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ADAMS PLC

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Adams Plc
("Adams" or the "Company")

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Adams Plc presents its annual report and audited financial results for the year ended 31 March 2020.

Highlights:

- Net assets at 31 March 2020 of £2.06 million (2019: £2.37million).
- Net assets per share 2.50 pence at 31 March 2020 (2019: 2.87 pence).
- Loss after tax of £0.30 million (2019: profit £0.26 million).
- Investments at 31 March 2020 valued at £1.18 million (2019: £2.08 million).
- Spend on new investments of £1.38 million (2019: £0.21 million).
- Investment realisation proceeds of £2.03 million (2019: £0.53 million).
- Cash at 31 March 2020 of £0.90 million (2019: £0.32 million).
- No part of the £3.00 million shareholder loan facility drawn down to date.

Michael Bretherton, Chairman, said:

"The full economic fallout from the Covid-19 pandemic remains uncertain but continued volatility can be expected. Against this economic backdrop, your Board will continue to maintain a rigorous and highly selective investment approach which is committed to delivering additional value for shareholders going forward. We remain confident in the underlying fundamentals, technologies and long-term potential for growth at the companies within our investment portfolio."

The Company's 2020 Annual Report will shortly be posted to shareholders together with a Notice of Annual General Meeting, copies of which will be made available on the Company's website at www.adamsplc.co.uk under the *Investor Relations / Company & Shareholder Documents* section. The Annual General Meeting is to be held at 11.00 a.m. on Friday 21 August 2020 at the Companies Registered office at 55 Athol Street, Douglas, Isle of Man, IM1 1LA. In accordance with current guidance regarding Covid-19 and the travel restrictions into the Isle of Man, the Company **recommends that shareholders should not physically attend the AGM** and should instead vote by form of proxy.

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

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Chairman's Statement

Results

Adams reported a loss after tax of £303,000 for the year ended 31 March 2020 compared to a profit of £257,000 in the prior year. The reduction in profitability is principally due to adverse conditions in financial markets, in part as a result of the coronavirus (COVID-19) outbreak, with a resultant loss on investments of £245,000 in the year versus a corresponding gain of £317,000 for the prior year.

During the year, the Company spent £1.38 million on the purchase of additional investments and realised proceeds of £2.03 million from investment disposals. The carrying value of investments at 31 March 2020 was £1.18 million, represented by five listed and one un-listed investment holdings, versus £2.08 million at 31 March 2019, represented by three listed and one un-listed investment holdings.

Net assets reduced to £2.06 million (equivalent to 2.50 pence per share) at the 31 March 2020 balance sheet date, compared with £2.37 million (equivalent to 2.87 pence per share) at the previous year end. The £0.30 million reduction in net assets reflects the loss reported for the year.

Cash and cash equivalent balances were £0.90 million at 31 March 2020 compared to cash balances of £0.32 million 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 31 March 2020 comprised Circassia Pharmaceuticals plc ("Circassia"), Diurnal Group Plc ("Diurnal"), TalkTalk Telecom Group Plc ("Talk Talk"), Griffin Mining Limited ("Griffin") and 4D Pharma Plc ("4D Pharma"). In addition, the Company holds shares and loan notes in unquoted Sherwood Holdings Limited ("Sherwood") which has Source Bioscience Limited ("Source Bioscience") as its principal subsidiary company asset.

Circassia is an AIM listed specialty pharmaceutical company focused on respiratory disease and which markets innovative asthma management products focussed on the ventilator-compatible novel nitric oxide Niox® respiratory diagnostic platform. In April 2020, the company announced a transaction to terminate the development and commercialisation agreement between the company and AstraZeneca UK Limited for the U.S. commercial rights to Tudorza® and Duaklir® that will transform Circassia into a debt-free business with a strong Niox® based revenue-generating business and the potential to expand into new territories. AstraZeneca will retain its 18.9% shareholding in the company. Revenues amounted to £62.4 million for the year ended 31 December 2019, which coupled with continued significant investment in development and marketing, resulted in an underlying continuing operations loss after tax of £39.0 million for that year. The shareholding of Adams at 31 March 2020 was, and continues to be, 0.82% of the Circassia shares in issue.

