Abal Group plc
("Abal" or the "Company")
Final Results for the year ended 31 March 2019

Abal Group plc, the AIM listed cash shell, today announces its results for the year ended 31 March 2019.

Overview:

In the year to 31 March 2019 the group underwent the following fundamental changes.

At the beginning of that year, the group was providing a combination of software and consultancy solutions to customers who were interested in innovation objectives. However, due to disappointing trends in revenues and profitability, the directors explored opportunities to sell the group and had started detailed discussions with a number of interested parties. Based on the limitations of the potential purchasers' proposals, a decision was soon taken to terminate these discussions.

In early June 2018, it was decided and announced that the business was to be retained, and a new strategic plan was to be introduced that involved the departure of the then Chairman and the Chief Executive Officer, and the seeking of new funds to implement parallel strategies of revenue growth and the cutting of costs. Later that month as a result of the rejuvenated sales drive, there was an early customer win - providing management services to a leading European wine producer.

In July 2018, an experienced new Chief Executive Officer, Angus Forrest, was appointed, whose main remit was to place the group on a secure financial footing and to restructure the business to generate growth. Later in July, discussions were started with another major investor, but these discussions were terminated at the end of September.

In October 2018, the Company announced an improving financial performance as a result of the cost savings, and customers were renewing their contracts and there were new customer wins. At the end of October and in early November, there were major fundraising initiatives with the issues of shares and a convertible loan note. In December, there was another share issue to further strengthen the group's financial position, to support the cost reduction program, and to provide additional working capital. It was apparent though that continued progress was by no means certain and would be likely to be slow, requiring yet further capital.

On 10 January 2019, the directors announced that a conditional agreement had been reached to sell all of the group's business for $1.7 million, with the potential for up to another $0.8m depending on the satisfaction of certain conditions. This sale was approved at a General Meeting of the Company later that month, and the sale was completed on 5 February 2019.

From the date of the sale of the business, the group changed its name and became a cash shell seeking new investment opportunities. It was subsequently agreed that Angus Forrest would leave the Company. He resigned as a director with effect from 28 February 2019. I wish to thank him for his fortitude and patience during what was a difficult and uncertain period for the group. His input was key to the group's survival.

The group's Income Statement is analysed between the continuing operations and discontinued operations. The continuing operations represent the ongoing activities of the holding company as a cash shell with the costs of maintaining the Company and its listing on AIM. The discontinued operations include all the trading activities up to the date of the sale plus the profit on the sale.

Most recently, on 27 September 2019, the group announced that a conditional share purchase and sale agreement had been reached to acquire all of the share capital of Supply@Me SRL. Supply@Me SRL is an Italian company that has developed an innovative, proprietary, digital system which underpins a fintech platform that enables customers to carry out 'inventory monetisation' transactions by transforming their unsold stock of goods to Supply@Me SRL. The consideration will only be by the issue of new ordinary shares in Abal, the number of which is uncertain, and a further share placing is planned to cover the costs of the proposed transaction and to provide working capital and development capital. This transaction would be both a reverse takeover and a related party transaction, because of the relationships between certain persons in relation to the Company and Supply@Me SRL, and is still subject to several key approvals. There is no assurance that the agreement will complete.

Business review

In our 2019 Consolidated Statement of Comprehensive Income, prepared according to IFRS accounting standards, we are required to show separately the results of the group's discontinued operations from its continuing operations.

Discontinued operations

On 5 February 2019 the group sold all of its business and assets for an initial cash consideration of $1.7m (about £1.3m) together with the potential for further deferred consideration of up to about $0.8m (about £0.6m) subject to achieving certain conditions. The amount of the deferred consideration has not been finally agreed at the time of preparing these financial statements. There has been an agreed price reduction as the purchaser has had unexpected problems with the collection of one of the larger debts and the failure of one key customer to renew its contract. The latest estimate for the amount of the deferred consideration is $0.06m (about £0.04m), and this is the amount that has been included in the financial statements. On this basis the profit on disposal of the business was £0.9m (2018:Nil).

In his report to shareholders in September 2018 the new Chief Executive Officer reviewed the business overall as follows:

'The year to 31 March 2019 is one of significant change with the emphasis being on improving the performance of every part of the business. Although there may be some adverse impact in the short term, this will build firm foundations for the future development of the enterprise. The first objective for the Company is to improve its financial performance which comprises both cost reduction and revenue improvement, we are making progress on both fronts and I look forward to reporting further progress in due course.'

At a more detailed level, in terms of revenues, in May 2018 the group announced that revenues continued to be disappointing, and this followed reducing revenues in the previous year to 31 March 2018. The downward trend in revenues started to improve following a new strategic plan that was introduced in June 2018 and the appointment of a new Chief Executive Officer in July 2018. Total revenues for the 10 month period prior to the sale of the business on 5 February 2019 were £2.3m (2018: 12 months £3.7m).

