



Gresham House plc

Interim Results 2015

Registered number: 871 (England)

Gresham House Background

Gresham House plc ("Gresham House" or the "Company") was incorporated in May 1857. It is one of the oldest companies quoted on the London Stock Exchange. In December 2014, a new management team took the helm with a vision to establish Gresham House as a specialist asset management group focused on managing funds and co-investments across a range of differentiated and illiquid alternative investment strategies.

Gresham House is in a period of transition to becoming an operating company as it realises value from its legacy property assets and reinvests the capital to develop a growing specialist asset management group. Gresham House Asset Management Limited ("GHAM") was established in 2015 and won its first investment advisory mandate for SPARK Ventures plc ("SPARK") within its Strategic Equity division in August.

Gresham House Strategy

Gresham House is a specialist asset management group focused on alternative investment strategies and Illiquid asset classes. The group is targeting shareholder value creation through long-term organic growth in assets under management ("AUM") and sustainable earnings, complemented by a targeted acquisition strategy.

Gresham House will facilitate client investment through a variety of focused and differentiated asset management strategies and will align its interests with its clients through co-investment 'club deals'.

Increasing asset allocation from institutions, ultra-high-net-worth individuals and family offices towards alternative asset classes remains a structural on-going market trend, as clients seek superior long term investment returns outside of traditional active equity and bond strategies.

Gresham House at a glance

Financial Highlights

	Unaudited six months to 30 June 2015 £'000	Unaudited six months to 30 June 2014 £'000	Audited Year to 31 December 2014 £'000
Net Trading loss	(402)	(204)	(615)
Operating Profit/(Loss) before tax	52	(2,512)	(4,001)
Earnings/(Loss) per share	0.8p	(51.9p)	(83.3p)
NAV per share	298.5p	331.7p	298.0p

Corporate Highlights

- Following the appointment of Graham Bird earlier this year Gresham House established its Strategic Equity division.
- First advisory mandate won in August for SPARK Ventures plc, which will form the flagship listed Strategic Public Equity ("SPE") vehicle within the Company's Strategic Equity division. This is an important step as the business evolves as a specialist asset manager focused on growing AUM and earnings.
- Rupert Robinson appointed Managing Director of GHAM.
- Advisory Group established, that includes Sir Roy Gardner, Alan Mackay and Gareth Davis.
- Realisation of Gresham House legacy assets continues satisfactorily with completion of the sale of 25.8 acres of the site at Newton-le-Willows ("NLW") to Persimmon and the 353,000 sq.ft. light industrial site at Southern Gateway, Speke, Liverpool ("Southern Gateway") now virtually fully let, subject to completion of legal documentation, and with a sale process being appraised.
- Acquisition opportunities within areas of specialist asset management are evident with deals currently being appraised by the Investment Committee.
- Cash balance at the end of the period of £10.7m

Chairman's Interim Statement and Management Report

As reported in my statement within the Report and Accounts issued in April, 2015 is a year of significant change for Gresham House.

We have been actively appraising several interesting acquisition opportunities and made progress in securing our first investment advisory mandate adopting our SPE investment strategy, which is discussed further in the Chief Executive's report.

As well as progressing our business plan to build a leading specialist asset manager focused on illiquid assets and alternative investment strategies, we have made pleasing progress with the stewardship of the existing assets and value optimisation plan for the legacy property assets inherited in 2014. The management team continues to focus on reinvesting the proceeds into higher return on equity ("ROE") areas targeting a hurdle rate of 15%.

I look forward to reporting future progress in the development of Gresham House as a specialist asset manager in my next report.

Anthony Townsend
Chairman

23 September 2015

Chief Executive's Report

This is the first set of results covering a full reporting period under the leadership of the new management team and putting into action the plan to transition Gresham House into a specialist asset manager. It has been a busy time for the team.

Results

The half year results for the six months ended 30 June 2015 show a modest operating profit before tax of £52,000 compared with a loss of £2.5 million for the same period last year, due primarily to a recovery in the value of our holding in SpaceandPeople plc ("S&P").

This represents earnings per share of 0.8 p per ordinary share compared with a loss of 51.9 p per ordinary share for the six months ended 30 June 2014. In due course, and as Gresham House evolves into a specialist asset manager, earnings will be the primary reference with respect to valuation. At this stage the net asset value per share has increased marginally from 298p at 31 December 2014 to 298.5p at 30 June 2015.

