

Dartmoor

INVESTMENT TRUST LIMITED



Report & Accounts
Year ended 30 April 2016

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Strategic report

Introduction

The principal activity of Dartmoor Investment Trust Limited ("the Company") is to carry on business as an investment company. The Group comprises the Company and its wholly owned investment dealing subsidiary, Dartless Limited ("Dartless"). There has been no activity in Dartless during the year.

The Company's investment objective is to earn a good long-term return on net assets. The Company's investment mandate is to invest in such assets, of whatever type, as are considered most suitable in the light of its investment objective.

On 19 October 2009, the Company changed its status from a public limited company to a private limited company.

The Company has no employees,

Performance Summary

As in previous years, it may be helpful to shareholders to summarise the Group's financial position by adding back the accrued liability for dividends on the redeemable preference shares ("Preference Shares"), and by adding back the liability recorded for the capital entitlement of the Preference Shares. This is set out in the table at the bottom of the page.

The Company's investment valuation was £32.4m, with purchases exceeding disposals by £2.1 million.

Financial performance and key performance indicators

Shareholders' Funds, with accrued Preference Share dividends and capital entitlement added back, increased from £44.1 million to £45.1 million.

This 2.3% increase in adjusted Shareholders' Funds compares with a total return over the year of -5.7% for the FTSE All-Share Index. This comparison constitutes the first of the key performance indicators ("KPIs") used to measure the Company's progress, which the Directors are obliged to specify and set out.

The second KPI used is the Company's total expense ratio ("TER") (total expenses incurred in the year, excluding investment transaction costs, divided by end of year adjusted Shareholders' Funds). The TER is 0.14% compared with 0.14% last year.

The Company remains unable to make any dividend payments and it is considered unlikely that it will resume making dividend payments on the Preference Shares in the foreseeable future.

Investment review

The value of the Company's investment portfolio at the year end was £32.4 million, up from £30.4 million at the start of the year.

Cash, net of unsettled sales and purchases of investments, decreased from £13.8 million to £12.7 million.

As previously advised, future investments could include general equities and high yield bonds, both quoted and unquoted, and participations in private equity, venture capital funds or directly in commercial enterprises.

Future developments

The Board considers that the Company is likely to continue to carry on business investing in securities, unless a more attractive use for its capital is found.

	As at 30 April 2016			As at 30 April 2015		
	Investments	Cash and debtors minus liabilities	Shareholders' Funds	Investments	Cash and debtors minus liabilities	Shareholders' Funds
	£'000	£'000	£'000	£'000	£'000	£'000
Per consolidated balance sheet	32,408	(54,737)	(22,329)	30,378	(51,055)	(20,677)
Add back liability for Preference Share capital entitlement	–	29,549	29,549	–	29,549	29,549
Add back liability for accrued Preference Share dividends	–	37,895	37,895	–	35,236	35,236
With Preference Share liabilities added back	32,408	12,707	45,115	30,378	13,730	44,108

Strategic report

Principal risks

The Board considers the following to be the principal risks and uncertainties facing the Company:

Sector risk

A significant part of the Company's portfolio currently consists of holdings in split capital and smaller company investment trusts. A change in taxation, regulation or other common factor could adversely affect such investments. This risk is considered minor relative to other investment risks, and is mitigated by the bulk of the Company's assets not being invested in such investment trusts.

Investment and financial risk

The financial risk management objective and policy of the Company is to invest the bulk of its assets in financial instruments so as to generate, principally through taking market risks, higher returns to shareholders than are obtainable from cash and other low risk assets. The Company is exposed to equity market risk due to fluctuations in the market prices of its investments. That is the counterpart of obtaining exposure to the potential outperformance of stock market investments over holding cash. The Company may hold a substantial proportion of the portfolio in cash or cash equivalent investments; during negative market movements this should provide some protection.

The Company is also exposed to the risk that, on average, the investments it holds may provide worse returns than justified by the performance of the underlying sector(s) to which they are exposed. This is a normal investment risk and is mitigated by diversification over a considerable number of holdings, spread across different market sectors. The Company's assets are largely quoted financial instruments, no material cash flow risk arises other than that due to liquidity risk.

Other financial risks to which the Company is exposed are set out in note 20.

