



Friday, 26 February 2021

Immediate Release

AssetCo plc
(“AssetCo” or the “company”)
Preliminary results for the year ended 30 September 2020

Statement by the Chairman, Tudor Davies

Introduction

We have had a successful year in terms of releasing the cash in receivables and bonds from our contracts in the Middle East, however, the development of new business has been slowed by the Coronavirus pandemic.

Perhaps of more significance to shareholders are the post balance sheet events, including the successful conclusion of the Grant Thornton litigation, the buy-back of 50% of the share capital, and the introduction of new directors and a proposed change of strategy to asset and wealth management.

Results

In the absence of any revenues from the Middle East, progress for shareholders this year is better explained in terms of cash flows, with net cash inflows from operating activities of £11.0 million resulting in a balance sheet at 30 September 2020 with net assets of £32.3 million (2019 £29.9 million), of which cash was £28.9 million (2019 £20.6 million).

The Income Statement for the year ended 30 September 2020 shows revenue of nil (2019: £5.3 million) but a profit for the year of £3.4 million (2019 Loss £0.8 million) which principally arose as a result of an award of £4.6 million costs against Grant Thornton.

Post Balance Sheet Events

On 2 October 2020, Grant Thornton informed us of their decision not to appeal to the Supreme Court, thus crystallising the award from the Court of Appeal ruling which, with costs, amounted to £30.5 million, the final amounts of which were all received by 31 January 2021.

On 1 December 2020 we announced a Tender Offer to return capital to shareholders by way of a buy-back of 6.53 million shares at £4.11 per share at a cost of £26.9 million, and this was subscribed in full and completed in January 2021.

On 8 January 2021 we welcomed an Investor Group consisting of Martin Gilbert, Peter McKellar and Toscafund Asset Management and various associates who had acquired a 29.8% shareholding from existing shareholders. Martin and Peter have significant expertise in asset and wealth management and joined the Board on 25 January 2021.

In January and February 2021 the company purchased an investment of 5.85 percent of River and Mercantile Group plc, an asset management business, at a total cost of £10.4 million.

Future Strategy

On 8 February 2021 the Board announced that it intends to change its business strategy to the development of an asset and wealth management business building on the significant experience of Martin Gilbert and Peter McKellar.

As this is a fundamental change of business the Company will effect a readmission of its shares pursuant to AIM Rule 14.

The Board is in the process of preparing a Circular to shareholders to complete the readmission process and expects to post it to shareholders before 31 March 2021.

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Ticker: AIM: ASTO.L

Market cap: £57.8m

AssetCo plc
Income Statement
for the year ended 30 September 2020

	Notes	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Revenue		-	5,345
Cost of sales		-	(4,237)
		-----	-----
Gross profit		-	1,108
Other income	4	4,597	-
Administrative expenses		(1,192)	(1,810)
		-----	-----
Operating profit/(loss)		3,405	(702)
Finance income		18	9
Finance costs		(62)	(70)
		-----	-----
Profit/(loss) before tax		3,361	(763)
Income tax expense		-	-
		-----	-----
Profit/(loss) for the year		3,361	(763)
		-----	-----
Earnings/(loss) per share			
Basic – pence	5	27.52	(6.25)
Diluted - pence	5	27.52	(6.25)

AssetCo plc
Statement of Comprehensive Income
for the year ended 30 September 2020

	Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
Profit/(loss) for the year	3,361	(763)
Other comprehensive (expense)/income		
Exchange differences on translating foreign operations	(871)	648
	-----	-----
Other comprehensive (expense)/income, net of tax	(871)	648
	-----	-----
Total comprehensive profit/(loss) for the year	2,490	(115)
	-----	-----

AssetCo plc
Statement of Financial Position
As at 30 September 2020

	Notes	At 30 September 2020 £000	At 30 September 2019 £000
Assets			
Non-current assets			
Property, plant and equipment		-	-
Total non-current assets		-	-
Current assets			
Trade and other receivables		4,683	11,222
Cash and cash equivalents	6	27,860	17,101
Cash held in respect of bonds		1,058	3,487
Total current assets		33,601	31,810
Total assets		33,601	31,810
Liabilities			
Current liabilities			
Trade and other payables		1,256	1,955
Total current liabilities		1,256	1,955
Total liabilities		1,256	1,955
Shareholders' equity			
Share capital		1,221	25,474
Share premium		-	64,941
Profit and loss account		31,124	(60,560)
Total equity		32,345	29,855
Total equity and liabilities		33,601	31,810

AssetCo plc**Statement of Changes in Equity**
for the year ended 30 September 2020

	Share capital £000	Share premium £000	Profit and loss account £000	Total Equity £000
Balance at 1 October 2018	25,474	64,941	(60,445)	29,970
Loss for the year	-	-	(763)	(763)
Other comprehensive income:				
Exchange differences on translation	-	-	648	648
Total comprehensive loss for the year	-	-	(115)	(115)
Balance at 30 September 2019	25,474	64,941	(60,560)	29,855
Profit for the year	-	-	3,361	3,361
Other comprehensive income:				
Exchange differences on translation	-	-	(871)	(871)
Total comprehensive income for the year	-	-	2,490	2,490
Capital reduction	(24,253)	(64,941)	89,194	-
Balance at 30 September 2020	1,221	-	31,124	32,345

