

SCHOLIUM GROUP PLC
INTERIM REPORT & FINANCIAL STATEMENTS
28 NOVEMBER 2017

The directors of Scholium Group plc ("Scholium", the "Company" or, together with its subsidiaries, the "Group") present their report and financial statements for the Group for the six months ended 30 September 2017.

Operating highlights

- Revenues up by 56.2% which includes the disposal of a part interest in the Group's stock of Russian books and works on paper: revenues up by 29.6% excluding this disposal
- Gross profit ahead by 16.1% compared with last year but at a lower percentage level due to the disposal as above: gross profit margin at 38.0% excluding the disposal of Russian stock
- Overhead costs reduced by 7.4% to £926,000
- Pre tax profit of £61,000 compared with a loss of £239,000 for the same period last year
- Creation of Mayfair Philatelics to commence a retail and auction philatelic business

FINANCIAL SUMMARY

Six months ended September (all figures £000)	2017	2016	Change
Revenue	3,323	2,127	56.2%
Gross Profit	1,048	903	16.1%
Gross Margin	32%	42%	
Pre-Tax Profit / (Loss)	61	(239)	
Inventories	8,068	7,879	2.4%
Cash	988	1,154	-14.4%
Net Asset Value	9,959	9,908	0.5%
NAV/Share (pence)	73.2	72.8	

Jasper Allen, Chairman of Scholium, noted

"It has been pleasing to see a continuation of the improved trading at the Group's main trading subsidiary, Shapero Rare Books, in this first six months to 30 September 2017 and a group profit for this period. Scholium Trading also produced a positive result and our new stamp venture, Mayfair Philatelics Limited commenced trading in October 2017 with the first modest retail activity planned for this December and the first auction scheduled in March 2018."

For further information, please contact:

Scholium Group plc	+44 (0)20 7493 0876
Jasper Allen, Chairman	
Peter Floyd, Chief Financial Officer	
WH Ireland Ltd - Nominated Adviser	+44 (020) 7220 1666
Chris Fielding/Jessica Cave	

BUSINESS REVIEW

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

The group of businesses comprises:

- Shapero Rare Books, a dealer in rare and antiquarian books and works on paper, located in Mayfair, London;
- Scholium Trading, a company set up to trade in conjunction with other dealers in high value rare and collectible items; and
- Mayfair Philatelics, a retail and auction philatelic business which commenced trading in October 2017.

Revenue streams

The Group earned revenue in the period to 30 September 2017 from:

- the sale of rare books and works on paper through Shapero Rare Books; and
- the sale of other rare and collectible items through Scholium Trading.

Key objectives and key performance indicators (KPIs)

The Group's strategy is to:

- build, either organically or by acquisition, a portfolio of collectibles businesses to enable further diversification of its revenue and profit streams;
- attract individuals or teams of specialists in markets complementary to the Group's existing businesses;
- optimize working capital in existing businesses to provide funds for new business development; and
- continue to develop all its trading entities by trading alongside other dealers in high value rare and collectible items and by participating in the acquisition for onward sale of large consignments.

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

Our current principal KPIs are:

- Sales, gross margin, profit before tax, earnings per share;
- the breadth and distribution of the stock of rare books held by the Group;

- stock turnover; and
- free cash flow.

PERFORMANCE REVIEW

Overall Performance

The Group's performance for the six months to 30 September 2017 showed a considerable improvement compared with the same period last year.

Turnover increased by 56% compared to the same period in the prior year. This was due both to improved sales in both Shapero Rare Books and Scholium Trading, with the former's turnover and cost of sales increasing due to the part disposal of its Russian stock as announced on 26 September 2017. Excluding this part disposal, turnover increased by 29.6%. Gross Profit increased by 16% to £1,048k (2016: £903k; 2015: £1,107k) reflecting primarily the improved volume of non Russian stock sales revenues.

Costs decreased by 13% compared to the prior year to £987k (2016: £1,142k; 2015: £1,077k). This was partly due to changes in the Group's participation in major book fairs, where fewer were attended in this first half while several more will be attended in the second half, but also to a reduction in administrative expenses due to the cost cutting programme announced last year.

The Group result for the six months was a profit before tax of £61k (2016: loss of £239k; 2015: profit of £30k). The tax charge is for deferred tax and includes £11k (2016 £0k; 2015 £0k) to reflect the reduction in the corporation tax rate from 20% to 19%.

Inventories increased by £189k to £8,068k (2016: £7,879k; 2015: £7,420k). Cash decreased by £166k (2016:£1,154k; 2015 £1,619k) compared with the position at 30 September 2016. Free cashflow generated during the period was £18k (2016:£(155)k; 2015 £(503)k).

