

EMESS INTERIM REPORT 2005

Unaudited interim results for the six months to 30 June 2005

CHAIRMAN'S STATEMENT

Financial review Income for 6 months ended 30 June 2005 comprised net interest received on the Company's cash resources of £401,000 (2004: £358,000). In addition, gains of £318,000 were realised during the period under review from the disposal of an investment in a listed company. As a result, the Group achieved a profit on ordinary activities before tax of £182,000 during the 6 months under review compared to a loss of £143,000 in the corresponding period last year.

Net shareholders' funds at £23.1 million at 30 June 2005 compares to £22.9 million at 31 December 2004. During the period a number of claims against the Group relating to businesses previously disposed of were finally settled for aggregate amounts within the provisions carried in the balance sheet. Although these affected the Group's cash resources, provisions have reduced by a similar amount and net assets have increased as a result of the £182,000 profit referred to above.

Move to AIM On 31 March 2005 the Company's shares were de-listed from the Official List of the UK Listing Authority and commenced trading on AIM.

Dividend No dividend will be paid on the ordinary shares in respect of the period under review (2004: Nil).

Outlook The Group remains dedicated to its search for investment opportunities. We continue to deal with and, wherever possible, settle, remaining liabilities from the businesses previously disposed of, thereby creating a more attractive acquisition vehicle in Emess.

The Company has evaluated a large number of investment proposals during the past six months. However, it has thus far not been successful in concluding a transaction that is sufficiently attractive. The evaluation process is continuing, with a number of opportunities in early stage assessment. As and when appropriate, shareholders will be apprised of progress.

Rex Wood-Ward

Chairman

30 September 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2005

	2005 Unaudited results for six months to 30 June 2005 £'000	2004 Unaudited results for six months to 30 June 2004 £'000	2004 Audited results for the year ended 31 Dec 2004 £'000
Costs and overheads less other income _____	(537)	(501)	(1,195)
Profit on sale of investment _____	318	—	—
Provision for onerous lease _____	—	—	(362)
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Loss before interest _____	(219)	(501)	(1,557)
Interest receivable less payable _____	401	358	768
	<hr/>	<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	182	(143)	(789)
Tax _____	—	—	—
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Profit/(loss) after tax _____	182	(143)	(789)
Undeclared preference dividends (see note 2)	—	(88)	(88)
Redemption charge on non-equity shares (see note 3)	—	(293)	(293)
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Attributable profit/(loss) _____	182	(524)	(1,170)
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Earnings/(loss) per ordinary share (see note 4)	0.1p	(0.2p)	(0.5p)

UNAUDITED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2005

	Unaudited Group 30 June 2005 £'000	Unaudited Group 30 June 2004 £'000	Audited Group 31 December 2004 £'000
Note			
Fixed assets			
Tangible assets _____	14	25	18
Investment property _____	6,200	6,200	6,200
	6,214	6,225	6,218
Current assets			
Debtors _____	55	76	121
Investments _____	—	—	1,000
Cash at bank and in hand _____	24,538	25,634	24,291
	24,593	25,710	25,412
Creditors: due within one year _____	(639)	(1,212)	(1,521)
Net current assets _____	23,954	24,498	23,891
Total assets less current liabilities _____	30,168	30,723	30,109
Creditors: due after one year			
Bank loans _____	(5,866)	(6,000)	(5,904)
Provisions for liabilities and charges _____	(1,184)	(1,141)	(1,269)
	23,118	23,582	22,936
Capital and reserves			
Called up share capital _____	2,846	2,846	2,846
Share premium account _____ 5	16,841	16,841	16,841
Revaluation reserve _____ 5	600	600	600
Other capital reserves _____ 5	3,976	3,976	3,976
Distributable reserves _____ 5	(1,145)	(681)	(1,327)
Shareholders' funds _____ 6	23,118	23,582	22,936

UNAUDITED CONSOLIDATED CASH FLOW

FOR THE HALF YEAR ENDED 30 JUNE 2005

	Note	Unaudited six months 30 June 2005 £'000	Unaudited six months 30 June 2004 £'000	Audited Year to 31 December 2004 £'000
Net cash outflow from operating activities	7	(116)	(209)	(2,008)
Returns on investments and servicing of finance				
Preference share dividends		—	(92)	(92)
Interest received		588	521	1,120
Interest paid		(187)	(163)	(355)
Net cash inflow from returns on investments and servicing of finance		401	266	673
Taxation				
Refund		—	—	64
Net cash inflow from taxation		—	—	64
Capital expenditure				
Sale of tangible fixed assets		—	—	2
Net cash inflow from capital expenditure		—	—	2
Acquisitions and disposals				
Disposal of Poole Lighting Limited		—	490	490
Net cash inflow from acquisitions and disposals		—	490	490
Net cash inflow before management of liquid resources and financing		285	547	(779)
Management of liquid resources				
Cash placed on short-term deposit		(346)	(618)	764
Financing				
Net decrease in loans		(38)	—	(17)
Costs associated with issue of ordinary share capital		—	(175)	(175)
Net cash outflow from financing		(38)	(175)	(192)
(Decrease) in cash	8	(99)	(246)	(207)

