

## FY22 RESULTS AND NEW MANAGEMENT INCENTIVE PLAN

### [KELSO GROUP HOLDINGS PLC](#)

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#### **Kelso Group Holdings Plc ("Kelso" or the "Company")**

#### **FY22 Preliminary Results and New Management Incentive Plan**

Kelso, the main market listed investment company, announces the publication of its preliminary financial results for the year ended 31 December 2022 ("FY22") and a new Management Incentive Plan ("MIP"). These results relate to the period prior to the £3.0 million fundraise in January 2023 as well as the changes in strategy and board of directors (the "Board").

During the period, under the leadership of the previous Board, the Company reported a net loss before taxation of £289,324. There was no revenue in the period. The loss reflects the costs associated with the scoping of a potential acquisition, listed company fees and other operating costs.

As at 31 December 2022, the Company had cash at bank of £332,971.

During the period, the Company was re-established as Kelso. Under the new Board, the Company's strategy changed to identifying, engaging and unlocking trapped value in UK listed companies across any sector. Through active engagement and alignment via taking stakes directly, Kelso aims to effect change where existing shareholders are often unable or unwilling to do so themselves. As part of this change, a new Board and management team has been appointed, including John Goold, who joined as a Non-Executive Director in March 2022 and was subsequently appointed as CEO in November 2022; Mark Kirkland and Jamie Brooke joined as Executive Directors in November 2022; Sir Nigel Knowles was appointed as Chairman in January 2023; and finally, David Charters joined as a Non-Executive Director in March 2023.

In January 2023, the Company raised £3.0 million from a share issue at a share price of 2.0p. On 31 January 2023, Kelso announced its first investment of £2.75 million into THG plc ("THG") through the purchase of 5.0 million shares at 54.5p. The background and reasons for this investment of shares in THG were set out in the announcement dated 31 January 2023. On 30 March 2023, Kelso announced a second net purchase of a beneficial interest in an additional 2.4 million shares in THG and also gave a further update as to its investment into THG. On 21 April 2023, Kelso announced a third net purchase of a beneficial interest in an additional 0.6 million shares in THG, which takes Kelso's total beneficial interest, consisting of ordinary shares and Contracts for Difference ("CFDs"), in THG to 8.0 million shares. On 30 March 2023 Kelso announced an intention to raise up to a further £3.0 million new money at 2.5p.

As highlighted in the 2 November 2022 announcement, the Board intended to establish a MIP which has since been put in place post year end with shares to be issued shortly to participants. None of Kelso's Directors currently draw fees or salaries. The current Directors own 19.37% of shares in Kelso. The MIP is focussed on aligning the participants with shareholders and investment returns. The principal terms are as follows:

- The MIP is linked to total shareholder return (share price performance plus dividends) over the long term
- Participants of the MIP will hold shares in Kelso Limited, a newly incorporated subsidiary of the Company. Kelso Limited will have the right to convert to shares in the Company, the value to be calculated as follows:
  - Subject to achieving a return hurdle for the Company shareholders of 8% p.a., an entitlement to 15% of the value created
  - Subject to achieving a return hurdle for the Company shareholders of 15% p.a., an entitlement of 20% of the value created
  - For returns between these hurdle rates, an entitlement of between 15% and 20% of value created and calculated on a straight line basis
- Standard good/bad leaver provisions
- MIP shares may vest a third each on the third, fourth and fifth anniversaries
- 50% of MIP shares, once converted into Kelso shares, will be locked up for one year

**John Goold, CEO of Kelso, said:**

"These results reflect the period before the change of name, strategy and new management taking over the reins. I am very excited about the long-term future of Kelso and helping UK listed companies unlock their true value."

**For further information please contact:**

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**About Kelso**

Kelso was established in 2022 to identify, engage and unlock trapped value in the UK stock market. Kelso's strategy is to invest in situations where there is an anomaly between the intrinsic value and prospects of a company and its stock market valuation. Kelso will look for situations where it believes the sum of the parts of a business is greater than the current value. The Company completed a fundraising of £3.0 million in January 2023. Kelso believes that the current market conditions are such that there are situations where UK listed companies' valuations are not appropriately matched to their underlying intrinsic value. There may be instances where Kelso itself could be used as a vehicle by an undervalued company to spin off a subsidiary into its own listing. Such a transaction would undoubtedly constitute a reverse takeover for Kelso.

