RNS Number : 4947M
Kelso Group Holdings PLC
30 April 2024

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Kelso Group Holdings Plc

("Kelso" or the "Company")

Full-year audited results for the twelve months ended 31 December 2023

Kelso, the main market listed acquisition vehicle, is pleased to announce its first full year audited results for the twelve month period ended 31 December 2023 ("FY23").

Highlights

- Strong first full year results, raising gross proceeds of £3.0m at 2.0p in February 2023, £3.0m at 2.5p in June 2023 and post the year-end in January 2024, £1.9m at 3.0p
- Investment gain of £2.6m (realised: £1.2m, unrealised: £1.4m)
- IRR of 55%, exceeding 25% target
- Year-end portfolio of £8.1m across four investments, including cash: THG (52.5%), NCC (20.6%), Angling Direct (12.3%) and TheWorks (11.6%)
- Profit before tax of £2.0m (FY22: loss of £290k)
- Experienced Board established, focused on unlocking trapped value in the UK stock market

John Goold, CEO of Kelso, said:

"We are pleased to deliver Kelso's first set of financial results, highlighting the successful implementation of its strategy to assist UK listed companies unlock their true value. Kelso's Board is committed to the success of the Company and continues to actively review new investment opportunities. We would like to thank all shareholders for their support and remain excited about the long-term future growth of Kelso."

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About Kelso

Kelso was established in November 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, in particular, look for situations where it believes the sum of the parts of a business is greater than the current value.

Chairman's statement

It has been an encouraging first full year for Kelso. We have established an experienced team and delivered a good return for investors as we continue to build our brand and track record. Whilst the initial progress is pleasing, we have a long way to go to meet our significant ambition.

The UK market remains full of opportunity for an active and focussed investor like Kelso. UK valuations remain extremely low relative to other markets. Our efforts to unlock shareholder value through supportive activism will, I hope, reward investors with attractive investment returns over the medium term.

We are comfortable that our strategies for achieving strong returns in our four core investments are well thought out following significant due diligence, planning and our ongoing involvement. I hope during the course of 2024 investors will see the full benefits of the Kelso model. Boards of listed companies in the UK have become increasingly inundated with bureaucracy, sometimes at the expense of shareholder value, whilst privately owned businesses are able to focus significantly more on shareholder value. Kelso aims to bridge that divide by bringing those best practices from the private equity arena into the public markets. Finally, I have been extremely impressed by the quality of research on the investment proposals brought to the board and also by the constructive engagement and challenge by the NEDs to the Executive Directors.

During 2024, I hope Kelso will make further significant advances to create a sustainable and robust business for the long term.

We are grateful to all our shareholders for their support.

Sir N. Knowles, Chairman

CEO's statement

In our first full year, we have successfully assembled an experienced team with a deep knowledge of the UK small and mid cap market. The Directors own 20.5% of Kelso having participated in each funding round, investing nearly £2m, and so are highly aligned with shareholders.

During the year, we initiated our portfolio with strategic stakes in THG Plc ('THG'), NCC Group Plc ('NCC'), TheWorks.co.uk Plc ('TheWorks') and Angling Direct Plc ('Angling Direct'). We identified these investments as deep value opportunities, each presenting substantial potential for growth and shareholder accretion. As at the year end, our total investments were valued at £8.12m before raising additional funds in January 2024 of £1.88m, the maximum we could raise without the need for a prospectus.

Our investment strategy is centred on active and supportive engagement with our portfolio companies and their management to help them significantly enhance their market value.

The opportunity in the UK small and mid cap space remains significant as detailed in a recent article in the Financial Times which highlighted UK stocks as being 'staggeringly cheap'. The analysis showed that stocks on the MSCI UK index were 47% cheaper than those on the US equivalent.

Review of 2023

Financial performance

The investment gain on our investment portfolio in our first year to 31 December 2023 was £2.58m, equating to an investment IRR of 54.6%, of which £1.15m was realised and £1.43m was unrealised. Kelso made a profit pre-tax and pre MIP provision of £2.14m. The profit pre-tax, post MIP, was £2.03m. The provision for the MIP was £108k, which will vest after three years and crystalise from year 3 to year 5 from inception, payable in Kelso shares. It will reverse if the valuation of the investment portfolio falls prior to payment. The net asset value per share at the end of 2023 was 2.4p before the most recent fund raise in January 2024 at 3.0p.