As anticipated, the net trading loss for the six months ended 30 June 2015 was £402,000 against a loss for the corresponding period in 2014 of £ 204,000 principally as a result of:-

- Administrative costs increasing to £639,000 (2014:£497,000) due to establishing the new business model platform and Gresham House Asset Management Ltd;
- Rental income in the period of £329,000 was, as expected, less than in the same period last year (2014: £475,000). This was due to the primary rent producing property on our site at Newton-le-Willows being demolished in anticipation of the sale of the majority of the site for residential development to Persimmon; and
- Property outgoings of £172,000 (2014:£271,000) have reduced during the period due primarily to a reduction in unrecovered service charges at Southern Gateway (a benefit of the empty space being let) and other property costs reducing.

Strategic Equity Division established – Award of SPE mandate for SPARK

The most significant transaction by the new management team was effected post the period end, in August, when Gresham House, having established its strategic equity division, became Investment Adviser to SPARK. It will form the flagship quoted vehicle for the Gresham House Strategic Equity division, having brought back together the core team who had worked effectively under the SVG Investment Managers umbrella, managing the two Strategic Recovery LP funds and Strategic Equity Capital plc. The longer term intention is to rebrand SPARK and significantly scale this strategy in a staged approach. We also plan to launch a limited partnership for those investors who prefer LP vehicle structures. The SPE investment strategy applies a private equity approach to making influential 'block' stake investments in smaller quoted companies. Central to this strategy is constructive engagement with management and shareholders of investee companies in support of a clear equity value creation plan, which combined with the adoption of private equity techniques, including an investment committee and advisory group, results in a significant de-risking of an investment. The strategy has historically generated strong long term returns and lends itself to co-investment 'club deals'.

As part of this transaction, we invested £5m in cash and injected the Gresham House holding in S&P into the SPARK vehicle in exchange for shares in SPARK. We continue to be confident in the long term intrinsic value of S&P, and the recent significant Network Rail contract win provides a further example of S&P's respected position in its market. As a result of the fund raise and asset injection in July, and as at the time the deal was announced, the SPARK NAV increased to c.£39m. We expect to deploy this capital in the near-term in order to generate attractive returns, with the longer-term intention of further scaling the vehicle. We are pleased to have secured the SPARK mandate as our flagship quoted SPE vehicle and believe our investment to be particularly attractive given the valuation entry point. It represents our first mandate and is an important step as the business evolves as a specialist asset manager focused on growing AUM and earnings.

Property portfolio

There has been a lot of activity at Southern Gateway in Speke, Liverpool with all the significant remaining space agreed to being let, subject to completion of the final documentation. The cash benefit of these new tenancies will be felt in subsequent periods together with an anticipated uplift in value. During the period under review capital expenditure amounting to £193,000 has been incurred to facilitate the additional lettings and to position the asset for a longer term owner. We aim to benefit from recent yield compression in the North-West alongside the improved gross rental income.

On 22 September we completed the sale of 25.8 acres at Newton Le Willows to Persimmon with receipt of the initial cash consideration. The transaction will realise a total of £7.25 million net. A deposit and initial payment totalling £944,610 has been received and the balance will be receivable in three tranches over the next 42 months. The

Chief Executive's Report – continued

asset was being carried in the balance sheet as at 30 June 2015 and 31 December 2014 at a discounted value of £6.81 million.

In addition, Gresham House will be entitled to an overage payment in the event that Persimmon Homes Ltd achieves a selling price in excess of an agreed amount per square foot.

Gresham House retains a five acre site with retail planning permission contiguous to the site sold. We will explore options for this site now the sale of the main residential site has been completed.

Securities portfolio

The value of the securities portfolio increased, primarily as a result of the increase in S&P noted above, from £2.95m at the year-end to £ 3.61m at 30 June 2015. Since the period end our stake in S&P has been exchanged for shares in SPARK.

Our Strategy

The journey continues as we develop a sustainable and growing asset management business focused on addressing the increasing demand for longer term illiquid investments. The increase in asset allocation towards this area has been significant over the last 20 years and is ongoing, reflected by the fact pension funds, who had on average a zero percent allocation to "alternatives" (ex-property) in 1995, are now allocating approximately 9 percent of their AUM. These asset classes now include a growing range such as private equity, infrastructure, renewables and real assets.