**Financial Statements for the year ended 31 December 2022**

The Board presents the financial statements of Kelso for the year end 31 December 2022.

During the period the Company reported a net loss before taxation of £289,324. There was no revenue in the period. The loss reflects the costs associated with the scoping of a potential acquisition, listed company fees and other operating costs.

As at 31 December 2022, the Company had cash at bank of £332,971.

**Statement of Profit or Loss**

For the year ended 31 December 2022

	2022	2021
Note	£	£
Administrative expenses	(287,857)	(131,682)

<b>Loss from operations</b>		<b>(287,857)</b>	<b>(131,682)</b>
Finance expense		(1,467)	-
<b>Loss before tax</b>		<b>(289,324)</b>	<b>(131,682)</b>
Tax expense	7	-	-
<b>Loss for the year</b>		<b><u>(289,324)</u></b>	<b><u>(131,682)</u></b>

		<b>2022</b>	<b>2021</b>
		<b>Pence</b>	<b>Pence</b>
<b>Earnings per share attributable to the ordinary equity holders of the parent</b>			
<b>Profit or loss</b>			
Basic	8	(0.61)	(0.47)
Diluted	8	<u>(0.61)</u>	<u>(0.47)</u>
<b>Profit or loss from continuing operations</b>			
Basic	8	(0.61)	(0.47)
Diluted	8	<u>(0.61)</u>	<u>(0.47)</u>

There was no other comprehensive Income during the year (2021: £nil).

#### **Statement of Financial Position**

as at 31 December 2022

		<b>2022</b>	<b>2021</b>
		<b>£</b>	<b>£</b>
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables	9	9,006	47,589
Cash and cash equivalents		332,971	576,022
<b>Total assets</b>		<b>341,977</b>	<b>623,611</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other liabilities	10	(44,198)	(36,508)
<b>Net assets</b>		<b><u>297,779</u></b>	<b><u>587,103</u></b>
<b>Issued capital and reserves</b>			
Share capital	11	475,250	475,250
Share premium reserve	12	320,150	320,150
Retained earnings	12	(497,621)	(208,297)

TOTAL EQUITY 297,779 587,103

**Statement of Cash Flows**

For the year ended 31 December 2022

	Note	2022 £	2021 £
<b>Cash flows from operating activities</b>			
Loss for the year		(289,324)	(131,682)
Finance expense		1,467	-
		<b>(287,857)</b>	<b>(131,682)</b>
<b>Movements in working capital:</b>			
Decrease/(increase) in trade and other receivables		38,583	(46,089)
Increase in trade and other payables		7,690	33,308
<b>Cash generated from operations</b>		<b>(241,584)</b>	<b>(144,463)</b>
<b>Net cash used in operating activities</b>		<b>(241,584)</b>	<b>(144,463)</b>
<b>Financing activities</b>			
Issue of ordinary shares		-	780,500
Costs of share issue		-	(70,100)
Finance costs		(1,467)	-
<b>Net cash used in financing activities</b>		<b>(1,467)</b>	<b>710,400</b>
<b>Net cash (decrease)/increase in cash and cash equivalents</b>		<b>(243,051)</b>	<b>565,937</b>
Cash and cash equivalents at the beginning of year		576,022	10,085
<b>Cash and cash equivalents at the end of the year</b>		<b><u>332,971</u></b>	<b><u>576,022</u></b>

**Statement of Changes in Equity**

For the year ended 31 December 2022

	Share capital £	Share premium £	Retained earnings £	Total equity £
<b>At 1 January 2022</b>	475,250	320,150	208,297	587,103
<b>Comprehensive income for the year</b>				
Loss for the year	=	=	(289,324)	(289,324)
<b>Total comprehensive income for the year</b>	=	=	<b>(289,324)</b>	<b>(289,324)</b>

