ALIGN RESEARCH

Vela Technologies

22nd October 2019

Listed venture capital style investor trading at a modest discount to NAV, offering exposure to disruptive technology growth companies

Vela Technologies is an investing company focused on early stage and pre-IPO long-term disruptive technology investments. There are currently 12 investments in the portfolio which either have developed ways of utilising technology or developing technology with a view to disrupting the businesses or sector in which they operate.

Remit to invest in disruptive technology companies

Vela's investment policy gives it a wide remit to invest in disruptive technology businesses, while at the same time following some more focussed principles. Vela is looking for companies to have four key components: a strong management team; an innovative scalable product proposal; revenue enhancing or cost saving capabilities; and high growth potential.

Portfolio of twelve disruptive enterprises

Vela has built an investment portfolio which currently contains holdings in 12 disruptive technology companies operating across a range of sectors. Major holdings include stakes in travel technology business Portr (trading as AirPortr), social payments (VibePay) and ticketing (VibeTickets) platforms provider Vibe Group and social e-commerce platform developer WeShop.

Undervalued listed companies provide further opportunities

More recently, Vela has expanded its focus towards potential investments in listed companies, seeking to take advantage of unloved and undervalued businesses which it believes have the potential to deliver growth or are priced at a significant discount to net assets. Current listed holdings include crypto miner Argo Blockchain, big-data analytics firm Rosslyn Analytics and blockchain technology platform provider Interbit.

Shares trading at a modest discount to NAV while offering significant upside opportunities across the portfolio

We calculate a current investment portfolio value of £2.057 million, with net assets of £1.72 million. Vela's market cap of £1.46 million is therefore a 15% discount to our estimated sum-of-the-parts. While this discount is in line, if not slightly higher than, discounts seen amongst similar listed venture capital/small cap style investment entities, we see significant upside potential for investors given a number of material valuation upside opportunities across Vela's portfolio. **Speculative Buy.**

This investment may not be suitable for your personal circumstances. If you are in any doubt as to its suitability you should seek professional advice. This note does not constitute advice and your capital is at risk. This is a marketing communication and cannot be considered independent research.

SPECULATIVE BUY

Key data

EPIC	VELA
Share price	0.085p
52 week high/low	0.325p/0.085p
Listing	AIM
Shares in issue	1,718,943,717
Market Cap	£1.46m
Sector	Investment

12 month share price chart

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IMPORTANT: Vela Technologies is a research client of Align Research. Align Research own shares in Vela Technologies. For full disclaimer & risk warning information please refer to the last page of this document.

Corporate Background

Vela Technologies (VELA) was born out of AIM listed Asia Digital Holdings, the company changing its name in January 2013 and becoming an investing company under the AIM rules. Around the same time the current management team of Brent Fitzpatrick and Antony Laiker were appointed. Since then, Vela has focused on making investments in early stage, pre-IPO and, more recently, publicly listed companies, specifically ones which have developed technology with a view to disrupting the businesses or sector in which they operate.

The company's investment policy gives it a wide remit to invest in disruptive technology businesses across a range of sectors, while at the same time following some more focussed principles. Vela is looking for companies to have four key components: a strong management team; an innovative scalable product proposal; revenue enhancing or cost saving capabilities; and high growth potential. Opportunities will generally have a majority of their revenue or expected revenues derived from technology, hi-tech engineering or scientific advances and be strongly positioned to benefit from a sector's growth or potential for significant capital growth.

In terms of company lifecycle, Vela may invest at a very early stage where it can be possible to buy a larger stake and bring higher long-term returns for a higher degree of risk. However, most recent investments have been at the stage when a company has proven its product or service and it looking to advance its commercialisation. Following the slump in small cap share prices in Q4 2018, Vela has since extended its area of potential investments into listed companies, seeking to take advantage of unloved and undervalued businesses which it believes have the potential to deliver growth.

To date only minority positions have been taken in investee companies but the investment policy allows Vela to take up to 100% ownership. As yet Vela has not sought representation on the board of any investee company but may look to if management feel they would benefit from their skills and experience. Vela intends to create shareholder value through capital growth rather than dividends and will typically hold investments for the medium to long term, awaiting a liquidity event, although short-term disposals will be considered in the right circumstances.

Current portfolio

Vela has financed its activities via a number of equity placings since 2013, supported by convertible bond issues and a £0.55 million straight bond issue in February 2017. The proceeds have been used to build an investment portfolio which currently contains holdings in 12 disruptive technology companies operating across a range of sectors. Five are listed on public markets in the UK and Canada and the remainder are private. These are discussed in detail on pages 4 to 13.

Holdings are valued via three main methods, with those quoted on an active market using the observable market price. Unquoted investments are valued either using latest transaction prices where there has been a significant funding with credible investors or at cost. In a few cases, the value of the holdings on the balance sheet has been reduced to reflect Directors assumptions of current values.

