1 November 2022

Vulcan Industries plc

(“Vulcan” or the “Company”)

Interim Results for the 6 Months ended 30 September 2022

Vulcan Industries plc (AQSE: VULC) is pleased to announce its unaudited interim results for the 6-month period ended 30 September 2022.

Principal activity

The Company was established to develop an innovative platform from which to service a global client base. Vulcan's strategy is based on identifying businesses which represent opportunities for operational synergies to ensure shareholder value regardless of prevailing economic conditions."

Review of business and future developments

Since admission, the focus has been to restructure the existing businesses to recover from the financial impact of COVID-19 and lay the foundations to develop the Group going forward. The initial step in this process was the acquisition on 24 March 2022 of the entire share capital of Aftech Limited (“Aftech”). Aftech brings additional complementary areas of fabrication skills and product offering.

Whilst demand picked up in the second quarter of the year ended 31 March 2022, the continued operating losses placed significant strains on working capital. In particular, M&G Olympic Products Limited (“MGO”) which, like many smaller suppliers to the major construction companies, struggled to balance the cash flow fluctuations across multiple large projects. This placed strain on both its processes and its workforce and it was a continued demand on Group cash resources. In order to stem continued cash outflows, MGO was disposed of on 30 March 2022.

For similar reasons, the Board explored exit alternatives from IVI Metallics Limited (“IVI”) and Orca Doors Limited (“Orca”) in the first quarter of the current year and concluded their disposal for a nominal consideration in July 2022.

Accordingly, the comparative results and cash-flows of the Group have been restated to reflect these disposals.

The financial results for the Group for the 6-month period to 30 September 2022 (“HY22”) show continuing revenue of £1,226,000 for the period (HY21: £491,000). The loss before interest, tax, depreciation and amortization is £275,000 (HY21: £392,000). After depreciation and amortization of £37,000 (HY21: £18,000) and finance costs of £235,000 (HY21: £199,000) the Group is reporting a loss after taxation on continuing activities of £547,000 (HY21: 609,000). As a result of the disposals, the Group is reporting a profit on discontinued activities of £1,271,000 (HY21: loss £341,000)

At 30 September 2022, the Group balance sheet shows cash balances of £91,000 (HY21: £42,000) and net debt was £3,275,000 (HY21: £4,239,000). Net liabilities at 30 September 2022 were £2,089,000 (HY21 Net liabilities £2,891,000).

Outlook

In the first half of the year, the Group has continued to lay the foundations for its future development by disposing of the loss-making legacy businesses of IVI and Orca. On 13 October 2022, the Company announced that it had entered into binding Heads of Terms, subject to documentation, to acquire the entire share capital of Peregrine X limited (“Peregrine”). The documentation is in course of preparation and a further announcement will be made in due course. This acquisition will enable the Group to focus on building a profitable trading business over the coming years.

The Company has identified further potential additional acquisition opportunities and will make further announcements should these progress.

Unaudited Consolidated Statement of Comprehensive Income

The comparatives have been restated to reflect discontinued activities

	Note	6 Months to 30 September 2022	6 Months to 30 September 2021	Year ended 31 March 2022
		£'000	£'000	£'000
Continuing activities				
Revenue		1,226	491	1,084
Cost of sales		(929)	(436)	(938)
Gross profit		297	54	146
Operating expenses		(609)	(464)	(933)
Other gains and losses		-	-	(263)
Impairment charge	3	-	-	(572)
Finance costs	4	(235)	(199)	(420)
Loss before tax		(547)	(609)	(2,042)
Income tax		-	-	-
Loss for the period from continuing activities		(547)	(609)	(2,042)
Discontinued activities				
Profit / (loss) for the period from discontinued activities	5	1,271	(342)	(1,645)
Profit / (loss) for the period attributable to the owners of the Company		724	(951)	(3,687)
Other Comprehensive Income for the period		-	-	-
Total Comprehensive Income for the period attributable to owners of the Company		724	(951)	(3,687)
Earnings per share				
Basic and Diluted earnings per share for loss from continuing operations attributable to the owners of the Company (pence)	6	(0.1p)	(0.20p)	(0.59p)
Basic and Diluted earnings per share attributable to the owners of the Company (pence)	6	0.13p	(0.32p)	(1.06p)