In the year to 31 December 2023, the Board expenses have been kept to a minimum, the Directors have drawn no salaries and there have been no property costs. Our principal costs have been fund raising, listing, legal, accountancy and audit fees.

During the year Kelso bought back 4.55m shares for cancellation at an average price of 2.0p. Kelso will seek a renewed authority to buy back shares for cancellation at the 2024 General Meeting.

Investments

As at 31 December 2023, Kelso had 4 core investments of £7.9m and net cash of £0.24m totalling £8.1m, of which investment in THG represented £4.3m (52.5% of the portfolio), NCC £1.7m (20.6%), Angling Direct £1.0m (12.3%) and TheWorks £0.9m (11.6%), net cash £0.2m (3.0%).

THG

THG has three divisions: Beauty, Nutrition and e commerce fulfilment with revenues to 31 December 2023 of £2.2bn with continuing adjusted EBITDA of £120m. Consensus EBITDA to 31 December 2024 (source: company website) is £151m with the market capitalisation being c.£900m as at 31 March 2024. Within Beauty, it has three businesses: multi branded beauty and make up portals including Lookfantastic.com with 8.5m active customers selling multi branded products, an in-house and third-party manufacturing business and a number of owned beauty brands. THG also has the largest Direct to Consumer Nutrition business in the world selling an array of nutritional products mostly under the brand MyProtein. Finally, within e-commerce fulfilment, Ingenuity acts for in house and third party brands globally through a network of logistics facilities. THG was floated in 2020 with a market capitalisation of £5.4bn. Its value peaked in 2021 at almost 800p giving a market capitalisation of c.£8bn. On IPO and post listing THG raised c.£1.7bn.

In January 2023, Kelso initially bought 5m shares in THG at 55p, subsequently increasing this exposure to 8m shares, maintaining an average in price at around 61p. In the second half of the year, as we began to diversify our portfolio, we sold shares generating a realised gain of £0.9m. THG's share price at the end of 2023 was 85p resulting in a further unrealised gain for the year of £1.2m. Subsequent to Kelso's year end, THG's share price fell back to 60p at which point we bought a further 1m shares at 60p to give us 6.0m ordinary shares in total.

Kelso's investment thesis is that the valuation of the sum of the parts of THG is significantly greater than the market capitalisation. During 2023, we made several statements supporting this view urging management to demonstrate this value. The independent city broker Peel Hunt released an investment research note on 22 March 2024 in which it set a price target of 141p but referred to a potential value of 280p based on a sum of the parts.

We believe that each of either the Beauty or Nutrition division is worth at least the current market capitalisation. We hope during 2024 that THG will demonstrate this value through a strategic or corporate transaction relating to at least one of its three businesses. Separately, we believe that one of the most impactful and positive actions THG can implement is to move its listing on the LSE from the standard list to the premium index. THG currently has very few passive indexed holders and most UK active fund managers do not have to consider an investment in THG as it is not in their performance benchmark of the premium index. We hope that this change of index happens in 2024 either naturally through the FCA changes or that THG is proactive and makes the change of listing itself.

As at 31 March 2024, our holding was 6.0m shares with an average in price of 61p, valued at £4.1m, which represented 46.4% of our portfolio.

On 10 April 2024, THG released its audited results for FY 2023 showing a material improvement in EBITDA and confirming the positive trading momentum in Q4 had continued into Q1, with particular strength in the Beauty division. On 23 April 2024, THG announced their Q1 statement showing overall revenue growth of 4.5%, with a notable performance from Beauty of 11.1%.

NCC

NCC is a global leader in software escrow services with 57% of the Fortune 500 as clients and has a fast growing cybersecurity business. The company serves a global client base of over 14,000 companies and had a market capitalisation as at 31 March 2024 of £383m. The board suspended a strategic review of the escrow business in 2023. Under new management, significant strides have been made towards improving profitability and streamlining operations and Kelso's belief is that the potential value of these two businesses significantly exceeds the current market capitalisation.

Kelso bought its initial holding in October 2023 and at the year-end held 1.3m shares at an average cost of 109p. NCC's share price appreciated to 129p by 31 December 2023, thus delivering an unrealised gain of £262k. Following Kelso's fundraise in January 2024, we increased our investment in NCC purchasing additional shares to bring our total holding to 1.5m shares. We remain extremely pleased with the progress at NCC and continue to see significant potential for further value creation.

