

ENERGISER INVESTMENTS PLC

FINANCIAL STATEMENTS

31 DECEMBER 2019

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COMPANIES HOUSE

Board of Directors and advisers

Non-executive Chairman

Stephen Wicks

Directors

Nishith Malde

John Depasquale (Non-executive)

Company registration number

00298654

Registered office

Burnham Yard

London End

Beaconsfield

Buckinghamshire

HP9 2JH

01494 762450

Email

info@energiserinvestments.co.uk

Website

www.energiserinvestments.co.uk

Company Secretary

Kathryn Worth

Bankers

Barclays Bank

Barclays Corporate

Fourth Floor

Apex Plaza

Forbury Road

Reading

RG1 1AX

Auditor

UHY Hacker Young

Chartered Accountants & Statutory Auditor

6 Broadfield Court

Broadfield Way

Sheffield

S8 0XF

Nominated adviser and broker

WH Ireland

24 Martin Lane

London

EC4R 0DR

Registrars

Neville Registrars Limited

Neville House

Steelpark Road

Halesowen

B62 8HD

0121 585 1131

Chairman's Statement

I am pleased to report to the members of Energiser Investments plc ("Energiser" or "the Group") for the year ended 31 December 2019.

Energiser Investments plc is an investment company whose strategy is to invest in quoted and unquoted companies to achieve capital growth. The Group continues to look for opportunities and as reported in the interim results the Group is currently invested in an AIM listed company, KCR Residential REIT plc ("KCR").

Results

The Group generated revenues of £2,000 during the period (2018: Nil) from continuing operations. It reduced its administrative expenses from £92,000 to £76,000 and made a loss before tax of £72,000 (2018: loss £498,000) after reversing accrued remuneration due to a former director of £117,000. The loss included a write down of the investment in KCR by £134,000 to £1,181,000. The loss per share was 0.06p (2018: loss per share 0.40p).

The Group's net assets decreased to £1.20m (2018: £1.28m) translating into net asset value per share of 0.97p per share (2018: 1.03p).

Investments

In March 2018, Energiser acquired 2,435,710 new KCR ordinary shares at 70p a share for a total of £1,704,997. As at 31 December 2019, the share price of KCR had dropped to 48.5p per share resulting in the Company's investment to be written down to £1,181,000.

KCR is an AIM quoted Real Estate Investment Trust ("REIT") operating in the private rented residential investment market. KCR acquires whole blocks of studio, one and two-bedroom apartments that are rented to private tenants and currently focuses on the UK residential sector.

On 27 March 2020, KCR released their Interim Results for the six months ended 31 December 2019. As at 31 December 2019, KCR's investment properties were valued at £23.4m and its net assets were £13.2m. KCR's net asset value per share was 47.84p per share which reflected the conversion of 1,730,765 Restricted Preference Shares to Ordinary Shares and the issue of 10,047,089 new ordinary shares on 6 August 2019.

The directors of KCR commented as follows:

"The Coronavirus has had a global negative impact on demand, supply chains, stock markets and consumer and business confidence. Whilst the full impact is yet to be seen it is expected that travel restrictions and reduced leisure travel in the near term will have a negative impact on demand for short let accommodation in the United Kingdom. This has potential to negatively impact the occupancy profile and rentals that can be achieved by KCR's portfolio if stock that is currently used predominantly for short let leisure travel is repositioned for longer term lease."

"On 12 February 2020, the group completed a £7.9m refinancing of its Coleheme Road, Ladbroke Grove and Lomond Court assets. The refinancing has a term of 25 years, a five year fixed interest rate and is secured on the assets concerned. The interest rates relating to these properties reduces from 3.75% per annum to 3.5% per annum. This transaction delivered £2.9m of free capital to KCR post repayment of the existing bank facility providing KCR with a strong liquidity position."

