

Regulatory Story

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Adams PLC - ADA Half-year Report
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Adams plc

("Adams" or the "Company")

Interim Results for the Six Months ended 30 September 2019

Adams Plc ("Adams" or the "Company") experienced a challenging six months to 30 September 2019 in terms of the performance of its investment portfolio and as a result the Company incurred a loss after tax of £46,000 during that period versus a profit after tax of £517,000 earned in the six months ended 30 September 2018. The reduction in profitability is principally due to lower investment returns of only £23,000 compared to £598,000 in the previous September 2018 half year.

During the six months ended 30 September 2019, the Company spent £559,000 on 3 new equity investments and generated cash proceeds of £579,000 from the realisation of its investment in Midatech Pharma Plc. Adams held 6 investments at 30 September 2019, of which 5 were listed and 1 was un-listed, and for which the total investment carrying value was £2.02 million (31 March 2019: carrying value £2.08 million, represented by 3 listed and 1 un-listed investment holdings).

The Company held cash balances of £309,000 at 30 September 2019, compared to cash balances of £315,000 at the previous 31 March 2019 year end, and it had not drawn down any part of its £3 million unsecured loan facility at that date. Net assets attributable to shareholders of Adams at 30 September 2019 were £2.32 million (equivalent to 2.81 pence per share) versus £2.37 million (equivalent to 2.87 pence per share) at 31 March 2019.

Business model and investing policy

Adams is an investing company with an investing policy under which the Board is seeking to acquire interests in special situation investment opportunities that have an element of distress, dislocation, dysfunction or other special situation attributes and that the Board perceives to be undervalued. The principal focus is in the small to middle-market capitalisation sectors in the UK or Europe, but the Directors will also consider possible special situation opportunities anywhere in the world if they believe there is an opportunity to generate added value for shareholders.

Investment Portfolio

The listed investments held by the Company at 30 September 2019 comprised Petrofac Limited ("Petrofac"), Eland Oil & Gas Plc ("Eland"), Diurnal Group PLC ("Diurnal"), Griffin Mining Limited ("Griffin") and Circassia Pharmaceuticals plc ("Circassia"). In addition, the Company holds shares and loan notes in unquoted Sherwood Holdings Limited which has Source Bioscience Limited ("Source Bioscience") as its principal subsidiary company asset.

Petrofac is listed on the Main Market of the London Stock Exchange and is a multinational service provider to the oil and gas production and processing industry. The company, which has 31 offices and approximately 13,500 staff worldwide, designs, builds, operates and maintains oil and gas facilities with a focus on delivering first class project execution, cost control and

effective risk management. For the six months ended 30 June 2019, Petrofac reported a profit of US\$135 million after tax on revenue of US\$2.82 billion. Net cash stood at US\$69 million at 30 June 2019.

Eland is an AIM listed independent oil and gas company focused on production and development in principally the Niger Delta in West Africa where, through its joint venture company Elcrest Exploration and Production Nigeria Ltd, it has acquired a number of oil field licenses. Eland's increasing production led to record revenues of US\$106.0 million in the six months to 30 June 2019 and a resultant US\$32.7 million post-tax profit for that period.

Diurnal is an AIM listed specialty pharmaceutical company dedicated to developing high-quality hormone therapeutics to aid lifelong treatment for rare and chronic endocrine conditions, initially by developing and marketing products for the rare orphan diseases congenital adrenal hyperplasia and adrenal insufficiency including its Alkindi® and Chronocort® products. Initial revenues grew to £1 million for the year ended June 2019, which coupled with continued significant investment in research and development and marketing, resulted in a loss after tax of £12.3 million for that year.

Griffin is an AIM listed mining and investment company that has been the leader in foreign investment in mining in China having been engaged in developing the Caijiaying zinc and gold project since 1997. For the six months ended 30 June 2019, Griffin reported a much reduced profit of US\$4.1 million after tax on revenue of US\$38.6 billion, reflecting falling zinc metal prices and significantly higher smelter treatment charges.

Circassia is an AIM listed specialty pharmaceutical company focused on respiratory disease and which markets innovative asthma management products including the chronic obstructive pulmonary disease products Tudorza® and Duaklir® as well as the ventilator-compatible novel nitric oxide NIOX® product. Revenues amounted to £27.9 million for the six months ended 30 June 2019, which coupled with continued significant investment in development and marketing, resulted in an operating loss of £19.3 million for that period.

Source Bioscience is a private company that is an international provider of state-of-the art laboratory services and products and has an expertise in clinical diagnostics, genomics, proteomics, drug discovery & development research and analytical testing services.

Post period end investment transactions. Subsequent to 30 September 2019, Adams realised its investment in Eland in full, generating investment disposal proceeds amounting to £328,000. Together with other post 30 September 2019 cash flows, Adams currently has cash balances of approximately £640,000, in addition to an unused loan facility of £3.0 million, available for further investment as and when the Directors identify appropriate attractive opportunities to exploit.

