

Ross Group Plc Half Yearly Financial Report 30th June 2020

HALF YEARLY FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2020

Financial Summary (6 months to 30 June 2020)	2020 £'000	2019 £'000	Change
Group Revenue	-	-	-
Gross Profit/(Loss)	-	-	-
Profit/(Loss) before tax	(830)	(3,151)	73.7%
Basic earnings per share	-0.379p	-1.440p	73.7%
Diluted earnings per share	-0.379p	-1.440p	73.7%

Chairman's Statement

For the half year to 30th June 2020, I would like to report that, in this period, Ross Group PLC has continued to try to proceed to implement its planned investment strategy, notwithstanding enduring circumstances related to COVID, and as a result has therefore subsequently made a net loss after tax of £830,000 without revenue.

The Board in the first half of 2020 and during this period of COVID and uncertainty, has uniquely faced unprecedented challenges in the process of endeavouring to integrate its respective start-up businesses that were acquired in 2019 within the existing overall operations and consequently is currently continuing to implement and/or amend its supply chain management protocols, procedures and respective disciplines, in order to put in place a more appropriate robust investment infrastructure through the adoption and application of a more horizontal integration sub-strategy that will hopefully place the AAG division to be in a better position so as to try to provide proof of production (after having already achieved proof of concept) in the foreseeable future in order to be able to produce high quality Chitin in the years to come.

As in previous years, whereby we have utilised our specialist supply chain management services in order to sustain our operational overhead management, we will also be endeavouring to explore other strategic supply chain opportunities and have recently initiated a strategic restructuring of Ross Diversified Trading Ltd, a wholly-owned subsidiary of some 30 years, which it is envisioned should provide a platform for other supply chain related business.

As a result, whilst there has been no revenue during this particular period from any outside third party contracts, it is now intended to revert and re-implement resources that will enable the Group to grow its global supply chain services and produce a revenue stream in the future.

Business Outlook

For the second half of 2020 the Board will continue, along with our team of Advisors and Consultants, to work tirelessly with our specialist supply chain management team in trying to successfully build a business supply chain strategy in order to try and ensure that the Group has a more balanced and diverse structure that can both withstand the economic effects of COVID as well as exploring other opportunities that may also arise during this uncertain and unique time.

Dividend

No ordinary interim dividend is proposed after considering the result for the first half of the year, and the existing deficiency of retained reserves.

I would very much like to thank the members of the Board of Directors, as well as our contractors, consultants and advisors for all their continued, and highly appreciated, support, expertise and hard work.

Finally, as always, I would also like to personally extend my sincere thanks to our extraordinarily loyal and also new shareholders for all their continued confidence, patience and truly exceptional understanding.

Barry Richard Pettitt
Chairman and Group Managing Director

Approved 29 September 2020

CONDENSED CONSOLIDATED INCOME STATEMENT UNAUDITED

	6 months ended 30 June 2020 £'000	6 months ended 30 June 2019 £'000	Year ended 31 Dec 2019 £'000
Group Revenue			
Continuing Operations	-	-	-
Discontinuing Operations	-	-	-
Operating (Loss) / Profit			
Continuing Operations	(559)	(2,926)	(358)
Discontinuing Operations	-	-	(2,761)
(Loss) / Profit before Finance Cost	<u>(559)</u>	<u>(2,926)</u>	<u>(3,119)</u>
Finance Cost	271	225	478
(Loss) / Profit before Taxation	<u>(830)</u>	<u>(3,151)</u>	<u>(3,597)</u>
Taxation	-	-	-
(Loss) / Profit for the Period	<u>(830)</u>	<u>(3,151)</u>	<u>(3,597)</u>
Earnings per share (pence)	-0.379	-1.44	-1.64
Adjusted earnings per share (pence)	-0.379	-1.44	-1.64
Earnings per share from continuing operations (pence)	-0.379	-1.44	-0.38
Adjusted earnings per share (pence)	-0.379	-1.44	-0.38

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY UNAUDITED

	Share Capital £'000	Accumulated Losses £'000	Other Reserves £'000	Total £'000
Balance at 1 Jan 2019	11,179	(35,884)	23,314	(1,391)
(Loss) / Profit for the period		(3,151)		(3,151)
Foreign exchange adjustment	-	(9)	-	(9)
Total comprehensive income / (deficit)	-	(3,160)	-	(3,160)
Share capital issued	39	-	343	382
Movement on convertible loans	-	-	205	205
Balance at 30 June 2019	11,218	(39,044)	23,862	(3,964)
(Loss) / Profit for the period		(446)		(446)
Foreign exchange adjustment	-	315	-	315
Total comprehensive income / (deficit)	-	(131)	-	(131)
Value of conversion rights on convertible loans	-	-	157	157
Balance at 31 Dec 2019	11,218	(39,175)	24,019	(3,938)
Balance at 1 Jan 2020	11,218	(39,175)	24,019	(3,938)
(Loss) / Profit for the period		(830)		(830)
Foreign exchange adjustment	-	(196)	-	(196)
Total comprehensive income / (deficit)	-	(1,026)	-	(1,026)
Movement on convertible loans	-	-	318	318
Balance at 30 June 2020	11,218	(40,201)	24,180	(4,646)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION UNAUDITED