"Due to the rapid development of COVID-19, the degree of uncertainty involved and the unprecedented nature of the challenges posed by the coronavirus situation, the directors are of the opinion that it is too soon to quantify what financial impact that the COVID-19 pandemic will cause but are monitoring the situation closely."

Outlook

The Group will continue to manage its investment in KCR and will pursue other investment opportunities to achieve capital growth. Despite the uncertainty, the directors are satisfied that the Group is in a sound position to face the challenges ahead.



Stephen Wicks

Chairman
2 June 2020

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.

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.

John Depasquale

Director (Non-executive)

Has almost 30 years' financial services experience working in the areas of corporate finance, equity capital markets and financial regulation. John started his career at the London Stock Exchange plc in equity capital markets where he focused on vetting and approving equity transactions for listed companies. Later, John moved into corporate finance, predominantly working with Main Market and AIM quoted companies, where he has held senior roles at a number of firms, including Seymour Pierce, ZAI Corporate Finance and Zeus Capital. To date, he has worked on over 50 IPOs across a range of sectors and jurisdictions. John currently works at Allenby Capital Limited.

Group Strategic Report

for the year ended 31 December 2019

The Directors present their Strategic Report on the Group for the year ended 31 December 2019.

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 continues to hold its investment in KCR Residential REIT plc. The chairman's statement provides further details on KCR's activities.

Results and performance

The results of the Group for the year, as set out on pages 13 to 18, show a loss on ordinary activities before and after taxation of £72,000 (2018: £498,000). The shareholders' funds were £1,204,000 (2018: £1,276,000).

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.

	2019	2018
Net assets	£1,204,000	£1,276,000
Net assets per ordinary share	0.97p	1.03p

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 while 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	<ul style="list-style-type: none">Inability to realise maximum value in a timely fashionAdverse effect on the timing of sales	The Group seeks to ensure that investment is made either directly or indirectly into the residential property sector with a view to preserving capital
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
COVID-19	The effect of the uncertainties caused by COVID-19 and how long the crisis will continue for	The impact of COVID-19 on the carrying value of the Group's investment	The Group will liaise with the management of its investee company to assess its underlying net asset and liquidity position

Financial risk management objectives and policies

The Group's policy in respect of financial instruments and risk profile is set out in the Directors' Report on pages 5 to 7 and in Note 15 to the accounts.

Future developments

The Group will continue to focus on direct and indirect investment in quoted and unquoted companies including those in the property sector.

By order of the Board


Stephen Wicks
Non-executive Chairman

Directors' Report

for the year ended 31 December 2019

The Directors have pleasure in submitting their report, together with the financial statements of the Group and Company, for the year ended 31 December 2019.

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 will also seek to invest in investment properties and residential property development projects.

Future developments

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

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 forecasts for the next 18 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 Strategic Report and the Directors' Report, the liquidity of investments and the liquidity risk disclosed in Note 15. The uncertainties as a result of COVID-19 will potentially adversely impact the occupancy profile and rentals that can be achieved in KCR's portfolio if properties that are currently used predominantly for short let leisure travel are repositioned for longer term lease. This may have an impact on KCR's net asset value and thus on its share price if the uncertainty lasts for a long period of time. The Group's forecasts indicate that it may need to realise a small amount of its investment in KCR in the absence of any further equity injection during the next 18 months which should not present any difficulties. 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 as and when appropriate, 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.

Significant shareholdings

According to the Company's register of substantial shareholdings at 2 June 2020 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

Mrs Kathryn Worth was appointed Company Secretary on 16 April 2019.

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

	As at 31 December 2019 ordinary shares of 0.1p	As at 31 December 2018 ordinary shares of 0.1p
S D Wicks*	35,289,930	35,289,930
J Depasquale	—	—
N Malde†	12,689,964	12,689,964

* 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 has a notice period of six months. Details of Directors' remuneration are shown in the Remuneration Report on pages 32 and 33.

