



HALF-YEARLY FINANCIAL REPORT
for the six months ended 31 August 2018

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Financial Highlights

Period ended	31 August 2018	28 February 2018	31 August 2017
Net assets (£'000)			
H Share	6,409	6,551	6,292
I Share	33,229	33,892	32,122
Total	39,638	40,443	38,414
Net asset value per Share (p)			
H Share	55.29	62.25	59.79
I Share	45.45	46.36	43.94
Dividends per Share already paid in respect of the current financial year (p)			
H Share	-	-	-
I Share	-	7.0 ^[1]	-
Net asset value total return per Share (p)*			
H Share	69.29	76.25	73.79
I Share	80.45	81.36	78.94 ^[2]

[*] i.e. net asset value per share plus total dividends

[1] Reflects the interim dividend of 7.0p per I share declared on 18 August 2016 prior to the share conversion, as detailed in note 15 on page 52 to the financial statements in the Company's annual report & financial statements for the year ended 28 February 2018. The dividend was paid on 7 April 2017 to G & I shareholders as shown in the Company's register of members at the close of business on 26 August 2016.

[2] The net asset value total return of 78.94 includes the 7.0p dividend paid to I shareholders as described in footnote [1].

Financial Highlights
continued

Period ended	31 August 2018	28 February 2018	31 August 2017
Share price at end of period (p)			
H Share	28.50	40.50	45.00
I Share	27.00	27.40	29.00
Dividends per Share declared in respect of the financial year but not yet paid at the period end (p)			
H Share	-	-	-
I Share	-	-	-

Chairman's Statement

The value of the venture portfolio has reduced by approximately £59k in the reporting period, reflecting £611k of new investments offset by a reduction in the existing venture portfolio of £670k. This is almost exclusively as a consequence of reductions in the share price of the Company's two AIM-listed investments, audioBoom plc and Mirriad Advertising plc. Notwithstanding this, we remain confident of the Company's ability to produce growth across the portfolio as a whole, leading, ultimately, to profitable exits.

Dividends

No new dividends were declared during the period under review.

Fundraising

On 5 April 2018, the Company closed a non-prospectus top-up offer for subscription for H shares, raising £644,500 of additional capital (before expenses). I would like to thank shareholders for your support.

Realisations

During the period, the five remaining higher-underpinned VCT-qualifying investments held by the I Share fund were partially realised, resulting in proceeds of £1.5m.

We do not anticipate that any of the nine growth investments in the portfolio (as set out in the Investment Manager's Report) are likely to be realised in the near future, unless there is a suitable unsolicited approach to acquire any of these businesses.

New investments

In the reporting period, the Company made the following investments from the H Share class:

- £181,473 in Hoop Industries
- £180,000 in Jungle Creations
- £250,000 in audioBoom plc

Portfolio

The Company's venture portfolio now spans such areas of the creative industries sector as family activities and events, children's characters, book publishing, television production, digital marketing utilising machine learning and big data personalisation, video games, capture and distribution of user generated video content, and digital audio "podcasting". Our biggest investment, Coolabi, continues to make steady progress with a future full of potential, not least from exciting opportunities being explored in China.

Details of the Company's investments are contained in the Investment Manager's Review on pages 5 to 11.

Performance

The value of the venture portfolio reduced by £59k in the period under consideration. In addition, the payment of the Company's running costs means that the return over the period for both share classes is negative, as shown in the table on page 1.

The Board

There have been no changes to the composition of the Board in the reporting period.

Investment management agreement

The Board strongly believes in the value of appropriate incentives for its Investment Manager and intends to introduce an agreement as soon as possible to replace previously agreed arrangements. A proposal, put forward as a resolution to all shareholders following the company's AGM in June, and requiring 75% I shareholder approval, achieved 69% support and was therefore not adopted. As a result there is no performance fee scheme in respect of the I Share class. This is not in the best interests of shareholders, a belief shared by the great majority of you, and we intend to come back to you with a proposal at the earliest appropriate opportunity.

Outlook

The "planned exit" I Share class is fully invested. The emphasis here continues to be working with the portfolio businesses so that they are best positioned to capitalise on eventual exit opportunities.

With the H Share class, the Investment Manager will continue to source further selective opportunities for new investment and will also continue to co-invest alongside Edge Creative Enterprise Fund on qualifying opportunities, examples of which are the investments into Hoop Industries and Jungle Creations made in the reporting period.

I would like to thank you for your continued support.

Sir Robin Miller

Chairman

31 October 2018

Investment Manager's Review

Overall strategy

In the period under review, the Company had two separate investment pools under management – the H Share and I Share funds, the latter of which includes all the interests of the C Share, D Share, E Share, F Share, and G Share classes prior to the share capital simplification in September 2016.