	6 months ended 30 June 2020 £'000	6 months ended 30 June 2019 £'000	Year Ended 31 Dec 2019 £'000
Non Current Assets	1,322	19,039	1,402
Current Assets:			
Inventories	41	1,311	39
Trade and Other Receivables	70	6,570	85
Cash and Cash Equivalents	345	263	649
	<hr/>	<hr/>	<hr/>
	456	8,144	773
Total Assets	<hr/> <u>1,778</u>	<hr/> <u>27,183</u>	<hr/> <u>2,175</u>
Equity and Liabilities			
Shareholders' Equity:			
Share Capital	11,218	11,218	11,218
Share Premium Account	3,146	3,146	3,146
Other Reserves	15,384	15,384	15,384
Convertible debentures	5,650	5,332	5,489
Retained Earnings	<hr/> (40,201)	<hr/> (39,044)	<hr/> (39,175)
Total Equity	(4,803)	(3,964)	(3,938)
Non-Current Liabilities:			
Lease Liabilities	300	-	389
Long Term Borrowings	1,866	29,767	1,891
Current Liabilities:			
Trade and Other Payables	3,300	856	2,931
Lease Liabilities	249	-	206
Bank Overdraft and Loans	<hr/> 866	<hr/> 524	<hr/> 696
Total Liabilities	6,581	31,147	6,113
Total Equity and Liabilities	<hr/> <u>1,778</u>	<hr/> <u>27,183</u>	<hr/> <u>2,175</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS UNAUDITED

	6 months ended 30 June 2020 £'000	6 months ended 30 June 2019 £'000	Year Ended 31 Dec 2019 £'000
Net Cash From/(Used In) Operating Activities	(222)	11,749	4,489
Net Cash Used In Investing Activities	(53)	(8,553)	(8,317)
Cash Flows From Financing Activities:			
Amount withdrawn by Directors	(11)	(11)	(15)
Proceeds from the issue of shares	-	382	382
Net Increase/(Decrease) In Borrowings and Lease Liabilities	(18)	(3,324)	4,090
Net Cash Flow From Financing Activities	(29)	243	4,457
Net Increase/(Decrease) In Cash and Cash Equivalents	(304)	243	629
Cash and Cash Equivalent at Beginning of Period	649	20	20
Cash and Cash Equivalent at End of Period	345	263	649

Notes to the Interim Report

(1) The financial information contained in these statements for the six months ended 30 June 2020 and 30 June 2019 is unaudited and does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

These statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU.

The interim financial statements have been prepared on the basis of the accounting policies set out in the audited statutory accounts for the year ended 31 December 2019.

(2) Reconciliation of Operating (Loss) / Profit to Net Cash Flows From Operating Activities

	6 months ended 30 June 2020 £'000	6 months ended 30 June 2019 £'000	Year Ended 31 Dec 2019 £'000
Operating (Loss) / Profit	(559)	(2,926)	(3,119)
Impairment	132	-	6,890
Exchange differences	69	(9)	306
Depreciation and Amortisation	97	1,478	312
(Increase)/ Decrease In Inventories	-	(1,311)	(39)
(Increase)/ Decrease In Trade and Other Receivables	27	(102)	27
Increase/(Decrease) In Trade and Other Payables	12	14,619	413
Finance income	-	-	(301)
Net Cash Generated From/(Used In) Operations	<u>(222)</u>	<u>11,749</u>	<u>4,489</u>

(3) No ordinary interim dividend is proposed for 2020 (2019 - £Nil).

(4) The comparative cash flow for the year ended 31 December 2019 has been extracted from the audited accounts. The cash flows for the six months ended 30 June 2019 and 30 June 2020 are unaudited.

