Energiser Investments plc

Annual Report and Accounts

For the year ended 31 December 2016

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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Company Secretary
Nishith Malde

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Auditor
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Chartered Accountants & Statutory Auditor
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Chairman's statement

Introduction

I am delighted to report on the Group's performance for the year ended 31 December 2016.

As part of our strategy to focus on the property sector, in October 2016 Dominic White moved from his role as Non-executive Director to Chief Executive. Dominic has an extensive background in the real estate sector and capital markets.

During the year we maintained greater than 95% occupancy at the Wellingborough investment portfolio, saw the majority of the development loan repaid at the Kingswood, Surrey development, made great progress on the sourcing, analysis and negotiation of a number of potential transactions and raised new equity.

Results

The gross rental income from the Wellingborough investment portfolio of 20 residential properties increased to £160,000 (2015: £154,000), an uplift of 3.9% over the previous year. The net rental income, after relevant operating costs, was £118,000 (2015: £120,000). Administrative costs were £110,000 (2015: £50,000) due to the appointment of Dominic White and the resulting increase in activity. Finance costs fell to £208,000 (2015: £358,000) due to lower interest payments following the repayment of the funding for the development at Kingswood, Surrey. The loss before and after taxation was £211,000 (2015: £167,000) with a loss per share of 0.40p (2015: 0.38p).

Net assets have increased significantly to £1,748,000 (2015: £419,000) primarily due to the new equity issue in December 2016 which raised £1,255,000 gross of issue expenses. This results in a net asset value per share of 1.41p (2015: 0.96p). Net asset value per share is calculated by dividing the net assets of the Group by the number of ordinary shares in existence at the balance sheet date.

Operations

The 20 properties in Wellingborough are currently let and will continue to be let on short-term tenancies. The Directors have decided that following successful asset management activity, rents and values have increased such that it is timely to consider a disposal. The assets will be marketed for sale in 2017.

Our investment in the development funding of 12 residential properties in Kingswood, Surrey has now been repaid. At the year end 11 of the 12 units had been sold. The last unit was sold in April 2017 and all payments have now been received.

We successfully raised £1,255,000 in December 2016, ahead of our target.

The Group has continued to fully provide against its investment in EiRx Therapeutics plc, which was placed in creditors' voluntary liquidation in 2015.

Outlook

The Group's strategy is to focus on and engage in investment opportunities within the real estate sector, in particular in real estate operating companies. Our focus is on three areas – serviced-residential, self-storage and short-term property lending. The over-riding theme is technology led real estate operations to deliver efficiency, scalability and transparency. We are negotiating specific opportunities in the serviced apartment and self-storage sectors and are reviewing a number of secured lending investments through our property lending subsidiary.

We look forward to sharing full details of the next Energiser investment with shareholders in 2017.

Stephen Wicks
Non-executive Chairman
26 May 2017

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 20 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 Dominic founded his own advisory business, White Amba Limited, and a private investment partnership, White Amba Investments LLP.

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 2016

The Directors present their Strategic Report on the Group for the year ended 31 December 2016.

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 holds investment properties 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 10 to 28, show a loss on ordinary activities before and after taxation of £211,000 (2015: £167,000). The shareholders' funds for the Group total £1,748,000 (2015: £419,000).

The performance of the rental investment during 2016 was similar to that of 2015, with greater than 95% occupancy on the rental properties. The Group had provided £nil funding for the development of 12 residential units in Surrey and is entitled to receive 50% of the net profit of the development, including a priority return of £785,000, subject to the development making sufficient profit. Since the year end, the sale of the final unit has legally completed and the Group's share of profit and cash has been received.

Business environment
The property market around Wellingborough has not seen any price inflation and therefore no uplift was recognised in the value of the investment properties.

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.

The Group continues to let the Wellingborough properties on short-term tenancies.

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.

	2016	2015
Return on project investment	**£118,000**	£120,000
Net assets	**£1,748,000**	£419,000
Net assets per ordinary share	**1.41p**	0.96p

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
Rental market	A decrease in demand for rental properties	Detrimental effect on the Group's ability to cover administration and debt servicing costs	The Group seeks to ensure that tenants are satisfied with their property to encourage tenancy renewals and employs a reputable manager to deal with any issues and to let the properties
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 7 and in Note 18 of the accounts.

Future developments

We have now realised the profit share related to the mezzanine funding provided to a housebuilder for the 12 unit development in Kingswood Park, Surrey. 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.

