Scholium Group plc

Interim Report & Financial Statements

15 December 2014

Scholium Group plc ("Scholium" or the "Company" or, together with its subsidiaries, the "Group") is pleased to present its interim report and financial statements for the six months ended 30 September 2014. The Group is involved in the trading of rare and collectible items.

## Operational Highlights

- Important and high quality stock acquired by Shapero Rare Books to drive sales for the principal selling season in the second half of the financial year
- Launch of Shapero Modern, the modern and contemporary prints gallery within Shapero Rare Books
- Trade commencement and development of the Scholium Trading proposition
- Continued performance of South Kensington Books and accelerated growth of Ultimate Library

## Financial Highlights

- Revenue of £2.80 million (2013: £2.74 million)
- Gross Profit of £1.14 million (2013: £1.16 million)
- EBITDA of -£0.18 million (2013: £0.27 million)
- Stock of £6.60 million (2013: £3.9 million)
- NAV/Share of 77.49p[1]
- Interim dividend of 0.5p per ordinary share payable to shareholders on the company's register on 16 January 2015.

Commenting on the interim results Philip Blackwell, Chief Executive of the Group, noted "We have spent the first six months of our financial year acquiring new stock, using much of the sum raised on flotation in March this year and executing our strategy. Shapero has significantly increased its range of high quality stock which puts it in a strong position for the significant selling season which occurs in the second half of the financial year. The new Scholium Trading business has launched and made its first acquisitions and our Kensington operations continue to perform strongly."

For further information, please contact:


| | |
|---|---|
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[1] Based on the currently issued share capital

# Business Review

Scholium Group companies are involved primarily in the trading and retailing of books and other works on paper, as well as dealing in rare and collectible items in the wider art market.

The group of businesses comprises:

- Shapero Rare Books, a dealer in rare and antiquarian books and works on paper, located in Mayfair, London;
- South Kensington Books, a bookshop specialising primarily in art, and its sister business, Ultimate Library, which creates bespoke libraries for luxury hotels and private residences; and
- Scholium Trading, a company set up to trade in conjunction with other dealers in high value rare and collectible items.

## Revenue Streams

The Group earns revenue from:

- the sale of rare books and works on paper through Shapero Rare Books;
- the sale of art books and literature through South Kensington Books;
- the sale of whole collections and libraries through Ultimate Library; and
- the sale of other rare and collectible items through Scholium Trading.

## Key objectives and key performance indicators (KPIs)

The Group's strategy is to:

- increase the antiquarian  stock and trade of Shapero Rare Books and broaden the product mix into Modern prints;
- invest in developing Scholium Trading – a company created to trade alongside other dealers in high value rare and collectible items and participate in the acquisition for sale of large consignments; and
- accelerate the growth of the South Kensington Books and Ultimate Library brands; the latter concomitant with the development of international hospitality groups and the demand for premium property in Central London.

The directors intend to provide an attractive level of dividends to shareholders along with stable asset-backed growth driven by the markets in which the Group operates.

Our current principal KPIs are:

- gross margin, EBITDA, earnings per share;
- the breadth and distribution of the stock of assets held by the Group;
- stock turnover of assets; and
- various key risk indicators including capital resources, portfolio allocation and cash.

# Performance Review

## Overall Performance

The table below illustrates performance for the first six months of our financial year.  Overall, revenue has increased, gross margin on owned stock has increased, but due to the change in mix between commission and owned stock the gross margin of the Group has decreased.  The restocking exercise of Shapero Rare

Books has been continuing apace and the business is in a good position for the second half of the financial year, which contains the main selling season. Costs have increased – primarily to manage the enhanced stock levels and due to the increased overhead of the AIM listing. The balance sheet remains strong with a very high level of asset backing. Our challenge is to justify the increased overhead by converting the increased stock into profitable sales in the second half of the financial year.