Gresham House has established GHAM, a specialist asset manager, focused on alternative investment strategies and illiquid assets. The business is developing around three pillars; platform, philosophy and people. Gresham House incorporates robust processes for investment and client servicing. Alongside this, a distinct investment culture exists based on a private equity "value" philosophy and with a merchant banking-style ethos, aligning the manager with investors and supporting our primary objective to generate strong returns for clients in all we do. Thirdly, these principles are brought together by capable people with strong track records who have worked alongside each other for several years.

To this end, following the addition of Graham Bird as Head of Strategic Investments, we are delighted that Rupert Robinson is joining as Managing Director of GHAM to drive the growth of our new subsidiary. Rupert has had a successful career whilst at Rothschild Asset Management, as Head of Wealth Management, and latterly as CEO and CIO of Schroder Private Bank.

We are building a specialist asset management group which will incorporate various illiquid or differentiated asset strategies. The initial investment advisory award within our SPE division is just the start as we look to grow organically and through acquisition. The team is focused on creating shareholder value through AUM build and resultant earnings growth, including carried interest and performance fees from third party assets under management. The management team objectives also include maximising the value of the legacy property assets over the medium term in order to recycle the capital into areas we perceive will generate superior returns and exceed our 15% ROE hurdle. This may be through acquisitions or direct asset investments which support the growth of GHAM capabilities.

GHAM has applied for FCA permissions which are expected in Q4 this year.

Outlook

The financial markets are understandably currently volatile. Various factors are combining at what may well be an inflexion point, with relatively high equity market valuations and corporate return on equity (excluding oil and commodity related companies) simultaneous to the expected US & UK interest rate rises (heralding the end of an unprecedented period for the cost of capital) and the recognition that growth in China is not just slowing but may not be growing at all. These periods create dislocations for the longer term investor and that is where Gresham House will identify potential opportunities to generate superior investment returns for our clients.

The management team, as significant investors in the company themselves, remain focussed on generating shareholder value through building AUM and earnings growth. We are doing this organically plus we have a healthy pipeline of acquisitions which fit our criteria for illiquid asset management. The redeployment of capital as we realise value from the legacy assets we inherited in 2014 should result in an improved ROE and hence shareholder value creation.

Anthony Dalwood
Chief Executive

23 September 2015

Unaudited Condensed Group Statement of Comprehensive Income

	6 months ended 30 June 2015 Total £' 000	6 months ended 30 June 2014 Total £' 000	Year ended 31 December 2014 Total £' 000
Income:			
Rental income	329	475	858
Dividend and interest income	143	155	248
Other operating income	10	39	66
Total Income (note 5)	<u>482</u>	<u>669</u>	<u>1,172</u>
Operating costs:			
Property outgoing	(172)	(271)	(516)
Administrative overheads	(639)	(497)	(1,062)
Finance costs (note 6)	(73)	(105)	(209)
Net trading loss	<u>(402)</u>	<u>(204)</u>	<u>(615)</u>
Exceptional items (*)	(8)	–	(678)
Net loss after exceptional items	<u>(410)</u>	<u>(204)</u>	<u>(1,293)</u>
Gains/(losses) on investments:			
Revaluation deficit on investment properties	(193)	(593)	(523)
Fair value movement of investments	655	(1,715)	(2,188)
Profit/(loss) on disposal of investments	–	–	3
Group operating profit/(loss) before taxation	<u>52</u>	<u>(2,512)</u>	<u>(4,001)</u>
Taxation	–	–	–
Profit/(loss) and total comprehensive income	<u><u>52</u></u>	<u><u>(2,512)</u></u>	<u><u>(4,001)</u></u>
Attributable to:			
Equity holders of the parent	76	(2,787)	(4,753)
Non-controlling interest	(24)	275	752
	<u><u>52</u></u>	<u><u>(2,512)</u></u>	<u><u>(4,001)</u></u>
Basic and diluted earnings/(loss) per ordinary share (pence) (note 7)	<u><u>0.8</u></u>	<u><u>(51.9)</u></u>	<u><u>(83.3)</u></u>

* Exceptional items relate to professional fees incurred in respect of the Proposals which took effect from 1 December 2014.

