Vela Technologies PLC

Half-yearly Report for the six months
ended 30 September 2018

Chairman's Statement

The themes outlined in my statement covering the 2018 Annual Report have continued into the first six months of the current financial year. We considered a number of new investment opportunities in the period but were unable to progress towards completing an investment into a new business mainly due to the valuations expected by those companies. As we approach the end of 2018, and with global stock markets having dropped sharply, there are signs that valuations are becoming a little more realistic.

During the period under review, we updated shareholders in respect of our investments in Portr, Argo Blockchain, BTL Group, Vibe Group and BlockchainK2. Notable among these was an investment of £200,000 in Vibe Group Holdings and a further follow on investment of £150,000 in Portr, the owner of AirPortr. Our investment in AirPortr continues to provide evidence of the viability of the home pick-up luggage service following the recently announced alliance with Cathay Pacific and an extension of its existing relationship with easyJet.

Between June 2018 and September 2018 we acquired a small holding of 185,000 shares in Nektan, an AIM quoted gaming technology platform and services provider, for a total cost of c. £37,500. This small investment reflects our statement in the 2018 Annual Report that we believe there are opportunities in quoted companies where the market has become disenchanted, disinterested or does not want to understand companies that may have not lived up to expectations in the past but are now correcting that going forward with a valuation that reflects this.

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 of these businesses. 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.

Subsequent to the period end we have added to our holding in StreamTV through an investment of US$100,000 purchasing 66,666 Class A Common Stock and being issued with 333,335 warrants exercisable at $1.50 per Class A Common Stock.

I would also like to make two further comments for which we receive regular enquiries from shareholders.

Firstly, in regard to keeping shareholders up to date with investee companies. It is sometimes 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 also follow Vela on our social media sites at Facebook, Instagram, Twitter 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.

Secondly, we would also like to reiterate that Vela is not a direct crypto-currency investor – again something that investors seem to be confused about. The only exposure Vela has to this sector is via its investment in Argo Blockchain which provides a service enabling investors to mine for crypto-currency. Based on recent updates issued by Argo Blockchain, the business is performing well.

Investors should also note that the accounts for this and future periods will reflect the requirements of the latest accounting practices, IFRS9, where all gains and losses will be reflected within the income statement which for the current period has resulted in a loss-on-assets available for sale of £166,000 and an overall loss after tax of £298,000 (HY 2017: profit after tax of £184,000). Net assets at 30 September 2018 were £2,370,000 (30 September 2017: £3,153,000) and investments were valued at £3,034,000 (30 September 2018: £3,469,000). Vela's cash balance at 30 September 2018 was £262,000 (30 September 2017 - £526,000).

We look forward to continuing to keep shareholders updated on the performance of the Company and the underlying investee companies during 2019 and beyond.

N Brent Fitzpatrick MBE
Chairman
Vela Technologies PLC

Unaudited Statement of Comprehensive Income

for the six months ended 30 September 2018

	Notes	**6 months ended 30 September 2018 £'000**	6 months ended 30 September 2017 £'000	year ended 31 March 2018 £'000
Revenue		**-**	-	-
Gross profit		**-**	-	-
Administrative expenses				
share based payments		**-**	-	-
other administrative expenses		**(102)**	(98)	(214)
profit on disposal of available-for-sale assets		**-**	304	731
Loss on fair value through profit or loss assets / impairment of available-for-sale assets		**(166)**	-	(551)
Total administrative expenses and profit/(loss) from operations		**(276)**	206	(34)
Finance expense		(22)	(22)	(126)
Profit/(Loss) before tax		**(298)**	184	(160)
Income tax		**-**	-	-
Profit/(Loss)		**(298)**	184	(160)
Other comprehensive income:				
Items that will or may be reclassified to profit/loss:				
Fair value movement on available for sale investments		-	-	580
Reclassification of changes in fair value of available-for-sale investments to profit or loss		-	-	(1,434)
Other comprehensive income for the year		**-**	-	(854)
Total comprehensive income		**(298)**	184	(1,014)
Attributable to:				
Equity holders of the company		**(298)**	184	(1,014)
Earnings per share				
Basic and diluted earnings/(loss) per share (pence)	**5**	**0.03**	0.03	(0.02)