Summary Group Financials

Six months ended September (all figures £'000)	2017	2016	Change
Revenue	3,323	2,127	56.2%
Gross Profit	1,048	903	16.1%
Gross Margin	32%	42%	
Direct Costs	(61)	(141)	-56.7%
Administrative Expenses	(926)	(1,001)	-7.4%
Pre-Tax Profit / (Loss)	61	(239)	
Inventories	8,068	7,879	2.4%
Cash	988	1,154	-14.4%
Net Asset Value	9,959	9,908	0.5%
NAV/Share (pence)	73.2	72.8	

Financial Position & Cashflow

The Group retains a strong, ungeared balance sheet. Net assets of £9,959k (2016: £9,908k; 2015: £10,159k) are supported by £8,068k of stock (2016: £7,879k; 2015: £7,420k) and £988k of cash (2016: £1,154k; 2015: £1,619k). This equates to 73.2p of net assets per share (2016: 72.8p; 2015: 74.7p).

Group Strategy

The Group has begun to diversify its revenue streams by creating a new retail and auction business, Mayfair Philatelics Limited. It has recruited an experienced team, who began to trade in October. The first auction is planned to take place in March 2018. With the exception of this new venture, the focus on reducing administrative costs will continue, but the cost savings from the reduction in fairs and catalogues in the first half will be re-invested in the second half of this financial year as the Group looks to continue to grow its operations. In addition there will be investment in the Group's new philatelic business. The Group's inventories will therefore continue to increase as the capability and trading capacity of its operations increases, with a consequent reduction in the Group's cash balances.

Shapero Rare Books & Shapero Modern

The Shapero brand trades out of the St. George Street premises. It includes Shapero Rare Books and Shapero Modern. The bulk of the trade, through Shapero Rare Books, is in rare and antiquarian books and works on paper. Shapero Modern is a newer brand which was set up in 2014 to participate in the increasingly large international trade in modern and contemporary prints.

Trading in both rare books and Shapero Modern improved during the first six months of the year due both to higher volumes and the disposal of the part interest in the Russian stock. Turnover rose by 55.3% as compared to the prior-year period to £2,995k (2016: £1,929k; 2015: £2,856k) albeit partly offset by a reduced gross margin of 32% (2016: 41%; 2015: 33%) due to the Russian stock disposal. The gross margin on sales excluding this transaction rose by £167k, representing a margin of 39%. The profit achieved by this subsidiary for the first six months of the financial year was £68k (2016: loss of £186k; 2015: profit of £38k).

Summary Performance, Shapero

Six months ended September (all figures £'000)	2017	2016	Change
Revenue	2,995	1,929	55.3%
Gross Profit	955	788	21.1%
Gross Margin	32%	41%	
Pre-Tax Profit / (Loss)	68	(186)	

Scholium Trading

Scholium Trading was set up to trade alongside third party dealers in rare and collectible items. It typically trades in higher value items and shows a more irregular revenue stream.

Scholium trading's activity tends to be more irregular than the other businesses in the Group. The first half resulted in sales of £421k (2016: £197k; 2015: £463k), albeit a lower gross margin of 22% (2016 58%; 2015: 33%) as the notable success of last year was not repeated. This produced a gross profit of £93k (2016: £114k; 2015: £155k).

Summary Performance, Scholium Trading

Six months ended September (all figures £'000)	2017	2016	Change
Revenue	421	197	113.7%
Gross Profit	93	114	-18.4%

Gross Margin	22%	58%	
Pre-Tax Profit	64	103	-37.9%

Central costs

The central costs of the business include all board directors and the various costs associated with the AIM listing, net of amounts recharged to the subsidiary businesses. In the six months ended 30 September 2017 these net costs fell by 54% to £72k (2016: £157k; 2015: £174k) as compared to the prior year. Some of this reduction in net costs has been due to the cost savings identified last year which were implemented from April this year.

Summary Performance, Central costs

Six months ended

September (all figures

£'000)

	2017	2016	Change
Pre-Tax (Loss)	(72)	(157)	-53.9%

Outlook

The improved trading experience during the second half of the last financial year has carried on into the first six months of this financial year. The Group is continuing to focus on achieving cost savings in its administrative costs, while investing these savings in expenditure more directly benefitting sales and sales opportunities. The emphasis in this second half year will be on maintaining the momentum of Shapero Rare Book's trading, whilst at the same time building the capability of the Group's new philatelic business, and continuing the activities of Scholium Trading.

Key Risks

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

The principal risks and uncertainties affecting the continuing business activities of the Group were outlined in detail in the Strategic Report section of the annual report covering the full year ended 31 March 2017.

In preparing this interim report for the six months ended 30 September 2017, the Board has reviewed these risks and uncertainties and considers that there have been no changes since the publication of the 2017 Annual Report.

