests in a joint operation (EU effective date 1 January 2019)
- AIP IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity (EU effective date 1 January 2019)
- AIP IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation (EU effective date 1 January 2019)
- IFRS 17 Insurance Contracts (EU effective date 1 January 2021)

The adoption of these standards, amendments and interpretations is not expected to have a material impact on the Group or Company's result for the year.

Critical judgements in applying the accounting policies

In the process of preparing the accounting policies, the Directors have applied critical judgements in adopting the going concern basis to the financial statements as more fully set out in the basis of preparation paragraph of these accounting policies.

Key sources of estimation uncertainty

Fair value of loans

The fair value of other loans at initial recognition has been calculated in the absence of information for directly comparable instruments as no active market exists for such items. Accordingly, the inputs to the valuation techniques and specifically the market-related rate of interest rely on other sources of data including the Directors' knowledge of similar loans. The carrying value of other loans included in borrowings was £nil (2016: £0.6m). The subsequent measurement of loans is at amortised cost (Note 18).

Fair value of profit on mezzanine funding arrangement

The fair value of the mezzanine funding arrangement includes estimates as to the timing and value of future cash flows and the underlying profitability of the development. The carrying value of the mezzanine funding agreement was £nil (2016: £553,000).

Fair value of investment properties

The fair value of investment properties is determined by independent valuation experts using the open market of existing use method as this has been assessed currently as the best use of these assets. During the year the investment properties were sold and the carrying value is therefore £nil (2016: £2,844,000).

Notes to the financial statements

for the year ended 31 December 2017

1. Income and segmental analysis

The Group generates income by way of profits or losses on investments. It also generates rental and other related income from letting properties and has provided a loan to a housebuilder under a mezzanine funding arrangement. These operating segments are monitored by the Executive Directors and strategic decisions are made on the basis of segment operating results. The segmental analysis of operations is as follows:

Segmental analysis by activity

	2017 £'000	2016 £'000
Segment result		
Investment activities:		
Administrative expenses	**(232)**	(106)
	(232)	(106)
Rental activities:		
Net rental income	**104**	118
Administrative expenses	**(3)**	(4)
	101	114
Operating profit	**(131)**	8
Finance income	—	(11)
Finance costs	**(54)**	(208)
Other gains and losses	**789**	—
Profit/(Loss) before tax	**604**	(211)

	2017 £'000	2016 £'000
Segment assets		
Rental activities:		
Current assets – other	**1,992**	1,192
Non-current assets – investment property	—	2,844
	1,992	4,036
Mezzanine funding arrangement:		
Current assets	—	553
	—	553
Total assets	**1,992**	4,589

	2017 £'000	2016 £'000
Segment liabilities		
Investment activities:		
Current liabilities	**184**	749
	184	749
Rental activities:		
Current liabilities	**34**	321
Non-current liabilities	—	1,288
	34	1,609
Mezzanine funding arrangement:		
Current liabilities – accrued interest	—	357
Current liabilities – deferred tax on fair value adjustment	—	126
	—	483
Total liabilities	**218**	2,841
Total assets less total liabilities	**1,774**	1,748

The activity of investments, rentals and mezzanine funding arose wholly in the United Kingdom.

No single customer accounts for more than 10% of revenue.

2. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2017 £'000	2016 £'000
Auditor's remuneration for:		
Audit services		
– audit of the Group's annual accounts	**7**	7
– audit of subsidiaries pursuant to legislation	**4**	4
Other services		
– taxation services	**2**	2

3. Finance costs and finance income

	2017 £'000	2016 £'000
Finance costs		
Short-term loans	**54**	58
Long-term loans	—	150
	54	208
Finance income		
Short-term loans	—	(11)
	—	(11)

4. Directors and employees

Staff costs during the year were as follows:

	2017 £'000	2016 £'000
Wages and salaries	**104**	34

The Directors and employees of the Group have waived £591,000 of remuneration as at 31 December 2017 (2016: £549,000), which includes £42,000 in respect of the current year. See Remuneration Report on pages 30 and 31.

The average number of employees (including Directors) of the Group was:

	2017 Number	2016 Number
Management of investments and properties	3	3

Further details of individual Directors' remuneration, pension fund and interests in the Company are shown in the table on page 30.