The Group intends to dispose of the Wellingborough properties in the near future.

By order of the Board

Nishith Malde
Company Secretary
26 May 2017

Directors' Report

for the year ended 31 December 2016

The Directors have pleasure in submitting their report, together with the financial statements of the Group and Company, for the year ended 31 December 2016.

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 holds 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 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 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.

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 46 days (2015: 92 days) of average supplies.

Significant shareholdings
According to the Company's register of substantial shareholdings at 25 May 2017 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
Stephen Wicks 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 2016 ordinary shares of 0.1p	As at 31 December 2015 ordinary shares of 0.1p
S D Wicks*	**34,327,355**	23,558,855
D White	**1,750,000**	—
N Malde**	**12,415,146**	5,935,646

* The beneficial holding of Stephen Wicks comprises his direct shareholding of 28,558,855 shares following the Placing and an interest of 5,768,500 shares in the Company held by way of his shareholding in Highlands Village Limited, of which he owns 33.2%.

** The beneficial holding of Nishith Malde comprises his direct shareholding of 10,955,646 shares following the Placing 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 29 to 30.

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. The Group also has a number of residential properties which can be sold. 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 have prepared consolidated and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) 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 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 applicable IFRS or UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

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 Parent Company and Group 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.

The Directors confirm that:

- so far as each Director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Nishith Malde
Company Secretary
26 May 2017

Independent auditor's report

to the members of Energiser Investments plc

We have audited the Group and Parent Company financial statements of Energiser Investments plc for the year ended 31 December 2016 (the "financial statements") which comprise the Group Statement of comprehensive income, the Group and Parent Company Statement of financial position, the Group and Parent Company Statement of changes in equity, the Group and Parent Company Statement of cash flows, together with the accounting policies and related notes. 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 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of Directors and auditor

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. Our responsibility is to audit the financial statements in accordance with relevant law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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.

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 any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements 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.

Andrew Hulse BA FCA
Senior Statutory Auditor
UHY Hacker Young
Statutory Auditor, Chartered Accountants
Sheffield
26 May 2017

Group statement of comprehensive income

for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Continuing operations			
Revenue arising in the course of ordinary activities		**160**	154
Cost of sales		**(42)**	(34)
Gross profit		**118**	120
Administrative expenses		**(110)**	(50)
Revaluation of investment properties		**—**	102
Operating profit	2	**8**	172
Finance costs	3	**(208)**	(358)
Finance income	3	**(11)**	19
Loss before taxation		**(211)**	(167)
Taxation	5	**—**	—
Loss for the year attributable to shareholders of the Group		**(211)**	(167)
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)**	(16)
Related deferred taxation	13	**14**	4
Other comprehensive income/(loss) for the year, net of tax		**9**	(12)
Total comprehensive loss for the year attributable to shareholders of the Group		**(202)**	(179)
Loss per share			
Basic and diluted loss per share from total and continuing operations	6	**(0.40)p**	(0.38)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 2016

	Notes	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Investment property	8	**2,844**	2,844
		2,844	2,844
Current assets			
Trade and other receivables	9	**72**	38
Available-for-sale financial assets	10	**553**	3,977
Cash and cash equivalents		**1,120**	218
		1,745	4,233
Total assets		**4,589**	7,077
LIABILITIES			
Current liabilities			
Trade and other payables	11	**733**	866
Short-term borrowings	12	**694**	4,318
Deferred tax	13	**126**	140
		1,553	5,324
Non-current liabilities			
Long-term borrowings	12	**1,288**	1,334
		1,288	1,334
Total liabilities		**2,841**	6,658
Net assets		**1,748**	419
EQUITY			
Share capital	14	**2,392**	2,312
Share premium account		**7,198**	5,747
Convertible loan		**88**	88
Merger reserve		**1,012**	1,012
Revaluation reserve		**537**	528
Retained earnings		**(9,479)**	(9,268)
Total equity		**1,748**	419

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 26 May 2017.

Dominic White
Chief Executive

Nishith Malde
Director

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 2016

	Notes	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Financial assets held at fair value through profit or loss	7	**—**	—
		—	—
Current assets			
Trade and other receivables	9	**1,156**	1,108
Cash and cash equivalents		**1,102**	—
		2,258	1,108
Total assets		**2,258**	1,108
LIABILITIES			
Current liabilities			
Trade and other payables	11	**362**	324
Short-term borrowings	12	**522**	803
Total liabilities		**884**	1,127
Net assets/(liabilities)		**1,374**	(19)
EQUITY			
Share capital	14	**2,392**	2,312
Share premium account		**7,198**	5,747
Convertible loan		**88**	88
Merger reserve		**1,012**	1,012
Revaluation reserve		**420**	420
Retained earnings		**(9,736)**	(9,598)
Total equity		**1,374**	(19)

The loss for the year was £138,000 (2015: £83,000).