NCC released its interim results in January 2024, which were reassuring, being in line with expectations, and reported that its strategy was transforming the business at pace. We are also pleased that the company has arranged two capital markets briefings in the first half of this year for its two main operating divisions. Management is focussed on maximising shareholder value and appear to be executing the right strategy to achieve this.

As at 31 March 2024, our holding was 1.5m shares, with an average cost price of 110.5p, valued at £1.9m, which represented 21.0% of the portfolio.

TheWorks.co.uk

TheWorks is the UK's leading family friendly retailer of value gifts, arts and craft, toys, books and stationery products with a portfolio of 12 proprietary brands. It operates a chain of over 500 retail stores based in the UK and Ireland and reported revenue in the year to 30 April 2023 of £280m with EBITDA of £9.0m. Its market capitalisation at the year-end was c. £15.0m.

As at 31 December 2023, Kelso's investment in TheWorks comprised 3.4m shares, purchased at an average price of 33.5p. The shares were valued at 27.6p by year end due to a reduction in expected profits for the year, resulting in an unrecognised loss of £205k for our holding. Subsequent to the year end, following Kelso's fund raise, we increased our holding to 3.7m shares, representing 6% of TheWorks, resulting in an improved average purchase price of 31.0p.

On 14 February 2024, John Goold and Mark Kirkland were appointed to the board of directors of TheWorks. John and Mark do not sit on any committees but instead focus purely on shareholder value. Kelso is paid a fee of £50,000 a year by TheWorks for the services of John and Mark. This initiative reflects our proactive approach to governance and investment management, aiming to significantly enhance shareholder returns through strategic oversight and guidance.

Kelso believes that The Works can return to previous historic EBITDA margins of over 5% and maintain its revenue of approaching £300m. As at 31 March 2024 its market capitalisation remains at c.£15.0m.

As at 31 March 2024, our holding was 3.7m shares, with an average in price of 32.6p, valued at £1.0m, which represented 10.9% of the portfolio.

Angling Direct

Angling Direct was founded in 1986 and is the UK's largest fishing tackle retailer. The business sells a broad range of own brand and third-party fishing tackle through a network of 46 retail stores and its own website with a revenue split of 55/45. Its retail outlets are typically out of town and between 3,000 and 5,000 square feet in size. Angling Direct also operates one store in Europe alongside a warehouse.

Angling Direct listed on AIM in 2018 with a market capitalisation of £27m, supported by revenues of £21m and EBITDA of c. £1m. On IPO and subsequently, the company has raised more than £32m, enabling expansion to 47 outlets. Despite the fact that revenue has grown over four-fold to an expected £94m in the current year to 31 January 2025, with EBITDA growing over three-fold to an estimated £3.2m, its market capitalisation remains at a similar level to that at the time of the IPO. At the 31 March 2024, the market capitalisation is £28m and the business has net cash of £16m reported as at January 2024.

Kelso owned 2.3m shares in Angling Direct at the year-end which it bought at an average price of 35p. At year-end, the shares were priced at 43p thus producing an unrealised gain of £183k.

In April 2024, Kelso had an encouraging meeting with the chairman of Angling Direct. We believe that Angling Direct should continue to extend its market share in the UK by consolidating smaller operators, focussing on improving gross margins through buying and pricing initiatives, and continuously review the European expansion cautiously. At the same time, given the strength of its balance sheet we believe they should consider at least a small buy back of ordinary shares, to cancel or for the EBT.

As at 31 March 2024, our holding was 2.45m shares, with an average in price of 35p, valued at £0.9m, which represented 9.7% of the portfolio.

Outlook and portfolio as at the 31 March 2024

The Board of Kelso is pleased with its portfolio and its progress in the first few months of 2024. The UK stock market remains challenging but we hope initiatives like the new British ISA will help stimulate demand, in particular for the UK's smaller companies which remain lowly valued. We also believe that as inflation and interest rates ultimately fall the potential returns from UK small and mid cap stocks will become more attractive.

As at 31 March 2024, Kelso's portfolio including cash was valued at £8.9m, consisting of four core investments of £7.9m plus toe hold investments of £0.5m and net cash of £0.6m, of which investment in THG represented £4.1m (46.4% of the portfolio), NCC £1.9m (21.0%), TheWorks £1.0m (10.9%) and Angling Direct £0.9m (9.7%), toe hold investments £0.5m (5.8%), with net cash of £0.6m (6.2%). The main changes to the portfolio subsequent to the January 2024 fund raise of £1.9m, are an increase in the THG holding of 1.0m shares at 60p, an increase in the NCC holding of 200k shares at 122p, a small increase in TheWorks of 300k shares at 25p and new toe hold investments.