5. Income tax expense

There is a tax charge due for the current year which has been reduced by brought forward tax losses. The current tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained as follows:

	2017 £'000	2016 £'000
Profit/(Loss) on ordinary activities before taxation	**604**	(211)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016: 20%)	**114**	(42)
Effect of:		
Disallowable items	**(3)**	—
Addition of tax losses arising	**(79)**	42
Total tax charge	**32**	—

The Group has unrecognised deferred tax assets of £1,442,000 (2016: £1,588,000) as a result of profits in the current year and losses in prior periods carried forward of £7,590,000 (2016: £7,941,000).

6. Gain/(Loss) per ordinary share

The profit/(loss) per ordinary share is based on the weighted average number of ordinary shares in issue during the year of 51,824,942 ordinary shares of 0.1p (2016: 51,824,942 ordinary shares of 0.1p) and the following figures:

	2017	2016
Profit/(Loss) attributable to equity shareholders (£'000)	**572**	(211)
Earnings per ordinary share	**0.46p**	(0.40)p

Diluted earnings per share is taken as equal to basic earnings per share as the Group's average share price during the period is lower than the exercise price of the share options and therefore the effect of including share options is anti-dilutive.

7. Investments

Group and Company

	2017 £'000	2016 £'000
Investments listed on a recognised stock exchange	**—**	—

In accordance with IFRS 7, financial instruments are measured by level of the following fair value measurement hierarchy:

- Level 1: quoted prices in an active market for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price on the last day of the financial year of the Group. These instruments are included in level 1 and comprise FTSE and AIM-listed investments classified as held at fair value through profit or loss.
- Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Group held an interest rate swap which was classified as level 2. Further details can be found in Note 18.
- Level 3: the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There have been no transfers between these classifications in the period (2016: none). The change in fair value for the current and previous years is recognised through profit or loss.

All assets held at fair value through profit or loss were designated as such upon initial recognition. Movements in investments held at fair value through profit or loss are summarised as follows:

	Level 1 Equity investments £'000	**Level 3 Financial instruments £'000**	**Total investments £'000**
Cost			
At 1 January 2016	—	—	—
At 31 December 2016	—	—	—
Fair value losses			
At 1 January 2016	—	—	—
Movement in fair value losses	—	—	—
At 31 December 2016	—	—	—
Fair value			
At 31 December 2016	—	—	—
At 31 December 2015	—	—	—
Cost			
At 1 January 2017	**(11)**	**4,907**	**4,896**
At 31 December 2017	**(11)**	**4,907**	**4,896**
Fair value losses			
At 1 January 2017	**11**	**(4,907)**	**(4,896)**
At 31 December 2017	**11**	**(4,907)**	**(4,896)**
Fair value			
At 31 December 2017	—	—	—
At 31 December 2016	—	—	—

At 31 December 2017, the Company held 12.5% (2016: 12.5%) of the issued ordinary share capital of EiRx Therapeutics plc. This investment is carried at fair value through profit or loss and is valued at £nil as the company has now appointed a liquidator and it is unlikely that there will be any assets remaining after payments have been made to creditors to distribute to shareholders.

8. Investment property

	Residential properties Level 3 £'000
Fair value	
At 31 December 2015	**2,844**
Fair value adjustment	—
At 31 December 2016	**2,844**
Disposal	(2,844)
At 31 December 2017	**—**
At 31 December 2016	2,844

The different valuation method levels are defined below.

- Level 1: quoted prices (unadjusted) in an active market for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

These levels are specified in accordance with IFRS 13 Fair Value Measurement. Our property valuation approach is set out below. Property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate. For these reasons, we have classified the investment properties as Level 3 as defined by IFRS 13.

The direct operating expenses for the period arising from the investment properties were £34,000 (2016: £42,000). The investment properties generated income of £138,000 (2016: £160,000) during the period.

9. Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Other debtors	**33**	22	**1,278**	1,106
Unpaid share capital	—	50	—	50
	33	72	**1,278**	1,156

In the opinion of the Directors, fair value is equal to carrying value.

10. Available-for-sale financial assets

	Mezzanine funding debtor £'000
Cost	
At 1 January 2017	(110)
Repayment	110
At 31 December 2017	**—**
Fair value movements	
At 1 January 2017	663
Fair value adjustment	110
Repayment	(773)
At 31 December 2017	**—**
Fair value	
At 31 December 2017	**—**
At 31 December 2016	553

11. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Current				
Trade creditors	**3**	14	**1**	13
Amounts owed to subsidiary undertakings	—	—	**1,751**	135
Other creditors and accruals	**182**	719	**182**	214
Tax and social security	**33**	—	**1**	—
Total trade and other payables	**218**	733	**1,935**	362

In the opinion of the Directors, fair value is equal to carrying value.