The financial statements were approved by the Board of Directors and authorised for issue on 26 May 2017.

Dominic White
Chief Executive

Nishith Malde
Director

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 2016

	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 2015	2,312	5,747	88	1,012	540	(9,101)	598
Total comprehensive loss	—	—	—	—	(12)	(167)	(179)
Balance at 31 December 2015	**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**

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 2016

	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 2015	2,312	5,747	88	1,012	420	(9,515)	64
Total comprehensive loss	—	—	—	—	—	(83)	(83)
Balance at 31 December 2015	**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**

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 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Loss before and after taxation	**(211)**	(167)
Adjustments for:		
Fair value adjustment on financial liabilities recognised in profit or loss	**—**	(8)
Fair value adjustment on investment property	**—**	(102)
Interest expense	**208**	358
Interest income	**11**	(11)
Increase in trade and other receivables	**(33)**	(13)
(Decrease)/increase in trade payables	**(127)**	35
Net cash (used in)/generated by operating activities	**(152)**	92
Cash flows from investing activities		
Mezzanine finance facility repaid	**3,408**	—
Mezzanine finance facility issued	**—**	(650)
Net cash generated by/(used in) investing activities	**3,408**	(650)
Cash flows from financing activities		
Proceeds from borrowings	**—**	2,064
Net proceeds on the issue of ordinary shares	**1,530**	—
Repayment of borrowings	**(3,670)**	(1,206)
Interest paid	**(214)**	(95)
Net cash (used in)/generated by financing activities	**(2,354)**	763
Net increase in cash and cash equivalents	**902**	205
Cash and cash equivalents at beginning of financial year	**218**	13
Cash and cash equivalents at end of financial year	**1,120**	218

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 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Loss before and after taxation	**(138)**	(83)
Adjustments for:		
Interest expense	**30**	35
Increase in trade and other receivables	**(46)**	(1)
Increase in trade and other payables	**14**	8
Net cash used in operating activities	**(140)**	(41)
Cash flows from financing activities		
Proceeds from borrowings	**—**	41
Interest paid	**(7)**	—
Net proceeds on the issue of ordinary shares	**1,530**	—
Repayment of borrowings	**(281)**	—
Net cash generated by financing activities	**1,242**	41
Net increase in cash and cash equivalents	**1,102**	—
Cash and cash equivalents at beginning of financial year	**—**	—
Cash and cash equivalents at end of financial year	**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 2016

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 2016.

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 £138,000 (2015: £83,000).

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 2016. 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 16 Leases (EU effective date 1 January 2019)
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (EU effective date 1 January 2016)
- Annual Improvements to IFRSs 2012 – 2014 Cycle (EU effective date 1 January 2016)
- Amendments to IAS 1 Disclosure Initiative (EU effective date 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (EU effective date 1 January 2016).

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.

The property development at Wellingborough was classified as inventory until 2013. This was considered appropriate as these properties were intended for sale in the ordinary course of business and the Company was actively marketing these for sale. During 2013 the Directors revised this judgement and the decision was taken to reclassify them as investment property within non-current assets. The same judgement has been applied in the 2016 accounts.

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 £0.6m (2015: £4.28m). 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 £553,000 (2015: £3,977,000). Since the balance sheet date the final unit has been completed and all cash has been received.

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. The carrying value of the investment properties was £2,844,000 (2015: £2,844,000).

