

24 December 2018

MBL GROUP PLC

(AIM: MUBL)

(“MBL” or the “Group” or the “Company”)

Unaudited Interim Results for the Six Months Ended 30 September 2018 and Shareholder Update

The Board of MBL Group plc announces its unaudited interim results for the six months ended 30 September 2018.

Key points:

- Group revenue, including discontinued operations, decreased by 81.3% to £1.19 million (2017: £6.38 million);
- Group loss before taxation £0.7 million (2017: £0.7 million);
- Net cash of £1.0 million (2017: £1.4 million) and the Group remains debt free;
- No dividend is proposed;
- The Garden and Home division was sold in March 2018 for £0.8 million in cash;
- The Home Entertainment division entered administration on 15 June 2018;
- The Company became an AIM Rule 15 Cash Shell under the AIM Rules for Companies from 15 June 2018;
- Material claim against the Company, referred to in the Annual Report and Accounts to 31 March 2018, remains unresolved; and
- The accounts have been prepared on a non-going concern basis, as the Directors do not expect the Group to continue trading within the next twelve months.

Anton Lane, Chairman of MBL, commented:

“The financial year ending 31 March 2018 saw the Company undergoing further board changes, incur costs of an AIM fine and disciplinary notice received in August 2018, as well as complete the strategic review and commence a sales process to dispose of the Group’s trading subsidiaries. In addition, the Board faced and undertook two further investigations at the request of certain shareholders. The Group has faced considerable challenges for a prolonged period which inevitably affected performance. There have been several one-off exceptional costs that the Group incurred in connection with the above changes and challenges that resulted in a loss at Group level. On behalf of the Board, I take this further opportunity to draw to shareholders attention the desire to explore opportunities for future Group activities and/or the return of capital to shareholders.

“As set out in my Chairman’s statement to the Annual Report, the Board has sought to explore opportunities for future Group activities and/or the return of capital to shareholders.

“The Board intends to advance options for a possible return of capital to the shareholders alongside considering possible opportunities of a reverse takeover. Unless a reverse takeover is completed within six months of the shares having been suspended under AIM Rule 15 (17 December 2018), the admission of the Company’s Ordinary Shares to trading on AIM will be cancelled..

“The material litigation noted below will very likely disrupt a normal timetable for the above strategies and it may not prove possible to conclude that strategy before June 2019.

“To further these strategies and in particular to provide the Board with the option to advance proposals for the payment of any dividend or return of capital to shareholders, if approved, the options the Board propose to consider include:

- to seek a suitable candidate for a reverse takeover that may permit a realisation of a premium on the cash value of shares in the Company and to advance an enhanced return of capital or cash to the shareholders; and/or,
- seeking approval of the shareholders for a reduction of share capital (and then approval of the court) to establish a level of distributable profits that would permit the board to review whether and if considered appropriate, in what terms to advance options for a return of cash to shareholders by way of income as a dividend or as a purchase of own shares; and/or
- seeking approval of a (solvent) members voluntary liquidation to permit a return of capital to the shareholders.

“The Board will consult with the shareholders on the above strategic options to gain a broad consensus before significant costs are incurred to take a particular course of action.”

Material Litigation

Proceedings have been issued against the Company by Administrators of a former landlord seeking payment of sums claimed to be due under an agreement dated 2011 as referenced in note 18 to the March 2018 Financial Statements. The claim is made in a sum of approximately £600,000 inclusive of interest, plus costs. The Company has taken advice and disputes the claims. The claim proceeds to a case management hearing in March 2019 and unless resolved by earlier court determination or agreement, will proceed to a trial thereafter (not before Autumn 2019).

A copy of the Unaudited Interim Results will be available on the Company’s website – www.mblgroup.co.uk

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CHAIRMAN'S STATEMENT

The Group consisted of two divisions that had historically performed well. However, in 2016 the senior management team employment ceased. The divisions were the subject of a strategic review following a General Meeting on 14 October 2016. The Board consisting of Peter Palframan and Tim Jackson Smith continued with the strategic review and sales process although and despite in receipt of offers, were unable to secure a disposal of either trading divisions. An update to the market on 14 August 2017, commented on the difficulties with the sales process. The Company was also the subject of a public censure after it was latterly determined that the Company had breached AIM Rule 10, 11, and 31 leading up to the 2017 AGM, as detailed in the notice released through RNS dated 13 August 2018.