I Share fund

In relation to this planned exit share class, the Investment Manager employed a “blended” investment strategy, and the I Share fund’s VCT-qualifying portfolio comprised:

- investments in businesses with a high level of underpinning of the amount invested by the Company; and
- other investments in businesses which, are higher risk, but have the potential for much more significant growth.

With this strategy, the Investment Manager:

- has sought to facilitate the return to shareholders of as much of their net cost of investment as possible; and
- looks to work closely with the remaining companies in the portfolio, with the aim of delivering positive returns for shareholders.

H Share fund

For the H Share fund, the Company is seeking to achieve a mixture of growth, an annual yield for shareholders and liquidity. The Company will invest at least 70% of the H Share fund in VCT-qualifying investments which the Company believes are capable of generating an appropriate level of growth or return, using risk reduction strategies wherever available. The intention is that the majority of any gain made from realisation of VCT-qualifying investments will be distributed to H shareholders, to maintain and improve the H shareholders’ yield, with the remaining proceeds of realisation being reinvested in further VCT-qualifying investments, in order to drive compound growth for the H shareholders. The Investment Manager’s objective is to achieve a consistent tax-free annual dividend yield for H shareholders.

Initial non-qualifying investments

Each share fund initially invested in a range of fixed income securities, cash and cash equivalent assets as permitted by VCT rules, offering a high degree of capital preservation. Up to 30% of each share fund will remain in such investments, unless required to meet the Company’s running costs, while the balance will subsequently be realised to fund investments in portfolio businesses.

New investments

As detailed in the Chairman’s Statement, the Company made investments in Hoop Industries, Jungle Creations, and audioBoom plc in the period under review.

Portfolio and valuation

Valuation policy

All investments are valued at fair value by the Company using methodology that is consistent with the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines from time to time.

Unquoted investments made within the last twelve months are valued at cost except where there is any material change or event which has a bearing on the value of the investee company (for example a significant amount of new investment made in the investee company by a third party), in which case an appropriate revaluation is made.

Subsequently, unquoted investments will be valued as follows:

- By the most recent material arm's length transaction by an unconnected third party in the shares or other securities of that company;
- Where the investee company is in the early stage of development, the investment will normally continue to be valued at cost;
- Where the investee company is more established, the shares or securities may be valued by applying a suitable price-earnings ratio to that company's historical post-tax earnings or, where more appropriate, to that company's earnings before interest, tax, depreciation and amortisation ("EBITDA"). The ratio used is based on a comparable listed company or sector, where available, but discounted to reflect lack of liquidity in the shares or securities concerned; where no suitable comparable listed company or sector data is available, comparable data from transactions in unquoted shares or securities may be used. Alternative methods of valuation may be applied if they are considered more appropriate, for example: a suitable ratio applied to historic revenues, forecast revenues, forecast post-tax earnings, forecast EBITDA or discounted projected cash flows; net asset value.
- Fixed asset loan investments are recognised at their fair value, normally determined on the basis of the expected future cash flows, discounted at the investee company's weighted cost of capital.

audioBoom plc and Mirriad Advertising plc are the Company's listed investments, both being traded on the Alternative Investment Market of the London Stock Exchange. They were valued according to the closing bid price for shares in the investee company on 31 August 2018. This methodology is consistent with the IPEV Valuation Guidelines insofar as they refer to quoted investments.

Diversification guidelines

The Company and the Investment Manager apply internal diversification guidelines, under which the cost of investment in any single business by a share fund will not ordinarily exceed 15% of the aggregate net proceeds of offers for subscription for shares in that particular class. However, distributions to shareholders and movements in portfolio valuations can give rise to the potential for the value of a given investment subsequently to exceed 15% of the relevant share fund's assets.

Portfolio overview

An overview of the Company's growth investments, representing 87.6% of the Company's net assets as at 31 August 2018, is provided below.

Coolabi Group Limited

Cost of investment (£'000)	16,563
Valuation of investment (£'000)	30,218
Basis of valuation	EBITDA transaction and market comparables

Coolabi Group specialises in children's and family entertainment, with its business now spanning TV production, brand management and licensing, books and video games. At the heart of Coolabi's business strategy is the aim of establishing each of its properties through one media channel (such as TV or books), and then developing that property into a brand which is commercially exploited across a number of different geographic territories and media channels; those further channels include video games, films, toys and consumer products.