12. Borrowings

	Group		Company	
	2017 **£'000**	2016 £'000	**2017** **£'000**	2016 £'000
Current				
Bank loan	**—**	44	**—**	—
Other loans	**—**	650	—	522
	—	694	—	522
Non-current				
Bank loan	**—**	1,288	**—**	—
	—	1,288	**—**	—
Total borrowings	**—**	1,982	—	522

On 13 October 2015 a new facility was entered into with Barclays for £1,375,000 which is secured on the properties at Wellingborough. The loan attracted an interest rate of base rate plus 2.75%. The loan was repaid in full upon the sale of the investment properties in the period to 31 December 2017.

13. Deferred tax

	£'000
At 1 January 2017	126
Deferred tax debit on fair value adjustment to profit on mezzanine funding arrangement	(126)
At 31 December 2017	—

The deferred tax balance relates wholly to the fair value adjustment of the profit on the mezzanine funding arrangement.

14. Share capital

	2017	2016
	£'000	£'000
Allotted, called up and fully paid		
123,912,956 (2016: 123,912,956) ordinary shares of 0.1p each	**124**	124
2,268,113,165 (2016: 2,268,113,165) deferred shares of 0.1p each	**2,268**	2,268
	2,392	2,392

	2017 **Number**	**2017** **£'000**	2016 Number	2016 £'000
Ordinary shares				
At 1 January 2017	**123,912,956**	**124**	43,787,956	44
Issued in satisfaction of indebtedness during the year	**—**	**—**	17,375,000	17
Issued for cash during the year	**—**	**—**	62,750,000	63
At 31 December 2017	**123,912,956**	**124**	123,912,956	124

Deferred shares

The deferred shares have:

- no right to any dividend;
- the right to receive notice of any general meeting and to attend such meeting but no right to vote thereat; and
- the right on a winding up or other return of capital (after payment of the debts and liabilities of the Company and an amount equal to the amounts paid up, or credited as paid up, including any premium on the ordinary shares of the Company, together with any unpaid arrears of dividend declared on such shares) to an amount equal to the amounts paid up or credited as paid up on such deferred shares.

Share option scheme

The Group operates an unapproved share option scheme. Awards under each scheme are made periodically to employees. The share options in this scheme vest three years after the date of grant and have an exercise period of seven years. The options may only be exercised by option holders while they are still employees of the Group. If death in service occurs the options can be exercised (to the extent that they have vested) by the option holder's personal representatives for a period of twelve months following the date of death. If an option holder ceases to be employed and the Directors deem the option holder to be a 'Good Leaver' the options can be exercised (to the extent that they have vested) for a period of six months following the date of cessation of employment.

A reconciliation of option movements over the year ended 31 December 2017 is shown below:

	Number	**Exercise price**
Outstanding at 31 December 2016	11,7500,000	20p
Lapsed during the year	(900,000)	20p
Granted during the year	1,500,000	3.25p
Outstanding at 31 December 2017	**12,350,000**	

At 31 December 2017 outstanding options granted over ordinary shares were as follows:

Share option scheme	**Exercise price**	**Number**	**Dates exercisable**
Company unapproved	3.25p	1,500,000	15 February 2020 to 15 February 2027
Company unapproved	2p	10,850,000	4 October 2019 to 3 October 2026

Further details on the share options can be found in the Remuneration Report on pages 30 and 31.

The Group has used the Black-Scholes formula to calculate the fair value of outstanding share options. The assumptions applied to the Black-Scholes formula for share options issued and the fair value per option are detailed in the table below for options issued in the year. The charge calculated up to 31 December 2017 is £nil (2016: £nil). Volatility was calculated using historical share price information.

	Unapproved share options 2017 grant
Expected life of options based on options exercised to date	3 years
Volatility of share price	1.1%
Dividend yield	0%
Risk free interest rate	2.05%
Share price at date of grant	1.7p
Exercise price	2p
Fair value per option	£0.00

15. Retirement benefits

Defined contribution pension scheme

The Group operates a defined contribution scheme for the benefit of certain employees and Directors. The assets of the scheme are administered by trustees in a fund independent from those of the Company. There were no contributions during the year (2016: £nil).

16. Commitments under operating leases

The Group and Company have no commitments under operating leases (2016: £nil).

17. Transactions with related parties

Group and Company

Highlands Village Limited, a company in which S D Wicks and N Malde are both Directors and shareholders holds 17,375,000 ordinary, shares that were issued at 2p each in satisfaction of a prior years loan and £66,500 of accrued interest.