The Board is committed to enhancing its position in the UK market by helping companies and their investors unlock trapped value. In particular, we aim to leverage our expertise to ensure that boards are doing everything possible to maximise shareholder value. We believe that many of the UK's c.50 stocks that left UK listed markets in 2023 were bought simply because they were undervalued. The responsibility of public company directors to maximise value has never been more critical. We believe that the current year will see our desired minimum return of 25%. Patience as ever will be required but we are confident that the intrinsic value of our investments will come through during 2024.

<u>Financial Statements for the year ended 31 December 2023</u>

Statement of Profit or Loss

For the year ended 31 December 2023

	Note	**2023** £	**2022** £
Revenue	6	2,577,401	-
Gross profit		2,577,401	-
Administrative expenses		(460,430)	(287,857)
Profit/(loss) from operations		2,116,971	(287,857)

Finance income		3,714	-
Finance expense		(121,217)	(1,467)
Income from fixed assets and dividends		31,500	-
Profit/(loss) before tax		2,030,968	(289,324)
Tax expense	11	(471,436)	-
Total comprehensive income		1,559,532	(289,324)
Profit/(loss) for the year attributable to:			
Owners of the parent		1,534,314	(289,324)
Non controlling interests		25,218	-
		1,559,532	(289,324)

Total comprehensive income attributable to:			
Owners of the parent		1,534,314	(289,324)
Non controlling interests		25,218	-
		1,559,532	(289,324)

	Note	**2023** Pence	**2022** Pence
Earnings per share attributable to the ordinary equity holders of the parent			
Profit or loss			
Basic	12	0.56	(0.61)
Diluted	12	0.55	(0.61)

Consolidated Statement of Financial Position
as at 31 December 2023

	Note	2023 £	2022 £
Assets			
Non current assets			
Current assets			
Trade and other receivables	14	6,722	9,006
Cash and cash equivalents	16	240,332	332,971
Current asset investments	15	7,868,400	-
		8,115,454	341,977
Total assets		8,115,454	341,977
Liabilities			
Non current liabilities			
Deferred tax liability	26	274,913	-
		274,913	-
Current liabilities			
Trade and other liabilities	17	305,527	44,198
		305,527	44,198
Total liabilities		580,440	44,198
Net assets		7,535,014	297,779

Issued capital and reserves attributable to owners of the parent			
Share capital	18	3,129,750	475,250
Share premium reserve	19	3,194,577	320,150
Capital redemption reserve	19	45,500	-
Other reserves	19	107,616	-
Retained earnings	19	991,193	(497,621)
		7,468,636	297,779
Non controlling interest	20	66,378	-
TOTAL EQUITY		7,535,014	297,779

Consolidated Statement of Cash Flows
as at 31 December 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Profit/(loss) for the year		1,559,532	(289,324)
Adjustments for			
Tax charges		471,436	-
Finance income		(3,714)	-
Finance expense		121,217	1,467
Unrealised gains on current assets investments		(1,432,303)	-
Share based payment expense	22	107,616	-
		823,784	(287,857)
Movements in working capital:			
Decrease in trade and other receivables		2,285	38,583
Increase in trade and other payables		64,805	7,690
Cash generated from operations		890,874	(241,584)
Net cash from/(used in) operating activities		890,874	(241,584)
Cash flows from investing activities			
Payments to acquire current assets investments		(9,972,293)	-
Proceeds on sale of current assets investments		3,536,196	-
Net cash (used in)/from investing activities		(6,436,097)	-
Cash flows from financing activities			
Issue of ordinary shares		5,619,927	-
Issue of A ordinary shares		41,160	-
Purchase of ordinary shares for cancellation		(91,000)	-
Finance costs		(121,217)	(1,467)
Dividends paid on shares classified as liabilities		3,714	-
Net cash from/(used in) financing activities		5,452,584	(1,467)
Net decrease in cash and cash equivalents		(92,639)	(243,051)
Cash and cash equivalents at the beginning of year		332,971	576,022
Cash and cash equivalents at the end of the year	1	240,332	332,971