The valuation methodology uses EBITDA multiples from trade sales of comparable businesses and trading EBITDA multiples of a group of listed companies operating in a similar field. In previous reporting periods the valuation methodology focussed largely on the latter of these criteria. However, short-term volatility in quoted markets potentially creates significant (in excess of 38% reduction in the current period) attendant volatility in the valuation of the company which is at odds with the actual positive performance of the business, and therefore could potentially misrepresent the value of the investment. Given this, the Company has recently engaged the services of a leading firm of media sector finance advisers to advise on the most appropriate basis of valuation for Coolabi. The refined valuation methodology adopted reflects their recommendation to place more emphasis on the long-term evidence of transactions involving more directly comparable businesses, as well as the trading EBITDA multiples of the quoted comparables. Adopting this methodology has resulted in the valuation of Edge Performance's investment in Coolabi being unchanged at £30,218k. This valuation is reflective of the fact that Coolabi's performance remains in line with expectations (and prior year), with the second half of its current financial year expected to deliver growth which may be reflected in the valuation at the next reporting date.

Intent HQ Holdings Limited

Cost of investment (£'000)	13,525
Valuation of investment (£'000)	1,671
Basis of valuation	Third party

Intent HQ's technology seeks to provide an important missing link in online and mobile marketing and advertising - a highly predictive human profile on consumers. Intent HQ's technology has repeatedly been validated through customer trials which have demonstrated that the technology works, and the prospects of contracting an increasing number of customers remain encouraging. However, the delays in increasing the company's customer base have resulted, and continue to result, in Intent HQ being reliant on its principal shareholder for ongoing funding of its working capital needs. The Investment Manager considers that the financial and trading position of the company at 31 August 2018 remains broadly unchanged from 28 February 2018. In the period under review, Intent received further funding from its principal shareholder, reducing the valuation of the Company's holding by £46k across the H Share and I Share funds, compared to the position at February 2018.

Mirriad Advertising plc

Cost of investment (£'000)	520
Valuation of investment (£'000)	537
Basis of valuation	Closing bid price on the balance sheet date

Mirriad's proprietary technology enables advertisements, brands and products to be inserted into finished TV and other audio-visual programming, including catalogue programmes, in such a way that it appears not to be advertising at all, but rather a part of the programme. It does this digitally, at scale, at the point of transmission rather than when the programme is made. This allows the advertising to be targeted by geography and demographic, as it can be different in each transmission and changed as often as required.

Mirriad's shares were successfully listed on the AIM segment of the London Stock Exchange in December 2017 raising £26.2m at a post-money valuation of £63.2m. Since then the share price has slipped, without any apparent reference to performance announcements made by Mirriad.

Mirriad is an AIM-listed company, and IPEV Valuation Guidelines recommend that quoted assets should be valued based on the closing bid price on the balance sheet date (in this case 31 August 2018). Mirriad's closing price at this date was 31.0p, valuing the Company's holding at £537k, a reduction of £291k compared to the position at February 2018.

deltaDNA Limited

Cost of investment (£'000)	1,000
Valuation of investment (£'000)	1,000
Basis of valuation	Third party discounted

The company provides an analytics platform that enables free to play mobile games companies to maximise player retention and thereby increase revenues. The business also offers consultancy services around the use of the analytics platform and analytics in general.

While a round in late 2016 valued the company at a premium to Edge Performance's cost of investment of around 48%, because Edge Performance chose not to participate in that round, the Company has decided to continue to hold the investment at £1,000,000 (i.e. unchanged since 29 February 2016) whilst deltaDNA's performance continues to be monitored.

audioBoom plc

Cost of investment (£'000)	750
Valuation of investment (£'000)	652
Basis of valuation	Closing bid price on the balance sheet date

audioBoom has developed a cloud-based, Software as a Service (SaaS) platform that enables the creation, broadcast and syndication of digital audio content (i.e. podcasts) across multiple devices, networks and geographies. In the period under review, audioBoom formally withdrew from protracted (and expensive) negotiations for a reverse takeover of a complementary business (Triton Digital). This depleted cash resources to the extent that the company undertook a £4.5m raise to re-build its balance sheet. In July 2018, Edge Performance invested a further £250,000 in the raise at a price of 3p per share.

audioBoom is an AIM-listed company, and IPEV Valuation Guidelines recommend that quoted assets should be valued based on the closing bid price on the balance sheet date (in this case 31 August 2018). audioBoom's closing price at this date was 2.3p, valuing the Company's holding at £652k.

Newsflare Limited

Cost of investment (£'000)	144
Valuation of investment (£'000)	259
Basis of valuation	Comparable company

The Company's investment in Newsflare was made pursuant to its co-investment arrangements with Edge Creative Enterprise Fund.