Company

Cedar Green Homes Limited, Energiser (Nominee) Limited and Development Funding Limited are wholly owned subsidiaries of Energiser Investments plc. Energiser Investments plc is exempt from the requirements of IAS 24 to disclose transactions with the companies.

The key management personnel of the Company are considered to be the Directors.

18. Financial instruments and risk profile

The Group's and Company's financial instruments comprise of its investment portfolio, cash balances, debtors and creditors that arise directly from its operations and derivative instruments. The Group and Company are exposed to risk through the use of financial instruments and specifically to liquidity risk, market price risk and credit risk, which result from the Group's operating activities.

The Board's policy for managing these risks is summarised below.

Liquidity risk

The Group and Company make investments for the long term. Accordingly, the Group and Company rarely trade investments in the short term. Whilst the Group and Company have no listed investments at present, historically these have been sold to meet the Group or Company's funding requirements. However, the market in small capitalised companies can be illiquid. The Group has a number of residential properties which have been sold, the Directors having monitored the market and made disposals as appropriate.

Market price risk

The Group and Company are exposed to market price risk as shown by movements in the value of its equity investments. Any such risk would be regularly monitored by the Directors.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the Statement of financial position. The movement in the capital to overall financing ratio is shown below:

	Group		**Company**	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Equity	**1,774**	1,748	**1,292**	1,374
Less: cash and cash equivalents	**(1,959)**	(1,120)	**(1,949)**	(1,102)
Capital	**(185)**	628	**(657)**	272
Equity	**1,774**	1,748	**1,292**	1,374
Borrowings	**—**	1,982	**—**	522
Overall financing	**1,774**	3,730	**1,292**	1,896
Capital to overall financing	**(10.4)%**	16.8%	**(50.9)%**	14.3%

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date.

	Group		**Company**	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Trade and other receivables	**33**	72	**1,278**	1,156
Available-for-sale financial assets	—	553	**—**	—
Cash and cash equivalents	**1,959**	1,120	**1,949**	1,102
	1,992	1,745	**3,227**	2,258

The Directors consider that all the above financial assets are of reasonable quality. No amounts shown above are considered to be past their due date.

Summary of financial assets and liabilities by category

The carrying amount of financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as below:

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Current assets				
Trade and other receivables	**33**	72	**1,278**	1,156
Cash and cash equivalents	**1,959**	1,120	**1,949**	1,102
Loans and receivables	**1,992**	1,192	**3,227**	2,258
Available-for-sale financial assets	**—**	553	**—**	—
Current liabilities				
Financial liabilities carried at amortised cost	**218**	1,553	**1,935**	884
Non-current liabilities				
Financial liabilities carried at amortised cost	—	1,288	**—**	—

The financial instruments held at fair value through profit or loss have been valued in accordance with the International Private Equity and Venture Capital Valuation guidelines. In the current year, these are determined by reference to quoted prices where there is an active market for identical assets or liabilities. Otherwise, the fair value is determined by using valuation techniques such as earnings multiples. There is no material difference between the carrying value and fair value of the Group's aggregate financial assets and liabilities.

Interest rate risk profile of financial liabilities

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Floating rate financial liabilities	—	1,982	—	—
Fixed rate financial liabilities	—	—	—	522
Financial liabilities on which no interest is paid	**218**	859	**1,935**	362
	218	2,841	**1,935**	884

The floating rate financial liabilities principally comprise loans as follows:

- other loans with interest payable at 4% over base rate (2016: 4% over base rate).

All financial assets and liabilities are denominated in Sterling.

Maturity profile of financial liabilities including interest

The maturity profile of the Group's financial liabilities was as follows:

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
In one year or less, or on demand				
Bank loan	—	44	**—**	—
Other loans	—	650	—	522
	—	694	—	522
In more than one year but not more than two				
Bank loan	—	88	**—**	—
In more than three years				
Bank loan	—	1,200	**—**	—

The above amounts reflect the contractual undiscounted cash flows which may differ to the carrying values of the liabilities at the reporting date.