Consolidated Statement of Changes in Equity
as at 31 December 2023

	Share capital	Share premium	Capital redemption reserve	Other reserves	Retained earnings	Total attributable to equity holders of parent	Non controlling interest	Total equity
	£	£	£	£	£	£	£	£
At 1 January 2022	475,250	320,150	-	-	(208,297)	587,103	-	587,103
Comprehensive income for the year								
Loss for the year	-	-	-	-	(289,324)	(289,324)	-	(289,324)
Total comprehensive income for the year	-	-	-	-	(289,324)	(289,324)	-	(289,324)
Contributions by and distributions to owners								
At 31 December 2022	475,250	320,150	-	-	(497,621)	297,779	-	297,779
At 1 January 2023	475,250	320,150	-	-	(497,621)	297,779	-	297,779
Comprehensive income for the year								
Profit for the year	-	-	-	-	1,534,314	1,534,314	25,218	1,559,532
Total comprehensive income for the year	-	-	-	-	1,534,314	1,534,314	25,218	1,559,532
Contributions by and distributions to owners								
Issue of share capital	2,700,000	2,919,927	-	-	-	5,619,927	-	5,619,927
Shares cancelled during the year	(45,500)	(45,500)	45,500	-	(45,500)	(91,000)	-	(91,000)
Share based payments	-	-	-	107,616	-	107,616	-	107,616
Total contributions by and distributions to owners	2,654,500	2,874,427	45,500	107,616	(45,500)	5,636,543	-	-
At 31 December 2023	3,129,750	3,194,5777	45,500	107,616	991,193	7,468,636	25,218	7,493,854

Company Statement of Changes in Equity
as at 31 December 2023

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total equity
At 1 January 2023	475,250	320,150	-	(497,621)	297,779
Comprehensive income for the year					
Profit for the year	-	-	-	(25,160)	(25,160)
Total comprehensive income for the year	-	-	-	(25,160)	(25,160)
Contributions by and distributions to owners					
Issue of share capital	2,700,000	2,919,927	-	-	5,619,927
Purchase of own shares	(45,500)	(45,500)	45,500	(45,500)	(45,500)
Total contributions by and distributions to owners	2,654,500	2,874,427	45,500	(45,500)	5,528,927
At 31 December 2023	3,129,750	3,194,577	45,500	(568,281)	5,801,546

Notes to the Financial Statements
For the year ended 31 December 2023

1. Reporting entity

Kelso Group Holdings PLC (the 'Company') is a public limited company incorporated in the United Kingdom. The Company's registered office is at Eastcastle House, 27 28 Eastcastle Street, London, United Kingdom, W1W 8DH. These consolidated financial statements comprise the Company and its subsidiary (collectively the 'Group' and individually 'Group companies'). The principal activity of the parent company is that of a holding company and the principal of Kelso Ltd is that of an investment company.

2. Basis of preparation

The Group's consolidated and the Company's individual 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 26 April 2024.

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

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and elected not to present its own Statement of comprehensive income in these financial statements.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group 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.

The areas where judgements and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in note 5.

2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	**Measurement basis**
Current assets investments	Fair value

Level 1 relates to quoted prices in active markets for an identical asset. The fair value of financial investments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available. and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held is the quoted price at the balance sheet date.

2.2 Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 January 2023

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant accounting policies' with a requirement to disclose 'material accounting policy information` and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Definition of Accounting Policies - Amendments to IAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12

In May 2023, the Board issued amendments to IAS 12, which introduce a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

There are no new standards which have had a material impact in the annual financial statements for the year ended 31 December 2023.

ii) New standards, interpretations and amendments not yet effective

The following standards and interpretations to published standards are not yet effective:

New standard or interpretation	**EU Endorsement status**	**Mandatory effective date (period beginning)**
Amendment to IFRS 16 - Leases on sale and leaseback	Endorsed	1 January 2024
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendment to IAS 1	Endorsed	1 January 2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	Not yet endorsed	1 January 2024
Lack of exchangeability - Amendments to IAS 21	Endorsed	1 January 2025
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Deferred	Retrospective application permitted

The directors anticipate that the adoption of these Standards in future periods will not have an impact on the results and net assets of the Company, however, it is too early to quantify this.

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

4. Material 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.

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties

- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at this time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and its calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent account under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 Revenue

Revenue consists of gains made on investment in listed companies shares. Investment income recognised in net income for fair value investments consists of realised gains and losses resulting from the disposal of, and unrealised gains or losses resulting from the holding of trading investments. Income from current assets investments consists of dividends receivable.