The provision of digital video and its use by commercial organisations has grown rapidly in recent years, with the prevalence of video content now hitting staggering levels and accounting for c. 90% of all internet traffic. Much of this video is now being generated by non-professionals and is classed as user-generated content (or "UGC"). Newsflare operates a two-sided marketplace platform for curated UGC video which is used by third party organisations to generate revenue. Users of the UGC deploy it on their web sites, to attract advertising and use it in television shows and advertising. This market has the potential to grow rapidly as new channels to market emerge including global social media players.

Investment Manager's Review
continued

Hoop Industries Limited

Cost of investment (£'000)	181
Valuation of investment (£'000)	181
Basis of valuation	Cost

The Company's investment in Hoop was made pursuant to its co-investment arrangements with Edge Creative Enterprise Fund.

Hoop is a digital two-sided marketplace that connects parents with organisers of kids' activities in their local area. As the investment was only made in May 2018, its valuation is held at cost (in line with IPEV Valuation Guidelines).

Jungle Creations Limited

Cost of investment (£'000)	180
Valuation of investment (£'000)	180
Basis of valuation	Cost

The Company's investment in Jungle Creations was made pursuant to its co-investment arrangements with Edge Creative Enterprise Fund.

Jungle is a fast-growing online media company which owns a portfolio of media brands focussing on social media (Facebook and Instagram), video content and website traffic. Each brand targets different areas of interest including food, travel, animals and DIY. Its largest Facebook page is called VT (formerly Viral Thread). As the investment was only made in August 2018 its valuation is held at cost (in line with IPEV Valuation Guidelines).

Antidote Productions Limited

Cost of investment (£'000)	45
Valuation of investment (£'000)	30
Basis of valuation	Performance-related write down

The Company's investment in Antidote was made pursuant to its co-investment arrangements with Edge Creative Enterprise Fund.

Antidote is an independent television production company, producing programmes for a range of customers in the factual genre. It has made shows for the BBC and Channel 4 in the UK and international commissions for Blue Ant Inc out of the US. After a promising start Antidote has had a difficult few months so we have made a provision to our investment.

Performance

Over the period under review, the net asset value of the H Share fund has decreased by £142k, with increases in the value of the portfolio offsetting the impact of the fund's share of the Company's running costs. The I Share fund value reduced by £663k, largely as a consequence of the fund's share of the Company's running costs.

Realisations

During the period the Company partially realised the five remaining higher-underpinned investments held by the I Share fund, Alchemy Live Limited, Axis Live Entertainment Limited, Done & Dusted Live Limited, Real Gone Gigs Limited and SEL Live Entertainment Limited for a total of £1.5m. Significant progress has already been made towards the realisation of the balance of those investments, with completion expected within the next month.

As mentioned in the Company's annual report for the year ended 28 February 2018, the Investment Manager continually reviews the strategic options available to it in relation to the Company's investments. While this potentially could include a sale of some portfolio holdings, the Company does not expect any realisations in the short term of the growth investments in its portfolio, save for in response to an unsolicited approach.

Outlook

With the single, consolidated, I Share fund fully invested, the focus is on working with the remaining investee companies in the portfolio, to achieve growth and value whilst considering strategies and opportunities for exit.

As at the date of this report, the H Share fund still has money available to invest. The Company has the benefit of a co-investment arrangement with Edge Creative Enterprise Fund, a non-tax advantaged fund managed by an associated company of the Investment Manager. The Investment Manager is confident that the quality and volume of its dealflow will enable these funds to be invested in suitable businesses within a reasonable timeframe.

Edge Investments

Investment Manager

31 October 2018

Investment Portfolio Summary

as at 31 August 2018

H Share Fund	As at 31 August 2018			As at 28 February 2018		
	Cost (\$'000)	Valuation (\$'000)	% of net assets by value	Cost (\$'000)	Valuation (\$'000)	% of net assets by value
Qualifying Investments						
Coolabi Group Limited	500	1,192	18.6	500	1,192	18.2
deltaDNA Limited	1,000	1,000	15.6	1,000	1,000	15.3
Intent HQ Holdings Limited	161	157	2.5	161	162	2.4
Lean Forward Limited	500	-	-	500	-	-
Mirriad Advertising plc	470	504	7.9	470	777	11.9
Newsflare Limited	144	259	4.0	144	259	4.0
Audioboom plc	750	652	10.2	500	718	11.0
Antidote Productions Limited	45	30	0.5	45	45	0.6
Hoop Industries Limited	181	181	2.8	-	-	-
Jungle Creations Limited	180	180	2.8	-	-	-
Total Qualifying Investments	3,931	4,155	64.9	3,320	4,153	63.4
Non-qualifying Investments						
Coolabi Group Limited	303	303	4.7	303	303	4.6
Total non-qualifying investments	303	303	4.7	303	303	4.6
Total fixed asset investments	4,234	4,458	69.6	3,623	4,456	68.0
Net current assets		1,951	30.4		2,095	32.0
Net assets		6,409	100.0		6,551	100.0