## Contributions by and distributions to owners

At 31 December 2022 475,250 320,150 (497,621) 297,779

## Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £	Share premium £	Retained earnings £	Total equity £
At 1 January 2021	85,000	-	(76,615)	8,385
<b>Comprehensive income for the year</b>				
Loss for the year	=	=	(131,682)	(131,682)
<b>Total comprehensive income for the year</b>	=	=	(131,682)	(131,682)
<b>Contributions by and distributions to owners</b>				
Issue of share capital	390,250	390,250	-	780,500
Other movements	=	(70,100)	=	(70,100)
<b>Total contributions by and distributions to owners</b>	390,250	320,150	-	710,400
<b>At 31 December 2021</b>	<b><u>475,250</u></b>	<b><u>320,150</u></b>	<b><u>(208,297)</u></b>	<b><u>587,103</u></b>

## Notes to the Financial Statements

For the year ended 31 December 2022

### 1. Reporting entity

Kelso Group Holdings Plc (the "Company") is a public limited company, limited by shares, incorporated in the United Kingdom and registered in England and Wales. The Company's registered office is at Eastcastle House, 27-28 Eastcastle Street, London, United Kingdom, W1W 8DH. The Company's principal activity is that of investment.

### 2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations as adopted by the UK (collectively IFRSs). They were authorised for issue by the Company's board of Directors on 19 April 2023.

Details of the Company's accounting policies, including changes during the year, are included in note 4.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

There are no judgements that are considered to have a significant effect on the amounts recognised in the financial statements.

There are no key assumptions concerning the future or other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis.

## 2.2 Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 January 2022

There are no new standards which have had a material impact in the annual financial statements for the year ended 31 December 2022.

ii) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The Directors anticipate that the adoption of other Standards and interpretations that are not yet effective in future periods will only have an impact on the presentation in the financial statements of the Company.

## 3. Functional and presentation currency

These financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest pound, unless otherwise indicated.

## 4. Accounting policies

### 4.1 Cash and cash equivalents

Cash comprises cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 4.2 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## 5. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor:

	2022	2021
	£	£
Fees payable for the audit of the Company's financial statements	10,000	4,200
Due diligence services	-	19,000
Tax compliance	-	<u>315</u>

## 6. Directors and employees

The Directors received no remuneration during the year (2021: £nil).

The Company has no employees (2021: None).

## 7. Tax expense

### 7.1 Income tax recognised in profit or loss

Current tax

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	2022	2021
	£	£
Loss for the year	(289,324)	(131,682)
Loss before income taxes	<b>(289,324)</b>	<b>(131,682)</b>
Tax at 19% (2021: 19%)	(54,972)	(25,020)
Expenses not deductible for tax purposes	16,720	-
Unrelieved tax losses carried forward	38,252	25,020
Total tax expense	=	=

Changes in tax rates and factors affecting the future tax charges

At the year end the company had tax losses carried forward of approximately £284,000 (2021: £83,000) which can be utilised against future profits. No deferred tax asset has been recognised in respect of these losses due to uncertainty of recoverability.

## 8. Earnings per share

(i) Basic and diluted earnings per share

	2022	2021
	Pence	Pence
From continuing operations attributable to the ordinary equity holders of the Company	<u>(0.61)</u>	<u>(0.47)</u>

(ii) Reconciliation of earnings used in calculating earnings per share

	2022	2021
	£	£
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	<u>(289,324)</u>	<u>(131,682)</u>
Used in calculating basic earnings per share	<u>(289,324)</u>	<u>(131,682)</u>

(iii) Weighted average number of shares used as the denominator

	2022	2021
	Number	Number

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

47,525,000 28,279,795

#### 9. Trade and other receivables

	2022	2021
	£	£
Prepayments and accrued income	5,697	-
Other receivables	3,309	47,589
Total trade and other receivables	<b>9,006</b>	<b>47,589</b>

Other receivables include loans to Directors of £nil (2021: £36,000). No interest is charged on these loans and they are repayable on demand.

#### 10. Trade and other payables

	2022	2021
	£	£
Other payables	9,173	-
Accruals	22,282	36,508
Social security and other taxes	12,743	-
Total trade and other payables	<b>44,198</b>	<b>36,508</b>

Other payables includes loans from Directors of £9,173 (2021: £nil). Interest was charged at a rate of 10% and amounted to £1,467 (2021: £nil) during the year. Loans are repayable on demand.