Figure 1.: Overall Performance (all figures £,000 unless otherwise noted)

| | Six months ended September | | |
|---|---|---|---|
| | 2014 | 2013 | Variance |
| Revenue | 2,798 | 2,739 | 2.2% |
| Gross Profit | 1,142 | 1,161 | -1.6% |
| Gross Margin | 41% | 42% | -2.4% |
| Direct Costs | (168) | (159) | 5.7% |
| Administration Costs | (1,184) | (767) | 54.4% |
| EBITDA | (184) | 269 | -168.4% |
| | | | |
| Stock | 6,605 | 3,880 | 70.2% |
| Cash | 2,754 | 50 | |
| Net Asset Value | 10,538 | 1,274 | |
| NAV/Share | 77.49p | | |

*Shapero Rare Books*

Whilst activity at Shapero Rare Books in the first six months of the financial year has been slightly quieter than anticipated, the focus of the business has been to position itself strongly for the major selling season which runs in the second half of the financial year, culminating with The European Fine Art Fair in March. Consistent with these goals, Shapero Rare Books has increased its stock significantly to approximately £6.3 million at 30 September 2014 (2013: £3.8 million) with a number of noteworthy acquisitions. As expected with the move to more expensive, higher quality stock, the margin on sales of owned stock increased to approximately 37.6% (2013: 34.8%). Shapero Rare Books has also become more active in the sale of modern prints.

Figure 2.: Shapero Rare Books KPIs (all figures £,000 unless otherwise noted)

| | Six months ended September | | Variance |
|---|---|---|---|
| Revenue | 2014 | 2013 | |
| Own Stock | 2,370 | 2,207 | 7.4% |
| Commission | 25 | 240 | -89.6% |
| | **2,395** | **2,447** | **-2.1%** |
| Gross Profit | | | |
| Own Stock | 890 | 769 | 15.7% |
| Commission | 25 | 240 | -89.6% |
| | **915** | **1,009** | **-9.3 %** |
| Gross Margin | | | |
| Own Stock | 37.6% | 34.8% | |
| Own stock + Commission | 38.2% | 41.2% | |
| | | | |
| EBITDA | -1 | 239 | --100.4% |
| | | | |
| Stock Value | 6,274 | 3,779 | 66.0% |

The most significant variance during the period under review was the absence of a one-off commission that the business earned during the first half of the financial year of 2013 on the final sale of a large consignment of books. The cost base of Shapero Rare Books has increased to reflect the increased purchasing activity and anticipated sales activity in the second half of the financial year.

Whilst stock turnover for the period is lower, this is in large part due to the rapid growth in stock; and positions the business strongly for the second half of the financial year.

*South Kensington Operations*

Our South Kensington operations have shown accelerated growth in sales, margin and profitability and are strongly cash positive. Increased footfall has helped retail sales and some high profile hotel contract wins, both in London and overseas, have also driven sales.

Figure 3.: South Kensington Operations Summary (all figures £,000 unless otherwise noted)

| South Kensington Operations | Six months ended September | | Growth |
|---|---|---|---|
| Revenue | 2014 | 2013 | |
| South Kensington Bookshop | 276 | 259 | 6.6% |
| Ultimate Library | 116 | 33 | 251.5% |
| | 392 | 292 | 34.2% |
| Gross Profit | 217 | 149 | 45.6% |
| Gross Margin | 55% | 51% | |
| EBITDA | 60 | 30 | 100% |

Trade in the bookshop showed 6% year-on-year growth and we were most encouraged by growth in orders to Ultimate Library.

*Scholium Trading*

The first half of the year was productive for Scholium Trading. Although this activity began more slowly than anticipated, it has been pleasing to note that the stock turn on trades completed has been better than expected. Scholium Trading earned its first profit in the period under review, with a return of 10% over a period of 2 months. Since the period end, two further profitable sales have been completed. Having spent considerable time developing relationships with dealers, we are seeing increased activity in the second half of the year with some material propositions for acquiring significant collections.

## Financial Position and Cashflow

On 30 September 2014 the Group had a strong balance sheet — £2.75 million of cash (30 September 2013: £0.05 million) and a further £6.6 million of stock (30 September 2014: £3.9 million) supported Gross Assets of £11.5 million (30 September 2013: £5.6 million). The company had no debt; all working capital facilities provided by the group's shareholders in 2012 and 2013 were repaid over the period (a total amount of £0.53 million).

## Outlook

Whilst sales to date have been slightly lower than hoped for, the overall result for our financial year is heavily influenced by the outcome of sales in the final quarter, which culminates in The European Fine Art Fair, where, traditionally, a significant proportion of the Group's sales are made. Given the high levels of quality stock and a firm pipeline of selling opportunities, the Directors are confident, if certain high value items are successfully sold before the end of March 2015, that market forecasts will be achieved.