The current Board continued the process and sold the Garden Homes Division on 15 March 2018.

The Group had also been looking to dispose of the Home Entertainment division for some time. Whilst pursuing the strategy, it has become clear to the Board that the process would take longer than first envisaged. Trading worsened and the Group had to consider whether to inject further capital. Insolvency and legal advice was taken and it was decided to appoint administrators to Windsong International Limited. The decision was made to preserve the Company's cash reserves and not erode them further by providing further support to Windsong. On 15 June 2018 the Board announced that administrators were appointed to Windsong International Limited.

Operational Review

Home Entertainment

	30 September 2018 £'000	30 September 2017 £'000
Revenue	1,152	3,300
Operating loss before exceptional items	(61)	(9)

The Group's Home Entertainment division was one of the UK's leading suppliers of music and entertainment products to online and physical retailers around the world.

Over the past few years, due to increased competition in the market and trading challenges, revenues had fallen to £1.1 million for the period until administration (2017: £3.3 million). Reduced performance therefore led to an operating loss for the period of £61,000 (2017: £44,000). Gross profit margins were lower than the same period last year at 6.5% (2017: 12.2%).

The division was placed into administration on 15 June 2018 and has been treated as a discontinued operation.

Garden & Home

	30 September 2018 £'000	30 September 2017 £'000
Revenue	-	3,064
Operating profit before exceptional items	-	203

Our Garden & Home division specialised in the online and mail order sale of garden bird food, aquatics supplies and associated wildlife products.

The division was sold in March 2018 and has been treated as a discontinued operation. No trading activity took place in the current period. In the prior year sales were £3.1 million and operating profit before exceptional items for the period was £203,000.

Financial Review

The Financial Statements have been prepared to separately present the financial performance of the Group's operations including the prior year comparatives. The Segmental Analysis in the Notes to the Financial Statements presents the Group's consolidated revenue streams.

Overall, Group revenue for the year decreased by 81% to £1.2 million (2017: £6.4 million). Group gross margins decreased to 9.35% (2017: 25.3%).

The Group loss for the period before taxation was £0.7million (2017: £0.7 million) and this has been caused by the disposal of the Home Entertainment trading division and a series of exceptional, one-off costs in the period that have been incurred by the Company as part of the recent changes that have been made.

The Group is a relatively small business and as such it is possible for investment in future performance or operating challenges to have a disproportionate effect on our short term financial performance. We are also sensitive to the costs of maintaining an AIM listing and these costs have a sizeable impact on the costs of administering the Group.

Cash flow, working capital and borrowing facilities

The Group ended the period with cash balances of £1.0 million (2017: £1.4 million). The net cash inflow from operating activities was £0.7million (2017: £0.2 million outflow). The Group remains debt free.

Dividends

The Board is not recommending the payment of a dividend.

Future Strategy

The Company became a Rule 15 Cash Shell under Rule 15 of the AIM Rules for Companies from 15 June 2018. Within six months of becoming an AIM Rule 15 cash shell, the Company must make an acquisition or acquisitions which constitute(s) a reverse takeover under Rule 14 of the AIM Rules for Companies. In the event that the Company did not complete a reverse takeover under AIM Rule 14 within six months of becoming a cash shell, the Exchange will suspend trading in the Company's ordinary shares pursuant to AIM Rule 40; this occurred on 17 December 2018. If, within a further six months from suspension of trading, the Company has not completed a reverse takeover, admission to trading on AIM will be cancelled. The Board intends to seek further guidance from shareholders on desired future Group activities and the return of capital to shareholders.

The Group currently has no trading activity since an Administrator was appointed to Windsong International Limited on 15 June 2018. As at the time of writing, Air Music and Media Copyright Limited remains as the only subsidiary within MBL Group, generating £36,000 of residual revenue in the period from digital catalogue sales. This is also included in discontinued operations as this has ceased to trade, and as the sole shareholder, the Company approved a resolution to place Air Music Media Copyright Limited into voluntary liquidation with effect from 24 December 2018.