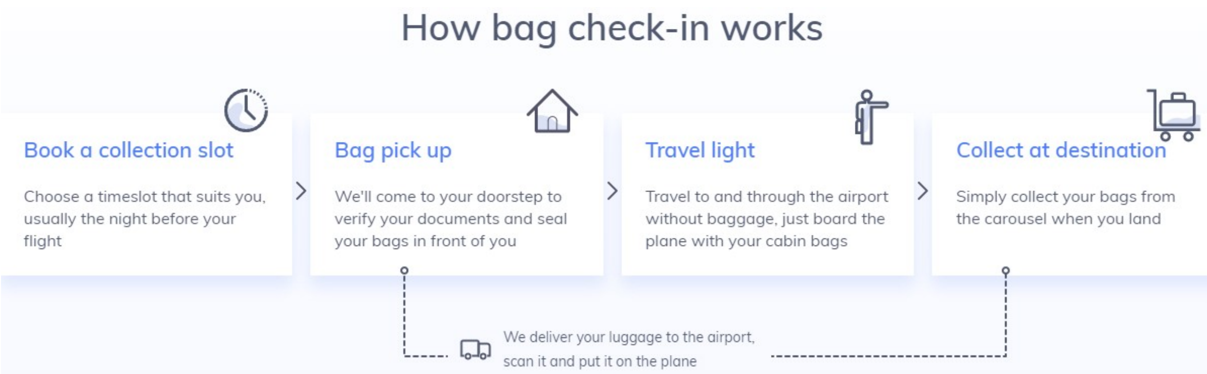
VELA TECHNOLOGIES plc

Investments

Portr Limited

Founded in 2012 by entrepreneur Randel Darby, Portr is the owner of Airportr, the airline integrated home bag check-in and delivery service. Helping passengers significantly improve their travelling experience, the service allows customers to check into their flight online and have their baggage collected from their home address. Prices range from £30 for one item of luggage, depending on location, with all additional bags costing £7 each.

The process works by customers initially booking their luggage collection online with a participating airline and choosing a 1-hour timeslot for collection, from 48 hours up to 7 hours before the flight's scheduled departure time. Upon collection, passengers undertake a boarding pass validation and identity check to comply with airline security procedures and government regulations. This is performed by a vetted driver using Airportr's proprietary technology. On passing the ID check the customer's baggage is put in a unique coded, tamper proof and trackable security bag, to be delivered to the airport and put directly onto the designated departing flight. Passengers can then travel bag free to the airport, avoiding check-in or bag drop queues, and progress directly through security. Bags are then collected on arrival at the destinations' baggage reclaim point.



Airportr service process. Source: Airportr

Portr was founded to disrupt an area of the airline industry which hasn't been significantly improved by technology since commercial flying began. For passengers, the service can reduce stress and time costs and can be cheaper than travelling to the airport in a taxi, often required if a large amount of luggage is being taken. The service also provides significant operational benefits to airlines and airports who can better plan, distribute and streamline operations with the early processing of baggage. Both airlines and airports no longer need to wait for passengers to check-in individually, over a short period of time just prior to take off.

Since beginning operations in 2016 AirPortr has carried over 120,000 bags for customers. Current airline partners include British Airways, easyJet, American Airlines, Virgin Atlantic, Cathay Pacific, and Finnair, with airports served including London Heathrow, Gatwick, Luton and Manchester airports. Pickup locations include London and surrounding areas along with the North West including Manchester, Liverpool and Chester. The growth strategy is focused on expanding into new territories and with new airline partners, with results for the year to December 2017 showing a loss of £4.89 million as the company invested in building a platform for growth.

Expansion with Manchester Airports Group

Newsflow from the company has been strong in 2019, with the latest news in early October showing Portr further expand its operations geographically by agreeing a partnership with Manchester Airports Group (MAG), the operator of Manchester, London Stansted and East Midlands Airports. Under the agreement MAG will be the first airport operator in the UK to use the Airportr service within its own infrastructure, with baggage processed in a dedicated facility away from the traditional terminal check-in areas. It will also be the first to digitise the service, meaning passengers can book and pay online via Manchester Airport's website.

The service will be available to passengers travelling with Airportr's partner airlines including British Airways, easyjet, American Airlines, Virgin Atlantic, Cathay Pacific and Finnair. Passengers travelling on other airlines can also use the service by having their bags collected from their homes ready for collection when they arrive at the airport. This was the first geographical expansion of the Airportr business, providing access to c.29 million passengers a year, initially just at Manchester Airport, and is the first time Airportr has collaborated with an airport operator to create a fully integrated baggage service.

Vela Investment

Portr is currently Vela's highest value holding within the investment portfolio. The company invested an initial £50,000 in November 2013 for a 2% stake and has since increased its stake several times to currently hold 256,275 shares for a c.3.6% holding. The latest investment in August 2019 resulted in a blended price across the two Series A fundings of £2.66 per share which raised a total of £7.1 million. Key investors in the round included largest shareholder Stobart Group and Canaccord Genuity Wealth Management (formerly Hargreave Hale Venture Capital Trust). Stobart is a key partner and shareholder, with the FTSE Small Cap listed infrastructure and support businesses also providing logistical services to Portr.

Airportr van provided by Stobart Group. Source: Company

Vibe Group Holdings

Vela has a 3.1% stake (5,674 shares) in Vibe Group Holdings, a company which owns 97% of ticket resale platform Vibe Tickets and 95% of peer-to-peer mobile payment platform Vibe Pay. Vela invested £200,000 in Vibe Group Holdings in May 2018, with the company being formed by entrepreneur Luke Massie to purchase the assets of the Vibe Tickets business from the administrators.