Unaudited Balance Sheet

as at 30 September 2018

	Notes	**30 September 2018 £'000**	30 September 2017 £'000	31 March 2018 £'000
Assets				
Investments	**6**	**3,034**	**3,469**	**2,761**
Current assets				
Trade and other receivables	**7**	**16**	23	13
Cash and cash equivalents		**262**	526	847
Total current assets		**278**	549	860
Non-current assets held for sale		**-**	–	–
Total assets		**3,312**	4,018	3,621
Equity and liabilities				
Equity				
Called up share capital	**8**	**837**	722	837
Share premium reserve		**1,715**	1,117	1,715
Available for sale reserve		**1,019**	1,873	1,019
Share-based payment reserve		**130**	130	130
Retained earnings		**(1,331)**	(689)	(1,033)
Total equity		**2,370**	3,153	2,668
Current liabilities				
Trade and other payables		**17**	5	28
Loans and borrowings	9	**445**	-	445
Total current liabilities		**462**	5	473
Non-current liabilities				
Loans and borrowings	9	480	860	480
Total equity and liabilities		**3,312**	4,018	3,621

Unaudited Cashflow Statement

for the six months ended 30 September 2018

	Notes	**6 months ended 30 September 2017**	6 months ended 30 September 2018	year ended 31 March 2018
		£'000	£'000	£'000
Operating activities				
(Loss)/profit before tax		**(298)**	184	(160)
(Profit)/Loss on disposal of available-for-sale assets		**-**	(304)	(731)
Loss on fair value through profit or loss assets / impairment of available-for-sale assets		**166**	-	551
Finance expenses		**22**	22	126
Issue of shares in lieu of services		**-**	-	-
(Increase)/Decrease in receivables		**(3)**	(10)	-
Increase/(Decrease) in payables		**(11)**	(17)	-
Total cash flow from operating activities		**(124)**	(125)	(214)
Investing activities				
Consideration for disposal of investment		**-**	351	806
Consideration for purchase of investment		**(439)**	(61)	(786)
Total cash flow from investing activities		**(439)**	290	20
Financing activities				
Interest paid		**(22)**	(22)	(55)
Proceeds from the issue of ordinary share		**-**	-	713
Total cash flow from financing activities		**-**	-	658
Net (decrease)/increase in cash and cash equivalents		**(384)**	143	464
Cash and cash equivalents at start of year/period		**847**	383	383
Cash and cash equivalents at the end of the year/period		**262**	526	847
Cash and cash equivalents comprise:				
Cash and cash in bank		**262**	526	847
Cash and cash equivalents at end of year/period		**262**	526	847

Unaudited Statement of Changes in Equity

for the six months ended 30 September 2018

	Share capital	Share Premium	Share Option Reserve	Available for sale reserve	Retained Earnings	Total Equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2018	**837**	**1,715**	**130**	**1,019**	**(1,033)**	**2,668**
Loss for the period and total comprehensive income for the period					**(298)**	**184**
Adjustment on adoption of IRFS 9				**(1,019)**	**(1,019)**	**-**
Issue of shares	**-**	**-**				**-**
Balance at 30 September 2018	**837**	**1,715**	**130**	**-**	**(312)**	**2,370**
Balance at 1 April 2017	722	1,117	130	**1,873**	(873)	2,969
Issue of share capital	-	**-**	–	–	–	-
Loss for the year	–	–	–	–	184	184
Balance at 30 September 2017	722	1,117	130	1,873	(689)	3,152
Balance at 1 April 2017	722	1,117	130	1,873	(873)	2,969
Transactions with owners	-	-	-	-	-	-
Issue of share capital	115	598	-	-	-	713
Transactions with owners	**115**	**598**	**-**	**-**	**-**	**713**
Loss for the year	–	–	–	–	(160)	(160)
Other comprehensive income	–	–	-	(854)	–	(854)
Total comprehensive income	–	–	**-**	(854)	(160)	(1,014)
Balance at 31 March 2018	837	1,715	130	1,019	(1,033)	2,668

Notes to the Interim Accounts

for the six months ended 30 September 2018

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 2018 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 2018 and are presented in pounds sterling.

The comparative figures for the financial year ended 31 March 2018 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. Earnings per share

Earnings per share has been calculated on a loss of £298,000 (period to 30 September 2017: £184,000 profit; year to 31 March 2018: £160,000 loss) and the weighted number of average shares in issue for the period of 836,973,115 weighted (30 September 2017: 721,588,500; 31 March 2018: 756,045,343).