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 £1.1 million for the six months to 31 December 2019, which coupled with continued significant investment in research and development and marketing, resulted in a loss after tax of £4.0 million for that half year period. The shareholding of Adams at 31 March 2020 was, and continues to be, 0.66% of the Diurnal shares in issue.

Talk Talk is a Main Market listed connectivity provider of landline, broadband, TV and mobile services to consumer and business customers. In January 2020, TalkTalk announced the sale of its FibreNation business for £200m to CityFibre in a process to simplify its business and reduce debt. It continues to offer both consumer and business customers access to fibre broadband connectivity and also offers data solutions to business customers at great value through its high margin ethernet-based services. Talk Talk has a compelling TV proposition that allows customers to access up to 80 Freeview channels, as well as flexible access to an extensive range of premium content from Sky, BT Sport and Netflix. Its mobile services provide unique offers in partnership with O₂ that are only available to TalkTalk customers. For the year ended 31 March 2020, Talk Talk reported preliminary results showing a profit before tax of £131 million on revenues of £1,569 million. The shareholding of Adams at 31 March 2020 was, and continues to be, 0.02% of the TalkTalk shares in issue.

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 year ended 31 December 2019, Griffin reported a much reduced profit of US\$6.1 million after tax on revenues of US\$82.3 million, reflecting falling zinc metal prices and significantly higher smelter treatment charges. The coronavirus outbreak resulted in a cessation of mining operations in early 2020, but the company subsequently announced that following the gradual lifting of restrictions in February and March, operations steadily increased such that by 24 March 2020, underground mining and processing operations had reached 100%, and 75% respectively, of planned output. The shareholding of Adams in Griffin at 31 March 2020 was, and continues to be, 0.13% of the Griffin shares in issue.

4D Pharma is an AIM listed pioneer in harnessing bacteria of the gut microbiome as a novel and revolutionary class of medicines, known as live biotherapeutics, which could be used as potential new therapies for a large number of diseases including cancer, gastrointestinal disease, respiratory disease and central nervous system disease. The company has initiated multiple live biotherapeutic programmes across a broad range of therapeutic areas and has also entered a clinical collaboration with Merck & Co. to evaluate a lead immuno-oncology candidate. 4D Pharma incurred a loss after tax for the year ended 31 December 2019 of £24.1 million inclusive of £26.5 million of research and development expenditure. Cash and short-term deposits at 31 December 2019 amounted to £3.8 million and 4D Pharma subsequently raised gross proceeds of £22.0 million through a placing of new shares at 50 pence per share in March 2020. The shareholding of Adams at 31 March 2020 was, and continues to be, 0.14% of the 4D Pharma shares in issue.

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. The shareholding of Adams in Sherwood, which has Source Bioscience as its principal subsidiary company asset, at 31 March 2020 was, and continues to be, 0.18% of the Sherwood shares in issue. In addition, Adams holds unquoted loan notes in Sherwood with a value of £0.124 million at 31 March 2020.

Post year-end investment transaction. Subsequent to the Company's 31 March 2020 year end, Adams committed to invest £0.57 million in Oxehealth Limited ("Oxehealth") by way of two share subscription payments, the first of which was for £0.34 million and was paid on 11 June 2020 and the second payment of £0.23 million is scheduled to be paid on around 11 November 2020. Following this second share subscription, the investment holding by Adams will represent 2.4% of Oxehealth's issued ordinary share capital. Oxehealth is a private company that uses proprietary signal processing and computer vision to process normal digital video camera data to remotely measure the vital signs and activity of patients in a number of different markets, primarily in Mental Health, Acute Hospital settings, Primary Care settings, Care Home, and Custodial facilities in both the UK and also in Sweden.