Vibe Tickets is a peer-to-peer social community with a marketplace at its core, which allows fans to communicate with and buy tickets from each other without fees, allowing them to cut out the middle man. The platform also gives buyers the opportunity to buy tickets from trusted and verified sellers through its Vibe Verified service. Vibe Tickets was founded by Luke Massie in 2013 to disrupt the secondary ticket sales market and has now grown to over 84,000 active users organically.

Vibe Pay is a peer-to-peer social payments platform offering direct to bank money transfers. In July 2019 VibePay was given approval by the Financial Conduct Authority to provide Payment Initiation Services and Account Information Services. The first product for VibePay allows users to organise events, request and receive money from friends. Currently in stage one of its beta launch, VibePay enables users to request and receive payments instantly by linking their bank account securely via Open Banking technology. VibePay for Business is expected to launch later in 2020 allowing consumers to pay direct from their bank when shopping online.

The app was created following the introduction of Open Banking in early 2018, with the legislation requiring major banks to share customer data securely and quickly with third-parties, opening up innovation in payment products. It was also created to enable Vibe Tickets' peer-to-peer offering to be 100% free, and to replace the third-party payment provider previously used. Using VibePay, Vibe Tickets users are able to pay for their tickets directly through their bank account and split the cost with their friends.

Vibe Group has some high profile investors and hit the headlines in June 2019 when it was revealed that Candy Ventures, the investment vehicle of billionaire property developer Nick Candy, had made an undisclosed investment into Vibe Group for a 23% equity stake. With the company founded in April 2018 financials for the group are currently limited, with accounts for the period to 31st December 2018 showing a modest loss of £72,548.

Argo Blockchain

Argo Blockchain plc (ARB) listed on the Standard segment of the Official List of the London Stock Exchange on 3rd August 2018, becoming the first crypto-mining business to float in London. This was in conjunction with a £25 million (£22.78 million net) placing at a price of 16p per share.

The IPO proceeds were initially earmarked for investing in expanding the company’s Mining as a Service (MaaS) business, which offered consumers the chance to remotely mine for cryptocurrencies. However, in response to challenging market conditions, namely the falling price of cryptocurrencies, in February 2019 Argo made the decision to cease offering its consumer mining service and transition its infrastructure and capital to mining cryptocurrencies for its own account.

At the same time, Argo saw the opportunity to step-up investment in new mining infrastructure hardware and capacity as the lower crypto asset prices led to lower demand for hardware and in turn lower hardware prices. Argo has invested around $24.2 million in crypto mining hardware since IPO, mainly the Bitmain Antminer Z11 and Antminer S17 units. These are new generation “application specific integrated circuits” (ASICs), powerful technologies in terms of speed and efficiency compared to general computing hardware which are used to mine cryptocurrencies, primarily Bitcoin and ZCash.

Following a surge in the price of Bitcoin at the start of April 2019, Argo’s strategy has been vindicated, with its highly efficient machines delivering strong levels of profitability. Recent interim results for the six months to June 2019 reported revenues growing by 283% to £2.93 million as the company turned to mining cryptocurrencies for its own book, combined with the rising Bitcoin price. Mining revenues were £2.77 million with the residual income coming from the closed MaaS business.

A reduction in the cost base following the launch of the new strategy resulted in a 35% fall in the annual mining cost base. This helped the company to post a maiden pre-tax profit of £0.95 million, against a loss of £4.12 million for the year to December 2018. On the balance sheet, Argo held just over £3 million worth of cryptoassets at the period end, based on a BTC price of $10,817. Net cash equivalents (excluding cryptocurrency) amounted to £5.6 million, down from £16 million six months previously, reflecting the ramp up in investment in mining infrastructure. A more recent statement confirmed that revenues had risen by 75% in the three months to September 2019 compared to Q2.

During H1 Argo committed to purchases of £18 million worth of mining gear which puts it on track to have an installed base of more than 12,000 mining machines by the end of 2019. Supporting the expansion, in August 2019 the company signed a new multi-year agreement with data centre provider GPU.One, increasing access to clean electricity six-fold to 64 megawatts (MW), up from 9.5MW a year ago and 14MW at the end of June 2019. The additional 50MW of power will allow Argo to run up to 15,000 more machines concurrently, taking its total Bitcoin mining capacity from 505 petahash, to 1.36 exahash. This would make Argo the world’s largest publicly listed crypto miner.

Vela Investment

Prior to Argo’s IPO Vela subscribed for 2.5 million shares in a pre-IPO funding round at a price of 8p each. Vela purchased a further 500,000 shares on 15th February 2019 at an average price of 3.072p, only slightly above the all-time low of 2.875p, giving an average acquisition price of 7.16p for its total 3 million shares. The purchase was in line with Vela’s recent move to invest in existing listed companies where it believes valuations may offer additional opportunities.

WeShop Limited

Vela's second largest investment by value is in WeShop Limited, a social network platform with plans to become a global leader in the rapidly growing and highly valuable social e-commerce sector. Vela owns 71,429 shares in WeShop (1.4% stake) which based on the most recent funding round are valued at £427,145.