The cost reduction programs that were introduced in the summer of 2018 were not sufficient to return the trading to profitability. The investment in development costs was substantially reduced to £0.2m (2018: £0.5m). Further details of the trading performance prior to the sale of the business are set out in Note 4 to the financial statements.

Continuing operations

Following the sale of all of its business and assets in February 2019, the group became a cash shell. The sale agreement provided that most employees transferred to the purchaser. The only material continuing activity of the group after the sale was that of a holding company continuing with its overheads as an ongoing quoted company on AIM while seeking new investment opportunities.

Financial overview

In summary, from a financial viewpoint, the group has transformed successfully from a trading group that had been consuming all of its cash resources, to a cash shell still listed on AIM, and now, most recently, to a group considering an exciting new acquisition opportunity in the fintech space.

Full provision has been made in these 2019 financial statements for the disposal of all of its business and assets. So, the group is now moving forward with confidence, and unencumbered from any ongoing liability for its past loss making, and cash consuming, activities.

In the year to 31 March 2019 the Company raised £1.2m net from the issue of new ordinary shares (2018: £1.3m). At the 2019 year-end cash balances were £0.8m (2018: £0.1m).

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Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2019:

		2019	2018
Continuing operations	Note	£ 000	£ 000
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(726)	(595)
Other operating income		69	65
Operating loss		(657)	(530)
Finance costs		(42)	(13)
Loss before tax		(699)	(543)
Income tax receipt		-	-
Loss for the year from continuing operations		(699)	(543)
Discontinued operations			
Profit/(loss) for the year from discontinued operations		325	(612)
Loss for the year and total comprehensive income		(374)	(1,155)
Loss attributable to:			
Owners of the company		(374)	(1,155)

Earnings per share - Basic - Profit/(Loss)

	Pence	**Pence**
From continuing operations	(1.32)	(2.63)
Total	(0.71)	(5.59)

*Restated to show comparative figures for continuing and discontinued operations and Earnings per Share is adjusted for the 1 for 10 share consolidation in 2019.

Consolidated Statement of Financial Position as at 31 March 2019:

	Note	2019 £ 000	2018 £ 000
Assets			
Non-current assets			
Property, plant and equipment		-	23
Intangible assets		-	928
Trade and other receivables		-	341
		-	1,292
Current assets			
Trade and other receivables		121	757
Cash and cash equivalents		771	61
		892	818
Total assets		892	2,110
Equity and liabilities			
Equity			
Share capital		4,767	4,765
Share premium		9,599	8,350
Other reserves		1,217	1,252
Retained losses		(15,207)	(14,814)
Equity attributable to owners of the Company		376	(447)
Non-current liabilities			
Deferred income		-	582
Current liabilities			
Trade and other payables		463	1,975
Derivative financial instruments		53	-
Total liabilities		516	2,557
Total equity and liabilities		892	2,110

Consolidated Statement of Cash Flows for the Year Ended 31 March 2019:

	Note	2019 £ 000	2018 £ 000
Cash flows from operating activities			
Loss for the year		(374)	(1,155)
Adjustments to cash flows from non-cash items			
Depreciation, amortisation and impairments		203	568
Profit on sale of business		(935)	-
Share based payment transactions		(35)	54
Derivative financial instrument		34	-
Income tax credit		(141)	(200)
Interest		8	13
		(1,240)	(720)
Working capital adjustments			
Decrease in trade and other receivables		156	788
Decrease in trade and other payables		(512)	(1,059)
Cash absorbed by operations		(1,596)	(991)
Finance costs		(8)	(13)
Income taxes received		141	200
Net cash flow from operating activities		(1,463)	(804)
Cash flows from investing activities			
Acquisitions of property plant and equipment		-	(11)
Proceeds from sale of business		1,207	-
Acquisition of intangible assets		(205)	(550)
Net cash flows from investing activities		1,002	(561)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		1,171	1,309
Net increase/(decrease) in cash and cash equivalents		710	(56)
Cash and cash equivalents at 1 April		61	117
Cash and cash equivalents at 31 March		771	61

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2019:

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2017	4,041	7,765	1,198	(13,659)	(655)
Employee share-based payment options	-	-	54	-	54
Issue of share capital	724	585	-	-	1,309
Transactions with owners	724	585	54	-	1,363
Loss for the year and total comprehensive income	-	-	-	(1,155)	(1,155)
At 31 March 2018	4,765	8,350	1,252	(14,814)	(447)

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2018	4,765	8,350	1,252	(14,814)	(447)
Conversion of debt to equity	-	-	-	(19)	(19)
Employee share-based payment options	-	-	(35)	-	(35)
Issue of share capital	2	1,249	-	-	1,251
Transactions with owners	2	1,249	(35)	(19)	1,197
Loss for the year and total comprehensive income	-	-	-	(374)	(374)
At 31 March 2019	4,767	9,599	1,217	(15,207)	376

Notes to the Financial Statements for the Year Ended 31 March 2019:

1.) Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in the Companies Act 2006.