Notes to the financial statements

for the year ended 31 December 2016

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

	2016 £'000	2015 £'000
Segment result		
Investment activities:		
Change in fair value of investments	—	(1)
Administrative expenses	(106)	(48)
	(106)	(49)
Rental activities:		
Net rental income	118	121
Administrative expenses	(4)	(2)
Release of cost accrual	—	—
Fair value adjustment on investment property	—	102
	114	221
Operating profit	8	172
Finance income	(11)	11
Finance costs	(208)	(358)
Fair value adjustment on interest rate swap	—	8
Loss before tax	(211)	(167)

	2016 £'000	2015 £'000
Segment assets		
Investment activities:		
Non-current assets	—	—
Current assets	—	3
	—	3
Rental activities:		
Current assets – other	1,192	253
Non-current assets – investment property	2,844	2,844
	4,036	3,097
Mezzanine funding arrangement:		
Current assets	553	3,977
	553	3,977
Total assets	4,589	7,077

	2016 £'000	2015 £'000
Segment liabilities		
Investment activities:		
Current liabilities	749	1,053
	749	1,053
Rental activities:		
Current liabilities	321	999
Non-current liabilities	1,288	1,334
	1,609	2,333
Mezzanine funding arrangement:		
Current liabilities – accrued interest	357	3,132
Current liabilities – deferred tax on fair value adjustment	126	140
	483	3,272
Total liabilities	2,841	6,658
Total assets less total liabilities	1,748	419

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 profit
Operating profit is stated after charging:

	2016 £'000	2015 £'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

	2016 £'000	2015 £'000
Finance costs		
Short-term loans	58	348
Long-term loans	150	10
	208	358
Finance income		
Short-term loans	(11)	11
Fair value adjustment on interest rate swap derivative held at fair value through profit and loss	—	8
	(11)	19

4. Directors and employees
Staff costs during the year were as follows:

	2016 £'000	2015 £'000
Wages and salaries	34	1

The Directors and employees of the Group have waived £549,000 of remuneration as at 31 December 2016 (2015: £506,000), which includes £43,000 in respect of the current year. See Remuneration Report on pages 29 to 30.

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

	2016 Number	2015 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 29.

5. Income tax expense
There is no tax charge for either the current or prior years due to brought forward tax losses. The current tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20%. The differences are explained as follows:

	2016 £'000	2015 £'000
Loss on ordinary activities before taxation	(211)	(167)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(42)	(34)
Effect of:		
Disallowable items	—	(21)
Addition of tax losses arising	42	55
Total tax charge	—	—

The Group has unrecognised deferred tax assets of £799,000 (2015: £880,200) as a result of losses carried forward of £4,700,000 (2015: £4,401,000).

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 (2015: 43,787,956 ordinary shares of 0.1p) and the following figures:

	2016	2015
Loss attributable to equity shareholders (£'000)	(211)	(167)
Earnings per ordinary share	(0.40)p	(0.38)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.

80,125,000 new ordinary shares of 0.1p were issued during the year.

7. Investments

Group and Company

	2016 £'000	2015 £'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 (2015: 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 2015	(11)	4,907	4,896
At 31 December 2015	**(11)**	**4,907**	**4,896**
Fair value losses			
At 1 January 2015	12	(4,907)	(4,895)
Movement in fair value losses	(1)	—	(1)
At 31 December 2015	**11**	**(4,907)**	**(4,896)**
Fair value			
At 31 December 2015	**—**	**—**	**—**
At 31 December 2014	1	—	1
Cost			
At 1 January 2016	(11)	4,907	4,896
At 31 December 2016	**(11)**	**4,907**	**4,896**
Fair value losses			
At 1 January 2016	11	(4,907)	(4,895)
At 31 December 2016	**11**	**(4,907)**	**(4,896)**
Fair value			
At 31 December 2016	**—**	**—**	**—**
At 31 December 2015	—	—	—

At 31 December 2016, the Company held 12.5% (2015: 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 2014	**2,742**
Fair value adjustment	**102**
At 31 December 2015	**2,844**
Fair value adjustment	**—**
At 31 December 2016	**2,844**
At 31 December 2015	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.

Investment property is held by the Group for long-term investment. The properties are recorded as investment properties and are valued by the Directors at a market value of £2,844,000. The Directors used the valuation prepared by Harwoods in accordance with the Valuation Professional Standards (January 2014 Edition) issued by the Royal Institution of Chartered Surveyors. The investment properties are not depreciated, as they are reviewed annually for impairment. The Directors do not consider the current fair value to be significantly different to the carrying value.

The direct operating expenses for the period arising from the investment properties were £42,000 (2015: £34,000). The investment properties generated income of £160,000 (2015: £154,000) during the period. The investment properties have been provided as security for the bank loan (see Note 12).