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 investments, 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, however, it will do so in order to meet its funding requirements. It should be noted that, the market in small capitalised companies can be illiquid. Accordingly, the Directors monitor the market and make disposals as appropriate.

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 number 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.

Post balance sheet event

As referred to in the going concern section of the principal accounting policies, we are carefully monitoring the situation concerning COVID-19 pandemic and any impact it may have on the Group. Any such impact has been treated as a non-adjusting post balance sheet event for the purpose of considering the carrying values of assets included in the balance sheet as at 31 December 2019. Given the current uncertainties, any potential financial effect cannot be estimated.

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 Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

A handwritten signature in black ink, appearing to read 'S. Wicks', is written over a circular stamp. The signature is slanted and extends across the stamp.

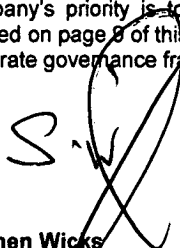
Stephen Wicks
Non-executive Chairman
2 June 2020

Corporate Governance Statement

Introduction from the Chairman on the Corporate Governance Statement

As Chairman of Energiser Investments PLC, I have overall responsibility for ensuring that corporate governance is embedded within the business. Corporate governance is at the heart of this organisation to maintain integrity, ensure we operate effectively and deliver value for our shareholders. The Company has chosen to adopt the Quoted Companies Alliance's (QCA) Corporate Governance Code and has updated its website to include additional disclosures required by the QCA Code and the AIM Rules.

The Board recognises the importance of sound corporate governance and applies the ten principles of the QCA Code insofar as reasonably practicable given the Company's nature and size. Further details on compliance with the principles are provided below. The Company's priority is to generate value for shareholders through making investments in accordance with its investment strategy as detailed on page 8 of this report. The Board believes that the QCA Code provides Energiser Investments PLC with a practical and rigorous corporate governance framework to support this strategy and the Company's success.

A handwritten signature in black ink, appearing to read 'S. Wicks', is written over the printed name and title.

Stephen Wicks
Non-executive Chairman
2 June 2020

Corporate Governance Statement

Strategy and model

The Company is an investing company. Our strategy to generate value for shareholders by investing in quoted and unquoted companies to achieve capital growth, with focus on the property sector. We take equity positions in operating and investing companies whose activities or investments include a focus on property sectors that exhibit imbalances and are expected to generate value for shareholders in the medium term.

While capital growth is the Board's priority, investments may also generate income by way of interest or dividends. The investment focus includes companies that combine an interest in a property portfolio with an overriding operating business, such as the provision of serviced-residential, serviced-storage or serviced-leisure facilities.

In deciding upon equity investments, the Board seeks to take positions which will deliver value in the medium term (three to five years) in preference to higher growth/higher risk investments. The Company's investments are typically in the £500,000 to £2,000,000 range. However, if a compelling proposition is presented to the Company which would require a greater commitment (particularly where capital is to be invested by way of staged payments), the Board will consider seeking additional equity from existing shareholders and external investors or raise debt finance to enable the Company to make such an investment.

Risk management

The Board has overall responsibility for risk management and has established a framework which ensures that principle risks are discussed, understood, mitigated, and prevented where possible. Risk assessment is an integral part of any investment decision and the Company's risk framework ensures that decisions are made on an informed basis to reflect agreed business strategy and agreed risk tolerance.

The Board considers that the key risks faced by the Company are:

- A lack of suitable investment opportunities.
- A fall in the value of residential or other property to which the Company has exposure.
- Longer-term economic or political environments, which cannot be predicted currently, but which may affect the sphere of activity for the Company.
- The short and long-term impact of Covid-19.

The Board's strategies to mitigate these risks are as follows:

- To maintain a high level of awareness of investment opportunities through their own knowledge and through a network of experts and professionals in the real estate sector.
- To seek to ensure that investments are made in real estate investing or operating companies which operate in sectors and geographies that are likely to be least affected by a fall in values.
- To keep the Company's investments under regular review in light of the economic and political climate and, where possible, to structure investments to mitigate these risks from the onset.