I Share Fund	As at 31 August 2018			As at 28 February 2018		
	Cost (\$'000)	Valuation (\$'000)	% of net assets by value	Cost (\$'000)	Valuation (\$'000)	% of net Assets by value
Qualifying Investments						
Alchemy Live Limited	700	488	1.5	906	804	2.4
Axis Live Entertainment Limited	700	488	1.5	906	804	2.4
Coolabi Group Limited	14,888	27,426	82.5	14,888	27,426	80.9
Done & Dusted Live Limited	525	347	1.0	679	582	1.7
Handmade Mobile Entertainment Limited	2,000	-	-	2,000	-	-
Intent HQ Holdings Limited	8,617	1,513	4.6	8,617	1,555	4.6
Mirriad Advertising plc	50	33	0.1	50	52	0.1
Real Gone Gigs Limited	700	494	1.5	906	809	2.4
SEL Live Entertainment Limited	700	494	1.5	906	809	2.4
Total Qualifying Investments	28,880	31,283	94.2	29,858	32,841	96.9
Non-qualifying investments						
Coolabi Group Limited	672	1,098	3.3	672	1,098	3.2
W P Acquisitions Limited	200	200	0.6	200	200	0.6
Intent HQ Holdings Limited	4,747	-	-	4,747	-	-
Total non-qualifying investments	5,619	1,298	3.9	5,619	1,298	3.8
Total fixed asset investments	34,499	32,581	98.1	35,477	34,139	100.7
Net current assets		648	1.9		(247)	(0.7)
Net assets		33,229	100.0		33,892	100.0

Responsibility Statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with the statement "Half-yearly financial reports" issued by the UK Accounting Standards Board
- The Chairman's statement (constituting the interim management report) includes a fair review of the information required by rule 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements
- The "Statement of principal risks and uncertainties" on page 21 is a fair review of the information required by rule 4.2.7R of the Disclosure Guidance and Transparency Rules, being a description of the principal risks and uncertainties for the remaining six months of the year
- The financial statements include a fair review of the information required by rule 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board

The City Partnership (UK) Limited

Company Secretary

Statement of Principal Risks and Uncertainties

The Company's assets consist of equities and fixed interest investments, cash and liquid resources.

Its principal risks are therefore market risk, interest rate risk, credit risk and liquidity risk. Other risks faced by the Company include economic, investment, financial and regulatory risks. These risks, and the way in which they are managed, are described in more detail in the Directors' report, the statement of corporate governance and note 17 to the financial statements in the Company's annual report & financial statements for the year ended 28 February 2018. The Company's principal risks and uncertainties have not changed materially since the date of that report.

Statement of Comprehensive Income

for the six months ended 31 August 2018

	Six months ended 31 August 2018 (unaudited)			Six months ended 31 August 2017 (unaudited)			Year ended 28 February 2018 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses/gains on valuation of investments at fair value through profit or loss	-	(705)	(705)	-	(262)	(262)	-	2,516	2,516
Income	75	-	75	179	-	179	319	-	319
Investment Manager's fees	(94)	(283)	(377)	(89)	(270)	(359)	(228)	(688)	(916)
Other expenses	(413)	-	(413)	(289)	(134)	(423)	(487)	(268)	(755)
Return before tax	(432)	(988)	(1,420)	(199)	(666)	(865)	(396)	1,560	1,164
Tax	-	-	-	-	-	-	-	-	-
Return for the financial year	(432)	(988)	(1,420)	(199)	(666)	(865)	(396)	1,560	1,164
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income attributable to equity shareholders	(432)	(988)	(1,420)	(199)	(666)	(865)	(396)	1,560	1,164

The total column of this statement represents the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations. The Company has only one class of business and derives its income from investments made in shares, securities and bank deposits. The Company has no gains and losses other than those recognised in the income statement above and has not therefore prepared a separate statement of total recognised gains and losses.