Unaudited Condensed Group Statements of Changes in Equity

6 MONTHS ENDED 30 JUNE 2015

	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	Equity attributable to equity shareholders £'000	Non- controlling interest £'000	Total equity £'000
Balance at 31 December 2014	2,336	12,508	64	12,934	27,842	–	27,842
Profit for the period being total comprehensive income for the period	–	–	–	76	76	(24)	52
Transfer of non-controlling interest deficit	–	–	–	(24)	(24)	24	–
Reserves transfer	–	(12,508)	–	12,508	–	–	–
Share capital issued	–	–	–	–	–	–	–
Balance at 30 June 2015	<u>2,336</u>	<u>–</u>	<u>64</u>	<u>25,494</u>	<u>27,894</u>	<u>–</u>	<u>27,894</u>

6 MONTHS ENDED 30 JUNE 2014

	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	Equity attributable to equity shareholders £'000	Non- controlling interest £'000	Total equity £'000
Balance at 31 December 2013	1,342	2,302	–	16,680	20,324	–	20,324
Loss for the period being total comprehensive income for the period	–	–	–	(2,787)	(2,787)	275	(2,512)
Transfer of non-controlling interest deficit	–	–	–	275	275	(275)	–
Balance at 30 June 2014	<u>1,342</u>	<u>2,302</u>	<u>–</u>	<u>14,168</u>	<u>17,812</u>	<u>–</u>	<u>17,812</u>

YEAR ENDED 31 DECEMBER 2014

	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	Equity attributable to equity shareholders £'000	Non- controlling interest £'000	Total equity £'000
Balance as at 31 December 2013	1,342	2,302	–	16,680	20,324	–	20,324
Loss for the period being total comprehensive income for the period	–	–	–	(4,753)	(4,753)	752	(4,001)
Transfer of non-controlling interest deficit	–	–	–	752	752	(752)	–
Issue of shares	994	10,206	–	–	11,200	–	11,200
Share based payments	–	–	–	255	255	–	255
Share warrants issued	–	–	64	–	64	–	64
Balance at 31 December 2014	<u>2,336</u>	<u>12,508</u>	<u>64</u>	<u>12,934</u>	<u>27,842</u>	<u>–</u>	<u>27,842</u>

Unaudited Condensed Group Statement of Financial Position

AS AT 30 JUNE 2015

	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000
Assets			
Non current assets			
Investments – securities (note 9)	3,610	3,440	2,955
Property investments	9,865	10,000	9,865
Tangible fixed assets	19	–	–
Total non current assets	<u>13,494</u>	<u>13,440</u>	<u>12,820</u>
Current assets			
Trade and other receivables	87	100	84
Accrued income and prepaid expenses	715	616	913
Other current assets	–	–	–
Cash and cash equivalents	10,701	1,044	11,209
Non current assets held for sale			
Property investments	6,810	6,550	6,810
Total current assets and non current assets held for sale	<u>18,313</u>	<u>8,310</u>	<u>19,016</u>
Total assets	<u>31,807</u>	<u>21,750</u>	<u>31,836</u>
Current liabilities			
Trade and other payables	635	660	716
Short term borrowings	3,278	3,278	3,278
	<u>3,913</u>	<u>3,938</u>	<u>3,994</u>
Net assets	<u>27,894</u>	<u>17,812</u>	<u>27,842</u>
Capital and reserves			
Ordinary share capital (note 10)	2,336	1,342	2,336
Share premium	–	2,302	12,508
Share warrant reserve	64	–	64
Retained reserves	25,494	14,168	12,934
Equity attributable to equity shareholders	<u>27,894</u>	<u>17,812</u>	<u>27,842</u>
Non-controlling interest	<u>–</u>	<u>–</u>	<u>–</u>
Total equity	<u>27,894</u>	<u>17,812</u>	<u>27,842</u>
Basic and diluted net asset value per ordinary share (note 13)	<u>298.5p</u>	<u>331.7p</u>	<u>298.0p</u>