On behalf of the Board



Nicholas Lewis

Chairman

31 October 2016

Twenty largest holdings by market value at 30 April 2016

<i>Company (and class held)</i>	<i>Sector</i>	<i>Value</i> <i>£'000</i>
<i>Rights and Issues Investment Trust (Cap)</i>	<i>Investment Company</i>	5,070
<i>Rights and Issues Investment Trust (Inc)</i>	<i>Investment Company</i>	4,729
<i>European Exchange-Traded Fund (iShares DJ Euro Stoxx 50)</i>	<i>Exchange Traded Fund</i>	1,444
<i>Senior (Ord)</i>	<i>Aerospace & Defence</i>	1,336
<i>Aberforth Smaller Companies Trust (Ord)</i>	<i>Investment Company</i>	1,256
<i>Royal Dutch Shell (B Ord)</i>	<i>Oil & Gas</i>	1,209
<i>Berkeley Group (Ord)</i>	<i>Consumer Goods</i>	1,198
<i>Halma (Ord)</i>	<i>Electronic & Electrical Equipment</i>	1,119
<i>Brewin Dolphin (Ord)</i>	<i>General Financial</i>	1,096
<i>E2V Technologies (Ord)</i>	<i>Electronic & Electrical Equipment</i>	1,024
<i>Small Companies Dividend Trust (Ord)</i>	<i>Investment Company</i>	997
<i>BP (Ord)</i>	<i>Oil & Gas</i>	916
<i>Renishaw (Ord)</i>	<i>Electronic & Electrical Equipment</i>	910
<i>British American Tobacco (Ord)</i>	<i>Consumer Goods</i>	834
<i>Rolls Royce (Ord)</i>	<i>Aerospace & Defence</i>	737
<i>National Grid (Ord)</i>	<i>Utilities</i>	710
<i>F&C Commercial Property (Ord)</i>	<i>Investment Company</i>	666
<i>Utilico Finance (Red Zero Div Pref) *</i>	<i>Investment Company</i>	597
<i>GlaxoSmithKline (Ord)</i>	<i>Healthcare</i>	554
<i>Unilever (Ord)</i>	<i>Consumer Goods</i>	550
		<hr/>
		26,952
Other holdings (24 investments)		<hr/> 5,456
Total portfolio		<hr/> 32,408

* Year of planned repayment: 2016.

Directors and Advisers

Directors

Nicholas Lewis - Chairman
Sarah Lewis
Edmund Lewis
Rosemary Lewis

Secretary and Registered Office:

Capita Sinclair Henderson Limited
(Trading as Capita Asset Services –
Fund Solutions)
51 New North Road
Exeter EX4 4EP
Tel: 01392 477500
Fax: 01392 253282

Auditor:

Ernst & Young LLP
25 Churchill Place
London E14 5EY

Banker:

HSBC Bank plc
8 Canada Square
London E14 5HQ

Custodian:

Jarvis Investment Management Ltd
78 Mount Ephraim
Royal Tunbridge Wells TN4 8BS

Secretary and Administrator

Capita Sinclair Henderson Limited

Administrative and secretarial services are undertaken by Capita Sinclair Henderson Limited ("CSH"). The ultimate holding company of CSH is Capita plc.

Solicitor:

Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

Report of the Directors**Directors**

The Directors in office during the year and at the date of this report are as shown on page 4. None of the Directors has a contract of service with the Company, nor has there been any contract or arrangement between the Company and any Director at any time.

No Director has been granted any options to acquire shares in the Company.

None of the Directors nor any persons connected with them had any material interest in any of the Company's or its subsidiary's transactions, arrangements or agreements during the year.

Dividends

No dividends have been paid, declared or proposed by the Directors in respect of the year ended 30 April 2016 (2015: nil).

Going concern

Notwithstanding the negative equity shareholders' funds that is driven by the liability arising from the outstanding Preference Shares, the Directors believe that, having considered the Company's business activities, the nature of the portfolio and expenditure projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future, being a period of 12 months from the date these financial statements were approved.

The Preference Shares are redeemable on the earlier of 30 April 2045 or on 21 months' notice from the redeemable preference shareholders and no notice has been received upon signing of the accounts.

For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

The rights of shareholders

The rights of the holders of each class of share are described in note 14. There were no changes in the Company's capital structure or share rights during the year.

Management and administration

The Company is self-managed, and responsibility for investment management decisions has been delegated to Mr Nicholas Lewis (acting in his capacity as a Director). CSH provides accounting, administrative and company secretarial services under an agreement dated 31 March 2006 for a fee for the year ended 30 April 2016 of £33,000. The fee is adjusted annually in accordance with the Retail Prices Index. The notice period is 75 days.

Directors' indemnity

Under the Company's Articles of Association, and subject to the provisions of UK legislation, the Directors are provided with an indemnity in respect of liabilities that they may sustain or incur in connection with their appointment.

A Deed of Indemnity in favour of Mr Nicholas Lewis, utilising the powers contained in the Company's Articles of Association, was entered into on 13 April 2007. This deed indemnifies Mr Lewis out of the assets of the Company, subject to the provisions of UK legislation, against all costs and liabilities incurred by him in relation to any proceedings which relate to anything done or omitted or alleged to have been done or omitted by him as a Director of the Company.

There are no other qualifying third party indemnity provisions in force.