NOTES TO THE FINANCIAL STATEMENTS

1. The financial information contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 December 2004 is extracted from the audited financial statements for that year on which the auditors gave an unqualified report and which did not contain a statement under Section 237(2) or 237(3) of the Companies Act 1985. A copy of those financial statements has been filed with the Registrar of Companies.

The Company is listed on the AIM market of the London Stock Exchange. As an AIM company, the Company is not required to adopt International Financial and Reporting Standards (IFRS) until 1 January 2007 and IFRS have not been adopted for these financial statements.

2. Preference dividends

Pursuant to the terms of the scheme of arrangement effective on 21 June 2004, no further dividend was payable on these shares. In arriving at the loss attributable to ordinary shareholders the amount of this undeclared preference dividend to this date was charged to the profit and loss account.

3. Redemption charge on non-equity shares

A charge in respect of the redemption of the redeemable preference shares was made up to 21 June 2004, the date the scheme of arrangement became effective. On the cancellation of the preference shares the balance of the redemption fund was transferred to the Profit and Loss account as a reserves movement.

4. Earnings/(loss) per share

Basic and fully diluted earnings/(loss) per share has been calculated on the Group's profit/(loss) attributable to shareholders of £182,000 (2004: loss £524,000) and on the weighted average number of shares in issue during the six month period which was 284,581,499 (2004: 230,220,902).

5 Group reserves

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Profit & loss account £'000	Total reserves £'000
At 1 January 2005	16,841	600	3,784	192	(1,327)	20,090
Profit for the period	—	—	—	—	182	182
At 30 June 2005	<u>16,841</u>	<u>600</u>	<u>3,784</u>	<u>192</u>	<u>(1,145)</u>	<u>20,272</u>

6 Reconciliation of movements in shareholders' funds

	£'000
At 1 January 2005	22,936
Profit for the period	182
At 30 June 2005	<u>23,118</u>

7 Net cash outflow from operating activities

	Unaudited six months 30 June 2005 £'000	Unaudited six months 30 June 2004 £'000	Audited Year to 31 December 2004 £'000
Operating loss	(219)	(501)	(1,557)
Provision for onerous leases	—	—	362
Depreciation	4	4	9
Decrease in debtors	66	222	177
Decrease/(increase) in trade investments	1,000	—	(1,000)
(Decrease)/increase in creditors	(882)	109	278
(Decrease) in provision for liabilities and charges	(85)	(43)	(277)
	<u>(116)</u>	<u>(209)</u>	<u>(2,008)</u>

NOTES TO THE FINANCIAL STATEMENTS

8 Analysis of net funds:

	1 January 2005 £'000	Cash flow £'000	30 June 2005 £'000
Net cash:			
Cash at bank and in hand	24,291	247	24,538
Less deposits treated as liquid resources	(24,178)	(346)	(24,524)
	<hr/>	<hr/>	<hr/>
	113	(99)	14
Liquid resources:			
Deposits	24,178	346	24,524
Debt:			
Loans	(5,981)	38	(5,943)
	<hr/>	<hr/>	<hr/>
Net funds	18,310	285	18,595
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9. Provisions for liabilities and Contingent liabilities

Provisions for liabilities

Provision is made in these financial statements for all material liabilities including any legal claims, which are expected to materialise, and a number of lease liabilities which have materialised on premises formerly occupied by Group companies.

The Directors have considered the adequacy of provisions for product liability, property lease liabilities which have materialised, trade disputes and environmental issues relating to disposed businesses and consider that adequate provision has been made, or sufficient funds held in escrow, to meet any contingent costs.

Contingent liabilities

Indemnities and warranties

The Group continues to have contingent liabilities in connection with indemnities and warranties given to purchasers of its former businesses. As no claims have been made under these indemnities and warranties, the Directors are unable to quantify these potential liabilities.

Property Lease Liabilities

The Group continues to have contingent liabilities in connection with the property leases of its former businesses, for which it is exposed to lease obligations in the event of an assignee's default. The remaining lengths of these leases range from 3 to 18 years. Whilst all assignees continue to meet their obligations under these leases, the current annual rent obligations (which may be subject to periodic reviews), before allowing for any mitigating activities, for all such leases are approximately £1.1 million.

No provision has been made in respect of these contingent matters.