WeShop's digital platform is focused on enhancing a consumer's online shopping experience by combining social media reviews, likes and shares with a retail e-commerce offering, specifically tailored to the individual user. Users benefit from gaining access to 1,000s of brands and millions of products on one platform plus a two-way sharing of ideas with friends. They can also participate in a rewards system, WeCoins, which can be spent with over 100 redemption partners including Uber, Spotify, Just Eat, Amazon and Starbucks. Brands/retailers benefit from increased sales and awareness, with WeShop already having contracts with several major brands and retailers nationwide, including ASOS, Harrods, Nike, Tesco and Boots.

WeShop has a heavyweight management team, including James Sowerby, who previously led Global New Business Development at Avon Cosmetics, and non-executive Chairman, Matthew Hammond who is Group Managing Director and CFO of mail.ru, one of the largest internet companies in the Russian speaking market. Following large scale user testing over the summer, the company is now focusing on mass user acquisition and engagement.

An update from the company covering the quarter to June 2019 showed significant operational progress across a number of fronts. Highlights included; the signing of a license agreement with Amazon to pay for user purchases facilitated by WeShop and to enable Amazon inventory to be available on the WeShop platform; agreeing an Instagram integration license to enable WeShop users to import existing content from Instagram to post on WeShop; and a partnership agreement with Apple iTunes to pay for user purchases facilitated by WeShop, and enable iTunes inventory to be available on the WeShop platform.

Further, in September 2019 WeShop announced an exclusive global partnership agreement with Brandshield Limited, a leading brand protection and online threat hunting companies. The partnership will co-develop a global product, merchant and user verification proposition for social commerce that will protect users from fraudulent online merchants, counterfeit products and fake user accounts, and will protect brands from counterfeiting and trademark infringement. WeShop intends to integrate the verification proposition into its B2C and B2B offering.

Interbit Ltd

Vela owns 620,000 shares in Interbit Ltd, previously known as BTL Group, a TSX-V listed blockchain technology platform provider. Vela first invested in the company in August 2015, buying £175,000 worth of shares, and during 2017 took the opportunity to make a number of partial sales of the shares as they rallied during the crypto-boom.

The company has been developing the Interbit platform, a multi-chain structure that provides all the privacy and immutable benefits of blockchain technology while solving the inherent limitations of single chain systems that can become heavy and unable to segregate data. Its ambition is to build a multi-chain format technology that will be able to offer a level of data management, privacy and security that meets the demands of evolving regulations such as GDPR, as well as the technology infrastructure advances of 5G and Edge computing. Version 2 of the Interbit platform was released for testing and feedback on in April 2018 and Version 3 is currently in development.

The company announced in November 2018 it was joining the CitizenOS Project and related venture with Xinova, LLC and Helix Applications Inc. and would license the InterbitTM platform to that venture. The CitizenOS Project will provide new infrastructure and the latest Interbit of Things (IoT) technology solutions to cities and state groups in a citizen privacy friendly manner. In July 2019 the venture entered into a letter of intent with Tomo Spaces Inc., developer of River Market, located in New Westminster, British Columbia, regarding collaboration in a pilot project involving data analysis and the latest sensor technology.

In September 2019 Interbit announced that in line with its strategy to focus exclusively on the development of its platform it would be engaging third-parties to review and audit the platform code. The company will be seeking assessments regarding code and design and improvements to functionality, stability and performance so that the platform can be competitively deployed in a commercial scenario. Material development of the platform has now been halted pending the result of the assessment and a further update in October confirmed the departure of the Chief Technology Officer and Chief Operating Officer. Replacements are not being sought until the review of the platform has concluded.

Rosslyn Data Technologies

Rosslyn Data Technologies is a provider of a cloud-based big-data analytics platform which listed on AIM in April 2014. Vela bought its first holding in Rosslyn prior to listing, investing £100,000 in a pre-IPO round and following subsequent additions currently has a holding of 1,411,111 shares.

Rosslyn provides analytical services through its flagship RAPid platform by combining four key technologies: bulk data extraction; data cleansing; data enrichment; and data visualisation, enabling users with detailed data to make more informed decisions. The strategy is to grow the product offering and client base in the supplier analytics space whilst seeking acquisition opportunities to increase the company's scale and offering.

A key moment in the company's history came in April 2017 when Rosslyn acquired Integritie (UK) Limited for an initial £2.588 million and raised a total of £5 million via placings and an open offer. Integritie is an information capture and management company which uses on-premises (non-cloud) IBM solutions to handle unstructured and semi structured data and deal with many varied sources and document types.

Following the integration of Integritie, the financial year to April 2019 was said to be one of consolidation, resulting in investment in product development, reduction of costs and winning larger value contracts with a broader product offering. Results for the period reported revenues up by 8.3% to £7 million, with operating EBITDA (excluding share-based costs) improved by 75% to a loss of £432,000. The company did however generate cash from operations for the first time since IPO, seeing a £0.22 million inflow. The cash balance at the year-end was £2 million after securing a £1.5 million term loan from Clydesdale Bank, of which £1 million had been drawn down at year end.

The latest news came in September, with Rosslyn acquiring the trade and software assets of Langdon Systems from its administrators for £48,750. Langdon specialises in bulk handling of supply chain data with a strong position in Import and Export duty management systems, providing import and export data reporting, visualisation and data mining for both on-premise and cloud-based solutions.