Adams is expected to have remaining cash balances of approximately £0.24 million following the second final Oxehealth share subscription payment, in addition to an unused shareholder loan facility of £3.0 million as set out in note 14 to the Financial Statements included in the Annual Report, available for further investment as and when the directors identify appropriate attractive opportunities to exploit.

COVID-19 update

The coronavirus (Covid-19) outbreak in 2020 continues to have a negative impact on global economic activity and additional volatility in financial markets can be

expected. Adams' investment portfolio has, however, not been further adversely impacted subsequent to our 31 March 2020 year end and positive news at some of the companies within our investment portfolio has in fact helped to generate unrealised gains which are estimated to have resulted in a profit for the first two and a half months of the current financial year of approximately £0.3 million.

Outlook

The full economic fallout from the Covid-19 pandemic remains uncertain but is likely to be severe and cripple even the most resilient of markets, threatening national and global growth. Bold policy measures involving unprecedented levels of public debt will be needed to protect the most vulnerable from economic ruin and to recover to a position of economic growth and financial stability. In the meantime, continued volatility can be expected.

Against this economic backdrop, your Board will continue to maintain a rigorous and highly selective investment approach which is committed to delivering additional value for shareholders going forward. We remain confident in the underlying fundamentals, technologies and long-term potential for growth at the companies within our investment portfolio.

Michael Bretherton
Chairman

29 June 2020

Statement of Comprehensive Income for the year ended 31 March 2020

	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Dividend income	83	87
(Loss) / gain on investments	(245)	317
Investment return	(162)	404
Expenses and other income		
Administrative expenses	(152)	(172)
Other income	1	14
Operating (loss) / profit	(313)	246
Interest income	10	11
(Loss) / profit on ordinary activities before taxation	(303)	257
Tax on profit on ordinary activities	-	-
(Loss) / profit for the year	(303)	257
Basic and diluted (loss) / profit per share	(0.37)p	0.31p

Statement of Financial Position at 31 March 2020

	31 March 2020	31 March 2019
	£'000	£'000
Assets		
Non-current assets		
Investments	1,178	2,075
Current assets		
Prepayments	9	2
Cash and cash equivalents	904	315
Current assets	913	317
Total assets	2,091	2,392
Liabilities		
Current liabilities		
Trade and other payables	(28)	(26)
Total liabilities	(28)	(26)
Net current assets	885	291
Net assets	2,063	2,366
Equity		
Called up share capital	826	826
Retained earnings reserve	1,237	1,540
Total shareholder equity	2,063	2,366

Statement of Changes in Equity as at 31 March 2020

	Share Capital	Share Premium	Foreign currency translation reserve	Retained earnings reserve	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	1,001	1,401	(244)	(49)	2,109
Changes in equity					
Redenomination of share capital	(175)	175	-	-	-
Elimination of foreign currency reserve	-	(244)	244	-	-
Reclassification of share premium	-	(1,332)	-	1,332	-
Total comprehensive gain	-	-	-	257	257
At 31 March 2019	826	-	-	1,540	2,366
Changes in equity					
Total comprehensive loss	-	-	-	(303)	(303)
At 31 March 2020	826	-	-	1,237	2,063

Statement of Cash Flows for the year ended 31 March 2020

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 *Restated £'000
(Loss) / profit for the year	(303)	257
Unrealised loss/(gain) on revaluation of portfolio investments	319	(174)
Realised gain on disposal of portfolio investments	(74)	(143)
Increase in trade and other receivables	(7)	-
Increase in trade and other payables	2	5
Net cash outflow from operating activities	(63)	(55)
Cash flows from investing activities		
Purchase of portfolio investments	(1,378)	(211)
Proceeds from sales of investments	2,030	529
Net cash generated from investing activities	652	318
Net increase in cash and cash equivalents	589	263
Cash and cash equivalents at beginning of year	315	52
Cash and cash equivalents at end of year	904	315

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