Financial instruments

The use of financial instruments, the principal financial risks facing the Company and the Company's policies for managing these risks are set out in note 20 of the notes to the financial statements.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Report of the Directors 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The financial reporting standards applicable in the United Kingdom and Republic of Ireland'. 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 of the Group and the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

Report of the Directors

- state whether applicable 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 will continue in business.

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

Disclosure of information to Auditor

Each Director confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's Auditor is unaware, and he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor

Ernst & Young LLP will, unless the members or Directors resolve otherwise, continue as Auditor to the Company in accordance with the provisions of Section 487 Companies Act 2006.

On behalf of the Board



Nicholas Lewis
Chairman

31 October 2016

**Independent Auditor's report
To the members of Dartmoor Investment Trust Limited**

We have audited the financial statements of Dartmoor Investment Trust Limited ("the Company") and its subsidiary (together "the Group") for the year ended 30 April 2016 which comprise the Consolidated Income Statement, the Consolidated and Company Statement of Changes in Equity, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated and Company Statement of Cash Flows and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Statement of Directors' Responsibilities set out on pages 5 and 6, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 30 April 2016 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

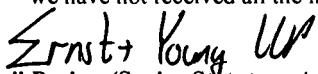
Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.


Neil Parker (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

~~October 2016~~

3 NOVEMBER 2016

Consolidated income statement for the year ended 30 April 2016

	Note	2016			2015		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	10	–	(107)	(107)	–	(186)	(186)
Income	2	1,179	–	1,179	1,016	–	1,016
Other expenses	4	(65)	–	(65)	(62)	–	(62)
Net return/(loss) before finance costs and taxation		1,114	(107)	1,007	954	(186)	768
Finance costs	8	(2,659)	–	(2,659)	(2,659)	–	(2,659)
Loss on ordinary activities before taxation		(1,545)	(107)	(1,652)	(1,705)	(186)	(1,891)
Taxation on ordinary activities	6	–	–	–	–	–	–
Loss on ordinary activities after taxation		(1,545)	(107)	(1,652)	(1,705)	(186)	(1,891)
Earnings per share:	9	pence	pence	pence	pence	pence	pence
Redeemable preference share		9.00	(0.36)	8.64	9.00	(0.63)	8.37

The total column of this statement is the consolidated income statement of the Group. The revenue and capital columns are presented in accordance with the Statement of Recommended Practice (“SORP”) issued by the Association of Investment Companies (“AIC”).

There is no other comprehensive income other than the results for the year discussed above. Accordingly a Statement of comprehensive income is not required.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The notes on pages 13 to 22 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 30 April 2016

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Year ended 30 April 2016					
Balance as at 30 April 2015	10,000	117,604	(151,870)	3,589	(20,677)
Net loss after taxation for the year	–	–	(107)	(1,545)	(1,652)
Balance as at 30 April 2016	10,000	117,604	(151,977)	2,044	(22,329)
Year ended 30 April 2015					
Balance as at 30 April 2014	10,000	117,604	(151,684)	5,294	(18,786)
Net loss after taxation for the year	–	–	(186)	(1,705)	(1,891)
Balance as at 30 April 2015	10,000	117,604	(151,870)	3,589	(20,677)

Company statement of changes in equity for the year ended 30 April 2016

	Share capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Year ended 30 April 2016					
Balance as at 30 April 2015	10,000	117,604	(152,839)	4,558	(20,677)
Net loss after taxation for the year	–	–	(107)	(1,545)	(1,652)
Balance as at 30 April 2016	10,000	117,604	(152,946)	3,013	(22,329)
Year ended 30 April 2015					
Balance as at 30 April 2014	10,000	117,604	(152,653)	6,263	(18,786)
Net loss after taxation for the year	–	–	(186)	(1,705)	(1,891)
Balance as at 30 April 2015	10,000	117,604	(152,839)	4,558	(20,677)

The notes on pages 13 to 22 form part of these financial statements.

Consolidated balance sheet for the year ended 30 April 2016

		2016	2015
	Note	£'000	£'000
Fixed assets			
Investments at fair value through profit or loss	10	32,408	30,378
Current assets			
Debtors	12	84	75
Cash and cash equivalents	18	12,741	13,772
		<u>12,825</u>	<u>13,847</u>
Creditors – amounts falling due within one year			
Creditors	13	<u>(38,013)</u>	<u>(35,353)</u>
Net current liabilities		<u>(25,188)</u>	<u>(21,506)</u>
Total assets less current liabilities		7,220	8,872
Creditors – amounts falling due in more than one year			
Redeemable preference shares	15	<u>(29,549)</u>	<u>(29,549)</u>
Net liabilities		<u>(22,329)</u>	<u>(20,677)</u>
Share capital and reserves			
Called up share capital	14	10,000	10,000
Share premium account		117,604	117,604
Capital reserve		(151,977)	(151,870)
Revenue reserve		<u>2,044</u>	<u>3,589</u>
Total equity shareholders' deficit	15	<u>(22,329)</u>	<u>(20,677)</u>
Net asset value (Articles basis):	15	pence	pence
Redeemable preference share		24.43	30.03

These financial statements were approved by the Board of Directors of Dartmoor Investment Trust Limited and authorised for issue on 31 October 2016 and were signed on its behalf by

Nicholas Lewis

Nicholas Lewis
Chairman

Company Number: 2464865

The notes on pages 13 to 22 form part of these financial statements.