Board composition and independence

The Board is collectively responsible for the long-term success of the Company and for its leadership, strategy, values, control, and management. Board meetings are held at such times as are required for the effective operation of the Company's investment strategy and monitoring of investments. All Directors commit the time necessary to fulfil their roles, and this position is kept under review. Given the size of the Board and the scale and nature of the Company's business, the Company does not have a separate nominations or audit committee.

The current Directors of the Company are Stephen Wicks, the non-executive Chairman of the Company, Nishith (Nish) Malde, the finance Director and John Depasquale, non-executive Director. The Board has considerable experience and expertise in the real estate sector and the running of publicly traded companies. Stephen Wicks and Nishith Malde are not considered to be independent Directors of the Company by reason of their executive director positions at Inland Homes Plc, where they are, respectively, the Chief Executive Officer and Group Finance Officer. John is an independent director.

Full biographical details of Stephen Wicks, Nish Malde and John Depasquale can be found at

https://www.energiserinvestments.co.uk/investors/board_of_directors.php

Given the size of the Board, we do not currently operate a formal evaluation process for members, however this is kept under review as are the skills and experience required to set the strategy of the business. The Directors have due regard to appropriate succession planning as part of the ongoing evaluation of the overall effectiveness of the Board and, at the appropriate time, will take steps to ensure that any successor is fully acquainted with the Company's investment strategy.

Communication with Shareholders

The Board is keen to ensure that the Company's shareholders and any potential investors have a good understanding of the business and its performance. During the year, enquiries are received and answered on a wide spectrum of topics relevant to the business directly or through periodic updates. The Company communicates with shareholders in a number of ways:

Corporate website

Our corporate website has a dedicated investor section at www.energiserinvestments.co.uk which includes annual and interim financial reports, RNS releases and full Rule 26 disclosures.

AGM

The AGM allows the Board to update the shareholders on the Company's progress and provides an opportunity for shareholders to pose questions to Directors. In particular, the AGM provides an opportunity for shareholders, particularly private investors, to engage in wider discussion with the Board on issues of concern or interest to them, and to share their thoughts on the Company's strategy and business model.

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 2019 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 and the parent's affairs as at 31 December 2019 and of the results 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 12 months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and disclosure of investments

Risk: During the previous year, the Group invested in KCR Residential REIT Plc, the accounting for which relies upon determining whether this investment has been correctly valued and presented in the financial statements.

Response: Our audit work included, but was not limited to, confirming the share price of KCR.

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 £32,000, representing 2.5% of gross assets of £1.28m, 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 £320 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 7, 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 group's and the parent 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.

Use of our 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

2 June 2020

Group statement of comprehensive income

for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Continuing operations			
Revenue arising in the course of ordinary activities		2	—
Cost of sales		—	(1)
Gross profit / (loss)		2	(1)
Reversal of accrued remuneration for former director	4	117	—
Administrative expenses		(76)	(92)
Operating profit/(loss)	2	43	(93)
Finance income	3	—	6
Loss on investments	8	(134)	(411)
Recovery of bad debt written off in previous periods		19	—
Loss before taxation		(72)	(498)
Taxation	5	—	—
Loss for the year attributable to shareholders of the Group		(72)	(498)
Total comprehensive loss for the year attributable to shareholders of the Group		(72)	(498)
Loss per share			
Basic and diluted loss per share from total and continuing operations	6	(0.06)p	(0.40)p

Diluted loss per share is taken as equal to the basic 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 2019

	Notes	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Investments	7	1,181	1,315
		1,181	1,315
Current assets			
Trade and other receivables	9	5	8
Cash and cash equivalents		96	177
		101	185
Total assets		1,282	1,500
LIABILITIES			
Current liabilities			
Trade and other payables		78	190
Tax and social security		—	34
	10	78	224
Total liabilities		78	224
Net assets		1,204	1,276
EQUITY			
Share capital	11	2,392	2,392
Share premium account		7,189	7,189
Convertible loan		88	88
Merger reserve		1,012	1,012
Retained earnings		(9,477)	(9,405)
Total equity		1,204	1,276

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 2 June 2020.


