

Vela Technologies

Half-year Report

RNS Number : 6549X
Vela Technologies PLC
20 December 2019

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Vela Technologies plc ("Vela" or the "Company")

Half-yearly report for the six months ended 30 September 2019

The Board of Vela (AIM: VELA) announces its interim results for the six months ended 30 September 2019.

Chairman's Statement

The first six months of the current financial year was a period of both intense activity for a number of our investee companies as well as a time where we have continued to consider several different corporate transactions, including approaches from third parties, on an informal basis, to utilise Vela as a reverse takeover vehicle. In addition, the Board has also continued to review more substantial investments in both listed and unlisted companies.

During the period under review, the main updates from investee companies were in respect of our investments in Portr, Argo Blockchain, WeShop and Interbit.

In particular, Vela completed a £91,341 second stage Series A investment in Portr, the owner of Airportr, the airline integrated home bag check-in and delivery service that gives passengers the option to check in online and have their baggage collected from their doorstep. This was part of a £1.7m funding round supported by Stobart Group and Canaccord Genuity Wealth Management.

In April 2019 the company announced a placing of £400,000 with the funds being used to provide funding for the follow-on investment in Portr, repay £200,000 of convertible loan notes and for general working capital purposes.

This was also a period in which Argo Blockchain embarked on a revised strategy, resulting in a very substantial increase in the number of machines that Argo is using to mine leading cryptocurrencies. The most recent update from Argo stated that it intends to have installed and to be operating a total production base of approximately 17,000 machines by the end of the first quarter of 2020.

Towards the end of the period under review, Vibe Group extended its activities and confirmed the launch of VibePay, a social payments platform authorised by the Financial Conduct Authority (FCA) and created following the introduction of Open Banking in early 2018. The first VibePay product enables users to socially plan and pay in groups. In the period under review Vibe Group also received an investment from Candy Ventures, a private investment company owned by Nick Candy, for a 23 per cent. equity stake in Vibe Group.

Subsequent to the period end, Vela has provided updates regarding Portr's partnership with Manchester Airport Group (MAG) and confirmed that, in the Board's opinion, this

is an appropriate time to consider the partial or full sale of the investment in WeShop. Vela also announced, on 19 December 2019, the receipt of a shareholder update from WeShop which included details on terms being agreed on a £2m pre-IPO funding round.

We will continue to update shareholders whenever possible in relation to the activities of our investee companies although we would reiterate that Vela is a minority investor not a manager or majority owner of these businesses. We do not have board representation on any of our investee companies given the nature of the investments. We are therefore dependent on the investee companies providing Vela with the information to release. At the date of this announcement Vela has minority interests in 12 investee companies.

Finally, it is worth reiterating that as much as Vela would like to keep shareholders up to date with investee companies, it is frequently the case that whilst there might be news on an investee company which could be of interest to shareholders, the news item is not considered to be sufficiently material for the Company to issue a Regulatory News Service release. We would therefore direct investors to follow Vela on Twitter, Facebook and LinkedIn where we are able to keep investors informed of developments, whether company or industry specific. This information will already be in the public domain but may not be easily accessible.

We will continue to keep shareholders updated on the performance of the Company and the underlying investee companies.

N Brent Fitzpatrick MBE

Chairman
Vela Technologies PLC

Unaudited Statement of Comprehensive Income

for the six months ended 30 September 2019

	Unaudited 6 months ended 30 September 2019	Unaudited 6 months ended 30 September 2018	Audited year ended 31 March 2019
Notes	£'000	£'000	£'000
Revenue	-	-	-
Gross profit	-	-	-
Administrative expenses			
share based payments	-	-	-
other administrative expenses	(209)	(102)	(234)
profit on disposal of available-for-sale assets	-	-	-
Loss on fair value through profit or loss assets / impairment of available-for-sale assets	(49)	(166)	(1,193)
Total administrative expenses and loss from operations	(258)	(276)	(1,427)
Finance expense	-	(22)	(127)
Loss before tax	(258)	(298)	(1,554)
Income tax	-	-	-
Loss	(258)	(298)	(1,554)
Other comprehensive income:			
Items that will or may be reclassified to profit/loss:			
Fair value movement on available for	-	-	-

sale investments			
Reclassification of changes in fair value of available-for-sale investments to profit or loss	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive income	(258)	(298)	(1,554)
Attributable to:			
Equity holders of the company	(258)	(298)	(1,554)
Loss per share			
Basic and diluted loss per share (pence)	5	(0.02)	(0.03)
		(0.19)	