INDEPENDENT REVIEW REPORT TO SCHOLIUM GROUP PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the interim report for the six months ended 30 September 2017 which comprises the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity, the condensed consolidated statement of financial position and the consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30th September 2017 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM rules.

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

27 November 2017

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME (UNAUDITED)

		Six-month Period Ended (Unaudited) 30 Sept 2017 £000	Six-month Period Ended (Unaudited) 30 Sept 2016 £000	Year Ended (Audited) 31 Mar 2017 £000
	Note			
Revenue	3	3,323	2,127	6,120
Cost of Sales		(2,275)	(1,224)	(3,870)
Gross profit		<u>1,048</u>	<u>903</u>	<u>2,250</u>
Distribution costs		(61)	(141)	(427)
Administrative expenses		(926)	(1,001)	(2,048)
Total administrative expenses		<u>(926)</u>	<u>(1,001)</u>	<u>(2,048)</u>
Profit/(Loss) from operations		61	(239)	(225)
Financial income		-	-	1
Financial expenses		-	-	-
Profit/(loss) before taxation		<u>61</u>	<u>(239)</u>	<u>(224)</u>
Income tax (expense)	4	(25)	-	-
Profit/(Loss) for the period from continuing operations		36	(239)	(224)
Profit/(Loss) for the period and total comprehensive income attributable to equity holders of the parent company		36	(239)	(224)
Basic and diluted profit/(loss) per share:				
From continued operations - pence	5	0.27	(1.75)	(1.66)
Total diluted profit/(loss) per share - pence		<u>0.27</u>	<u>(1.75)</u>	<u>(1.66)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

			30 Sept 2017 £000 Unaudited	30 Sept 2016 £000 Unaudited	31 Mar 2017 £000 Audited
	Note				
Assets					
Non-current assets					
Property, plant and equipment			49	67	55
Deferred corporation tax asset			251	277	277
			300	344	332
Current assets					
Inventories			8,068	7,879	7,873
Trade and other receivables	6		1,602	1,323	2,050
Cash and cash equivalents			988	1,154	970
			10,658	10,356	10,893
Total assets			10,958	10,700	11,225
Current liabilities					
Trade and other payables	7		999	792	1,302
Loans and borrowings			-	-	-
Current corporation tax liabilities			-	-	-
Total current liabilities			999	792	1,302
Total liabilities			999	792	1,302
Net assets			9,959	9,908	9,923
Equity and liabilities					
Equity attributable to owners of the parent					
Ordinary shares			136	136	136
Share Premium			9,516	9,516	9,516
Merger reserve			82	82	82
Retained earnings			225	174	189
Total equity			9,959	9,908	9,923
Net Asset Value per Share			73.2p	72.8p	72.9p

These interim financial statements were approved by the Board of Directors on 27 November 2017 and signed on its behalf by Peter Floyd.

STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	Share Premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 1 Apr 2014	132	9,458	82	1,109	10,781
Loss for the year from continued and discontinued operations	-	-	-	(188)	(188)
Total comprehensive income for the period	-	-	-	(188)	(188)
Shares issued in the period	4	58	-	-	62
Share-based payments	-	-	-	19	19
Dividends paid	-	-	-	(136)	(136)
Total contributions by owners of the parent	4	58	-	(117)	(55)
Balance at 30 Sept 2014	136	9,516	82	804	10,538
Loss for the year from continued and discontinued operations	-	-	-	(375)	(375)
Total comprehensive income for the period	-	-	-	(375)	(375)
Balance at 31 March 2015	136	9,516	82	429	10,163
Loss for the year from continued and discontinued operations	-	-	-	(4)	(4)
Total comprehensive income for the period	-	-	-	(4)	(4)
Balance at 30 Sept 2015	136	9,516	82	425	10,159
Loss for the year from continued and discontinued operations	-	-	-	(12)	(12)
Total comprehensive income for the period	-	-	-	(12)	(12)
Balance at 31 March 2016	136	9,516	82	413	10,147
Loss for the year from continued and discontinued operations	-	-	-	(239)	(239)
Total comprehensive income for the period	-	-	-	(239)	(239)
Balance at 30 Sept 2016	136	9,516	82	174	9,908

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Balance at 30 Sept 2017

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CONSOLIDATED STATEMENTS OF CASHFLOWS

	30 Sept 2017 £000	30 Sept 2016 £000	31 Mar 2017 £000
Cash flows from operating activities			
Profit/(loss) before tax	61	(239)	(224)
Depreciation of property, plant and equipment	11	13	27
Reclassification of property, plant and equipment	-	19	19
	<hr/>	<hr/>	<hr/>
	72	(207)	(178)
(Increase) in inventories	(195)	(329)	(323)
Decrease/(increase) in trade and other receivables	478	730	(16)
(Decrease)/increase in trade and other payables	(332)	(343)	186
	<hr/>	<hr/>	<hr/>
Net cash generated from operating activities	23	(149)	(331)
Cash flows from investing activities			
Purchase of property, plant and equipment	(5)	(6)	(8)
Net cash used in investing activities	<hr/>	<hr/>	<hr/>
	(5)	(6)	(8)
Cash flows from financing activities			
Interest paid	-	-	-
	<hr/>	<hr/>	<hr/>
Net cash (used)/generated from financing activities	-	-	-
	<hr/>	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	18	(155)	(339)
Cash and cash equivalents at the beginning of the period	970	1,309	1,309
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	988	1,154	970