Company balance sheet for the year ended 30 April 2016

		2016 £'000	2015 £'000
	Note		
Fixed assets			
Investments at fair value through profit or loss	10	32,408	30,378
Investment in subsidiary undertaking	11	—	—
		<u>32,408</u>	<u>30,378</u>
Current assets			
Debtors	12	85	76
Cash and cash equivalents		12,740	13,771
		<u>12,825</u>	<u>13,847</u>
Creditors – amounts falling due within one year			
Creditors	13	(38,013)	(35,353)
		<u>(25,188)</u>	<u>(21,506)</u>
Net current liabilities			
Total assets less current liabilities		7,220	8,872
Creditors – amounts falling due in more than one year			
Redeemable preference shares	15	(29,549)	(29,549)
Net liabilities		<u>(22,329)</u>	<u>(20,677)</u>
Share capital and reserves			
Called up share capital	14	10,000	10,000
Share premium account		117,604	117,604
Capital reserve		(152,946)	(152,839)
Revenue reserve		3,013	4,558
Total equity shareholders' deficit	15	<u>(22,329)</u>	<u>(20,677)</u>

These financial statements were approved by the Board of Directors of Dartmoor Investment Trust Limited and authorised for issue on 31 October 2016 and were signed on its behalf by

Nicholas Lewis

Nicholas Lewis
Chairman

The notes on pages 13 to 22 form part of these financial statements.

Consolidated and Company statement of cash flows for the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
Operating activities			
Investment income received		1,110	940
Deposit interest received		60	67
Other cash payments		(64)	(69)
Net cash inflow from operating activities	16	<u>1,106</u>	<u>938</u>
Capital expenditure and financial investment			
Purchases of investments		(2,540)	(3,854)
Sales of investments		403	2,532
Net cash (outflow)/inflow from capital expenditure and financial investment		<u>(2,137)</u>	<u>803</u>
Decrease in cash	17	<u>(1,031)</u>	<u>(384)</u>

The notes on pages 13 to 22 form part of these financial statements.

Notes to the financial statements**1. Accounting policies****Statement of compliance**

Dartmoor Investment Trust Limited is a limited liability company incorporated in England. The Registered Office is Beaufort House, 51 New North Road, Exeter EX4 4EP. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The Group's financial statements have been prepared in compliance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' as it applies to the Financial Statements of the Group for the year ended 30 April 2016. There are no significant changes to the Company's accounting policies or previous reported financial position as a result of the adoption of FRS 102 which became mandatory for companies with a financial year beginning on or after 1 January 2015.

Investment trust status

Following the delisting of the Company's shares on 24 June 2003, the Company is not eligible to apply for investment trust status for taxation purposes under Sections 1158/59 of the Corporation Tax Act 2010. However, in order to aid comparison with similar companies and to enable a consistent presentation of financial performance for each accounting period, the Directors consider it appropriate to present the financial statements in accordance with the SORP. Under the SORP, the financial performance of the Group is presented in the consolidated income statement in which the total column is the profit and loss account of the Group.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to the same accounting reference date. No income statement is presented for Dartmoor Investment Trust Limited, as permitted by Section 408 of the Companies Act 2006. The amount of the Company's total loss for the financial year dealt with in the accounts of the Group is £(1,652,000) (2015: £(1,891,000)).

Judgements and key sources of estimation uncertainty

The preparation of the Financial Statements requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The nature of estimation means that the actual outcomes could differ from those estimates, possibly significantly. The most critical estimates and judgements relate to the determination of carrying value of investments at fair value through profit or loss. The Company values investments by following the IPEV guidelines.

Income recognition

UK dividend income is included when the investments concerned are quoted 'ex-dividend' and net of any associated tax credit. The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security. Underwriting commission and interest receivable are included in the accounts on an accruals basis.

Trade receivables, trade payables and short-term borrowings

Trade receivables, trade payables and short-term borrowings are measured at amortised cost.

Expenses and finance costs

All expenses are accounted for on an accruals basis.

Finance costs are charged in full to the revenue account.

All other expenses are charged in full to the revenue account except expenses which are incidental to the acquisition or disposal of an investment, which are treated as capital and separately identified and disclosed.

Redeemable preference shares

On a winding-up, the finance costs associated with the redeemable preference shares are deductible from the assets of the Company in priority to the rights of the other classes of shareholders.