(5) Reconciliation of Movements In Equity

	6 months ended 30 June 2020 £'000	6 months ended 30 June 2019 £'000	Year Ended 31 Dec 2019 £'000
Share Premium Account			
Brought Forward	3,146	2,803	2,803
Movement	-	343	343
Carried Forward	<u>3,146</u>	<u>3,146</u>	<u>3,146</u>
Other Reserves			
Brought Forward	15,384	15,384	15,384
Movement	-	-	-
Carried Forward	<u>15,384</u>	<u>15,384</u>	<u>15,384</u>
Retained Earnings			
Brought Forward	(39,175)	(35,884)	(35,884)
(Loss) / Profit for the Period	(830)	(3,151)	(3,597)
Foreign exchange adjustment	(196)	(9)	306
Carried Forward	<u>(40,201)</u>	<u>(39,044)</u>	<u>(39,175)</u>
Convertible Debenture			
Brought Forward	5,489	5,127	5,127
Movement	161	205	362
Carried Forward	<u>5,650</u>	<u>5,332</u>	<u>5,489</u>

(6) Non Current Assets

	Goodwill	Right of use assets Land & Buildings	Property, Plant & Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020	-	704	887	1,591
Foreign exchange adjustment	-	28	68	96
Additions	-	-	53	53
Impairment	-	-	(132)	(132)
At 30 June 2020	<u>-</u>	<u>732</u>	<u>876</u>	<u>1,608</u>
Depreciation / Amortisation				
At 1 January 2020	-	189	-	189
Charge for the period	-	93	4	97
At 30 June 2020	<u>-</u>	<u>282</u>	<u>4</u>	<u>286</u>
Net Book Value				
At 30 June 2020	<u>-</u>	<u>450</u>	<u>872</u>	<u>1,322</u>
At 1 January 2020	<u>-</u>	<u>515</u>	<u>887</u>	<u>1,402</u>

(7) Inventory

	30 June 2020 £'000	31 Dec 2019 £'000	30 June 2019 £'000
Raw materials	41	39	1,271
Finished goods	-	-	40
	<u>41</u>	<u>39</u>	<u>1,311</u>

(8) Current Assets

	30 June 2020 £'000	31 Dec 2019 £'000	30 June 2019 £'000
Trade receivables	-	13	68
Prepayments and accrued income	11	22	55
Other debtors	8	11	51
Directors loan	36	25	22
Loans to associated undertakings	15	14	6,374
	<u>70</u>	<u>85</u>	<u>6,570</u>

Interest is charged on the Directors loan at a commercial rate.

(9) Current Liabilities

	30 June 2020 £'000	31 Dec 2019 £'000	30 June 2019 £'000
Trade payables	243	177	226
Other creditors	427	402	78
Accruals and deferred income	226	150	345
Amounts owed to associated undertakings	2,404	2,202	-
Lease creditor	249	206	207
Debentures	866	696	524
	<u>4,415</u>	<u>3,833</u>	<u>1,380</u>

(10) Non Current Liabilities

	30 June 2020 £'000	31 Dec 2019 £'000	30 June 2019 £'000
Accruals and deferred income	-	-	14,286
Licence fee payable	-	-	11,964
Lease creditor	300	389	489
Debentures	86	256	420
Loans from associated undertakings	-	-	2,608
Other loans	1,780	1,635	-
	<u>2,166</u>	<u>2,280</u>	<u>29,767</u>

(11) On 27 September 2018 two convertible loan debentures were issued for £4,010,000 and £2,062,172 with a coupon rate of 5%.

The loan notes are convertible into Ordinary shares of the parent entity in three years after the date of issue. The convertible loan debenture will give right to a percentage of the issued share capital of the parent company at the date of conversion. Each tranche of £1 million debenture owed by the long term holders correspond to 4.925% of the issued share capital at the date of conversion, resulting in a fixed percentage of the issued share capital of the company to be allotted to the loan holders regardless of the value / amount of the share capital of the company.

	30 June 2020 £'000	31 Dec 2019 £'000
Face value of notes issued	6,072	6,072
Value of conversion rights	5,650	5,489
Convertible loan debenture liability	<u>422</u>	<u>583</u>
Interest expense recognized in period	<u>163</u>	<u>313</u>

The other loans have been advanced to the company from One World Limited. The funding was provided for a three year period, and interest is charged on these loans at 6%.

(12) As no revenue has been generated throughout the group in this period or the prior year, the Chief Operating Decision Maker believes the information already disclosed in the interim financial statements is adequate to fulfill the requirements of IFRS8 segmental reporting. This will be reconsidered at the year end and in future periods as the group begins to trade.

(13) The Interim Report will be sent by mail to all registered shareholders and copies will be available from the Company's registered office at 71-75 Shelton Street, London, WC2H 9JQ. A downloadable copy will also be posted on the Company's website www.ross-group.co.uk

Responsibility statement:

The Directors confirm that, to the best of their knowledge: -

- a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

On behalf of the Board

B Pettitt
Chief Executive Officer

Ross Group plc

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