Unaudited Balance Sheet

as at 30 September 2019

		Unaudited 30 September 2019 £'000	Unaudited 30 September 2018 £'000	Audited 31 March 2019 £'000
	Notes			
Assets				
Investments	6	2,143	3,034	2,101
Current assets				
Trade and other receivables	7	18	16	13
Cash and cash equivalents		120	262	23
Total current assets		138	278	36
Non-current assets held for sale		-	-	-
Total assets		2,281	3,312	2,371
Equity and liabilities				
Equity				
Called up share capital	8	1,719	837	837
Share premium reserve		1,715	1,715	1,715
Available for sale reserve		-	1,019	-
Share-based payment reserve		130	130	130
Retained earnings		(1,826)	(1,331)	(1,568)
Total equity		1,738	2,370	1,114
Current liabilities				
Trade and other payables		27	17	27
Loans and borrowings	9	516	445	996
Total current liabilities		543	462	1,023
Non-current liabilities				
Loans and borrowings	9	-	480	-
Total equity and liabilities		2,281	3,312	2,137

Unaudited Cashflow Statement

for the six months ended 30 September 2019

	Unaudited	Unaudited	Unaudited
			year

	6 months ended 30 September 2019 £'000	6 months ended 30 September 2018 £'000	ended 31 March 2019 £'000
Operating activities			
Loss before tax	(258)	(298)	(1,554)
Loss on disposal of available-for-sale assets	-	-	-
Loss on fair value through profit or loss assets / impairment of available-for-sale assets	49	166	1,193
Finance expenses	-	22	127
Issue of shares in lieu of services	-	-	-
(Increase)/Decrease in receivables	(5)	(3)	-
Increase/(Decrease) in payables	-	(11)	(1)
Total cash flow from operating activities	(214)	(124)	(235)
Investing activities			
Consideration for disposal of investment	-	-	-
Consideration for purchase of investment	(91)	(439)	(533)
Total cash flow from investing activities	(91)	(439)	(533)
Financing activities			
Interest paid	-	(22)	(56)
Repayment of loan	(480)	-	-
Proceeds from the issue of ordinary share	882	-	-
Total cash flow from financing activities	402	-	(56)
Net (decrease)/increase in cash and cash equivalents	97	(384)	(824)
Cash and cash equivalents at start of year/period	23	847	847
Cash and cash equivalents at the end of the year/period	120	262	23
Cash and cash equivalents comprise:			
Cash and cash in bank	120	262	23
Cash and cash equivalents at end of year/period	120	262	23

Unaudited Statement of Changes in Equity for the six months ended 30 September 2019

	Share capital £'000	Share Premium £'000	Share Option Reserve £'000	Available for sale reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 April 2019	837	1,715	130	-	(1,568)	1,114

Loss for the period and total comprehensive income for the period	-	-	-	-	(258)	(258)
Adjustment on adoption of IRFS 9	-	-	-	-	-	-
Issue of shares	882	-	-	-	-	882
Balance at 30 September 2019	1,719	1,715	130	-	(1,826)	1,738
Balance at 1 April 2018	837	1,715	130	1,019	(1,033)	2,668
Adjustment on adoption of IRFS 9				(1,019)	(1,019)	-
Issue of share capital	-	-	-	-	-	-
Loss for the year	-	-	-	-	(298)	(298)
Balance at 30 September 2018	837	1,715	130	-	(312)	2370
Balance at 1 April 2018	837	1,715	130	1,019	(1,033)	2,668
Change in accounting policy due to adoption of IFRS 9	-	-	-	(1,019)	1,019	-
Transactions with owners	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-
Loss for the year	-	-	-	-	(1,554)	(1,554)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(1,554)	(1,554)
Balance at 31 March 2019	837	1,715	130	-	(1,568)	1,114

Notes to the Interim Accounts

for the six months ended 30 September 2019

1. General information

Vela Technologies Plc is a company incorporated in the United Kingdom.

These unaudited condensed interim financial statements for the six months ended 30 September 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 "Interim Financial Reporting" as adopted by the European Union and do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. This condensed set of financial statements has been prepared applying the accounting policies that were applied in the preparation of the Company's published financial statements for the year ended 31 March 2019 and are presented in pounds sterling.

The comparative figures for the financial year ended 31 March 2019 have been extracted from the Company's statutory accounts which have been delivered to the Registrar of Companies and reported on by the company's Auditors. Their report was unqualified and contained no statement under section 298 (2) or (3) of the Companies Act 2006.

2. Changes in accounting policy

The company has adopted IFRS 9 for the first time in these interim accounts. The standard requires financial instruments to be valued at fair value. The company has opted to recognise

movements in the year through the profit and loss account. The comparatives have not been restated, in line with adoption of this standard.

The assessment of other new standards, amendments and interpretations issued but not effective, are not anticipated to have a material impact on the interim financial statements.

3. Going concern

The company's activities, together with the factors likely to affect its future development and performance, the financial position of the company, the Directors have considered its cash flows and liquidity position, taking account of the current market conditions which demonstrate that the company shall continue to operate within its own resources.