Realised gains and losses are recognised on the disposal of the trading investments.

Unrealised gains and losses are measured based on the fair value of the consideration received or receivable. Unrealised gains and losses are recognised in the statement of profit and loss to the extent that it is probable that the economic benefits or costs can be reliably measured and will flow to the Company.

4.4 Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income form a financial asset is recognised when it is possible that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.5 Financial instruments

Financial assets and financial liabilities are recognised when a Group 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.

4.6 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

4.7 Investments

The Group holds equity investments which are classified as trading, based on the Group's intent to sell the security at the right price.

Trading securities are those investments which are purchased principally for the purpose of selling them in the near term. Trading securities are carried at fair value on the consolidated statements of financial condition with changes in fair value recorded in the consolidated statements of income during the period of the change.

4.8 Non-controlling interests

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

The Group includes one subsidiary, Kelso Ltd, with non-controlling interests arising in 2023. The non-controlling interests, including the share options represented 1.62% of the total shareholding. No dividends were paid in the year.

4.9 Share options

The A Shares issued by Kelso Ltd represent equity settled share-based payment arrangements under which the Group receives services as a consideration for the additional rights attached to these equity shares, over and above their nominal price.

Equity settled share-based payments to certain of the Directors and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is expensed, with a corresponding increase in equity, on a straight-line basis from the grant date to the expected exercise date. Where the equity instruments granted are considered to vest immediately, the services are deemed to have been received in full, with a corresponding expense and increase in equity recognised at grant date.

The dilutive effect of outstanding share-based payments is reflected as share dilution in the computation of diluted EPS.

5. Accounting estimates and judgements

5.1 Judgement

When preparing the Financial Statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Management Incentive Plan

The Group provides for the compensation to management arising from the Management Incentive Plan as estimated by reference to the share price performance and dividends in the year. The compensation is attached to rights Kelso Limited will have the right to convert the compensation entitlement in Kelso Ltd A shares into ordinary shares in Kelso Group Holdings Plc in years 3, 4 and 5. Management has applied judgement in forcasting the future growth of the Group and its investments.

The directors believe that there were no other significant judgements required with regard to the application of the Company's accounting policies in preparing these financial statements.

5.2 Estimates and assumptions

The valuation of the investment portfolio is determined in accordance with the Group's valuation principles. All listed investments are measured at fair value and based on active market prices. Unrealised holding gains and losses are recognised in other comprehensive income. On sale, net gains and losses previously accumulated in other comprehensive income are transferred to retained earnings. Deferred tax provision is made on the unrealised gain at the year-end on the assumption that the gain will be realised and the Group will continue to be profitable.

Estimates included within these financial statements relates to the Management Incentive Plan (MIP). The directors believe that the performance and market condition of the MIP will be met and a return hurdle between 8% and 15% p.a will be achieved by year 3. The directors believe that none of these estimates carry a significant estimation uncertainty, nor do they bear a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the foreseeable future.

6. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations:

	2023	**2022**
	£	£
Realised gains on investments	1,145,098	-
Unrealised gains on investments	1,432,303	-
	2,577,401	-

7. Finance income and expense

Recognised in profit or loss

	2023	2022
	£	£

Finance income

Interest on:		
Bank deposits	3,714	-
Total interest income arising from financial assets measured at amortised cost or FVOCI	3,714	-
Dividends received listed investments	31,500	-
Total finance income	35,214	-
Finance expense		
Interest on Contract for Difference	121,217	-
Other interest payable	-	1,467
Total finance expense	121,217	1,467
Net finance expense recognised in profit or loss	(86,003)	(1,467)

8. **Expenses by nature**

	2023 £	2022 £
Professional fees	291,613	-
Interest on Contract for Difference	121,217	-
Share based payments costs	107,616	-

9. **Auditor's remuneration**

During the year, the Group obtained the following services from the Group's auditor and its associates:

	2023 £	**2022** £
Fees payable for the audit of the Group's financial statements	23,500	10,000

10. **Employee benefit expenses**

Group and company

	2023 £	**2022** £
Employee benefit expenses (including directors) comprise:		
Management Incentive Plan	107,616	-
	107,616	-

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company and the Financial Controller of the Company.