Nishith Malde
 Director


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 2019

	Notes	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Investments	7	1,181	1,315
		1,181	1,315
Current assets			
Trade and other receivables	9	1,275	1,277
Cash and cash equivalents		70	156
		1,345	1,433
Total assets		2,526	2,748
LIABILITIES			
Current liabilities			
Trade and other payables		1,812	1,943
Tax and social security		—	2
Total liabilities	10	1,812	1,945
Net assets		714	803
EQUITY			
Share capital	11	2,392	2,392
Share premium account		7,189	7,189
Convertible loan		88	88
Merger reserve		1,012	1,012
Retained earnings		(9,967)	(9,878)
Total equity		714	803

The loss for the year was £89,000 (2018: £489,000).

The financial statements were approved by the Board of Directors and authorised for issue on 2 June 2020.


Nishith Malde
Director


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 2019

	Share capital £'000	Share premium account £'000	Convertible loan £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	2,392	7,189	88	1,012	(8,907)	1,774
Total comprehensive loss	—	—	—	—	(498)	(498)
Balance at 31 December 2018	2,392	7,189	88	1,012	(9,405)	1,276
Total comprehensive loss	—	—	—	—	(72)	(72)
Balance at 31 December 2019	2,392	7,189	88	1,012	(9,477)	1,204

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 2019

	Share capital £'000	Share premium account £'000	Convertible loan £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	2,392	7,189	88	1,012	(9,389)	1,292
Total comprehensive loss	—	—	—	—	(489)	(489)
Balance at 31 December 2018	2,392	7,189	88	1,012	(9,878)	803
Total comprehensive loss	—	—	—	—	(89)	(89)
Balance at 31 December 2019	2,392	7,189	88	1,012	(9,967)	714

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

Group statement of cash flows

for the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Loss before taxation	(72)	(498)
Adjustments for:		
Loss on sale of investment properties	—	23
Fair value adjustment for listed investments	134	390
Interest expense	—	—
Interest income	—	(6)
Decrease in trade and other receivables	3	3
(Decrease)/ increase in trade and other payables	(146)	5
Net cash used in operating activities	(81)	(83)
Cash flows from investing activities		
Interest received	—	6
Purchase of investments	—	(1,705)
Net cash used in investing activities	—	(1,699)
Net decrease in cash and cash equivalents	(81)	(1,782)
Cash and cash equivalents at beginning of financial year	177	1,959
Cash and cash equivalents at end of financial year	96	177

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 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Loss before taxation	(89)	(489)
Adjustments for:		
Fair value adjustment for listed investments	134	390
Decrease in trade and other receivables	2	1
(Decrease)/Increase in trade and other payables	(133)	10
Net cash used in operating activities	(86)	(88)
Cash flows from investing activities		
Purchase of investments	—	(1,705)
Net cash used by investing activities	—	(1,705)
Net decrease in cash and cash equivalents	(86)	(1,793)
Cash and cash equivalents at beginning of financial year	156	1,949
Cash and cash equivalents at end of financial year	70	156

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

Principal accounting policies

for the year ended 31 December 2019

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 2019.

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 18 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 Strategic Report and the Directors' Report, the liquidity of investments and the liquidity risk disclosed in Note 15. The uncertainties as a result of COVID-19 will potentially adversely impact the occupancy profile and rentals that can be achieved in KCR's portfolio if properties that are currently used predominantly for short let leisure travel are repositioned for longer term lease. This may have an impact on KCR's net asset value and thus on its share price if the uncertainty lasts for a long period of time. The Group's forecasts indicate that it may need to realise a small amount of its investment in KCR in the absence of any further equity injection during the next 18 months which should not present any difficulties. 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 £206,000 (2018: £489,000).