## Dividend

Based on the directors' assessment of the prospects for the year as a whole, the Company will pay an interim dividend of 0.5p to shareholders on the Company's register on 16 January 2015.

## Key Risks

Like all businesses, the Group faces risks and uncertainties that could impact on the Group's strategy. The Board recognizes that the nature and scope of these risks can change and regularly reviews the risks faced by the Group and the systems and processes to mitigate such risks.

The principal risks and uncertainties affecting the continuing business activities of the Group were outlined in detail in the Strategic Report section of the annual report covering the year ended 31March 2014.

In preparing this interim report for the six months ended 30 September 2014, the Board has reviewed these risks and uncertainties and considers that there have been no changes since the publication of the 2014 Annual Report.

Philip Blackwell

12 December 2014

# Independent Review Report to Scholium Group plc

## Introduction
We have been engaged by the company to review the condensed set of financial statements in the interim report for the six months ended 30th September 2014 which comprises the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity, the condensed consolidated statement of financial position and the consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

## Directors' Responsibilities
The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM rules.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this interim report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

## Our Responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim report based on our review.

## Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30th September 2014 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM rules.

A K Bahl BA FCA
For and on behalf of
Wenn Townsend Chartered Accountants
Oxford, United Kingdom

12 December 2014

Consolidated statement of comprehensive incomefor the six-month period ended 30 September 2014 (unaudited)

| | Note | Six-month period ended 30 September 2014 £000 | Six-month period ended 30 September 2013 £000 | Year ended 31 March 2014 £000 |
|---|---|---|---|---|
| Revenue | 3 | 2,798 | 2,739 | 6,733 |
| Cost of sales | | (1,656) | (1,578) | (3,954) |
| Gross profit | | 1,142 | 1,161 | 2,779 |
| Distribution expenses | | (168) | (159) | (423) |
| Administrative expenses | | (1,184) | (767) | (1,802) |
| *Exceptional items:* | | | | |
| Share-based payment schemes | | (19) | - | (385) |
| IPO expenses | | - | - | (228) |
| Total administrative expenses | | (1,203) | (767) | (2,415) |
| (Loss)/profit from operations | | (229) | 235 | (59) |
| Adjusted profit from operations before IPO expenses and share-based payment expense | | (210) | - | 554 |
| Share-based payment schemes | | (19) | - | (385) |
| IPO expenses | | - | - | (228) |
| (Loss)/profit from operations | | (229) | 235 | (59) |
| Financial income | | - | - | 1 |
| Financial expenses | | (6) | (128) | (290) |
| (Loss)/profit before taxation | | (235) | 107 | (348) |
| Income tax credit/(expense) | 4 | 47 | 189 | 251 |
| (Loss)/profit for the year and total comprehensive income attributable to equity holders of the parent company | | (188) | 296 | (97) |
| Basic (loss)/profit per share – pence | 5 | (1.40) | 347.14 | (36.49) |
| Diluted (loss)/profit per share – pence | 5 | (1.40) | 5.91 | (36.49) |

## Consolidated statement of financial position

| | Note | 30 September 2014 £000 | 30 September 2013 £000 | 31 March 2014 £000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | 115 | 115 | 104 |
| Intangible assets | | 12 | 20 | 16 |
| Deferred taxation | | 305 | 189 | 258 |
| | | 432 | 324 | 378 |
| **Current assets** | | | | |
| Stock | | 6,605 | 3,880 | 4,667 |
| Trade and other receivables | 6 | 1,716 | 1,374 | 1,816 |
| Cash and cash equivalents | | 2,754 | 50 | 7,578 |
| | | 11,075 | 5,304 | 14,061 |
| **Total assets** | | 11,507 | 5,628 | 14,439 |
| **Current liabilities** | | | | |
| Trade and other payables | 7 | 962 | 1,616 | 3,111 |
| Loans and borrowings | | - | 623 | 533 |
| Current corporation tax liabilities | | 7 | 7 | 14 |
| **Total current liabilities** | | 969 | 2,246 | 3,658 |
| **Non-current liabilities** | | | | |
| Loans and borrowings | | - | 2,108 | - |
| | | - | 2,108 | - |
| **Total liabilities** | | 969 | 4,354 | 3,658 |
| **Net assets** | | 10,538 | 1,274 | 10,781 |
| **Equity and liabilities** | | | | |
| **Equity attributable to owners of the Company** | | | | |
| Ordinary shares | | 136 | 52 | 132 |
| Share premium | | 9,516 | - | 9,458 |
| Merger reserve | | 82 | 2,047 | 82 |
| Retained earnings/(deficit) | | 804 | (825) | 1,109 |
| **Total equity** | | 10,538 | 1,274 | 10,781 |