#### 11. Share capital

##### Authorised

	2022	2022	2021	2021
	Number	£	Number	£
Shares treated as equity				
Ordinary shares of £0.01 each	150,000,000	1,500,000	150,000,000	1,500,000
	<u>150,000,000</u>	<u>1,500,000</u>	<u>150,000,000</u>	<u>1,500,000</u>

##### Issued and fully paid

	2022	2022	2021	2021
	Number	£	Number	£
<b>Ordinary shares of £0.01 each</b>				
At 1 January and 31 December	<u>47,525,000</u>	<u>475,250</u>	<u>47,525,000</u>	<u>475,250</u>

Ordinary shares carry full voting rights along with rights to payment of dividends and distributions.

#### 12. Reserves

##### Share premium



This reserve records the amount above the nominal value received for shares sold, less transaction costs.

### **Retained earnings**

This balance represents the cumulative profit and loss made by the Company net of distributions to owners.

## **13. Financial instruments - fair values and risk management**

### **13.1 Financial risk management objectives**

The Company only deals in basic financial instruments. In the current period the Company's financial instruments comprise cash and cash equivalents and accruals which arise directly from its operations. All financial assets and liabilities are recognised at amortised cost. The Company does not use financial instruments for speculative purposes.

#### *Financial Risk Factors*

The Company's activities expose it to mainly liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

#### *Liquidity Risk*

The Company has to date financed its operations from cash reserves funded from share issues, Management's objectives are now to manage liquid assets in the short term through closely monitoring costs and raising funds through the issue of shares.

The Company has no borrowing facilities that require repayment and therefore has no interest rate risk exposure.

#### *Capital Management Risk*

The capital structure of the Company consists of debt, cash and cash equivalents and equity attributable to holders of the parent, comprising issued share capital and retained earnings. Consistent with others in the industry, the Company reviews the gearing ratio to monitor the capital. This ratio is calculated as the net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity (including capital, reserves and retained earnings). This gearing ratio will be considered in the wider macroeconomic environment.

#### *Fair Values*

Management have assessed that the fair values of cash and short-term deposits and accruals approximate to their carrying amounts due to the short-term maturities of these instruments.

## **14. Related party transactions**

Details of transactions between the Company and its related parties are disclosed below.

There are no personnel considered to be key management other than the Directors who received no remuneration during the year. Loans to and from Directors in the year were as follows:

	<b>Loans to Directors</b>	<b>Loans from Directors</b>
	<b>£</b>	<b>£</b>
Balance at 1 January 2021	-	-
Movement in the year	36,000	-
Balance at 31 December 2021	36,000	-
Movement in the year	52,000	(8,000)

Loans written off	(88,000)	-
Interest payable	-	(1,173)
Balance at 31 December 2022	=	<b><u>(9,173)</u></b>

The loans to the Directors were interest free and the loans from the Directors bears interest at 10% p.a. The Company has repaid £8,000 of the Directors loans after the year end.

During the year J C Green, a shareholder, charged the Company £49,000 (2021: £29,000) for consultancy and fundraising services. The balance owed by the company at the year-end was £nil (2021: £nil).

#### 15. Control

There is no controlling party but the Company has been notified of the following interest of 3 per cent or more in its issued share capital as at 31 December 2022:

	Shareholding	%
Hargreaves Lansdown (Nominees) Limited	9,368,095	19.71
Jim Nominees Limited	7,500,000	15.78
Barnard Nominees Ltd	7,500,000	15.78
J H Goold	3,750,000	7.89
The Bank of New York (Nominees) Limited	3,750,000	7.89
Vidacos Nominees Limited	3,750,000	7.89
D A King	1,875,000	3.95
Lawshare Nominees Limited	1,504,925	3.17
J P Pither	1,500,000	3.16
A C Rhodes	1,500,000	3.16
J C Green	1,500,000	3.16
Pitchcroft Capital Limited	1,500,000	3.16

#### 16. Events after the reporting date

As mentioned in the Chairman's report, the Company completed a fundraise of £3.0 million from an issue of ordinary shares and made its first investment in a trading company in January 2023.

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