Unaudited Condensed Group Statement of Cash Flows

FOR THE HALF YEAR ENDED 30 JUNE 2015

	6 months to 30 June 2015 £'000	6 months to 30 June 2014 £'000	12 months to 31 December 2014 £'000
Cashflow from operating activities			
Dividend income received	45	88	92
Interest received	280	1	7
Rental income received	315	483	762
Other cash payments	(898)	(653)	(1,929)
	<hr/>	<hr/>	<hr/>
Net cash utilised from operations (note 14)	(258)	(81)	(1,068)
Interest paid on property loans	(74)	(74)	(146)
	<hr/>	<hr/>	<hr/>
Net cash flows from operating activities	<u>(332)</u>	<u>(155)</u>	<u>(1,214)</u>
Cash flows from investing activities			
Purchase of investments	–	(10)	(10)
Sale of investments	–	14	29
Sale of investment properties	–	148	148
Expenditure on investment properties	(154)	(460)	(515)
Purchase of tangible fixed assets	(22)	–	–
Sale of developments in hand	–	417	417
Purchase of developments in hand	–	(67)	(67)
	<hr/>	<hr/>	<hr/>
	<u>(176)</u>	<u>42</u>	<u>2</u>
Cash flows from financing activities			
Repayment of loans	–	(468)	(468)
Share issue proceeds	–	–	11,400
Share issue costs	–	–	(200)
Supporter warrants issued	–	–	64
	<hr/>	<hr/>	<hr/>
	<u>–</u>	<u>(468)</u>	<u>10,796</u>
(Decrease) / increase in cash and cash equivalents	(508)	(581)	9,584
Cash and cash equivalents at start of period	11,209	1,625	1,625
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>10,701</u>	<u>1,044</u>	<u>11,209</u>

Notes to the Accounts

1 REPORTING ENTITY

Gresham House plc ("the Company") is a company incorporated in England. The unaudited condensed group interim financial statements of the Company as at and for the six months ended 30 June 2015 comprise the Company and its subsidiary undertakings (together referred to as the "Group"). All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2 STATEMENT OF COMPLIANCE

The financial information presented in these unaudited condensed group interim financial statements has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the European Union. The principal accounting policies adopted in the preparation of the financial information in these unaudited condensed group interim financial statements are unchanged from those used in the Company's financial statements for the year ended 31 December 2014 and are consistent with those that the Company expects to apply in its financial statements for the year ended 31 December 2015.

The financial information for the year ended 31 December 2014 presented in these unaudited condensed group interim financial statements does not constitute the Company's statutory accounts for that period but has been derived from them. The Report and Accounts for the year ended 31 December 2014 were audited and have been filed with the Registrar of Companies. The Independent Auditors' Report on the Report and Accounts for the year ended 31 December 2014 was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. The financial information for the periods ended 30 June 2014 and 30 June 2015 are unaudited and have not been reviewed by the Company's auditors.

3 ESTIMATES

The preparation of the unaudited condensed group interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed group interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the group financial statements as at and for the year ended 31 December 2014.

4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policy are consistent with those disclosed in the group financial statements as at and for the year ended 31 December 2014.

Notes to the Accounts – continued

5 INCOME

	Half year ended 30 June 2015 £'000	Half year ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Income from investments			
Rental income	329	475	858
Dividend income – Listed UK	45	88	92
Interest receivable – Bank & brokers	28	1	7
– Other	70	66	149
	<u>472</u>	<u>630</u>	<u>1,106</u>
Other operating income			
Dealing profits and losses	–	–	1
Management fees receivable	10	26	65
Other income	–	13	–
	<u>10</u>	<u>39</u>	<u>66</u>
Total income	<u><u>482</u></u>	<u><u>669</u></u>	<u><u>1,172</u></u>

6 FINANCE COSTS

	Half year ended 30 June 2015 £'000	Half year ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Interest payable on loans and overdrafts	73	71	146
Finance fees	–	34	63
	<u>73</u>	<u>105</u>	<u>209</u>

7 EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings / (loss) per share

The basic and diluted earnings / (loss) per share figure is based on the total net profit attributable to equity shareholders for the half year of £76,000 (half year ended 30 June 2014: loss of £2,787,000; year ended 31 December 2014: loss of £4,753,000) and on 9,343,429 (half year ended 30 June 2014: 5,369,880; year ended 31 December 2014: 5,707,356) ordinary shares, being the weighted average number of ordinary shares in issue during each respective period. No shares were deemed to have been issued at nil consideration as a result of the shareholder and supporter warrants granted.