The Directors believe that the company is well placed to manage its business risks successfully, and that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they consider it appropriate to adopt the going concern basis in preparing these condensed financial statements.

4. Investments

Fixed asset investments are stated at fair value.

5. Loss per share

Loss per share has been calculated on a loss of £258,000 (period to 30 September 2018: £298,000 profit; year to 31 March 2019: £1,554,000 loss) and the weighted number of average shares in issue for the period of 1,394,625,083 weighted (30 September 2018: 836,973,115; 31 March 2019: 836,973,115).

Reconciliation of the profit and weighted average number of shares used in the calculations are set out below:

	6 months ended 30 September 2019	6 months ended 30 September 2018	Year ended 31 March 2019
(Loss) (£'000)	(258)	(298)	(1,554)
(Loss) per share (pence)	(0.02)	(0.03)	(0.19)

6. Investments

	Other investments
Fair value at 1 April 2019	2,101
Additions during the period	91
Disposals during the year	-
Current period fair value movement charged to profit or loss	(49)
Fair value at 30 September 2019	2,143

Investment in Portr

In August 2019 the company purchased a further 91,341 shares in Portr, for a consideration of £91,341. Following the investment, the company now holds 256,275 shares in Portr equivalent to 3.6% of Portr's issued share capital.

Under IFRS9 investment have been valued at fair value and the movement charged to profit and loss.

7. Trade and other receivables

	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Trade and other receivables	18	16	13
	18	16	13

8. Share capital

	30 September	30 September	31 March
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	2019	2018	2019
	£'000	£'000	£'000
Authorised capital			
9,999,520,000 ordinary shares of 0.1 pence each	10,000	10,000	10,000
	10,000	10,000	10,000
Allotted, called up and fully paid capital			
1,718,943,717 (30 September 2018: 836,973,115 31 March 2019: 836,973,115) ordinary shares of 0.1 pence each	1,719	837	837
	1,719	837	837

Allotments during the period

The Company allotted the following ordinary shares during the period:

6 months ended 30 September 2019

Shares in issue at 1 April 2019	836,973,115
Shares issued during the year	881,970,602
Shares in issue at 30 September 2019	1,718,943,717

6 months ended 30 September 2018

Shares in issue at 1 April 2018	836,973,115
Shares issued during the period	-
Shares in issue at 30 September 2018	836,973,115

Year ended 31 March 2019

Shares in issue at 1 April 2018	836,973,115
Shares issued during the period	-
Shares in issue at 31 March 2019	836,973,115

In April 2019 the company conditionally raised £400,000 (before expenses) through a placing of 400,000,000 new ordinary shares of 0.10 pence each at a placing price of 0.10 pence per Placing Share (the "Placing Price").

Antony Laiker (Executive Director of Vela) subscribed for 25,000,000 Placing Shares at the Placing Price, which was completed on 2 September 2019. Separately Kevin Sinclair, a substantial shareholder of Vela, having an interest in approximately 12.72 per cent. of the voting rights of Vela, subscribed for 45,000,000 Placing Shares at the Placing Price.

In April 2019, Vela entered into an agreement for the repayment of the £200,000 of loan notes held by Antony Laiker, a director of the company. The entire proceeds of the repayment of the Antony Laiker Loan Note were utilised to subscribe for 240,985,301 new Ordinary Shares in the Company at a price of 0.10 pence per share, equivalent to the Placing Price.

The company has entered into an agreement with Scott Fletcher to vary the terms of his £200,000 of Loan Notes, such that the principal and the accrued interest was converted into 240,985,301 new ordinary shares in Vela at a conversion price of 0.10 pence per share, equivalent to the Placing Price.

9. Loans and borrowings

Loans due after 1 year	30 Sept	30 Sept	31 March
	2019	2018	2019
	£'000	£'000	£'000
Convertible loan notes	-	445	480
Bonds	516	480	516
	516	925	996

On 9 September 2016, the Company issued £400,000 of convertible unsecured loan notes to certain Shareholders, including Antony Laiker (a director of the Company). The loan notes were repayable on 30 September 2018 and carried an annual interest rate of 8 per cent. The Loan Notes were convertible into Ordinary Shares at 0.15p per share. The Directors considered the convertible loan notes to represent a compound financial instrument and the equity element of the instrument to be immaterial. Accordingly, the full balance was classified as a financial liability.

On 17 February 2017, the Company announced the completion of the issue of secured bonds, through UK Bond Network Limited, to raise £550,000 for the Company. The Bonds have a coupon of 10% and a term of 3 years with full repayment in cash of the principal amount of the Bonds due at maturity. The Bonds may be repaid at the option of Vela: (i) after the first

anniversary of the issue of the Bond, together with all accrued (but unpaid) interest on the amount prepaid; or (ii) prior to the first anniversary of issue, together with the interest that would have accrued up to the first anniversary had the Bond not been prepaid. The Bonds will not be convertible into ordinary shares in the capital of the Company.