	2023 £	**2022** £
Management Incentive Plan	107,616	-

Management Incentive Plan	107,616	
	107,616	-

11. Tax expense

11.1 Income tax recognised in profit and loss

	2023 £	**2022** £
Current tax		
Current tax on profits for the year	196,523	-
Total current tax	196,523	-
Deferred tax expense		
Origination and reversal of timing differences	274,913	-
Total deferred tax expense	274,913	-
	471,436	-

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 profits for the year are as follows:

	2023 £	**2022** £
Profit/(loss) for the year	1,559,532	(289,324)
Income tax expense (including income tax on associate, joint venture and discontinued operations)	471,436	-
Profit/(loss) before income taxes	2,030,968	(289,324)
Tax using the Company's domestic tax rate of 25% (2022:19%)	507,742	(54,972)
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	37,454	16,720
Non taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	(8,801)	-
Dividends from UK companies	-	38,252
Unrelieved tax losses carried forward	(56,259)	-
Marginal relief	(8,700)	-
Total tax expense	471,436	-

Changes in tax rates and factors affecting the future tax charges

As from the 1 April 2023, the UK tax rate on profits above £50,000 p.a. increased from 19% to 25% p.a with marginal relief available for profits in between £50,000 and £250,000. In 2022, the Group had accumulated tax losses of approximately £255,000 which was carried forward.

12. Earnings per share

(i) Basic earnings per share

	2023 Pence	**2022** Pence
From continuing operations attributable to the ordinary equity holders of the Company	0.56	(0.61)
Total basic earnings per share attributable to the ordinary equity holders of the Company	0.56	(0.61)

(ii) Diluted earnings per share

	2023 Pence	**2022** Pence
From continuing operations attributable to the ordinary equity holders of the Company	0.55	(0.61)
Total basic earnings per share attributable to the ordinary equity holders of the Company	0.55	(0.61)

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

	2023 £	2022 £
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	1,534,314	(289,324)
	1,534,314	(289,324)
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:		
Used in calculating basic earnings per share	1,534,314	(289,324)
Used in calculating diluted earnings per share	1,534,314	(289,324)
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	1,534,314	(289,324)

iv) Weighted average number of shares used as the denominator

	2023 Number	2022 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	280,343,904	47,525,000
Adjustments for calculation of diluted earnings per share:		
Options	5,144,418	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	285,488,322	47,525,000

On the 16 January 2024, Kelso Group Holdings Plc placed 62,594,999 shares bringing the total number of shares in issue to 375,569,999.

13. Other non-current investments

Company

	2023 £	2022 £
Investments in subsidiary companies	2,974,998	-
	2,974,998	-

The company holds 100% of ordinary shares and voting rights in Kelso Ltd. The registered office of Kelso Ltd is at Eastcastle House, 27 28 Eastcastle Street, London, United Kingdom, W1W 8DH. The principal activity of Kelso Ltd is that of an investment company.

14. Trade and other receivables

Group

	2023 £	2022 £
Prepayments and accrued income	6,722	5,697
Other receivables	-	3,309
Total current portion	6,722	9,006

15. Current asset investments

Group

Listed investments

	2023 £	2022 £
Additions	9,972,293	-

Disposals	(3,536,196)	-
Fair value movement	1,432,303	-
	7,868,400	-

16. Notes supporting statements of cash flows

Group

	2023 £	2022 £
Cash at bank available on demand	240,332	332,971
Cash and cash equivalents in the statement of financial position	240,332	332,971

17. Trade and other payables

Group

	2023 £	2022 £
Trade payables	40,678	-
Other payables tax and social security payments	12,743	12,743
Other payables	-	9,173
Accruals	55,583	22,282
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	109,004	44,198
Corporation tax	196,523	-
Total trade and other payables	305,527	44,198

18. Share capital

Authorised

	2023 Number	2023 £	2022 Number	2022 £
Shares treated as equity Ordinary shares of £0.01 each	317,525,000	3,175,250	150,000,000	1,500,000
	317,525,000	3,175,250	150,000,000	1,500,000

Issued and fully paid

	2023 Number	2023 £	2022 Number	2022 £
Ordinary shares of £0.01 each				
At 1 January	47,525,000	475,250	47,525,000	475,250
Shares issued	270,000,000	2,700,000	-	-
Shares cancelled	(4,550,000)	(45,500)	-	-
As at 31 December 2023	312,975,000	3,129,750	47,525,000	475,250

On 24 January 2023, the Kelso Group Holdings PLC issued 150,000,000 ordinary shares for cash for a value of £3,000,000 and on 24 March 2023 the Kelso Group Holdings PLC issued an additional 120,000,000 ordinary shares for cash for a value of £3,000,000. The total number of ordinary shares in issue at 30 June 2023 was 317,525,000. All the shares have the same right to receive dividends and the repayment of capital and represents one vote at the shareholders' meeting.