Anton Lane

Chairman

24 December 2018

Consolidated Statement of Comprehensive Income
For the period ended 30 September 2018

		Unaudited 6 months to 30 September 2018 £'000	Unaudited 6 months to 30 September 2017 £'000 <i>(restated)</i>	Audited Year ended 31 March 2018 £'000
Continuing operations				
Administrative expenses - normal		(152)	(148)	(321)
- exceptional		(117)	(417)	(712)
Operating (loss)/profit		(269)	(565)	(1,033)
Finance income		-	-	1
Finance Expense		-	-	-
(Loss)/profit before tax		(269)	(565)	(1,032)
Taxation	5	-	-	-
(Loss)/profit from continued activities		(269)	(565)	(1,032)
(Loss)/profit from discontinued activities		(440)	(176)	(467)
Total comprehensive (expense)/income for the period		(709)	(741)	(1,499)

There are no items other than those stated above that would comprise comprehensive income. All the items above are attributable to equity holders of the Company. Continuing operations comprise the parent company only. All other activities of the group are included within discontinued operations. In accordance with IFRS 5, the comparative profit and loss account has been restated so that discontinued operations include those activities classified as discontinued in the current year.

Earnings per share:		Unaudited 6 months to 30 September 2018 pence	Unaudited 6 months to 30 September 2017 pence	Audited Year ended 31 March 2018 pence
Basic and diluted loss per share	6	(4.1)	(4.3)	(8.7)
Basic and diluted loss per share (continuing)	6	(1.6)	(3.3)	(6.0)
Basic and diluted loss per share (discontinuing)	6	(2.5)	(1.0)	(2.7)

Consolidated Statement of Financial Position
As at 30 September 2018

	Unaudited at 30 September 2018 £'000	Unaudited at 30 September 2017 £'000	Audited at 31 March 2018 £'000
<i>Note</i>			
Non-current assets			
Property, plant and equipment	-	179	-
Intangible assets	-	140	-
Deferred tax assets	-	53	-
Total non-current assets	-	372	-
Current assets			
Inventories	-	747	-
Trade and other receivables	48	1,468	847
Cash and cash equivalents	1,010	1,354	360
	1,058	3,569	1,207
Assets held for disposal	-	-	1,596
Total current assets	1,058	3,569	2,803
Current liabilities			
Trade and other payables	(81)	(1,181)	(374)
Provisions	(472)	(788)	(472)
	(553)	(1,969)	(846)
Liabilities held for disposal	-	-	(743)
Total current liabilities	(553)	(1,969)	(1,589)
Net assets	505	1,972	1,214
Equity attributable to equity holders of the parent			
Share capital	1,297	1,297	1,297
Merger reserve	-	(2,800)	-
Retained earnings	(792)	3,475	(83)
Total equity	505	1,972	1,214

Consolidated Statement of Changes in Equity
For the period ended 30 September 2018

	Share capital £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 April 2017	1,297	(2,800)	4,216	2,713
Total comprehensive expense for the period	-	-	(741)	(741)
At 30 September 2017	1,297	(2,800)	3,475	1,972
Transfers	-	2,800	(2,800)	-
Total comprehensive expense for the period	-	-	(758)	(758)
At 31 March 2018	1,297	-	(83)	1,214
Total comprehensive expense for the period	-	-	(709)	(709)
At 30 September 2018	1,297	-	(792)	505

Consolidated Statement of Cash Flows
For the period ended 30 September 2018

	Unaudited 6 months to 30 September 2018 £'000	Unaudited 6 months to 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Cash flows from operating activities			
Loss for the period	(709)	(741)	(1,499)
<i>Adjustments for:</i>			
Depreciation	-	31	67
Loss on disposal of subsidiary	415	-	37
Financial income	-	-	(1)
Financial expense	-	-	-
Taxation	-	35	11
	(294)	(675)	(1,385)
Decrease/(increase) in inventories	-	(44)	319
Decrease/(increase) in trade and other receivables	799	214	1,279
(Decrease)/increase in trade and other payables	(293)	235	(380)
Decrease/(increase) in assets/liabilities held for sale	511	-	(853)
Net cash flow from operating activities	723	(270)	(1,020)
Cash flow from investing activities			
Interest received	-	1	1
Acquisition of property, plant and equipment	-	(3)	(4)
Cash leaving group on disposal of subsidiaries	(73)	-	(243)
Net cash flow from investing activities	(73)	(2)	(246)
Cash flows from financing activities			
Interest paid	-	-	-
Net cash flow from financing activities	-	-	-
Net (decrease)/increase in cash and cash equivalents	650	(272)	(1,266)
Cash and cash equivalents at 1 April	360	1,626	1,626
Cash and cash equivalents at end of period	1,010	1,354	360