Non-Statutory Analysis (unaudited) between the H and I Share Funds Statement of Comprehensive Income

for the six months ended 31 August 2018

	H Share Fund			I Share Fund		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses/gains on valuation of investments at fair value through profit or loss	-	(619)	(619)	-	(86)	(86)
Income	11	-	11	64	-	64
Investment Manager's fees	(20)	(60)	(80)	(74)	(223)	(297)
Other expenses	(69)	-	(69)	(344)	-	(344)
Return before tax	(78)	(679)	(757)	(354)	(309)	(663)
Tax	-	-	-	-	-	-
Return for the financial year	(78)	(679)	(757)	(354)	(309)	(663)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income attributable to equity shareholders	(78)	(679)	(757)	(354)	(309)	(663)
Return per Share (p)	(0.68)	(5.96)	(6.64)	(0.48)	(0.42)	(0.90)

Non-Statutory Analysis (unaudited) between the H and I Share Funds Statement of Comprehensive Income

for the six months ended 31 August 2017

	H Share Fund			I Share Fund		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses/gains on valuation of investments at fair value through profit or loss	-	(131)	(131)	-	(131)	(131)
Income	20	-	20	159	-	159
Investment Manager's fees	(16)	(49)	(65)	(73)	(221)	(294)
Other expenses	(43)	(19)	(62)	(246)	(115)	(361)
Return before tax	(39)	(199)	(238)	(160)	(467)	(627)
Tax	-	-	-	-	-	-
Return for the financial year	(39)	(199)	(238)	(160)	(467)	(627)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income attributable to equity shareholders	(39)	(199)	(238)	(160)	(467)	(627)
Return per Share (p)	(0.37)	(1.89)	(2.26)	(0.22)	(0.64)	(0.86)

Non-Statutory Analysis (unaudited) between the H and I Share Funds Statement of Comprehensive Income

for the year ended 28 February 2018

	H Share Fund			I Share Fund		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses/gains on valuation of investments at fair value through profit or loss	-	250	250	-	2,266	2,266
Income	30	-	30	289	-	289
Investment Manager's fees	(33)	(104)	(137)	(195)	(584)	(779)
Other expenses	(86)	(36)	(122)	(401)	(232)	(633)
Return before tax	(89)	110	21	(307)	1,450	1,143
Tax	-	-	-	-	-	-
Return for the financial year	(89)	110	21	(307)	1,450	1,143
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income attributable to equity shareholders	(89)	110	21	(307)	1,450	1,143
Return per Share (p)	(0.87)p	1.05p	0.18p	(0.42)p	1.98p	1.56p

Balance Sheet

as at 31 August 2018

	As at 31 August 2018 (unaudited) £'000	As at 31 August 2017 (unaudited) £'000	As at 28 February 2018 (audited) £'000
Fixed assets			
Investments	37,039	35,632	38,595
Current assets			
Debtors	589	613	21
Cash at bank	2,067	2,303	2,034
	2,656	2,916	2,055
Creditors: amounts falling due within one year	(57)	(134)	(207)
Net current assets	2,599	2,782	1,848
Net assets	39,638	38,414	40,443
Capital and reserves			
Called up share capital	8,470	8,363	8,363
Share premium account	3,342	2,834	2,834
Special reserve	45,229	45,229	45,229
Capital redemption reserve	4,115	4,115	4,115
Capital reserve – realised	(17,150)	(15,329)	(16,908)
Capital reserve – unrealised	(10,876)	(13,935)	(10,130)
Revenue reserve	6,508	7,137	6,940
Equity shareholders' funds	39,638	38,414	40,443

Non-Statutory Analysis (unaudited) between the H and I Share Funds Balance Sheet

as at 31 August 2018

	H Share fund £'000	I Share Fund £'000
Fixed assets		
Investments	4,458	32,581
Current assets		
Debtors	599	(10)
Cash at bank	1,244	823
	1,843	813
Creditors: amounts falling due within one year	108	(165)
Net current assets	1,951	648
Net assets	6,409	33,229
Capital and reserves		
Called up Share capital	1,159	7,311
Share premium account	3,271	71
Special reserve	4,386	40,843
Capital redemption reserve	-	4,115
Capital reserve – realised	(2,124)	(15,026)
Capital reserve – unrealised	(5)	(10,871)
Revenue reserve	(278)	6,786
Equity shareholders' funds	6,409	33,229
Net asset value per Share (p)	55.29	45.45

Non-Statutory Analysis (unaudited) between the H and I Share Funds Balance Sheet

as at 31 August 2017

	H Share fund £'000	I Share Fund £'000
Fixed assets		
Investments	4,020	31,612
Current assets		
Debtors	934	(321)
Cash at bank	1,235	1,068
	2,169	747
Creditors: amounts falling due within one year	103	(237)
Net current assets	2,272	510
Net assets	6,292	32,122
Capital and reserves		
Called up Share capital	1,052	7,311
Share premium account	2,763	71
Special reserve	4,386	40,843
Capital redemption reserve	-	4,115
Capital reserve – realised	(1,994)	(13,335)
Capital reserve – unrealised	233	(14,168)
Revenue reserve	(148)	7,285
Equity shareholders' funds	6,292	32,122
Net asset value per Share (p)	59.79	43.94