Outlook

There is continued reason for investment caution in the near term, given that the global economy is slowing down as reflected by falling GDP output in the US and China, coupled with near recession conditions in Germany, Italy and the UK. The key threats to a sustained global recovery include the continuing trade war between the US and China, ongoing Brexit uncertainties and worldwide debt to GDP ratios which are now at their highest levels since the Second World War.

We will, therefore, continue to maintain a rigorous and highly selective investment approach with a view to exploiting opportunities as they emerge and we are confident that this approach will enable us to build considerable value for shareholders going forward.

Michael Bretherton
Chairman
27 November 2019

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTH PERIOD TO 30 SEPTEMBER 2019

	Note	6 months ended 30 Sep 2019 (Unaudited) £'000	Year ended 31 Mar 2019 (Audited) £'000	6 months ended 30 Sep 2018 (Unaudited) £'000
(Loss)/gain on investments	5	(31)	317	541
Dividend income		54	87	57
Investment return		23	404	598
Expenses and other income				
Administrative expenses		(73)	(172)	(86)
Other income		-	14	-
Operating (loss)/profit		(50)	246	512
Interest income		4	11	5
(Loss)/profit before income tax		(46)	257	517
Income tax expense		-	-	-
(Loss)/profit and total comprehensive (Loss)/income for the period		(46)	257	517
Basic and diluted (loss)/earnings per share	10	(0.06)p	0.31p	0.63p

There are no other items of comprehensive (loss)/income.

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

	Note	As at 30 Sep 2019 (Unaudited) £'000	As at 31 Mar 2019 (Audited) £'000	As at 30 Sep 2018 (Unaudited) £'000
Assets				
Non-current assets				
Investments	6	2,024	2,075	2,622
Current assets				

Trade and other receivables	7	3	2	6
Cash and cash equivalents		309	315	30
Current assets		312	317	36
Total assets		2,336	2,392	2,658
Liabilities				
Current liabilities				
Trade and other payables	8	(16)	(26)	(32)
Total liabilities		(16)	(26)	(32)
Net current assets		296	291	4
Net assets		2,320	2,366	2,626
Equity				
Called up share capital	9	826	826	826
Accumulated gains		1,494	1,540	1,800
Total shareholder equity		2,320	2,366	2,626

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD TO 30 SEPTEMBER 2019

	Share Capital £'000	Share Premium £'000	Foreign currency translation reserve £'000	Accumulated gains/(losses) £'000	Total £'000
At 31 March 2018 (audited)	1,001	1,401	(244)	(49)	2,109
Total comprehensive gain for period	-	-	-	517	517
Redenomination of share capital	(175)	175	-	-	-
Elimination of foreign currency reserve	-	(244)	244	-	-
Reclassification of share premium	-	(1,332)	-	1,332	-
At 30 September 2018 (unaudited)	826	-	-	1,800	2,626
Total comprehensive loss for period	-	-	-	(260)	(260)
At 31 March 2019 (audited)	826	-	-	1,540	2,366
Total comprehensive loss for period	-	-	-	(46)	(46)
At 30 September 2019 (unaudited)	826	-	-	1,494	2,320

STATEMENT OF CASH FLOWS**FOR THE SIX MONTH PERIOD TO 30 SEPTEMBER 2019**

	6 months ended 30 Sep 2019 (Unaudited) £'000	Year ended 31 Mar 2019 (Audited) £'000	6 months ended 30 Sep 2018 (Unaudited) £'000
(Loss)/profit for the period	(46)	257	517
Unrealised loss/(gain) on revaluation of investments	277	(174)	(541)
Realised gain on disposal of investments	(246)	(143)	-
(Increase)/decrease in trade and other receivables	(1)	5	(4)
(Decrease)/increase in trade and other payables	(10)	-	11
Net cash outflows from operating activities	<u>(26)</u>	<u>(55)</u>	<u>(17)</u>
Cash flows from investing activities			
Proceeds from sales of investments	579	529	-
Purchase of investments	(559)	(211)	(5)
Net cash generated/(used) in investing activities	<u>20</u>	<u>318</u>	<u>(5)</u>
Net (decrease)/increase in cash and cash equivalents	(6)	263	(22)
Cash and cash equivalents at beginning of period	315	52	52
Cash and cash equivalents at end of period	<u>309</u>	<u>315</u>	<u>30</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD TO 30 SEPTEMBER 2019**

The accounting policies and explanatory notes set out below from an integral part of the financial statements.

1 General information

Adams Plc ("the Company") is a company incorporated in the Isle of Man and is listed on the AIM market of the London Stock Exchange.

2 Basis of preparation

The interim financial statements of Adams Plc are unaudited condensed financial statements for the six months ended 30 September 2019. These include unaudited comparatives for the six months ended 30 September 2018 together with audited comparatives for the year ended 31 March 2019.