Notes

1. Basis of preparation

MBL Group Plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. The half-year financial report for the 6 month period to 30 September 2018 represents that of the Company and its subsidiaries (together referred to as the 'Group').

This half-year financial report is an interim management report as required by Rule 18 of the AIM Rules for Companies and was authorised for issue by the Board of Directors on 24 December 2018.

The half-year financial report is prepared in accordance with the EU endorsed standard IAS 34 'Interim Financial Reporting'. The comparative figures for the year ended 31 March 2018 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's Auditor and delivered to the Registrar of Companies. The Report of the Auditor was:

- (i) unqualified;
- (ii) included an 'Emphasis of Matter' paragraph, drawing attention to the fact the financial statements were prepared on the basis that neither the group nor the company is a going concern, without modifying their opinion; and
- (iii) did not contain a statement under section 498 of the Companies Act 2006.

The information contained in the half-year financial report for the 6 month period to 30 September 2018 and 30 September 2017 is unaudited and should be read in conjunction with the annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with the IFRS adopted by the European Union.

As required by AIM Rule 18, the half-year financial report has been prepared and presented in a form consistent with that which will be adopted in the preparation of the Group's annual report and accounts for the year ended 31 March 2019.

The Directors have indicated the intention to consult with shareholders on the future of the Group although currently the Directors do not envisage the Group will continue to trade for 12 months. Accordingly, these interim results have been prepared on a non-going concern basis.

The consolidated financial statements of the Group for the year ended 31 March 2018 are available upon request from the Company's registered office at MBL Group plc, Edge House, Unit B1, Vantage Office Park, Old Gloucester Road, Bristol, BS16 1RS.

2. Going concern

The Directors have assessed the future trading position for the Group and have determined that it is not a going concern on the basis that the Group does not expect to continue trading for 12 months from the date of this report. Accordingly, the directors have prepared this report to reflect this assumption while still reflecting the financial position of the group at the balance sheet date.

The Group had a cash balance of £1.0m as at 30 September 2018 and currently does not have a bank overdraft or loan facilities.

3. Unaudited segmental analysis

The Group comprises the following main business segments, all of which are categorized as discontinued operations in this report:

<i>Home Entertainment</i>	The sale of home entertainment products predominantly to the export market.
<i>Garden & Home</i>	The sale of garden bird, aquatics, wildlife and pet related products direct to consumer via mail order and online channels.
<i>Other</i>	A combination of revenue streams including the license of film and music rights for manufacture, sale and download.

Consolidated statement of comprehensive income for period ended 30 September 2018:

	<i>Home Entertainment £'000 (discontinued)</i>	<i>Garden & Home £'000 (discontinued)</i>	<i>Other £'000 (discontinued)</i>	<i>Group Total £'000</i>
Gross revenue	1,152	-	36	1,188
Intersegment revenue	-	-	-	-
Net revenue	1,152	-	36	1,188
Operating profit/(loss) before exceptional and central costs	(61)	-	36	(25)
Exceptional costs allocated to segments	-	-	-	-
Operating profit/(loss) before exceptional group and central costs	(61)	-	36	(25)
Exceptional group costs				(117)
Loss on disposal of Home Entertainment				(415)
Central costs				(152)
Operating loss				(709)
Finance income				-
Taxation				-
Total comprehensive expense for the period				(709)
	<i>Home Entertainment £'000</i>	<i>Garden & Home £'000</i>	<i>Other, incl. Group £'000</i>	<i>Group Total £'000</i>
Total assets and liabilities				
Total assets	-	-	1,058	1,058
Total liabilities	-	-	(553)	(553)
Total segment net assets	-	-	505	505
Capital expenditure				
Tangible fixed assets	-	-	-	-
Depreciation	-	-	-	-