These interim financial statements were approved by the Board of Directors on 12 December 2014 and signed on its behalf by Simon Southwood

## Consolidated statement of changes in equity

| | Note | Share capital £000 | Share premium £000 | Merger reserve £000 | Retained deficit £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| Balance at 1 April 2013 | | 52 | - | 2,047 | (1,121) | 978 |
| | | | | | | |
| Profit for the period | | - | - | - | 296 | 296 |
| Total comprehensive income for the period | | - | - | - | 296 | 296 |
| | | | | | | |
| Balance at 30 September 2013 | | 52 | - | 2,047 | (825) | 1,274 |
| | | | | | | |
| Loss for the period | | - | - | - | (393) | (393) |
| Total comprehensive income for the period | | - | - | - | (393) | (393) |
| | | | | | | |
| Shares issued in the period | | 80 | 10,259 | - | - | 10,339 |
| Share issue expenses | | - | (801) | - | - | (801) |
| Capital reduction in subsidiary | | - | - | (1,986) | 1,986 | - |
| Cancellation of shares in subsidiary from merger reserve | | - | - | 21 | 3 | 24 |
| Share-based payments | | - | - | - | 338 | 338 |
| Total contributions by owners of the parent | | 80 | 9,458 | (1,965) | 2,327 | 9,900 |
| | | | | | | |
| Balance at 31 March 2014 | | 132 | 9,458 | 82 | 1,109 | 10,781 |

| Consolidated statement of changes in equity | Note | Share capital £000 | Share premium £000 | Merger reserve £000 | Retained deficit £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| Balance at 1 April 2014 | | 132 | 9,458 | 82 | 1,109 | 10,781 |
| Loss for the period | | - | - | - | (188) | (188) |
| Total comprehensive income for the period | | - | - | - | (188) | (188) |
| Shares issued in the period | | 4 | 58 | - | - | 62 |
| Share-based payments | | - | - | - | 19 | 19 |
| Dividends paid | | - | - | - | (136) | (136) |
| Total contributions by owners of the parent | | 4 | 58 | - | (117) | (55) |
| Balance at 30 September 2014 | | 136 | 9,516 | 82 | 804 | 10,538 |

| Consolidated statement of cash flows | Six-month period ended 30 September 2014 £000 | Six-mon peri end September 20 £0 |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss)/profit before tax | (235) | |
| Depreciation of property, plant and equipment | 22 | |
| Amortisation of intangible assets | 4 | |
| Interest payable | 6 | |
| Share-based payment | 19 | |
| | (184) | |
| Increase in inventories | (1,938) | |
| Decrease/(increase)in trade and other receivables | 100 | |
| (Decrease)/increase in trade and other payables | (2,156) | |
| **Net cash generated from operating activities** | (4,178) | |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (33) | |
| Interest received | - | |
| **Net cash generated used in investing activities** | (33) | |
| **Cash flows from financing activities** | | |
| Proceeds from the issuance of ordinary shares | 62 | - |
| Share issue expenses | - | |
| (Repayment)/receipt of shareholder loans | (533) | |
| Dividends paid | (136) | |
| Interest paid | (6) | |
| **Net cash generated from financing activities** | (613) | |
| Net increase in cash and cash equivalents | (4,824) | |
| Cash and cash equivalents at the beginning of the period | 7,578 | |
| Cash and cash equivalents at the end of the period | 2,754 | |

1 General information

Scholium Group plc and its subsidiaries (together 'the Group') are engaged in the trading and retailing of rare and antiquarian books and works on paper primarily in the United Kingdom. The Company is a public company domiciled and incorporated in England and Wales (registered number 08833975). The address of its registered office is 32 St George Street, London W1S 2EA.