The Bonds are secured by way of fixed and floating charges over all assets of the Company present and future.

Further protection for bondholders had been provided in September 2017, through a personal guarantee being given by Scott Fletcher, an existing shareholder in the Company and the Chairman of UK Bond Network. As consideration for the provision of the personal guarantee, Scott Fletcher received a fee of £40,000 at the time, from the Company which was satisfied by the Company transferring 3,780 shares that it previously held in Portr Limited to Scott Fletcher.

The loan balances above are stated net of debt issue costs and rolled up interest amounting to £90k.

The convertible loan notes were repaid or converted in the period under review as detailed in note 8 to the interim accounts.

Post period end, in December 2019, and following a grant of probate, Antony Laiker (Executive Director) inherited £50,000 of Bonds.

10 Financial instruments

The Company is required to report the category of fair value measurements used in determining the value of its investments, to be disclosed by the source of its inputs, using a three-level hierarchy. There have been no transfers between Levels in the fair value hierarchy.

Quoted market prices in active markets - "Level 1"

Inputs to Level 1 fair values are quoted prices in active markets for identical assets. An active market is one in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company has five (2018: two) investments classified in this category. The aggregate historic cost of the two investments is £904,284 (31 March 2019: £450,698) and the fair value as at 31 March 2018 was £323,065 (31 March 2018: £1,269,044)

Valued using models with significant observable market parameters - "Level 2"

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The Company has five (2018: one) unquoted investment classified in this category. The historic cost of this investment is £1,362,922 (31 March 2018: £745,479) and the fair value as at 31 September 2019 was £1,219,787 (31 March 2018: £644,612), giving rise to an impairment charge recognised directly in profit or loss in the period.

Valued using models with significant unobservable market parameters - "Level 3"

Inputs to Level 3 fair values are unobservable inputs for the asset. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset. None of the Company's investments are valued using this technique.

The Company has three (2018: six) investments that are held at cost less impairment as a reliable estimate of fair value cannot be determine. As at 30 September 2018 the historical cost of these investments amounted to £725,000 (31 March 2018: £1,408,946) and their aggregate carrying value was £150,000 (31 March 2018: £919,154).

The revaluing of these investments has resulted in a charge to the profit and loss account of £499,000.

11. Related party transactions

During the period the Company entered into the following related party transactions. All transactions were made on an arm's length basis:

Ocean Park Developments Limited

Nigel Brent Fitzpatrick, Non-Executive director, is also a director of Ocean Park Developments Limited. During the period the Company paid £26,000 (6 months ended 30 September 2018: £20,000; Year ended 31 March 2019: £46,000) in respect of his director's fees to the Company. The balance due to Ocean Park Developments at the period end was £nil (30 September 2018: £nil; 31 March 2019: £nil).

Risk Alliance Insurance Brokers Limited

Nigel Brent Fitzpatrick, Non-Executive director, is also a director of Risk Alliance Insurance Brokers Limited. During the period the Company paid £5,551 (Six months ended 30 September 2018: £5,551; Year ended 31 March 2019: £5,551) in respect of insurance services for the

Company. The balance due to Risk Alliance Insurance Brokers Limited at the period end was £nil (30 September 2018 £nil; 31 March 2019: £nil)

Widdington Limited

Antony Laiker, director, is also a director of Widdington Limited. During the period the Company paid £32,000 (Six months ended 30 September 2018: £27,500; Year ended 31 March 2019: £64,000) in respect of his director's fees to the Company. The balance due to Widdington Limited at the period end was £nil (30 September 2018 £nil; 31 March 2019: £nil).

12. Principal risks and uncertainties

Principal risks and uncertainties are set out in the annual financial statements within the directors' report and also in note 14 of the annual financial statements and are reviewed on an on-going basis.

The Board will provide leadership within a framework of appropriate and effective controls. The Board will set up, operate and monitor the corporate governance values of the company, and will have overall responsibility for setting the company's strategic aims, defining the business objective, managing the financial and operational resources of the Company and reviewing the performance of the officers and management of the company's business both prior to and following an acquisition.

There have been no significant changes in the first six months of the financial year to the principle risks and uncertainties as set out in the 31 March 2019 Annual Report and Accounts.

13. Board Approval

These interim results were approved by the Board of Vela Technologies Plc on 20 December 2019.

DIRECTORS RESPONSIBILITY STATEMENT AND REPORT ON PRINCIPAL RISKS AND UNCERTAINTIES

Responsibility statement

We confirm to the best of our knowledge:

- (a) The condensed set of financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- (b) The interim management report includes a fair review of the information required by:
 - (1) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (2) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during the period; and any changes in the related party described in the last annual report that could do so.

N Brent Fitzpatrick MBE
Chairman

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