AssetCo plc
Statement of Cash Flows
for the year ended 30 September 2020

		Year ended 30 September 2020 £000	Year ended 30 September 2019 £000
	Notes		
Cash flows from operating activities			
Cash inflow from operations	7	8,807	1,709
Cash deposited in respect of bonds		-	(2,470)
Cash released in respect of bonds		2,270	1,123
Finance costs		(62)	(70)
		-----	-----
Net cash inflow from operating activities		11,015	292
		-----	-----
Cash flows from investing activities			
Finance income		18	9
		-----	-----
Net cash inflow from investing activities		18	9
		-----	-----
Net change in cash and cash equivalents		11,033	301
Cash and cash equivalents at beginning of year		17,101	16,800
Exchange differences on translation		(274)	-
		-----	-----
Cash and cash equivalents at end of year		27,860	17,101
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AssetCo plc

Notes to the Financial Statements

for the year ended 30 September 2020

1. Legal status and activities

AssetCo plc (“AssetCo or the “company”) is a public limited liability company incorporated and domiciled in England and Wales. The address of its registered office is Singleton Court Business Park, Wonastow Road, Monmouth, Monmouthshire NP25 5JA. The company operates from an administrative office in the UK as well as a site in UAE. As at year end, the company has no subsidiaries. AssetCo plc shares are listed on the Alternative Investment Market (“AIM”) of the London Stock Exchange. AssetCo has been principally involved in the provision of management and resources to the fire and rescue emergency services in international markets however the board has decided to change strategy to develop an asset and wealth management business while continuing to seek new contracts for its UAE-based business.

2. Basis of preparation

The audited preliminary announcement has been prepared in accordance with the Company’s accounting policies as disclosed in the financial statements for the year ended 30 September 2020 and in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006 (‘IFRS’) and the applicable legal requirements of the Companies Act 2006. The preliminary announcement was approved by the Board of Directors on 26 February 2021. The preliminary announcement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2019 have been delivered to the Registrar of Companies. The auditor’s report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

The Company will publish its full financial statements for the year ended 30 September 2020 by 8 March 2021 which will be available on the Company’s website at www.assetco.com and at the Company’s registered office at Singleton Court Business Park, Wonastow Road, Monmouth, Monmouthshire NP25 5JA.

3. Segmental reporting

The core principle of IFRS 8 ‘Operating Segments’ is to require an entity to disclose information that enables users of the financial statements to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates. Segmental information is therefore presented in respect of the company’s geographical settlement. No secondary segmental information has been provided as, in the view of the directors, the company operates in only one segment, being the provision of management and resources to fire and emergency services. The directors consider the chief operating decision maker is the board.

The amounts provided to the board with respect to net assets are measured in a manner consistent with that of the financial statements. The company is domiciled in the UK and operates a branch in the UAE. Revenue by destination is not materially different from revenue by origin shown above. All revenue relates to services. Unallocated comprises the head office.

Analysis of revenue and results by geographical settlement Year ended 30 September 2020

	UAE £000	Unallocated £000	Continuing Operations £000
Revenue			
Revenue to external customers	-	-	-
	----	----	----
Total revenue	-	-	-
	=====	=====	=====
Segment result			
Operating (loss)/profit	(129)	3,534	3,405
Finance income	-	18	18
Finance costs	(62)	-	(62)
	----	----	----
(Loss)/profit before tax	(191)	3,552	3,361
Income tax	-	-	-
	----	----	----
(Loss)/profit for the year	(191)	3,352	3,361
	=====	=====	=====
Segment assets and liabilities			
Total assets	1,196	32,405	33,601
Total liabilities	(1,064)	(192)	(1,256)
	----	----	----
Total net assets	132	32,213	32,435
	=====	=====	=====
Other segment information			
Total capital expenditure	-	-	-
	=====	=====	=====

Year ended 30 September 2019

	UAE £000	Unallocated £000	Continuing Operations £000
Revenue			
Revenue to external customers	5,345	-	5,345
	-----	-----	-----
Total revenue	<u>5,345</u>	<u>-</u>	<u>5,345</u>
Segment result			
Operating profit/(loss)	296	(998)	(702)
Finance income	-	9	9
Finance costs	(70)	-	(70)
	-----	-----	-----
Profit/(loss) before tax	226	(989)	(763)
Income tax	-	-	-
	-----	-----	-----
Profit/(loss) for the year	<u>226</u>	<u>(989)</u>	<u>(763)</u>
Segment assets and liabilities			
Total assets	15,572	16,238	31,810
Total liabilities	(1,665)	(290)	(1,955)
	-----	-----	-----
Total net assets	<u>13,907</u>	<u>15,948</u>	<u>29,855</u>
Other segment information			
Total capital expenditure	-	-	-
	-----	-----	-----

4. **Other income**

The legal action against the company's former auditor Grant Thornton, originally heard in June 2018, resulted in a judgement in AssetCo's favour. Grant Thornton subsequently appealed this judgement and a hearing was held in January 2020. On 28 August 2020 the Court of Appeal handed down their judgement which was that the original opinion stood but the quantum of the Court award was reduced to reflect credit for the July 2009 share issuance and the disallowing of an element of the losses. After adjusting for the reduction by the Court the revised award, including costs and interest, amounted to approximately £30.5 million.