Changes in accounting policies

New standards adopted during the year

The following standards were adopted during the year:

Annual Improvements to IFRS Standards 2015–2017 Cycle – effective from 1 January 2019.

IFRS16 Leases – effective 1 January 2019. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Group disposed of its investment properties during 2017 and currently has no other leases in place. Accordingly, the introduction of the Standard is not expected to have an impact on the results and cash flows of either the Group or the Company.

IFRS 9 Financial Instruments

This standard applies to classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting. The group does not presently hold any complex financial instruments. Given that inter-group balances are eliminated on consolidation and does not affect group results, no material impairment allowance adjustments are expected. Having substantially completed our assessment, it is considered that the introduction of IFRS 9 is not expected to have a material impact on the results or cash flows of either the Group or the Company.

Standards to be implemented

The following standards are yet to be implemented:

Amendments to References to the Conceptual Framework in IFRS Standards – effective from 1 January 2020.

Definition of a Business (Amendments to IFRS 3) – effective from 1 January 2020.

IFRS17 Insurance Contracts – effective 1 January 2021.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) – effective from 1 January 2022.

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 2019. 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 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 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.

Financial assets

Financial assets are divided into the following categories: loans and receivables (including trade and other receivables) and fair value to profit and loss. 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.

Fair value through profit and loss assets are initially recognised at cost in accordance with IFRS 9 and are subsequently remeasured at the reporting date. The movement in fair value is recognised in the Statement of profit and loss and other comprehensive income in accordance with IFRS 13.

Fair value through profit and loss assets consist of investments in a listed entity.

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.

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.

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 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.

Notes to the financial statements

for the year ended 31 December 2019

1. Income and segmental analysis

The Group generates income by way of profits or losses on investments. It also generated rental and other related income from letting properties and has provided a loan to a housebuilder under a mezzanine funding arrangement. The investment properties were sold in 2017 and whilst some residual income has accrued, this activity has now ceased. 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

	2019 £'000	2018 £'000
Segment result		
Investment activities:		
Reversal of accrued remuneration for former director	117	—
Administrative expenses	(76)	(105)
	(41)	(105)
Rental activities:		
Net rental income	2	(1)
Administrative expenses	—	13
	—	12
Operating loss	(43)	(93)
Finance income	—	6
Finance costs	—	—
Other gains and losses	(115)	(411)
Loss before tax	(72)	(498)

	2019 £'000	2019 £'000
Segment assets		
	—	—
Investment activities:		
Non-current assets – investment	1,181	1,315
Other	101	185
Rental activities:		
Current assets – other	—	—
Total assets	1,282	1,500

	2019 £'000	2019 £'000
Segment liabilities		
Investment activities:		
Current liabilities	78	224
	78	224
Rental activities:		
Current liabilities	—	—
	—	—
Total liabilities	78	224
Total assets less total liabilities	1,204	1,276

The activity of investments arose wholly in the United Kingdom.

2. Operating loss

Operating loss is stated after charging:

	2019 £'000	2018 £'000
Auditor's remuneration for:		
Audit services		
– audit of the Group's annual accounts	7	7
– audit of subsidiaries pursuant to legislation	3	4
Other services		
– taxation services	-	2

3. Finance costs and finance income

	2019 £'000	2018 £'000
Finance income		
Short-term loans	—	6
	—	6

4. Directors and employees

Staff costs during the year were as follows:

	2019 £'000	2018 £'000
Wages and salaries	8	29

The Directors and employees of the Group have waived £695,000 of remuneration as at 31 December 2019 (2018: £643,000), which includes £52,000 in respect of the current year. See Remuneration Report on page 32 and 33. During the year, salary of £117,000 accrued in respect of a former director was reversed as a result of an agreement with him.