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

	6 months ended 30 September 2018	6 months ended 30 September 2017	Year ended 31 March 2018
Profit/(loss) (£’000)	**(298)**	184	(160)
Earnings per share (pence)	**(0.03)**	0.03	(0.02)

6. Investments

	Other investments
Fair value at 1 April 2018	2,761
Additions during the period	439
Disposals during the year	-
Current period fair value movement charged to profit or loss	(166)
Fair value at 30 September 2018	3,034

Investment in Vibe Group Holdings Limited
In June 2018 the Company announced the completion of an investment of £200,000 in Vibe Group Holdings Limited ("VGHL"). Following the investment, the company owns 5674 shares in VGHL representing approximately 4% of the issued share capital of VGHL.

Investment in Nektan
In June 2018 the company purchased 85,000 shares in Nektan, the AIM quoted gaming technology platform and services provider, for a consideration of £18,614. In July 2018 the company purchased a further 50,000 shares in Nektan for a consideration of £9,319. In September 2018 the company purchased a further 50,000 shares in Nektan for a consideration of £9,508.

The company has made a total investment of £37,442 for 185,000 shares.

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

7. Trade and other receivables

	30 September 2018	30 September 2017	31 March 2018
	£'000	£'000	£'000
Trade and other receivables	**16**	23	13
	16	23	13

8. Share capital

	30 September 2017	30 September 2017	31 March 2018
	£'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			
836,973,115 (30 September 2017: 721,588,500 31 March 2018: 836,973,115) ordinary shares of 0.1 pence each	**837**	722	837
	837	722	**837**

Allotments during the period
The Company allotted the following ordinary shares during the period:

	6 months ended 30 September 2018
Shares in issue at 1 April 2018	**836,973,115**
Shares issued during the year	**-**
Shares in issue at 30 September 2018	**836,973,115**

	6 months ended 30 September 2017
Shares in issue at 1 April 2017	721,588,500
Shares issued during the period	-

Shares in issue at 30 September 2017	721,588,500

	Year ended 31 March 2017
Shares in issue at 1 April 2017	721,588,500
Shares issued during the period	115,384,615
Shares in issue at 31 March 2018	836,973,115

9. **Loans and borrowings**

Loans due after 1 year	**30 Sept 2018 £'000**	30 Sept 2017 £'000	31 March 2018 £'000
Convertible loan notes	**445**	408	445
Bonds	**480**	452	480
	925	860	925

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 are repayable on 30 September 2018 and carry an annual interest rate of 8 per cent. The Loan Notes will be convertible into Ordinary Shares at 0.15p per share, a discount of 6.25 per cent. to the closing bid price of 0.16p per share on 8 September 2016. The Directors consider the convertible loan notes to represent a compound financial instrument. The Directors consider the equity element of the instrument to be immaterial. Accordingly, the full balance is classified as a financial liability.

Post period end the loan note holders (including Antony Laiker, a director of the Company) entered into extension agreements with the Company extending the repayment date of the Loan Notes to 30 September 2019. Further details were announced by the Company on 30 September 2018.

On 1 February 2017, the Company launched the issue of secured bonds, through UK Bond Network, 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 has been provided 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 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.

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 two (2017: two) investments classified in this category. The aggregate

historic cost of the two investments is £450,698 (31 March 2018: £450,698) and the fair value as at 31 March 2018 was £1,269,044 (31 March 2018: £1,470,044)

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 one (2017: one) unquoted investment classified in this category. The historic cost of this investment is £745,479 (31 March 2018: £745,479) and the fair value as at 31 September 2018 was £644,612 (31 March 2018: £644,612), giving rise to an impairment charge of £100,867 recognised directly in profit or loss in the period. The investment was valued using the transaction price ascribed to the shares following a placing by the investee Company in March 2018.

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 seven (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 £1,408,946 (31 March 2018: £1,171,504) and their aggregate carrying value was £919,154 (31 March 2018: £696,504).

The revaluing of these investments has resulted in a charge to the profit and loss account of £165,759.

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 £20,000 (6 months ended 30 September 2017: £23,000; Year ended 31 March 2018: £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 2017 £nil; 31 March 2018: £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 2017: £5,700; Year ended 31 March 2018: £5,700) 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 2017 £nil; 31 March 2018: £nil)

Widdington Limited

Antony Laiker, director, is also a director of Widdington Limited. During the period the Company paid £27,500 (Six months ended 30 September 2017: £32,000; Year ended 31 March 2018: £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 2017 £nil; 31 March 2018: £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 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 2018 Annual Report and Accounts.

13. Board Approval

These interim results were approved by the Board of Vela Technologies Plc on 27 December 2018.

DIRECTORS RESPONSIBILITY STATEMENT AND REPORT ON PRINCIPAL RISKS AND UNCERTANTIES

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