The net assets attributable to redeemable preference shareholders take into account the share issue costs associated with the redeemable preference shares. In accordance with the Company's accounting policy regarding finance costs, these expenses have been charged in full to the revenue account.

In accordance with FRS 102, the interests of the redeemable preference shareholders are classified as liabilities and the appropriations in respect of these shares are shown as finance costs in the income statement.

Notes to the financial statements

	2016	2015
	£'000	£'000
2. Income		
Income from listed investments		
UK dividend income	1,053	873
UK unfranked investment income	68	73
	<u>1,121</u>	<u>946</u>
Other income		
Bank interest receivable	58	70
Total income	<u>1,179</u>	<u>1,016</u>
Total income comprises:		
Dividends	1,121	946
Interest	58	70
	<u>1,179</u>	<u>1,016</u>

3. Investment management fee

There is no investment management fee payable as the Company is self-managed. For the year ended 30 April 2016, an administration and company secretarial fee of £33,000 (2015: £33,000) was paid to CSH and is included in other expenses below.

4. Other expenses

	2016	2015
	£'000	£'000
Auditors' remuneration for:		
Audit services	15	14
Legal and professional fees	2	2
Other expenses	48	46
	<u>65</u>	<u>62</u>

During the year the auditors did not receive any remuneration in respect of non-audit services (2015: none).

5. Directors' remuneration

During the year under review, no remuneration was paid to the Directors of the Company (2015: £nil).

There are no arrangements between the Company and its Directors concerning compensation for loss of office.

Notes to the financial statements

6. Taxation on ordinary activities

	2016			2015		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
UK corporation tax	–	–	–	–	–	–
	–	–	–	–	–	–

Current taxation

The current taxation for the period is different from the standard rate of corporation tax in the UK of 20% at 30 April 2016.

The differences are explained below:

	2016			2015		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Reconciliation of taxation charge:						
Loss on ordinary activities before taxation for the year	(1,545)	(107)	(1,652)	(1,705)	(186)	(1,891)
Theoretical tax at UK corporation tax rate of 19.92% (2015: 20.92%)	(308)	(21)	(329)	(357)	(39)	(396)
Effects of:						
UK dividends which are not taxable	(210)	–	(210)	(183)	–	(183)
UK unfranked investment dividends which are not taxable	(13)	–	(13)	(15)	–	(15)
Losses on investments that are not taxable	–	21	21	–	39	39
Disallowable appropriations in respect of redeemable preference shares	530	–	530	555	–	555
Excess expenses of current period	1	–	1	–	–	–
Actual total taxation charge	–	–	–	–	–	–

After claiming relief against accrued income taxable on receipt, the Group has unrelieved excess loan relationship deficits and management expenses of £27,877,000 (2015: £27,871,000). In addition, the Group has unrelieved capital losses estimated at £107,941,000 (2015: £107,933,000). It is unlikely that the Group will generate sufficient taxable income or gains in the future to utilise these excess deficits or losses and therefore no deferred tax asset in respect of these amounts has been recognised.

7. Net loss after taxation

Of the net loss after taxation for the year, £(1,652,000) (2015: £1,891,000) is dealt with in the accounts of the parent undertaking.

Notes to the financial statements

8. Appropriations in respect of redeemable preference shares

	Revenue	2016 Capital	Total	Revenue	2015 Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Dividends paid and accrued						
Accrued redeemable preference share dividends*	2,659	–	2,659	2,659	–	2,659
Total appropriations	2,659	–	2,659	2,659	–	2,659

* Total dividends in arrears amount to £37,895,000 and relate to the period from 1 February 2002 to 30 April 2016 (2015: £35,236,000), see note 13 narrative.

No dividends were paid, declared or proposed by the Directors (2015: nil), although the accrual for the redeemable preference share dividends is accounted for as shown above under the terms of the redeemable preference shares.

9. Earnings per share

	Revenue	2016 Capital	Total	Revenue	2015 Capital	Total
	pence	pence	pence	pence	pence	pence
Redeemable preference share	9.00	(0.36)	8.64	9.00	(0.63)	8.37

The revenue return per redeemable preference share is based on the dividend and issue expense appropriations in respect of non-equity shares of £2,659,000 (2015: £2,659,000). These figures are different to the net revenue return figures of £(1,545,000) (2015: £(1,705,000)) shown in the consolidated income statement. The difference is due to a shortfall in revenue to meet the dividend and issue expense appropriations. This shortfall of £(1,545,000) (5.23p per redeemable preference share) (2015: £(1,705,000) (5.77p per redeemable preference share)) is met by revenue reserves brought forward. The revenue return per redeemable preference share is based on 29,548,666 (2015: 29,548,666) redeemable preference shares, being the weighted average number of redeemable preference shares in issue during the year.