These interim condensed financial statements have been prepared on the basis of the accounting policies expected to apply for the financial year to 31 March 2020 which are based on the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements have been prepared under the historical cost convention. The Company's presentation and functional currency is GBP Pounds Sterling.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting', and should be read in conjunction with the Company's annual financial statements to 31 March 2019. Accordingly, whilst the interim statements have been prepared in accordance with IFRS, they cannot be construed as being in full compliance with IFRS.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

3 Going concern

Information on the business environment, financial position and the factors underpinning the Company's future prospects and portfolio are included in the Chairman's Statement. The Directors confirm that they are satisfied that the Company has adequate financial resources to continue in business for the foreseeable future based on the current liquid resources available. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

4 Significant accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements of Adams Plc for the year ended 31 March 2019 which received an unqualified audit opinion. A copy of these financial statements is available on the Company website at www.adamsplc.co.uk.

5 Segment reporting

Operating segments for Adams Plc are reported based on the financial information provided to the Board, which is used to make strategic decisions. The Directors are of the opinion that under IFRS 8 'Operating segments' the Company has only one reportable segment, being Investment Return. The Board assesses the performance of the operating segment based on financial information which is measured and presented in a manner consistent with that in the financial statements.

The principal sources of revenue for the Company in the period to 30 September 2019 were as follows:

	6 months ended 30 Sep 2019 £'000	Year ended 31 Mar 2019 £'000	6 months ended 30 Sep 2018 £'000
Unrealised (loss)/gain on investments	(277)	174	541
Realised gains on investments	246	143	-
Total (loss)/gain on investments	(31)	317	541

6 Investments

An analysis of movements in the value of the Company's investments is as follows:

	Quoted Equity Shares £'000	Unquoted Equity Shares £'000	Unquoted Loan Notes £'000	Total £'000
Fair value at 31 March 2018	1,968	5	103	2,076
Additions at cost	-	-	5	5
Unrealised revaluation gains	541	-	-	541
Fair value at 30 September 2018	2,509	5	108	2,622
Additions at cost	200	-	6	206
Disposals	(386)	-	-	(386)
Unrealised revaluation loss	(367)	-	-	(367)
Fair value at 31 March 2019	1,956	5	114	2,075
Additions at cost	555	-	4	559
Disposals	(333)	-	-	(333)
Unrealised revaluation loss	(277)	-	-	(277)
Fair value at 30 September 2019	1,901	5	118	2,024

7 Trade and other receivables

	As at 30 Sep 2019 £'000	As at 31 Mar 2019 £'000	As at 30 Sep 2018 £'000
Prepayments	3	2	6
	3	2	6

The carrying amount of prepayment is approximate to their fair value.

8 Trade and other payables

As at	As at	As at
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	30 Sep 2019 £'000	31 Mar 2019 £'000	30 Sep 2018 £'000
Trade payables	11	11	13
Accruals and other creditors	5	15	19
	16	26	32

The carrying amount of trade and other payables approximates to their fair value.

9 Share capital and share premium

	Number of shares issued and fully paid up	Share capital £'000	Share premium £'000
Ordinary shares			
At 1 April 2018	82,553,232	1,001	1,401
Redenomination of share capital	-	(175)	175
Elimination of foreign currency reserve	-	-	(244)
Reclassification of share premium	-	-	(1,332)
At 30 September 2018	82,553,232	826	-
Issue of shares	-	-	-
At 31 March 2019	82,553,232	826	-
Issue of shares	-	-	-
At 30 September 2019	82,553,232	826	-

On 10 August 2018, a special resolution was passed authorising the par value of the Company's Ordinary Shares to be redenominated from €0.01 to £0.01. On that same date, resolutions were also passed that £244,000 of share premium be cancelled and applied to eliminate the Foreign Currency Translation Reserve and that the remaining balance on the Company's share premium account be reclassified as distributable reserves.

The authorised Ordinary share capital of the Company at 30 September 2019, 31 March 2019 and 30 September 2018 is 350,000,000 Ordinary Shares of £0.01.

10 (Loss)/earnings per share

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit after tax attributable to equity shareholders by the weighted average number of Ordinary Shares in issue during the period:

	6 months ended 30 Sep 2019	Year ended 31 Mar 2019	6 months ended 30 Sep 2018
(Loss)/profit after tax attributable to equity holders of the Company (£'000)	(46)	257	517
Weighted average number of Ordinary Shares	82,553,232	82,553,232	82,553,232
Basic and diluted (loss)/earnings per share	(0.06)p	0.31p	0.63p

There were no potentially dilutive shares in issue as at 30 September 2019, 31 March 2019 and 30 September 2018.

11 Events after reporting date

Following the 30 September 2019 half year end, the Company disposed of its entire remaining holding of 199,911 shares in Eland Oil & Gas Plc for a cash consideration of £328,000.