Revolve Technologies

In June 2015 Vela invested £50,000 in Revolve Performance Limited, the holding company of Brentwood based operating company Revolve Technologies Limited and 91% of Los Angeles operating company Mountune LLC.

The group is mainly focused on the engineering development of powertrains for transportation. Revolve Technologies is the core engineering business and Mountune covers the design, supply and support of motorsport race engines and the supply of aftermarket performance parts including power upgrade kits for a range of Ford vehicles.

Accounts for the year to December 2017 showed revenues rising to £13.8 million from £10.9 million, with net losses of £0.77 million up from £0.13 million. The increased loss came after Revolve invested £578,438 in expanding the US facility and in UK based R&D projects relating to low carbon powertrains and performance, with the amount all expensed through the P&L account. The programs are said to have increased the group's technical reputation in the development of low carbon hybrid powertrains, which in turn has resulted in the award of a number of significant commercial development programs with key strategic customers on which profits will be returned.

Following the period end, on 1st March 2018, the group acquired 100% of 1552 Wheels LLC, an automotive aftermarket wheel brand based in California with a predominantly US customer base. The company has moved onto the same site as Mountune and will work together promoting both brands into the US market. It is expected that the two businesses will experience significant revenue growth over the course of the next few years.

BlockchainK2 Corp

In May 2018 Vela acquired 272,000 shares in blockchain technology investor BlockchainK2 Corp for £200,589. The company began trading on the TSX-V exchange in Canada in May 2018 following a "Change of Business" transaction with African Hydrocarbons. BlockchainK2 is looking to build a cryptocurrency mining operation and invest in blockchain technology solutions for capital markets and other sectors that can be made more efficient through tokenisation.

In line with its strategy to incubate blockchain businesses, in July 2019 BlockchainK2 made a US$500,000 investment in RealBlocks, a blockchain investment network. This added to previous investments in RealBlocks of US$3.1 million earlier in the year by various venture capital funds. RealBlocks' provides a tokenisation solution which enables more efficient capital raising, more cost-effective compliance, simpler documentation and secondary trading of illiquid alternative assets.

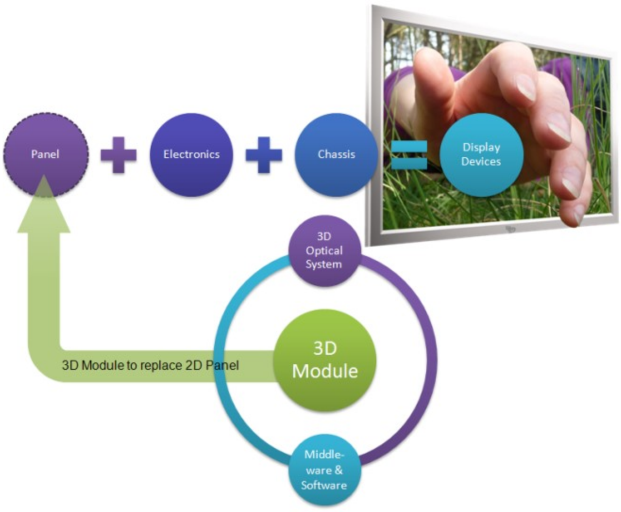
Later in July a deal was signed with industrial cryptocurrency mining co-location business Standard Power with respect to BlockchainK2's S9J miners. This was in line with the company's strategy to acquire/joint-venture with old data centres with low electricity costs, repurposed to cater for cryptocurrency miners. Standard Power owns and operates a site in Ohio able to host up to 50 megawatts of mining capacity in the short term, with ultimate power capacity of over 500 megawatt, and has a very low long-term average total power price below $0.03 USD per kWh.

BlockchainK2's results for the 9 months to 30th June 2019 showed a net loss of C$0.44 million, with net assets of C$3.16 million. BlockchainK2 also showed that it held C$2.27 million of cash, which broadly equates to the current market cap.

StreamTV Networks Inc.

StreamTV is a private US company that has developed a technology, Ultra-D, which combines hardware and software, enabling viewers to view 3D media without glasses. In October 2013 Vela made an investment of $100,000 in StreamTV via a convertible loan note, followed by an additional $100,000 investment in December 2018 as part of a proposed private funding round of $30 million. Vela currently owns 114,564 shares.

The Ultra-D technology uses advanced optics and rendering algorithms to create a 140-degree viewing angle that gives everyone in the room a crisp, clear, vibrant, and fully adjustable 3D experience. Its 3D display technology is compatible with all screen sizes and all content, both pre-existing and newly created. The company offers its technology as a component to existing brands for inclusion in their television, monitor, tablet and phone devices, with applications across the entertainment, gaming, advertising and other markets.



3D model panel integration. Source: StreamTV

StreamTV is currently in the process of commercialising its technology and to that effect has signed several strategic agreements with leading industry partners. In November 2018 the company finalised an agreement with BOE Technology Group, the number one panel supplier globally, to combine BOE's high-resolution panels with Ultra-D. BOE has expressed its intention to include Stream TV's technology on their entire series of product lines, securing a significant supply chain for the technology.