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

	2019 Number	2018 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 32.

5. Income tax expense

There is no tax charge for the current year. The tax assessed for the prior year is lower than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained as follows:

	2019 £'000	2018 £'000
Loss on ordinary activities before taxation	(72)	(498)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(14)	(95)
Effect of:		
Disallowable items	3	98
Addition / (utilisation) of tax losses arising	11	(3)
Total tax charge	—	—

The Group has unrecognised deferred tax assets of £1,449,000 (2018: £1,438,000) as a result of losses in the current year and prior periods carried forward of £7,628,000 (2018: £7,570,000).

6. Loss per ordinary share

The 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 (2018: 51,824,942 ordinary shares of 0.1p) and the following figures:

	2019	2018
Loss attributable to equity shareholders (£'000)	(72)	(498)
Loss per ordinary share	(0.06)p	(0.40)p

Diluted loss 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

	2019 £'000	2018 £'000
Investments listed on a recognised stock exchange	1,181	1,315

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.
- 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 (2018: 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	Total Investments £'000
Cost		
At 1 January 2019	1,705	1,705
At 31 December 2019	1,705	1,705
Fair value losses		
At 1 January 2019	(390)	(390)
Fair value adjustment	(134)	(134)
At 31 December 2019	(524)	(524)
Fair value		
At 31 December 2019	1,181	1,181
At 31 December 2018	1,315	1,315

8. Fair Value through profit and loss assets

Investment
£'000

Cost	
At 1 January 2019	1,705
At 31 December 2019	1,705
Fair value movements	
At 1 January 2019	(390)
Fair value adjustment	(134)
At 31 December 2019	(524)
Fair value	
At 31 December 2019	1,181
At 31 December 2019	1,315

Energiser Investments plc acquired shares in KCR Residential REIT plc at a price of £0.70 per share. The investment was classed as fair value through profit and loss in accordance with IFRS 9. The investment was valued downwards at the year-end in accordance with IFRS 13. The closing value at 31 December 2019 was £1,181m.

9. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Other debtors	5	8	1,275	1,277
	5	8	1,275	1,277

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

10. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Current				
Trade creditors	8	—	8	—
Amounts owed to subsidiary undertakings	—	—	1,734	1,754
Other creditors and accruals	70	190	70	189
Tax and social security	—	34	—	2
Total trade and other payables	78	224	1,812	1,945

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

11. Share capital

	2019		2018	
	£'000		£'000	
Allotted, called up and fully paid				
123,912,957 (2018: 123,912,957) ordinary shares of 0.1p each		124		124
2,268,113,165 (2018: 2,268,113,165) deferred shares of 0.1p each		2,268		2,268
		2,392		2,392
	2019 Number	2019 £'000	2018 Number	2018 £'000
Ordinary shares				
At 1 January 2019	123,912,957	124	123,912,957	124
At 31 December 2019	123,912,957	124	123,912,957	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 12 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 2019 is shown below:

	Number	Exercise price
Outstanding at 31 December 2018	12,350,000	
Lapsed during the year	(4,750,000)	2.00p
Lapsed during the year	(1,500,000)	3.25p
Granted during the year	—	—
Outstanding at 31 December 2019	6,100,000	

At 31 December 2019 outstanding options granted over ordinary shares were as follows:

Share option scheme	Exercise price	Number	Dates exercisable
Company unapproved	2p	6,100,000	4 October 2019 to 3 October 2026

Further details on the share options can be found in the Remuneration Report on pages 32 and 33.

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 2019 is £nil (2018: £nil). Volatility was calculated using historical share price information.

	Unapproved share options 2019 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

12. 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 (2018: £nil).

13. Commitments under operating leases

The Group and Company have no commitments under operating leases (2018: £nil).

14. 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 in a prior year at 2p each in satisfaction of a 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. Balances between Energiser Investments Plc and its subsidiary undertakings are shown in note 10.

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

15. 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. The Group currently has an investment in KCR Residential REIT plc. As this is a traded investment it is deemed liquid.