9. Trade and other receivables

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Other debtors	**22**	38	**1,106**	1,108
Unpaid share capital	**50**	—	**50**	—
	72	38	**1,156**	1,108

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 2016	3,309
Repayment	(3,419)
At 31 December 2016	**(110)**
Fair value movements	
At 1 January 2016	668
Fair value adjustment	(5)
At 31 December 2016	**663**
Fair value	
At 31 December 2016	**553**
At 31 December 2015	3,977

Mezzanine funding debtor includes £nil (2015: £3,309,000) forwarded to a housebuilder under a mezzanine finance facility of up to £3,309,000. The Group is entitled to the greater of either a 50% share of the net profit of the residential development being funded or a priority return of £785,000, subject to the development making sufficient profits. The loan is secured via a second charge over the development site. In the opinion of the Directors, fair value is equal to carrying value. Since the year end the final unit of the development has completed.

11. Trade and other payables

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Current				
Trade creditors	**14**	19	**13**	7
Amounts owed to subsidiary undertakings	**—**	—	**135**	74
Other creditors and accruals	**719**	847	**214**	243
Total trade and other payables	**733**	866	**362**	324

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

12. Borrowings

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Current				
Bank loan	**44**	35	**—**	—
Other loans	**650**	4,283	**522**	803
	694	4,318	**522**	803
Non-current				
Bank loan	**1,288**	1,334	**—**	—
	1,288	1,334	**—**	—
Total borrowings	**1,982**	5,652	**522**	803

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 attracts an interest rate of base rate plus 2.75%. The loan is repayable in full by October 2018.

An amount of £nil (2015: £2,642,000) included within other loans has been provided by investors in order to fund the Group's obligations under the mezzanine finance facility detailed in Note 10. The loan attracts interest at 10% per annum. Also included in other loans is an additional amount provided by the same investors but on different terms. The balance of other loans is unsecured and attracts interest at 4% above base rate. In the opinion of the Directors, fair value is equal to carrying value.

13. Deferred tax

	£'000
At 1 January 2016	140
Deferred tax debit on fair value adjustment to profit on mezzanine funding arrangement	(14)
At 31 December 2016	**126**

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

14. Share capital

	2016	2015
	£'000	£'000
Allotted, called up and fully paid		
123,912,956 (2015: 43,787,956) ordinary shares of 0.1p each	**124**	44
2,268,113,165 (2015: 2,268,113,165) deferred shares of 0.1p each	**2,268**	2,268
	2,392	2,312

	2016 Number	**2016 £'000**	2015 Number	2015 £'000
Ordinary shares				
At 1 January 2016	**43,787,956**	**44**	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 2016	**123,912,956**	**124**	43,787,956	44

80,125,000 new ordinary shares of 0.1p were issued during the year.

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 2016 is shown below:

	Number	Exercise price
Outstanding at 31 December 2015	1,600,000	20p
Surrendered during the year	(700,000)	20p
Granted during the year	10,850,000	2p
Outstanding at 31 December 2016	**11,750,000**	

At 31 December 2016 outstanding options granted over ordinary shares were as follows:

Share option scheme	Exercise price	Number	Dates exercisable
Company unapproved	20p	900,000	24 March 2010 to 23 March 2017
Company unapproved	2p	10,850,000	4 October 2019 to 3 October 2026

4,750,000 of the options with a 2p exercise price are subject to performance conditions, further details of which can be found in the Remuneration Report on page 29.

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 2016 is £nil (2015: £nil). Volatility was calculated using historical share price information.

	Unapproved share options 2016 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 (2015: £nil).

16. Commitments under operating leases

The Group and Company have no commitments under operating leases (2015: £nil). All rental properties held by the Group are let on short-term leases between six and twelve months. The minimum amounts receivable on these leases is £27,000 (2015: £27,000).

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, advanced £281,000 to the Company in previous years on an unsecured basis at 4% above base rate. During the year, 17,375,000 ordinary shares were issued at 2p each in satisfaction of this loan and £66,500 of accrued interest.

Drayton Garden Village Limited, a company in which S D Wicks and N Malde are both Directors, had provided a loan to the Group in relation to the mezzanine funding arrangement. The loan attracted interest of 10% per annum and as at 31 December 2016 there was

£nil (2015: £1,442,000) outstanding and accrued interest of £357,000 (2015: £298,000). As at the date of signing the financial statements all the accrued interest had been repaid.

Drayton Garden Village Limited, a company in which S D Wicks and N Malde are both Directors, had also provided other loans to the Group. The loans attracted interest of 4.5% per annum and as at 31 December 2016 there was £650,000 (2015: £1,360,000) outstanding and accrued interest of £186,000 (2015: £130,000). As at the date of signing the financial statements all of the loans and accrued interest had been repaid.