Consolidated statement of comprehensive income for period ended 30 September 2017:

	<i>Home Entertainment £'000 (discontinued)</i>	<i>Garden & Home £'000 (discontinued)</i>	<i>Other £'000 (discontinued)</i>	<i>Group Total £'000</i>
Gross revenue	3,300	3,064	14	6,378
Intersegment revenue	-	-	-	-
Net revenue	3,300	3,064	14	6,378
Operating profit/(loss) before exceptional and central costs	(9)	203	15	209
Exceptional costs allocated to segments	(35)	(316)	-	(351)
Operating profit/(loss) before exceptional group and central costs	(44)	(113)	15	(142)
Exceptional group costs				(417)
Central costs				(147)
Operating loss				(706)
Finance income				-
Taxation				(35)
Total comprehensive expense for the period				(741)

	<i>Home Entertainment £'000</i>	<i>Garden & Home £'000</i>	<i>Other, incl. Group £'000</i>	<i>Group Total £'000</i>
Total assets and liabilities				
Total assets	1,656	833	1,312	3,801
Goodwill	-	140	-	140
Total liabilities	(701)	(291)	(977)	(1,969)
Total segment net assets	955	682	335	1,972

Capital expenditure

Tangible fixed assets	3	-	-	3
Depreciation	2	6	23	31

Consolidated statement of comprehensive income for period ended 31 March 2018:

	<i>Home Entertainment £'000 (discontinued)</i>	<i>Garden & Home £'000 (discontinued)</i>	<i>Other £'000 (discontinued)</i>	<i>Group Total £'000</i>
Gross revenue	7,259	5,925	30	13,214
Intersegment revenue	-	-	-	-
Net revenue	7,259	5,925	30	13,214
Operating profit/(loss) before exceptional and central costs	(46)	373	51	378
Exceptional costs allocated to segments	(58)	(316)	-	(374)
Operating profit/(loss) before exceptional group and central costs	(104)	57	51	4
Exceptional group costs				(712)
Impairment of Home Entertainment				(423)
Loss on disposal of Garden & Home				(37)
Central costs				(321)
Operating loss				(1,489)
Finance income				1
Taxation				(11)
Total comprehensive expense for the period				(1,499)
	<i>Home Entertainment £'000</i>	<i>Garden & Home £'000</i>	<i>Other, incl. Group £'000</i>	<i>Group Total £'000</i>
Total assets and liabilities				
Assets held for sale	1,591	-	5	1,596
Liabilities held for sale	(743)	-	-	(743)
Total assets (excluding held for sale)	-	-	1,207	1,207
Total liabilities (excluding held for sale)	-	-	(846)	(846)
Total segment net assets	848	-	366	1,214
Capital expenditure				
Tangible fixed assets	3	1	-	4
Depreciation	11	11	45	67

4. Exceptional items

	Unaudited 6 months to 30 September 2018 £'000	Unaudited 6 months to 30 September 2017 £'000	Audited Year ended 31 March 2018 £'000
Home Entertainment			
Loyalty bonus for consultant at Windsong	-	35	35
One-off IT costs	-	-	23
	-	35	58
Garden & Home			
Conclusion of pending and threatened litigation	-	316	316
Group			
Conclusion of pending and threatened litigation	-	69	115
Strategic review and process	54	188	209
Shareholder matters and Board investigations	1	51	123
AIM fine	-	-	75
Additional Board remuneration dealing with above matters	62	109	190
	117	417	712
Total exceptional costs	117	768	1,086

5. Taxation

The income tax charge has been estimated by the Group based on the level of losses incurred in the period ending 30 September 2018.

6. Earnings per share

The calculation of the basic earnings per share is based on the (loss)/profit after taxation divided by the weighted average number of shares in issue, being 17,296,068 (2017: 17,296,068; year ended 31 March 2018: 17,296,068).

7. Provisions

	Unaudited at 30 September 2018 £'000	Unaudited at 30 September 2017 £'000	Audited at 31 March 2018 £'000
Current liabilities			
Lease Commitment	472	472	472
Employment Tribunal settlement	-	316	-
Total equity and liabilities	472	788	472