During the year the year, Kelso Group Holdings PLC cancelled 4,550,000 of its own shares for £91,000.

19. Reserves

Share premium

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

Capital redemption reserve

The Capital redemption reserve is a non distributable reserve which represents the nominal value of its own shares bought back by the Group.

Other reserves

Other reserves consists of the assessed value of share based payments for services received which is yet to be converted into share options. Any amounts in relation to share options that expire or are not exercised will be transferred to distributable reserves.

Retained earnings

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

20. Non-controlling interests

	2023 £	2022 £
Share of profit for the year	25,218	-
Non-controlling interests	41,160	-
	66,378	-

21. Financial instruments - fair values and risk management

19.1 Financial risk management objectives

The Group only deals in basic financial instruments. In the current period the Group'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 Group does not use financial instruments for speculative purposes.

Portfolio risk

The group invested in listed shares in the period. In doing so, the group's portfolio of investment is exposed to market fluctuations. Management closely monitors the market price of their investments to minimise adverse risk and are monitoring the stock market for opportunities to diversify and reduce the portfolio risk.

Contract For Differences risk

The group invested in Contract For Differences (CFD) in the period. Management is experienced in CFD trading and have chosen a highly respected CFD provider to minimise counterparty risks or delays. All CFDs' were repaid before the year end.

Financial Risk Factors

The Group's activities expose it to mainly liquidity risk. The Group'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 Group 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 Group has no borrowing facilities that require repayment and therefore has no interest rate risk exposure.

Capital Management Risk

The capital structure of the Group 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 Group 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.

22. Share based payments

20.1 Employee share option plan of the Group

Details of the employee share option of the Group

During the year, the board set up a management incentive plan ("MIP") in the company's newly formed subsidiary, Kelso Ltd. 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). Participants of the MIP will hold A shares in Kelso Ltd.

Kelso Limited will have the right to convert to shares in Kelso Group Holdings Plc, the value to be calculated as follows:

- Subject to achieving a return hurdle for Kelso shareholders of 8% p.a., an entitlement to 15% of the value created
- Subject to achieving a return hurdle for Kelso 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 calculated on a straight line
- Standard good/bad leaver provision
- 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.

The MIP currently includes 6 participants who are entitled to a share of the MIP based on the share price performance at the end of the vesting period of 5 years. The exercise period is on the third, fourth and fifth anniversary.

Employee services are measured indirectly with reference to the fair value of the equity instruments granted and has been done by applying the modified grant date method. The grant date fair value of the equity instruments has been determined at the grant date on 14 April 2023 at 3.00p per share based on the market value at that date, with no downward adjustment value expected.

The Board has estimated that the performance and market condition will be met with an estimated growth of 11.51% p.a. The participants were entitled to 16.28% of the value created of £4,605,051 over the vesting period of 5 years. In accordance to the modified grant date method, this would entitle the participants to 2,682,352 share options at 31 December 2023, at the grant date price of 3.00p with a value of £107,616. This was recognised in equity in the accounts.

23. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

A Management Incentive Plan ("MIP") has been established, at a cost to the participants of £41,160, in exchange for A shares in Kelso Ltd.

There are no personnel considered to be key management other than the directors who received no remuneration other than compensation under the MIP during the year.

In 2022, J C Green a shareholder, charged the Group £49,000 for consultancy and fundraising services. All invoices were paid before the year end. There was no such transaction in the year.

24. Control

There is no controlling party of the Group.

25. Events after the reporting date

Group

As mentioned in the Chairman's report, the Group completed a fund raise of £1.88m net of expenses from an issue of ordinary shares in January 2024.

26. Deferred tax

	Group 2023 Number	Group 2022 £	Company 2023 Number	Company 2022 £
At the beginning of the year	(274,913)	-	56,259	-
Arising in the year	-	-	-	-
At end of year	(274,913)	-	56,259	-

	Group 2023 £	Company 2022 £
Tax losses	56,259	56,259
Unrealised investment gains	(358,076)	
Management Incentive plan	26,904	-
	(274,913)	56,259

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