The capital return per redeemable preference share is based on net capital losses allocated to redeemable preference shareholders of £107,000 (2015: losses of £186,000) and on 29,548,666 (2015: 29,548,666) redeemable preference shares, being the weighted average number of redeemable preference shares in issue during the year.

The total return per redeemable preference share is based on the sum of the dividend and issue expense appropriations in respect of non-equity shares of £2,659,000 (2015: £2,659,000) and the net capital losses allocated to redeemable preference shareholders of £107,000 (2015: losses of £186,000) and on 29,548,666 (2015: 29,548,666) redeemable preference shares, being the weighted average number of redeemable preference shares in issue during the year.

10. Investments – Group and Company

	Level a £'000	Total £'000
Opening book cost	23,590	23,590
Opening investment holding gains	6,788	6,788
Opening valuation at 1 May 2015	30,378	30,378

Movements in the year:

Purchases at cost	2,540	2,540
Sales – proceeds	(403)	(403)
Sales – realised gains on sales	16	16
Movement in investment holding gains	(123)	(123)
Closing valuation	32,408	32,408

Notes to the financial statements

10. Investments – Group and Company (continued)

	Level A £'000	Total £'000
Closing book cost	25,743	25,743
Closing investment holding gains	6,665	6,665
Closing valuation at 30 April 2016	32,408	32,408
	2016 £,000	2015 £'000
Realised gains on sales	16	667
Movement in investment holding gains	(123)	(853)
Losses on investments	(107)	(186)

All of the Company's investments are quoted in an active market and are therefore Level A Financial Instruments in accordance with FRS 102.

Transaction costs

During the year the Company incurred transaction costs of £14,000 in respect of investment transactions (2015: £22,000).

Significant holdings

At the balance sheet date, the Company had holdings of 3% or more of the issued class of share capital, which are material in the context of the Company's accounts, in the following investments:

Name of undertaking	Class of capital	% of class held
Rights & Issues Investment Trust	Income	14.8
Rights & Issues Investment Trust	Capital	5.8
Small Companies Dividend Trust	Ordinary	3.2

11. Investment in subsidiary undertaking

The Company owns 100% of the ordinary share capital of Dartless Limited, a company incorporated in the United Kingdom. The Company's investment in Dartless is shown in the balance sheet of the Company at £1 (2015:£1). The principal activity of Dartless is to carry on business as an investment dealing company.

12. Debtors

	2016		2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts due from subsidiary undertaking	–	1	–	1
Dividends receivable	82	82	71	71
Accrued income	2	2	4	4
	84	85	75	76

Notes to the financial statements

13. Creditors – amounts falling due within one year

	2016		2015	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Dividends accruing to redeemable preference shareholders*	37,895	37,895	35,236	35,236
Accruals	35	35	34	34
Unclaimed repayment of redeemable preference shares	83	83	83	83
	<u>38,013</u>	<u>38,013</u>	<u>35,353</u>	<u>35,353</u>

Under section 830 of the Companies Act 2006 a company may only make a distribution out of profits available for the purpose. The Company does not meet these requirements and is unlikely to do so in the foreseeable future. However, since the dividends in respect of redeemable preference shares are cumulative, this dividend remains accrued. In such circumstances, the dividend accrual of £37,895,000 (128.25p per redeemable preference share) could only be payable by way of capital distribution upon the Company's winding up or a reduction of its share capital.

14. Called up share capital

	Group and Company	
	2016	2015
	£'000	£'000
Allotted, called up and fully paid:		
52,175,141 (2015: 52,175,141) A non-voting deferred shares of 10p each	5,218	5,218
47,824,859 (2015: 47,824,859) B non-voting deferred shares of 10p each	4,782	4,782
	<u>10,000</u>	<u>10,000</u>
29,548,666 (2015: 29,548,666) redeemable preference shares of 1p each	295	295
	<u>10,295</u>	<u>10,295</u>

The Company's shareholders have the following rights under the Articles of Association:

Rights of redeemable preference shareholders

– Dividends

Holders of redeemable preference shares are entitled in priority to any payment of dividends to the holders of any other class of shares to be paid a fixed cumulative preferential dividend at the rate of 2.25p per quarter.

After payment of the fixed cumulative dividend, redeemable preference shareholders are, subject to any preferential dividend rights of holders of any other class of share, entitled (on a non-cumulative basis) to receive the next £100 million of revenue profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed for each financial year, subject, once an aggregate dividend of £100 million has been paid to the holders of the redeemable preference shares in respect of that year, to non-cumulative dividends at the rate of 0.1p per annum per A non-voting deferred share for each financial year before any further payment is made to holders of redeemable preference shares.