The latest corporate news from StreamTV came in March when it announced a North and Central American distribution agreement with 3D technology firm IQH3D which launched the 65" Glasses-Free 3D Ultra-D™ enabled 4K digital displays at the Digital Signage Expo in Las Vegas. IQH3D will be the exclusive distribution partner for the 65" Ultra-D 4K display into the North and Central American commercial digital signage market.

News from the company since then has been light, with StreamTV understood to be continuing chip manufacture and product commercialisation activities while seeking further funding and being in discussions with prospective panel and technology vendors regarding product pre-orders and other technology tie-ups.

Nektan

From June to September 2018 Vela made a total investment of £37,441 in Nektan, buying 185,000 shares. Nektan is an international gaming technology and services provider, specialising in mobile casino, which listed on AIM in November 2014. Headquartered in Gibraltar, the company is regulated by the Gibraltar Licensing Authority, the UK Gambling Commission and the Information Commissioners Office.

Nektan licenses proprietary technology to leading gaming operators and provides end-to-end technology and white label casino services for leading brands. Flagship technology platform, Evolve, enables administrators to manage the full customer experience and back-office operations, allowing partners to focus on marketing the product to their consumers. The E-Lite platform is Nektan's B2B gaming content aggregator and bonus platform that delivers premium content from the world's leading game studios. Nektan also has a material stake in US-based interactive gaming operator Rapid Games, which provides US land-based casinos with an in-venue mobile gaming solution.

In the most recent full year results, for the year to June 2018, Nektan reported revenues of £20.07 million and a pre-tax loss of £7.18 million as it continued to scale up and invest in operations. A Q4 update released in July this year reported revenues up by 14.8% over FY2018 following the launch of further white label sites and start of additional partnership deals. In mid-September the business announced a proposed restructuring of convertible loan notes and director loans which will be converted and/or extended, along with a placing looking to raise c.£5 million for working capital.

Advanced Laser Imaging

One of Vela's first investments came in September 2013 when it acquired a 6.25% stake in laser business Advanced Laser Imaging for £75,000. The company uses laser scanning hardware and software applications to produce 360 degree 3D images and models which can then be used in areas such as policing (for crime scene reconstruction and analysis), security, infrastructure management, facilities management and film & entertainment.

3D laser scanning instruments work by collecting millions of measurements in three dimensions producing what is known as a point cloud, by using eye safe laser light. They allow the capture of a digital 3D recording of things, locations or buildings in highly accurate detail. Images can be created for anything from small components or pieces of forensic evidence at a micron level, up to buildings, industrial plants or areas of a town. They can be used and manipulated to view scenes from multiple perspectives at varying levels of detail, without any further scanning or photography.

News from Advanced Laser Imaging has been very light over the past few years, with the total exemption accounts from Companies House showing an accumulated loss of £633,629 as at 31st August 2018, up from £608,595 a year previously, and negative net assets of £284,249. The company has not raised money since 2014.

Disruptive Tech Limited

Vela's first investment in 2013 following the strategy and name change was the purchase of 262,090 shares in Disruptive Tech Limited (DTL) a Gibraltar based holding company which, similar to Vela, had a remit to own and manage investments in a number of technology enterprises. The portfolio includes holdings in appointment scheduling firm BookingBug, "champion management" platform Freeformers and Nektan (see above). However, DTL is in a wind down phase and will not be making any further investments.

Financials & Recent Trading

Vela's results for the year to 31st March 2019 reported a net loss of £1.55 million, up from £0.16 million in 2018. As an investment company Vela made no revenues and recorded £234,000 of administrative expenses. The main P&L item was a £1.193 million downward move in the fair value of investments during the period. Finally, finance expenses of £127,000 related to loan note and bond interest and were in line with the previous year.

On the balance sheet Vela's investment portfolio was valued at £2.1 million at the period end. This was down from £2.76 million at the start of the year as the company made £533,000 of additions to the portfolio, offset by the £1.193 million movement in fair value. The main additions during the period were the £200,000 investment in Vibe Group, £200,589 in BlockchainK2 and $100,000 in StreamTV, with more modest investments of £37,441 made in Nektan and £15,553 in Argo Blockchain.

Cash balances

Cash as at 31st March was £23,000 but this was boosted following the period end by a £400,000 placing, completed in April at a price of 0.1p per share. Investors also received one warrant for every four placing shares, exercisable at a price of 0.15p for a period of up to two years from the placing date.

Part of the placing proceeds were used to make a further investment of £91,341 in Portr, with the remainder used to repay £200,000 of convertible unsecured loan notes (plus accrued unpaid interest) held by director Antony Laiker, for further investment opportunities and for working capital. Mr Laiker subsequently subscribed the entire proceeds of the redemption, amounting to £240,985.30, for new shares in the company.

Borrowings

Loans and borrowings amounted to £996,000 as at 31st March 2019, with £480,000 relating to convertible loan notes due to Antony Laiker and investor Scott Fletcher. Since the period end these have been fully converted into new Vela shares at a conversion price of 0.1p. The remaining £516,000 of borrowings relate to the February 2017 issue of secured, 10% bonds via UK Bond Network. The bonds were issued with a term of 3 years, with full repayment in cash of the principal amount due at maturity on 17th February 2020. They are secured by way of fixed and floating charges over all assets of the company present and future.