Non-Statutory Analysis (unaudited) between the H and I Share Funds Balance Sheet

as at 28 February 2018

	H Share fund £'000	I Share Fund £'000
Fixed assets		
Investments	4,456	34,139
Current assets		
Debtors	485	(464)
Bank deposits	311	1,691
Cash at bank	1,219	(1,187)
	2,015	40
Creditors: amounts falling due within one year	80	(287)
Net current assets	2,095	(247)
Net assets	6,551	33,892
Capital and reserves		
Called up share capital	1,052	7,311
Share premium account	2,763	71
Special reserve	4,386	40,843
Capital redemption reserve	-	4,115
Capital reserve – realised	(2,065)	(14,843)
Capital reserve – unrealised	615	(10,745)
Revenue reserve	(200)	7,140
Equity shareholders' funds	6,551	33,892
Net asset value per Share (p)	62.25	46.36

Statement of Changes in Equity

for the six months ended 31 August 2018

	Share Capital £'000	Share premium £'000	Special reserve £'000	Capital Redemption reserve £'000	Capital Reserve (Realised) £'000	Capital Reserve (Unrealised) £'000	Revenue reserves £'000	Total £'000
At 1 March 2018	8,363	2,834	45,229	4,115	(16,908)	(10,130)	6,940	40,443
Share issue	107	508	-	-	-	-	-	615
Comprehensive income for the year	-	-	-	-	(242)	(746)	(432)	(1,420)
At 31 August 2018	8,470	3,342	45,229	4,115	(17,150)	(10,876)	6,508	39,638

Statement of Changes in Equity

for the six months ended 31 August 2017

	Share Capital £'000	Share premium £'000	Special reserve £'000	Capital Redemption reserve £'000	Capital Reserve (Realised) £'000	Capital Reserve (Unrealised) £'000	Revenue reserves £'000	Total £'000
At 1 March 2017	8,363	2,834	48,017	4,115	(14,926)	(13,672)	7,336	42,067
Dividends paid	-	-	(2,788)	-	-	-	-	(2,788)
Comprehensive income for the year	-	-	-	-	(403)	(263)	(199)	(865)
At 31 August 2017	8,363	2,834	45,229	4,115	(15,329)	(13,935)	7,137	38,414

Statement of Changes in Equity

for the 12 months ended 28 February 2018

	Share Capital £'000	Share premium £'000	Special reserve £'000	Capital Redemption reserve £'000	Capital Reserve (Realised) £'000	Capital Reserve (Unrealised) £'000	Revenue reserves £'000	Total £'000
At 1 March 2017	8,363	2,834	48,017	4,115	(14,926)	(13,672)	7,336	42,067
Dividends paid	-	-	(2,788)	-	-	-	-	(2,788)
Comprehensive income for the year	-	-	-	-	(1,982)	3,542	(396)	1,164
At 28 February 2018	8,363	2,834	45,229	4,115	(16,908)	(10,130)	6,940	40,443

Distributable reserves comprise: the special reserve; the revenue reserve; and capital reserves attributable to realised profits.

Called up equity share capital represents the nominal value of shares that have been issued. The share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium. The special reserve was created on cancellation in the period down to September 2013 of the share premium account in respect of shares issued and is primarily used for the distribution of dividends. The capital redemption reserve maintains the equity share capital of the Company and represents the nominal value of shares repurchased and cancelled. It cannot be used to fund share repurchases and it is not distributable by way of dividend.

All investments are held at fair value through profit or loss. When the Company revalues the investments still held during the period, any gains or losses arising are credited/charged to the capital reserve. When an investment is sold any balance held on the capital reserve (unrealised) is transferred to the capital reserve (realised).