The shareholder and supporter warrants are not dilutive as the exercise price of the warrants is 323.27p which is higher than the average market price of the ordinary shares during the period.

8 DIVIDENDS

	Half year ended 30 June 2015 £'000	Half year ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2014 of nil (2013: nil) pence per share	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

Notes to the Accounts – continued

9 INVESTMENTS – SECURITIES

An analysis of total investments is as follows:

	Half year ended 30 June 2015 £'000	Half year ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Listed securities – on the London Stock Exchange	102	105	106
Securities dealt in under AIM	1,599	1,382	928
Securities dealt in under ISDX	57	86	69
Unlisted securities	1,852	1,867	1,852
	<u>3,610</u>	<u>3,440</u>	<u>2,955</u>
Carrying value			
Investments valued at fair value through profit or loss	2,199	2,014	1,544
Loans and receivables valued at amortised cost	1,411	1,426	1,411
	<u>3,610</u>	<u>3,440</u>	<u>2,955</u>

10 ORDINARY SHARE CAPITAL

	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000
Share Capital			
Allotted: Ordinary – 9,343,439 (30 June 2014: 5,369,880; 31 December 2014: 9,343,390) fully paid shares of 25p each	<u>2,336</u>	<u>1,342</u>	<u>2,336</u>

11 SHAREHOLDER AND SUPPORTER WARRANTS

On 1 December 2014 the Company issued:-

- (i) 1,073,904 shareholder warrants to existing shareholders as at the close of business on 28 November 2014 on a 1:5 basis, such warrants having been admitted to trading on AIM; and
- (ii) 850,000 supporter warrants to the new directors and certain members of the Investment Committee and Advisory Group at a price of 7.5p per warrant.

Shareholder warrants are freely transferable, are exercisable at any time between 1 January 2015 and 31 December 2019 at an exercise price of 323.27p per ordinary share and are subject to the terms of the shareholder warrant instrument dated 7 October 2014.

Supporter warrants have the same entitlements as the shareholder warrants save that (i) they are not freely transferable (such supporter warrants only being transferable to certain family members, trusts or companies connected with the relevant warrant holder) and accordingly not quoted on AIM; (ii) are not exercisable until 1 December 2015; and (iii) are subject to the terms of the supporter warrant instrument dated 7 October 2014.

Notes to the Accounts – continued

12 CAPITAL REDUCTION

On 4 February 2015 the High Court approved the cancellation of the Company's share premium account (the "Cancellation"). As a consequence of the Cancellation £12,508,206.76 standing to the credit of the Company's share premium account was cancelled. This will facilitate any share buyback or payment of dividends that the board of the Company may in the future approve by creating a reserve of an equivalent amount that, subject to certain creditor protection undertakings, will form part of a distributable reserve.

The Cancellation has no effect on the overall net asset position of the Company.

The Cancellation proposals were contained in the Company's shareholder circular and AIM Admission Document, each dated 8 October 2014, and approved by shareholders at the Company's General Meeting on 31 October 2014.

13 NET ASSET VALUE PER SHARE

Basic and diluted

Basic and diluted net asset value per ordinary share is based on equity attributable to equity shareholders at the period end and on 9,343,439 (half year ended 30 June 2014: 5,369,880; year ended 31 December 2014: 9,343,390) ordinary shares being the number of ordinary shares in issue at the period end. No shares were deemed to have been issued at nil consideration as a result of the shareholder and supporter warrants granted.

The shareholder and supporter warrants are not dilutive as the exercise price of the warrants is 323.27p which is higher than the average market price of the ordinary shares during the period.

14 RECONCILIATION OF LOSS BEFORE TAXATION TO OPERATING CASH FLOWS

	30 June 2015 £'000	30 June 2014 £'000	31 December 2014 £'000
Net loss after exceptional items	(410)	(204)	(1,293)
Interest payable	73	71	146
Depreciation	3	–	–
Share based payments	–	–	255
	<u>(334)</u>	<u>(133)</u>	<u>(892)</u>
Decrease / (increase) in current assets	195	145	(136)
Decrease in current liabilities	(119)	(93)	(40)
	<u>(258)</u>	<u>(81)</u>	<u>(1,068)</u>