NOTES

1. General information

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

2. Basis of preparation

These condensed interim financial statements of the Group for the six months ended 30 September 2017 (the 'Period') have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest audited financial statements for the year ended 31 March 2017. Amendments made to IFRSs since 31 March 2017 have not had a material effect on the Group's results or financial position for the six-month period ended 30 September 2017. While the financial figures included within this half-yearly report have been computed in accordance with IFRSs applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as set out in International Accounting Standard 34 Interim Financial Reporting. These condensed interim financial statements have not been audited, do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 March 2017. The auditors' opinion on these Statutory Accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498 (2) or s498 (3) of the Companies Act 2006.

3. Revenue

	30 Sept 2017 Group £000	30 Sept 2016 Group £000	31 Mar 2017 Group £000
Book Sales	3,315	2,126	6,106
Commissions	4	1	12
Other income	4	-	2
	<hr/>	<hr/>	<hr/>
	3,323	2,127	6,120

4. Income Tax

	30 Sept 2017 £000	30 Sept 2016 £000	31 Mar 2017 £000
Current and deferred tax expense			
Current tax	-	-	-
Deferred tax – impact of change in corporation tax rate	(11)	-	19
Origination and reversal of temporary differences	(14)	-	(19)
Total tax expense	(25)	-	-
The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:			
	30 Sept 2017 £000	30 Sept 2016 £000	31 Mar 2017 £000
Profit/(loss) before tax	61	(239)	(224)
Applied corporation tax rates:	19%	20%	20%
Tax at the UK corporation tax rate of 19%/20%:	11	(48)	(45)
Group loss relief	(12)	-	-
Loss relief	(13)	-	-
Unrecognised deferred tax asset	14	48	-
Deferred tax	(25)	-	-
Expenses not deductible for tax purposes	-	-	3
Non-provided deferred tax	-	-	35
Origination and reversal of temporary differences	-	-	7
Current and deferred tax charge	(25)	-	-

5. Earnings/(Loss) per Share

	30 Sept 2017 Group £000	30 Sept 2016 Group £000	31 Mar 2017 Group £000
Profit/(loss) used in calculating basic and diluted earning per share attributable to the owners of the parent	36	(239)	(224)
Number of shares			
Weighted average number of shares for the purpose of basic and diluted earnings per share	13,600,000	13,600,000	13,600,000
Total basic and diluted earnings per share - pence	0.27	(1.75)	(1.66)

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

The Company has no potentially issuable shares arising from share options. As a consequence, the number of basic and fully diluted shares in issue are equal.

No new shares were issued during the period, and the Company had 13.6 million shares in issue at the end of the period.

6. Trade and Other Receivables

	30 Sept 2017 Group £000	30 Sept 2016 Group £000	31 Mar 2017 Group £000
Trade debtors	1,187	912	1,779
Other debtors	22	39	30
Prepayments and accrued income	393	371	241
	<u>1,602</u>	<u>1,323</u>	<u>2,050</u>

7. Trade and Other Payables

	30 Sept 2017 Group £000	30 Sept 2016 Group £000	31 Mar 2017 Group £000
Trade creditors	772	371	958
Other taxes and social security	20	32	32
Accruals and deferred income	161	204	269
Other creditors	46	184	43
	<u>999</u>	<u>792</u>	<u>1,302</u>

8. Transactions with related parties

As announced on 26 September 2017, the Group's subsidiary Shapero Rare Books has sold a 50% interest, at cost, in its entire stock of Russian books, maps, prints and works on paper to PY Limited. PY Ltd also acquired at cost £64,000, being 100% of Shapero Rare Books' stock of Edmonton books. PY Ltd is a company controlled by Pierre-Yves Guillemet, a former employee of Shapero Rare Books.

The Russian stock had a cost and book value at 31 March 2017 of approximately £1.0 million, and in the year ended on that date generated a contribution of approximately £15,000 to central costs. The consideration comprised £250,000 payable on completion and a non interest bearing loan of £315,000 repayable from the sale of the Russian stock in the period to 28 February 2020. Any balance of the loan not repaid by then is to be repaid in cash in full by that date. The Group therefore retains ownership of 50% of the Russian stock and will receive half the sale proceeds including a half share of the profit from future sales.