– Capital

On a winding up or other return of capital of the Company, and after the payment of all debts and other liabilities of the Company, holders of redeemable preference shares are entitled to receive an amount equal to 100p per redeemable preference share, together with all arrears and accruals (if any) of their cumulative preferential dividend, in priority to any entitlement of the holders of any other class of shares.

Thereafter, redeemable preference shareholders are, subject to any preferential capital entitlements of any holders of any other class of share, entitled to receive the surplus assets of the Company available for distribution, subject, after payment of £100 million in aggregate on all of the redeemable preference shares under the Company's Articles, to the payment of 0.1p on each non-voting deferred share before any further payment is made to holders of redeemable preference shares.

Notes to the financial statements

14. Called up share capital (continued)**– Redemption**

The redeemable preference shares of 1p each are redeemable at the option of the Directors on the earlier of 30 April 2045 and 21 months after any holder of the redeemable preference shares serves notice on the Company requesting that it redeems all the redeemable preference shares (the "Redemption Date") at an amount equal to the total assets less liabilities of the Company (other than any in respect of its shares). The Company may, with the prior class consent of the holders of the redeemable preference shares, redeem all the redeemable preference shares on such date prior to the Redemption Date as the Board may determine. If all the redeemable preference shares have not been redeemed or repaid on or before the Redemption Date the Directors shall convene a general meeting on or before the fifteenth business day in the month but one after that in which the Redemption Date falls at which a resolution shall be proposed requiring that the Company be wound up voluntarily. On such resolution those holders of redeemable preference shares who vote in favour of the resolution shall, on a poll, have such number of votes in respect of each share held by them (including fractions of a vote) so that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of votes cast against the resolution.

– Voting

The holders of redeemable preference shares have the right to receive notice of and to attend or vote at, any general meeting of the Company. Holders will have one vote on a show of hands and on a poll shall have one vote per share (except in the circumstances set out under Redemption above).

Rights of A non-voting deferred shareholders and B non-voting deferred shareholders

Save for their dividend entitlements, the A and B non-voting deferred shares rank *pari passu* in all respects. Holders of A non-voting deferred shares are entitled to receive a fixed non-cumulative dividend at the rate of 0.1p per annum per share in respect of each financial year once £100 million of dividends have been paid for that year to holders of the redeemable preference shares; holders of B non-voting deferred shares have no dividend entitlements. On a winding-up or other return of capital holders of the non-voting deferred shares are entitled to receive 0.1p per share, once the holders of redeemable preference shares have received a total of £100 million.

The A and B non-voting deferred shareholders are not entitled to receive notice of or to attend or vote at any general meeting of the Company.

The A and B non-voting deferred shares are not capable of transfer at any time other than with the consent of the Board.

15. Net asset value per share

The following net asset values have been calculated in accordance with the Articles of Association and are based on assets attributable to each class of share at the year end.

The accrued dividends of 128.25p (2015: 119.25p) per redeemable preference share, provided for in the balance sheet, are in addition to the figures below, which relate to capital entitlements only.

	2016 pence	2015 pence
A and B non-voting deferred shares	–	–
Redeemable preference shares	24.43	30.03

The net asset values of shares other than the redeemable preference shares take into account the full cost of redeeming the redeemable preference shares at their entitlement under the Company's Articles of Association.

The net asset values per share of each class other than the redeemable preference shares are based on net assets of £nil (2015: £nil) and on 100,000,000 A and B non-voting deferred shares (2015: 100,000,000 A and B non-voting deferred shares) being the number of shares in issue at the end of the year.

The net asset value per redeemable preference share is based on net assets of £7,220,000 (2015: £8,872,000) and on 29,548,666 shares (2015: 29,548,666), being the number of redeemable preference shares in issue at the end of the year.

The funds attributable to each class of share as shown in the balance sheet have been calculated under the provisions of FRS 102, which takes into account the allocation of share issue expenses to the redeemable preference shares. The provisions of FRS 102 do not reflect the rights under the Articles of Association of the respective classes of share on a return of assets.

Notes to the financial statements

15. Net asset value per share (continued)

A reconciliation of the two figures for each class of share as at 30 April 2016 is as follows:

	A and B non-voting deferred shares £'000	Redeemable preference shares £'000	Total £'000
Shareholders' funds attributable in accordance with FRS 102	(22,329)	29,549	7,220
Transfer of deficit	22,329	(22,329)	–
Net assets attributable in accordance with the Articles of Association	–	7,220	7,220

16. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	2016 £'000	2015 £'000
Net return before finance costs and taxation	1,007	768
Net capital loss	107	186
Increase in debtors	(9)	(10)
(Decrease)/increase in creditors	1	(6)
Net cash inflow from operating activities	1,106	938

17. Reconciliation of net cash flow to movement in net cash

	2016 £'000	2015 £'000
Decrease in cash in year	(1,031)	(384)
Opening net cash	13,772	14,156
Closing net cash	12,741	13,772

18. Analysis of changes in net cash

	At 1 May 2015 £'000	Other cash flows £'000	At 30 April 2016 £'000
Cash at bank	13,772	(1,031)	12,741

19. Financial commitments

At 30 April 2016, the Group did not have any financial commitments which had not been accrued for.