Statement of Cash Flows

for the six month period ended 31 August 2018

	Period ended 31 August 2018		Period ended 31 August 2017		Year ended 28 February 2018	
	£'000	£'000	£'000	£'000	£'000	£'000
Cash flows from operating activities						
Loss for the period	(1,420)		(865)		1,164	
Adjustments for:						
Gains/(Losses) on investments held at fair value through the profit or loss	744		(870)		(2,516)	
Accrued income	(74)		962		(309)	
(Increase)/decrease in other debtors and prepayments	(568)		(500)		89	
Increase/(decrease) in other creditors and accruals	(150)		27		102	
Cash generated from operating activities		(1,468)		(1,246)		(1,470)
Tax Paid		-		-		-
Net cash generated from operating activities		(1,468)		(1,246)		(1,470)
Cash flows from investing activities						
Sales of investments held at fair value	-		-		-	
Purchases of investments held at fair value	(611)		(500)		(545)	
Capitalised deal costs	-		15		15	
Sale of unquoted investments	1,497		-		-	
Loans repaid	-		5,488		5,488	
Net cash from investing activities		886		5,003		4,958
Cash flows from financing activities						
Issue of ordinary share capital	615		-		-	
Buy back and cancellation of shares	-		-		-	
Unpaid share capital paid down	-		-		-	
Dividends paid	-		(2,788)		(2,788)	
Share issue expense	-		-		-	
Net cash used in financing activities		615		(2,788)		(2,788)
Net decrease in cash		33		969		700
Reconciliation of cash and cash equivalents						
(Decrease)/Increase in cash		33		969		700
Opening cash and cash equivalents position		2,034		1,334		1,334
Closing cash and cash equivalents position		2,067		2,303		2,034

1. Accounting policies

The financial information for the six months ended 31 August 2018 has not been audited and comprises non-statutory accounts as defined in sections 434 to 436 of the Companies Act 2006.

The Company's auditor issued an unqualified opinion on the statutory accounts for the year ended 28 February 2018. This report is prepared on the basis of the accounting policies set out in the Company's statutory accounts for the year ended 28 February 2018. No statutory accounts in respect of any period after 28 February 2018 have been reported on by the Company's auditor or delivered to the Registrar of Companies.

2. Going concern

After making enquires and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. In arriving at this conclusion, the Directors have considered the liquidity of the Company and its ability to meet obligations as they fall due for a period of at least twelve months from the date that these financial statements were approved. As at 31 August 2018, the Company held cash balances and current asset investments with a combined value of £2.1 million. Cash flow projections have been reviewed and show that the Company has sufficient funds to meet both contractual expenditure and its discretionary expenses.

3. Related parties

Edge Investments (the "Investment Manager") has been appointed as the Company's investment manager and administrator. The Investment Manager will receive: (a) an annual management fee of 1.75% of the net asset value attributable to the I Shares, plus VAT (if applicable), (b) an annual management fee of 2.25% of the net asset value attributable to the H Shares plus VAT (if applicable), (c) a performance fee and (d) an annual administration fee of £308,967 plus VAT. The Investment Manager also bears any excess of the total annual operating expenses of the Company over a cap of 3.75% of the net asset value of the Company. These arrangements are described in more detail in note 22 to the financial statements in the Company's annual report & financial statements for the year ended 28 February 2018. During the period, the Company has incurred investment management fees of £375,927 (exclusive of VAT), a performance related incentive fee of £nil (exclusive of VAT), an administration fee of £154,484 (exclusive of VAT) and an offer fee of £28,911 (exclusive of VAT). The Investment Manager owes the Company £nil in respect of the cap on the Company's annual running costs.

The Performance Fee in respect of the I share class has been waived by agreement with the Investment Manager and as a result, currently there is no Performance Fee scheme in effect in respect of the I share class.

4. Return per share

The return per Share has been calculated on a weighted average number of Shares in issue for the six months ended 31 August 2018 of:

Share class	Weighted average for the 6 months ended:		Year to 28 February 2018
	31 August 2018	31 August 2017	
H	11,387,891	10,522,984	10,522,984
I	73,103,650	73,103,650	73,103,650

5. Net asset value per share

The net asset value per Share has been calculated based on the number of Shares in issue as at 31 August 2018:

Share class	31 August 2018	Number of shares in issue as at:	
		31 August 2017	28 February 2018
H	11,592,430	10,522,984	10,522,984
I	73,103,650	73,103,650	73,103,650

During the six months ended 31 August 2018, the Company did not buy back any Shares.

Copies of the half-yearly report are being made available to all shareholders - by post, if requested, or by reference to the Company's website, at www.edge.uk.com. Further hard copies are available free of charge from Edge Investments Limited by telephoning 020 7317 1300 or by email to info@edge.uk.com.

Corporate Information

as at 31 August 2018

Directors

Sir Robin Miller (Chairman)
David Glick
Lord Flight
Terry Back

all of

1 Marylebone High Street
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which is the registered office of the Company

Investment Manager

Edge Investments Limited
1 Marylebone High Street
London W1U 4LZ
(authorised and regulated by the Financial Conduct
Authority; registration number 455446)

Company Secretary

The City Partnership (UK) Limited
110 George Street
Edinburgh EH2 4LH

Taxation advisers

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4 – 6 Staple Inn
Hoburn
London WC1V 7QH

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Bankers

Metro Bank Plc
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Receiving Agent & Registrar

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Broker

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