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 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 also has a number of residential properties which can be sold. Accordingly, the Directors monitor the market and make 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**	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Equity	**1,748**	419	**1,374**	(19)
Less: cash and cash equivalents	**(1,120)**	(218)	**(1,102)**	—
Capital	**628**	201	**272**	(19)
Equity	**1,748**	419	**1,374**	(19)
Borrowings	**1,982**	5,652	**522**	803
Overall Financing	**3,730**	6,071	**1,896**	784
Capital to overall financing	**16.8%**	3.3%	**14.3%**	(2.4)%

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**	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Trade and other receivables	**72**	38	**1,156**	1,108
Available-for-sale financial assets	**553**	3,977	**—**	—
Cash and cash equivalents	**1,120**	218	**1,102**	—
	1,745	4,233	**2,258**	1,108

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	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Current assets				
Trade and other receivables	**72**	38	**1,156**	1,108
Cash and cash equivalents	**1,120**	218	**1,102**	—
Loans and receivables	**1,192**	256	**2,258**	1,108
Available-for-sale financial assets	**553**	3,977	—	—
Current liabilities				
Financial liabilities carried at amortised cost	**1,553**	5,324	**884**	1,127
Non-current liabilities				
Financial liabilities carried at amortised cost	**1,288**	1,334	—	—

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	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Floating rate financial liabilities	**1,982**	2,410	—	—
Fixed rate financial liabilities	—	2,642	**522**	803
Financial liabilities on which no interest is paid	**859**	1,606	**362**	324
	2,841	6,658	**884**	1,127

The floating rate financial liabilities principally comprise loans as follows:

- bank loan which is secured against the investment properties with interest payable at 2.75% over base rate; and
- other loans with interest payable at 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	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
In one year or less, or on demand				
Bank loan	**44**	35	—	—
Other loans	**650**	4,283	**522**	803
	694	4,318	**522**	803
In more than one year but not more than two				
Bank loan	**88**	88	—	—
In more than three years				
Bank loan	**1,200**	1,246	—	—

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

	Loss for the year £000		Equity £000	
	+ 1%	- 1%	+ 1%	- 1%
31 December 2016	**(213)**	**(209)**	**1,746**	**1,750**
31 December 2015	(174)	(89)	412	497

Company

	Loss for the year £000		Equity £000	
	+ 1%	**- 1%**	**+ 1%**	**- 1%**
31 December 2016	**(138)**	**(138)**	**1,374**	**1,374**
31 December 2015	(127)	(112)	(39)	(23)

19. Subsidiary undertakings

At 31 December 2016 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

On 20 April 2017 the final unit on the development in Kingswood Park, Surrey completed. £678,233 was received in relation to this and a further £7,350 is expected in due course.

Remuneration Report
for the year ended 31 December 2016

The Board submits its Remuneration Report for the year ended 31 December 2016.

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 2016 £'000	Salary waived 2016 £'000	Bonus 2016 £'000	Total 2016 £'000	Total 2015 £'000	2016 £'000	2015 £'000
Executive							
N Malde	38	(38)	—	—	—	—	—
D White	29	—	—	29	—	—	—
Non-executive							
S Wicks	5	(5)	—	—	—	—	—
	72	(43)	—	29	—	—	—

The Directors and employees of the Group have waived £549,000 of remuneration as at 31 December 2016 (2015: £506,000), which includes £43,000 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:

Ordinary shares	As at 31 December 2016 0.1p Ordinary shares	As at 1 January 2016 0.1p Ordinary shares
S D Wicks*	34,327,355	23,558,855
N Malde**	12,415,146	5,935,646
D White	1,750,000	—
Share options	**0.1p Ordinary shares**	0.1p Ordinary shares
S D Wicks	3,050,000	—
N Malde	3,050,000	700,000
D White	4,750,000	—

* The beneficial holding of Stephen Wicks comprises his direct shareholding of 28,558,855 shares following the Placing and an interest of 5,768,500 shares in the Company held by way of his shareholding in Highlands Village Limited, of which he owns 33.2%.

** The beneficial holding of Nishith Malde comprises his direct shareholding of 10,955,646 shares following the Placing 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 fund raising but including profits in connection with investments made using further equity fund raising:

- 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 2016.

ON BEHALF OF THE BOARD

Stephen Wicks
Chairman
26 May 2017