20. Financial instruments

This note focuses on the significant risks of the Company only and not the Group as a whole. The Board does not consider the risks associated with the subsidiary to be significant.

The Company's financial instruments comprise its portfolio of investments held at fair value through profit or loss, cash balances and debtors and creditors arising from its operations, such as sales and purchases awaiting settlement and accrued income.

The fair value of investments is determined using the detailed accounting policy as shown in note 1. The composition of the investments is set out in note 10.

The fair value of cash deposits, short term debtors and creditors equates to their carrying value in the balance sheet.

Notes to the financial statements

20. Financial instruments (continued)

The Company's investment activities expose the Company to a number of risks associated with financial instruments and the sectors in which the Company invests. The principal financial risks arising from the Company's operations are outlined below:

- Interest rate risk*

At the year end, the Company had no cash borrowings or fixed interest investments, therefore the Company's only exposure to interest rate risk is its bank balances which bear interest based on LIBOR. The Company receives interest on its cash deposits at a rate agreed with its bankers.

If interest rates had reduced by 0.25% (2015: 0.25%) from those obtained as at 30 April 2016 it would have the effect, with all other variables held constant, of decreasing the total return before taxation and therefore net assets on an annualised basis by £32,000 (2015: £34,000). If there had been an increase in interest rates of 0.25% (2015: 0.25%) there would have been an equal and opposite effect in the total return before taxation and net assets. The calculations are based on cash at bank and short-term deposits as at 30 April 2016 and these may not be representative of the year as a whole.

- Currency risk*

The net assets of the Company are denominated mainly in sterling, therefore the balance sheet and total return are unlikely to be directly affected by any currency movements.

- Liquidity risk*

The Company's assets comprise mainly of readily realisable securities which can be sold freely if required.

Securities listed on a recognised stock exchange have been valued at bid prices and exchange rates ruling at the close of business on 30 April 2016. In certain circumstances, the market prices at which investments are valued may not represent the realisable value of those investments, taking into account both the size of the Company's holding and the frequency with which investments are traded.

The maturity profile of the Company's financial liabilities, including creditors, is as follows:

	2016 £'000	2015 £'000
In one year or less:		
Dividends accruing to redeemable preference shareholders	37,895	37,895
Accruals and unclaimed repayment of redeemable preference shareholders	118	118
Total In one year or less	38,013	38,013
In more than 1 year	38,013	38,013
Redeemable preference shares	29,549	29,549
Total	67,562	67,542

The Preference Shares are redeemable on the earlier of 30 April 2045 or on 21 months' notice from the redeemable preference shareholders and at the date of the Financial Statements no notice has been received.

- Market risk*

The Company's portfolio is quite concentrated and the Company is materially exposed to the risk that individual holdings perform badly. As noted in Note 10, the Company has significant shareholdings in three investee companies. The market for shares in those companies, to an extent that varies, may be almost totally illiquid in the context of the size of the Company's holdings. The Director assesses the exposure to market risk when making each investment decision and these are monitored on a regular basis by the Board.

As a result of the above and, to demonstrate the sensitivity of the portfolio of investments to fluctuations in share prices, a sensitivity analysis over the portfolio of investments has been carried out below to demonstrate the impact that a 10% reduction in share prices would have on the Company's balance sheet.

At 30 April 2016, the Company's portfolio of investments was valued at £32,408,000 (2015: £30,378,000). A 10% reduction in the share prices of the portfolio would have the following impact on the Company's balance sheet:

	2016 £'000	2015 £'000
Decrease in net assets	(3,241)	(3,038)

Notes to the financial statements

	pence	pence
	(10.97)	(10.28)
Decrease in net asset value per share		

- *Credit and default risks*

Credit risk is the risk of financial loss to the Company if the contractual party to a financial instrument fails to meet its contractual obligations.

The carrying amount of financial assets best represents the maximum credit risk exposure at the balance sheet date.

The Company is exposed to the risk that a bank with which it deposits cash could be unable to repay the deposit. It is also exposed to various risks as a result of employing a custodian to hold its investments. The Board monitors the internal controls reports from the custodian.

The Company's financial assets that are exposed to credit risk are summarised as follows:

	2016 £'000	2015 £'000
Cash	12,741	13,771
Dividends receivable and accrued income	84	75
Total	<u>12,825</u>	<u>13,846</u>

Cash deposits are held with financial institutions deemed to be reputable and high quality. In addition to this, cash balances are held across several financial institutions so as to reduce the concentration risk.

The credit standing of all counterparties is reviewed periodically.