Outlook

On the outlook Vela commented that it has considered a number of new investment proposals but as yet none have proven suitable, mainly due to perceived over-valuations. Interestingly, the company also said that it has considered other corporate transactions, including proposals to use Vela as a reverse takeover vehicle, as well as more substantial investments in listed companies. These opportunities will continue to be explored alongside its stated investment strategy.

Management

Nigel Brent Fitzpatrick, MBE - Non-executive Chairman

Mr. Fitzpatrick has over 20 years' experience as a corporate finance consultant. In the last 15 years he has been instrumental in advising a number of companies on their acquisitions, funding and subsequent flotations. Mr. Fitzpatrick was Chairman of both Global Marine Energy plc, a listed oil services company and RiskAlliance Group plc. He is currently Chairman of Halcyon Oil & Gas Limited and Aboyne-Clyde Rubber Estates of Ceylon Limited. He is a non-executive director of Acorn Minerals plc. He is a member of the Audit Committee Institute. In the Queen's Birthday Honours List 2012, Mr. Fitzpatrick was awarded an MBE for services to education.

Antony Laiker - Director

Mr. Laiker has over 39 years' experience as a stockbroker, the last 29 years of which have been largely focused on managing assets and advising a wide range of clients on UK equities as well as assisting companies to raise funds. He is a member of the Chartered Institute for Securities and Investment.

Major Shareholders

Holder	No. of shares	%
JIM Nominees Limited	653,485,823	38.01%
Scott Fletcher*	304,929,997	17.74%
Antony Laiker**	301,175,301	17.52%
Hargreaves Lansdown (Nominees) Limited	214,420,574	12.47%
Kevin Sinclair*	151,449,000	8.81%
HSBC Global Custody Nominee (UK) Limited	106,484,615	6.19%
Interactive Investor Nominee Services Limited	91,154,708	5.30%
HSDL Nominees Limited	87,732,127	5.10%
Vidacos Nominees Limited	59,837,503	3.48%

**Kevin Sinclair and Scott Fletcher's interests in Vela Technologies are held indirectly through JIM Nominees Limited.*

*** Antony Laiker's interest in Vela Technologies is held as to 35,190,000 shares indirectly through JIM Nominees Limited and 265,985,301 shares held directly.*

Key Risks

Exposure to early stage technology companies

Vela's focus on early stage technology companies exposes it to a range of risks including technology failure, the rapid pace of technological change, commercial failure and financing risks. Vela reduces this exposure by investing in companies which have already proven their product, having a broad range of companies in its portfolio and applying strict due diligence before making investment decisions.

Liquidity risk

Approximately 71% of Vela's portfolio by value is invested in private companies which have no active market for their shares. Therefore, Vela may find it difficult to liquidate its holdings in these companies unless a liquidity event such as an IPO or takeover occurs.

Funding risk

In order to take advantage of further investment opportunities, or to pay for corporate costs, Vela may undertake further equity funding raisings which will be dilutive to shareholders. These will however be offset by the value of investments entered into with the proceeds of funds raised.

Also, Vela is due to pay back the £516,000 principal amount of its 10% bonds at maturity on 17th February 2020. Further funding will have to be found to pay back the principal or otherwise terms will have to be renegotiated with the bondholders.

Currency risk

Modest currency risk comes from Vela's shareholdings in Interbit and BlockchainK2, which are denominated in Canadian dollars, and Stream TV, which is denominated in US dollars. Therefore any changes in the value of these currencies against sterling will affect Vela's valuation of these investments, which only make up a combined c.11% of the total portfolio according to our estimates.

Valuation

Listed investment companies such as Vela are typically valued in relation to the value of their net assets, with the investment portfolio being the major constituent. With Vela's most recently published balance sheet being six months old we have endeavored to update the figures for corporate developments and share price movements seen since then. As per the table below, which uses share prices as at close on 21st October 2019 and the latest funding round data for private companies, we calculate a current value of **£2.057 million** for Vela's investment portfolio.

Company	Shares	Value per share (£)	Total value	% of portfolio	Listed/Private
Portr Limited	256,275	2.00	512,550	24.91%	Private
Argo Blockchain	3,000,000	0.07	210,000	10.21%	LSE
Nektan	185,000	0.0575	10,638	0.52%	AIM
Interbit	620,000	0.135	83,700	4.07%	TSX-V
Vibe Group	5,674	52.87	299,984	14.58%	Private
StreamTV Networks	114,564	1.19	136,331	6.63%	Private
Rosslyn Data Technologies	1,411,111	0.0725	102,306	4.97%	AIM
WeShop	71,429	5.98	427,145	20.76%	Private
BlockchainK2	272,000	0.09046	24,605	1.20%	TSX-V
Revolve, ALI, Disruptive Tech			250,000	12.15%	Private
TOTAL			**2,057,259**	**100.00%**	

To calculate net assets we make various adjustments to the balance sheet as at 31st March 2019. Increasing the valuation, we add in the proceeds of the April placing (less an assumed 5% fee), the Antony Laiker subscription proceeds, cash & receivables as at the last balance sheet date and remove the now converted convertible bonds. Lowering the valuation, we subtract the proceeds of the April placing invested in Portr and repaying the Antony Laiker loan, outstanding bonds, six months' worth of corporate admin expenses (equating to half of the FY2019 value) and trade payables as at 31st March.