2 Basis of preparation

These condensed interim financial statements of the Groupfor the six months ended 30 September 2014 (the Period) have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest audited financial statements for the year ended 31 March 2014. Amendments made to IFRSs since 31 March 2014 have not had a material effect on the Group's results or financial position for the six-month period ended 30 September 2014.

While the financial figures included within this half-yearly report have been computed in accordance with IFRSs applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as set out in International Accounting Standard 34 Interim Financial Reporting.

These condensed interim financial statements have not been audited, do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 March 2014. The auditors' opinion on these Statutory Accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

| 3 Revenue | 30 September 2014 £000 | 30 September 2013 £000 | 31 March 2014 £000 |
|---|---|---|---|
| Book sales | 2,761 | 2,494 | 6,474 |
| Commissions | 25 | 240 | 256 |
| Other income | 12 | 5 | 3 |
| | 2,798 | 2,739 | 6,733 |

## 4 Income tax

| | 30 September 2014 £000 | 30 September 2013 £000 | 31 March 2014 £000 |
|---|---|---|---|
| *Current tax (credit)/expense* | | | |
| Current tax | 1 | - | 7 |
| *Deferred tax:* | - | - | - |
| Origination and reversal of temporary differences | (48) | (189) | (258) |
| Total tax credit | (47) | (189) | (251) |

The reasons for the difference between the actual tax (credit)/charge for the year and the standard rate of corporation tax in the United Kingdom applied to (loss)/profit for the year as follows:

| | 30 September 2014 £000 | 30 September 2013 £000 | 31 March 2014 £000 |
|---|---|---|---|
| (Loss)/profit before tax | (235) | 107 | (348) |
| Applied corporation tax rates: | 20% | 20% | 20% |
| Tax at the UK corporation tax rate of 20% | (47) | 21 | (70) |
| Expenses not deductible for tax purposes | - | - | 53 |
| Utilisation of previously unrecognised tax losses | - | 3 | (39) |
| Origination and reversal of temporary differences | 0 | (213) | (195) |
| Total tax credit | (47) | (189) | (251) |

## 5. Earnings/(loss) per share

| | 30 September 2014 | 30 September 2013 | 31 March 2014 |
|---|---|---|---|
| (Loss)/profit used in calculating basic and diluted earnings per share | (188) | 296 | (97) |
| **Number of shares** | | | |
| Weighted average number of shares for the purpose of basic earnings per share | 13,399,070 | 85,268 | 265,813 |
| Weighted average number of shares for the purpose of diluted earnings per share | 13,399,070 | 5,004,888 | 265,813 |
| Basic (loss)/earnings per share (pence per share) | (1.40) | 347.14 | (36.49) |
| Diluted (loss)/ earnings per share (pence per share) | (1.40) | 5.91 | (36.49) |

Basic earnings per share amounts are calculated by dividing net (loss)/profit for the year or period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Where the Group has incurred a loss in a year or period the diluted earnings per share is the same as the basic earnings per share as the loss has an anti-dilutive effect. The diluted loss per share for 30 September 2014 and 31 March 2014 is therefore the same as the basic loss per share for the relevant period and the diluted weighted average number of shares is the same as the basic weighted average number of shares.

The Company has 1,056,000 potentially issuable shares all of which relate to the potential dilution from the Group's share-options issued in the year ended 31 March 2014.

## 6 Trade and other receivables

| | 30 September 2014 £000 | 30 September 2013 £000 | 31 March 2014 £000 |
|---|---|---|---|
| Trade and other receivables | 1,183 | 1,008 | 1,412 |
| Other debtors | 204 | 84 | 198 |
| Prepayments and accrued income | 329 | 282 | 206 |
| | 1,716 | 1,374 | 1,816 |

## 7 Trade and other payables

| | 30 September 2014 | 30 September 2013 | 31 March 2014 |
|---|---|---|---|

| | £000 | £000 | £000 |
|---|---|---|---|
| Trade creditors | 652 | 1,111 | 2,355 |
| Social security and other taxes | 35 | 50 | 18 |
| Accrued expenses | 99 | 55 | 686 |
| Other creditors | 176 | 400 | 52 |
| | 962 | 1,616 | 3,111 |