The statement of financial position at 31 March 2019 and income statement, statement of changes in equity, statement of cash flows and associated notes for the year ended have been extracted from the Company's 2019 financial statements upon which the auditor opinion is unqualified however contains a material uncertainty paragraph in relation to going concern.

Copies of the 2019 Annual Report and Accounts will be distributed to shareholders shortly and will be available on the Company's website: www.abalplc.com.

2.) Going concern

For the reasons set out below, the Directors consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

At the year-end the group had cash balances of £771,000 (2018; £61,000) and other net current liabilities of £395,000 (2018: other net liabilities £1,800,000). The group has posted a loss for the year after tax of £374,000 (2018: £1,155,000) and retained losses were £15,207,000 (2018: £14,814,000).

The group to date has met its financing requirements through the regular placing of new shares, raising in the year a net cash amount of £1,217,000 (2018: £1,450,000).

The group is currently a cash shell listed on AIM that is seeking new investment opportunities. The Directors have reviewed the forecast expenditures for the next 12 months excluding the consequences of any new investment plans.

After the year-end, on 27 September 2019, the group announced that a conditional share purchase and sale agreement had been reached to acquire all of the share capital of Supply@Me. Supply@Me is an Italian company that has developed an innovative, proprietary, digital system which underpins a fintech platform that enables customers to carry out 'inventory monetisation' transactions by transforming their unsold stock of goods to Supply@Me. The consideration will only be by the issue of new ordinary shares in Abal, the number of which is uncertain, and a further share placing is planned to cover the costs of the proposed transaction and to provide working capital and development capital. This transaction would be both a reverse takeover and a related party transaction, and is still subject to several key approvals. There is no assurance that the agreement will complete on the current terms or at all.

Providing that the group is able to successfully complete the announced conditional share and purchase agreement, and to raise the necessary funding through a new issue of shares, the directors consider that the group will have sufficient financial resources to continue in operational existence for the foreseeable future and, therefore, that it is appropriate to adopt the going concern basis in preparing these financial statements. As with all business forecasts, the Directors' statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events, specifically due to the material uncertainty over the raising of funds. Until the proposed acquisition is completed, there remains a material uncertainty around going concern. At the year-end on 31 March 2019 the group had sold all of its business and assets, and was a cash shell that was seeking new investment opportunities. The group had net cash funds at 31 March 2019 of £771,000 (2018 - £61,000). The directors have announced that they are seeking new investment opportunities, and further investment may be required from shareholders when suitable investments have been identified. Meanwhile, the Directors have concluded, after taking account of its current funding position, its expectation of raising additional funding if needed from shareholders, and its ongoing commitments as a holding company, the Group and the Company expect to have adequate resources to continue in operational existence for the foreseeable future. For these reasons the Directors continue to prepare the financial statements on a going concern basis. There remains a material uncertainty around going concern. These financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

3.) Earnings per share

The calculation of the Basic earnings per share (EPS) is based on the loss attributable to equity holders of the parent for the year from continuing operations of £699,000 (2018 - loss £543,000) and a profit on discontinued operations of £325,000 (2018 - loss £612,000) giving a net total loss for the year of £374,000 (2018 - loss of £1,115,000) and on a weighted average number of ordinary shares in issue of 52,989,928 (2018 - 20,666,760 having been adjusted for the 1 for 10 share consolidation).

The diluted EPS for the discontinued operations is a profit of 0.57p. The diluted EPS for the continuing operations and the diluted EPS in total (and in the prior year) were the same as the Basic EPS as they were all losses. For the calculation of the diluted EPS for the discontinued operations, the profit used was the same as for the Basic EPS, and the Basic weighted average number of shares was increased by 4,428,860 shares in respect of the outstanding share options and convertible loan note. At 31 March 2019, 7,946,158 options (2018: Nil) were excluded because their effect would have been anti-dilutive. The average mark value of the shares for the purposes of calculating the dilutive effect was based on quoted market prices for the year during which the options were outstanding.

4.) Subsequent Events

On 27 September 2019, the group announced that a conditional share purchase and sale agreement had been reached to acquire all of the share capital of Supply@Me SRL. Supply@Me SRL is an Italian company that has developed an innovative, proprietary, digital system which underpins a fintech platform that enables customers to carry out 'inventory monetisation' transactions by transforming their unsold stock of goods to Supply@Me SRL. The consideration will only be by the issue of new ordinary shares in Abal, the number of which is uncertain, and a further share placing is planned to cover the costs of the proposed transaction and to provide working capital and development capital. This transaction would be both a reverse takeover and a related party transaction, because of the relationships between certain persons in relation to the Company and Supply@Me SRL, and is still subject to several key approvals. There is no assurance that the agreement will complete.