Both parties were given leave to appeal although in the judgement of 28 August it was ordered that Grant Thornton must pay to AssetCo approximately £4.6 million in costs plus associated interest irrespective of the outcome of any appeals and it is this amount which is reflected as other income in the 2020 financial statements.

As referred to in Note 9 Post Balance Sheet Events Grant Thornton informed the company on 2 October 2020 that they would not be appealing the judgement. Accordingly the remaining amount of approximately £25.9 million became payable but will not be recorded until the 2021 financial statements as at the balance sheet date its receipt was not certain.

5. **Earnings/(loss) per share**

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. There was no dilutive impact in either year therefore diluted earnings/(loss) per share is equal to basic earnings/(loss) per share.

	2020 £000	2019 £000
Profit/(loss) for the year	<u>3,361</u>	<u>(763)</u>
Weighted average number of ordinary shares in issue	12,211,163	12,211,163
Basic and diluted earnings/(loss) per share - pence	<u>27.52</u>	<u>(6.25)</u>

There have been ordinary share transactions which have occurred since the year end and these are set out in Note 9 Post Balance Sheet Events.

6. **Analysis of net cash**

	2020 £000	2019 £000
Cash at bank and in hand	<u>27,860</u>	<u>17,101</u>
Cash and cash equivalents	<u>27,860</u>	<u>17,101</u>

In addition to the above UAE dirhams amounting to £1,058,000 (2019: £3,487,000) were held on deposit as security in respect of outstanding performance and warranty bonds.

7. Reconciliation of profit/(loss before tax to net cash inflow from operations

	2020	2019
	£000	£000
Profit/(loss) for the year before taxation	3,361	(763)
Depreciation and amortisation	-	26
Finance costs	62	70
Finance income	(18)	(9)
Decrease in receivables	6,024	5,670
Decrease in payables	(622)	(3,285)
	<hr/>	<hr/>
Cash inflow from operations	8,807	1,709
	<hr/>	<hr/>

8. Contingent liabilities

**Approximate maximum liability
at 30 September**

	2020	2019
	£000	£000
Warranty bond related to a UAE based contract released in full in 2020	-	1,270
	<hr/>	<hr/>
Performance bond related to a UAE based contract released in full in 2020	-	1,100
	<hr/>	<hr/>
Performance bond related to a UAE based contract released in full in January 2021	1,058	1,100
	<hr/>	<hr/>

9. Post balance sheet events

As referred to in the Chairman's statement on 2 October 2020 Grant Thornton wrote to the company informing them that they would not appeal the judgement dated 28 August 2020 which therefore then became final. Accordingly the balance of the award, after the company had reflected in these financial statements the agreed element of costs and interest decided by the Court, amounting to approximately £25.9 million is a post-balance sheet event and will be reflected in the company's 2021 financial statements.

As the Court case against Grant Thornton was successfully concluded on 2 October 2020 a fee became payable to Cadoc Limited amounting to 15% of the proceeds excluding costs. This fee was settled by way of an issue of 854,722 ordinary shares in the company at a price of £4.13 per share. This was approved at a general meeting of shareholders on 17 December 2020.

In a circular dated 2 December 2020 the company proposed a tender offer to shareholders. This exercise was completed on 21 December 2020 and had the effect of reducing cash reserves by approximately £26.85 million and the number of shares in issue by 6,532,942.

On 8 January 2021 an Investor Group consisting of Martin Gilbert, Peter McKellar (both of whom became non-executive directors on 25 January 2021) and Toscafund Asset Management and various associates acquired a 29.8% shareholding in the company from existing shareholders. Additionally during January and February 2021 the company purchased an investment of 5.85 percent of River and Mercantile Group plc, an asset management business, at a total cost of £10.4 million. These events are part of a move by the company to a new strategy of developing an asset and wealth management business. Under AIM Rule 14 this will require a readmission process and the company expects to send out a circular to shareholders before 31 March 2021.

There are no other post balance sheet events.

10. Annual general meeting

A notice convening the annual general meeting will be posted to shareholders in due course.

11. Electronic communications

This Preliminary Announcement is available on the company's website www.assetco.com. News updates, regulatory news and financial statements can be viewed and downloaded from the company's website, www.assetco.com. Copies can also be requested, in writing, from The Company Secretary, AssetCo plc, Singleton Court Business Park, Wonastow Road, Monmouth, Monmouthshire NP25 5JA. The company is not proposing to bulk print and distribute hard copies of the Annual Report and Financial Statements for the year ended 30 September 2020 unless specifically requested by individual shareholders; it can be downloaded from the company's website.