Add	£
Net placing proceeds	380,000
Laiker subscription	240,985
Cash + receivables	36,000
TOTAL	**656,985**

Less	£
Bonds	516,000
Portr investment	91,341
Laiker repayment	240,985
Six months admin expenses	117,000
Trade payables	27,000
TOTAL	**992,326**
Estimated net assets	**1,721,918**

The calculations above leave Vela with an estimated net asset value as at the date of this note of £1.72 million. Currently trading at 0.0085p per share and with 1,718,943,717 shares in issue the market cap of £1.46 million is therefore a 15% discount to estimated net assets.

While this figure is pretty much in line with, if not slightly higher than, discounts seen amongst similar listed venture capital/small cap style investment entities we see significant upside potential for investors given a number of material valuation upside opportunities across Vela's portfolio. We see these as being:

Portr – With its unique Airportr service Portr now has a proven and growing disruptive technology offering, combined with partnerships with a range of blue-chip industry participants. As it further rolls out its service and adds more corporate clients we believe that the company could start to look ready for a further (Series B) funding round and potentially undertake an IPO within the coming years should it move into profitability. It could also look attractive for acquisition by an airline industry service provider. One such potential acquirer in our opinion is Amadeus IT Group, with Airportr joining the travel technology group's Amadeus Explore programme, a global initiative to assist technology start-ups scale faster, in September this year. We believe that the current valuation of just over £14 million, which based on our own assumptions could prove to be modest should any of these events occur.

Vibe Group – Vibe is in a similar, if slightly earlier stage of development as Airportr, with the new VibePay service being particularly attractive in our view. Disruptive technology companies in the banking/payment industries have been attracting significant investments in recent years, including several "unicorns" such as digital bank Revolut. The company, which currently has 7 million users, raised $250 million at a valuation of $1.7 billion in April 2018. In June this year rival Monzo, which at the time had a reported 2 million users, was valued at £2 billion following a £113 million funding round. While still in the early stages of launching its VibePay app, these transactions provide an indication of what Vibe Pay could aspire to in the long-term, with the current valuation being just under £10 million.

WeShop – Like digital banking/payments, e-commerce companies are also known to have attracted high valuations in recent times – companies such as Asos, Boohoo.com and Quiz have traded on valuations up to and over 100 times earnings over the past decade. Social e-commerce is a relatively new area but according to the company is forecast to grow to $350 billion per annum over the medium-term. Assuming success in growing the user base then we believe that WeShop has the potential to see further fundraisings at increasing values, especially given the heavyweight management team.

Argo Blockchain – Align Research re-initiated coverage of Argo Blockchain in early August 2019. We have a yield based price target of 14.62p on the shares, which implies 91% upside from current levels. Further, providing blue-sky upside potential we have a 31.33p per share earnings multiple plus liquid assets based valuation and 73.71p peer efficiency ratio based valuation. Should our yield based target be met, that would add an additional £209,100 to the value of Vela's stake in Argo.

BlockchainK2 – The current market cap of BlockchainK2 is C$2,518,856 on the TSX-V. Net assets as at 30th June 2019 were C$3,164,695, equivalent to 0.195 cents (0.117p) per share. Although this investment is still at a relatively early stage, in our view, the potential return to BlockchainK2 of its investment in RealBlocks may bring a substantial uplift in the underlying asset value of BlockchainK2.

Outside the portfolio investments, there could be value from Vela being used as a reverse takeover vehicle, as discussed in the recent full year results. With an AIM quote and unused tax losses of c.£5 million the company could prove to be an attractive way to market for a number of parties. Should such a transaction occur we would expect that the investment portfolio be hived off into a separate vehicle so current investors retain its full value.

We initiate coverage of Vela Technologies with a stance of **Speculative Buy.**

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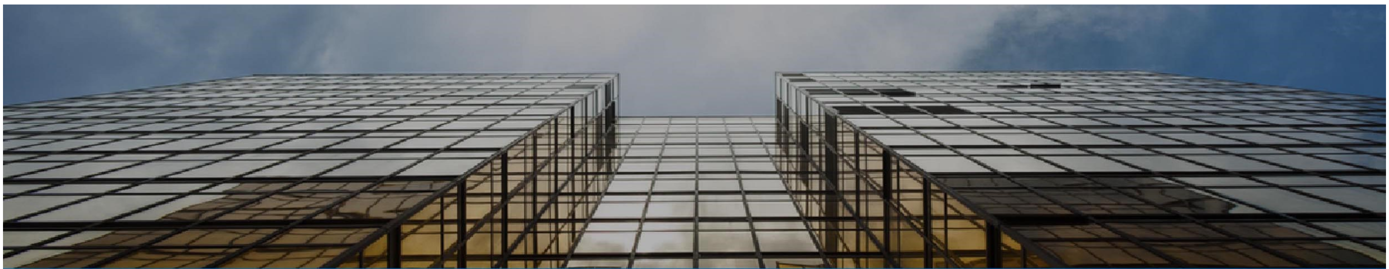

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