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	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Equity	1,204	1,276	714	803
Less: cash and cash equivalents	(96)	(177)	(70)	(156)
Capital	1,108	1,099	644	647
Equity	1,204	1,276	714	803
Borrowings	—	—	—	—
Overall financing	1,204	1,276	714	803
Capital to overall financing	92.0%	86.1%	90.2%	80.6%

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	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade and other receivables	5	8	1,275	1,277
Cash and cash equivalents	96	177	70	156
	101	185	1,345	1,433

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	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Current assets				
Trade and other receivables	5	8	1,275	1,277
Cash and cash equivalents	96	177	70	156
Cash and receivables	101	185	1,345	1,433
Fair value through profit and loss assets	1,181	1,315	1,181	1,315
Current liabilities				
Financial liabilities carried at amortised cost	78	224	1,812	1,945
Non-current liabilities				
Financial liabilities carried at amortised cost	—	—	—	—

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	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Floating rate financial liabilities	—	—	—	—
Fixed rate financial liabilities	—	—	—	—
Financial liabilities on which no interest is paid	78	224	1,812	1,945
	78	224	1,812	1,945

Sensitivity analysis

The following table illustrates the sensitivity of 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		Loss for the year		Equity	
		£000		£000	
		+ 1%	- 1%	+ 1%	- 1%
31 December 2019		(73)	(71)	1,216	1,192
31 December 2018		(503)	(493)	1,289	1,263

Company		Loss for the year		Equity	
		£000		£000	
		+ 1%	- 1%	+ 1%	- 1%
31 December 2019		(90)	(88)	721	707
31 December 2018		(494)	(484)	811	795

16. Subsidiary undertakings

At 31 December 2019 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

17. Company information

The Company is a Public Limited Company registered in England and Wales. The registered office is Burnham Yard, London End, Beaconsfield Buckinghamshire, HP9 2JH.

18. Ultimate controlling party

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

19. Events after the balance sheet date

As referred to in the going concern section of the principal accounting policies, we are carefully monitoring the situation concerning COVID-19 pandemic and any impact it may have on the Group. Any such impact has been treated as a non-adjusting post balance sheet event for the purpose of considering the carrying values of assets included in the balance sheet as at 31 December 2019. Given the current uncertainties, any potential financial effect cannot be estimated.

Remuneration Report

for the year ended 31 December 2019

The Board submits its Remuneration Report for the year ended 31 December 2019.

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 2019 £'000	Salary/fees waived 2019 £'000	Bonus 2019 £'000	Total 2019 £'000	Total 2018 £'000	2019 £'000	2018 £'000
Executive							
N Malde	38	(38)	—	—	—	—	—
D White	—	—	—	—	29	—	—
J Depasquale	12	—	—	12	—	—	—
Non-executive							
S Wicks	14	(14)	—	—	—	—	—
	64	(52)	—	12	—	—	—

The Directors and employees of the Group have waived £695,000 of remuneration as at 31 December 2019 (2018: £643,000), which includes £52,000 in respect of the current year. During the year, salary of £117,000 accrued in respect of a former director was reversed as a result of an agreement with him.

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. The Non-executive Director has a contract for services which can be terminated by either party giving the other four weeks prior written notice.

Directors' interests

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

	As at 31 December 2019 0.1p Ordinary shares	As at 1 January 2019 0.1p Ordinary shares
Ordinary shares		
S D Wicks*	35,289,930	35,289,930
N Malde†	12,689,964	12,689,964
Share options		
S D Wicks	3,050,000	3,050,000
N Malde	3,050,000	3,050,000

* 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 11.

Other than shown above, no Director had any interest in the shares of the Company or any of its subsidiaries at 31 December 2019.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'S. Wicks', written over the text 'ON BEHALF OF THE BOARD'.

Stephen Wicks
Non-executive Chairman
2 June 2020