Sensitivity analysis

The following table illustrates the sensitivity of profit/(loss) and equity to a reasonably possible change in interest rates of +/- 1%. These changes are considered to be reasonably possible, based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Group

	Profit/(Loss) for the year £000		Equity £000	
	+ 1%	**- 1%**	**+ 1%**	**- 1%**
31 December 2017	**570**	**571**	**1,744**	**1,775**
31 December 2016	(213)	(209)	1,746	1,750

Company

	Profit/(Loss) for the year £000		Equity £000	
	+ 1%	**- 1%**	**+ 1%**	**- 1%**
31 December 2017	**(73)**	**(73)**	**1,293**	**1,293**
31 December 2016	(138)	(138)	1,374	1,374

19. Subsidiary undertakings

At 31 December 2017 Energiser Investments plc held 50% or more of the equity of the following:

Company name	Country of registration	Principal activity	Holding	Class of shares
World Life Sciences Limited	England	Dormant	100%	Ordinary
Urco Limited	England	Dormant	100%	Ordinary
Development Funding Limited	England	Development finance	100%	Ordinary
Energiser (Nominee) Limited	England	Development finance	100%	Ordinary
Cedar Green Homes Limited	England	Property development	100%	Ordinary

20. Company information

The Company is a Public Limited Company registered in England and Wales. The registered office is Decimal Place, Chiltern Avenue, Amersham, Buckinghamshire, HP6 5FG.

21. Ultimate controlling party

The Directors believe that there is no overall controlling party of the Company.

22. Events after the balance sheet date

As referenced in the chairman’s statement.

Remuneration Report
for the year ended 31 December 2017

The Board submits its Remuneration Report for the year ended 31 December 2017.

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Company's position as a market leader and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this but to avoid paying more than is necessary. Due to the Board's current size it does not have a Remuneration Committee.

Main elements of remuneration

The three main elements of the Executive Directors' remuneration package are basic annual salary, performance-related bonus and share option incentives.

Basic annual salary

Any Executive Director's basic salary is reviewed annually by the Board. In deciding upon appropriate levels of remuneration, the Board believes that the Company should offer average levels of base pay reflecting individual responsibilities compared to similar jobs in comparable companies.

Summary of Directors' remuneration

	Aggregate emoluments					Company contributions to money purchase pension scheme	
	Salary/ fees 2017 £'000	**Salary/fees waived 2017 £'000**	**Bonus 2017 £'000**	**Total 2017 £'000**	Total 2016 £'000	**2017 £'000**	2016 £'000
Executive							
N Malde	**38**	**(38)**	**—**	**—**	—	**—**	—
D White	**104**	**—**	**—**	**104**	34	**—**	**—**
Non-executive							
S Wicks	**4**	**(4)**	**—**	**—**	—	**—**	—
	146	**(42)**	**—**	**104**	34	**—**	—

The Directors and employees of the Group have waived £591,000 of remuneration as at 31 December 2017 (2016: £549,000), which includes £42,000 in respect of the current year.

Non-executive Director

The remuneration of the Non-executive Director is determined by the Board within the limits set out in the Articles of Association. A contract of service is currently being prepared for the Non-executive Director.

Directors' interests

The interests of the Directors and their families in the ordinary shares of the Company are shown below:

	As at 31 December 2017 0.1p Ordinary shares	As at 1 January 2017 0.1p Ordinary shares
Ordinary shares		
S D Wicks*	**35,289,930**	34,327,355
N Malde†	**12,689,964**	12,415,146
D White	**1,750,000**	1,750,000
Share options		
S D Wicks	**3,050,000**	3,050,000
N Malde	**3,050,000**	3,050,000
D White	**6,250,000**	4,750,000

* The beneficial holding of Stephen Wicks comprises his direct shareholding of 28,558,855 shares and an interest of 6,731,075 shares in the Company held by way of his shareholding in Highlands Village Limited, of which he owns 38.74%.

† The beneficial holding of Nishith Malde comprises his direct shareholding of 11,230,464 shares and an interest of 1,459,500 shares in the Company held by way of his shareholding in Highlands Village Limited, of which he owns 8.4%.

The share options are part of a Company Unapproved scheme and are exercisable at 2p between 4 October 2019 and 3 October 2026 and were granted during the year. Details of the fair value of these options can be found in note 14.

The options granted to Mr White are subject to the multiple performance related vesting criteria outlined below:

- Aggregate increase in share capital of £1.25m through the issue of shares for cash or used to acquire assets;
- 25% will vest after 12 months from the date of grant;

- 25% will vest after 24 months from the date of grant;
- Excluding any further equity fundraising but including profits in connection with investments made using further equity fundraising:
    - 25% will vest once the Company's net asset value increases to £2.2m; and
    - 25% will vest once the Company's net asset value increases to £2.87m.

Other than shown above, no Director had any interest in the shares of the Company or any of its subsidiaries at 31 December 2017.

ON BEHALF OF THE BOARD

Stephen Wicks
Non-executive Chairman
25 May 2018