Unaudited Consolidated Statement of Financial Position

	Note	At 30 September 2022 Note	At 30 September 2021	At 31 March 2022 £'000
Non-current assets				
Goodwill		945	1,571	945
Other intangible assets		292	762	317
Investments		500	-	500
Property, plant and equipment		156	342	295
Right of use assets		-	717	403
Total non-current assets		1,893	3,392	3,647
Current assets				
Inventories		51	578	252
Trade and other receivables		731	2,243	833
Cash and bank balances		91	42	69
Total current assets		873	2,863	1,154
Total assets		2,766	6,255	3,614
Current liabilities				
Trade and other payables		(1,451)	(4,765)	(2,698)
Lease liabilities		-	(228)	(125)
Provisions		-	(62)	-
Borrowings	7	(3,366)	(2,736)	(2,968)
Total current liabilities		(4,817)	(7,791)	(5,791)
Non-current liabilities				
Lease liabilities		-	(429)	(266)
Borrowings	7	-	(888)	(674)
Deferred tax liabilities		(38)	(38)	(38)
Total non-current liabilities		(38)	(1,355)	(978)
Total liabilities		(4,855)	(9,146)	(6,769)
Net liabilities		(2,089)	(2,891)	(3,155)
Equity				
Share capital	8	234	138	211
Share premium account		7,257	4,539	6,645
Shares to be issued		-	-	293
Retained earnings		(9,580)	(7,568)	(10,304)
Total equity attributable to the owners of the company		(2,089)	(2,891)	(3,155)

Unaudited Consolidated statement of changes in equity	Share Capital £'000	Shares to be issued £'000	Share Premium £'000	Retained earnings £'000	Total Equity £'000
At 1 April 2021	112	-	3,946	(6,617)	(2,559)
Total Comprehensive income for the period	-	-	-	(951)	(951)
Transactions with shareholders		-			
Issue of shares	26	-	593	-	619
Total transactions with shareholders for the period	26	-	593	-	619
At 30 September 2021	138	-	4,539	(7,568)	(2,891)
Total Comprehensive income for the period	-	-	-	(2,763)	(2,763)
Transactions with shareholders					
Issue of shares	73		2,106	-	2,179
Shares to be issued	-	293	-	-	293
Total transactions with shareholders for the period	73	293	2,106	-	2,472
At 31 March 2022	211	293	6,645	(10,304)	(3,155)
Total Comprehensive income for the period	-	-	-	724	724
Transactions with shareholders					
Issue of shares	23	(293)	612	-	342
Total transactions with shareholders for the period	23	(293)	612	-	619
At 30 September 2022	234	-	7,257	(9,580)	(2,089)

Unaudited Consolidated Statement of Cash Flows	Note	6 Months to 30 September 2022 £'000	6 Months to 30 September 2021 £'000	Year Ended 31March 2022 £'000
Loss for the period from continuing activities		(547)	(609)	(2,042)
Adjustments for:				
Finance costs		235	207	216
Depreciation of property, plant and equipment		12	2	5
Depreciation of right of use assets		-	-	-
Amortisation of intangible assets		25	22	49
Impairment of goodwill		-	-	572
Share based payment		69	48	499
Operating cash flows before movements in working capital		(206)	(330)	(701)
(Increase) / decrease in inventories		(39)	-	12
Increase in trade and other receivables		(266)	(27)	(67)
Increase in trade and other payables		600	104	15
Cash from / (used in) operating activities -continuing		89	(253)	(741)
Cash from operating activities - discontinued		219	175	556
Investing activities				
Purchases of property, plant and equipment		(1)	-	-
Consideration on acquisition of subsidiaries net of cash acquired,		-	-	46
Net cash from investing activities – continuing		(1)	-	46
Net cash (used in) / from investing activities - discontinued		-	(14)	31
Financing activities				
Interest paid		(235)	(207)	(216)
Proceeds from loans and borrowings	6	-	11	50
Repayment of borrowings	6	(78)	-	-
Proceeds on issue of shares		275	445	1,041
Net cash (used in) / from financing activities-continuing		(38)	249	875
Net cash used in financing activities-discontinued		(247)	(200)	(784)
Net increase in cash and cash equivalents		22	(44)	(17)
Cash and cash equivalents at beginning of year		69	86	86
Effect of foreign exchange rate changes		-	-	-
Cash and cash equivalents at end of year		91	42	69

Notes to the unaudited consolidated financial statements for the 6-month period ended 30 September 2022

1. General information

Vulcan Industries PLC is incorporated in England and Wales as a public company with registered number 11640409. The address of the Company's registered office is 8th Floor, The Broadgate Tower, 20 Primrose Street, London, EC2A 2EW.

These summary financial statements are presented in Sterling and are rounded to the nearest £'000. which is also the currency of the primary economic environment in which the Company and Group operate (their functional currency).

Basis of accounting

The condensed consolidated financial statements of the Group for the 6 months ended 30 September 2022. which are unaudited and have not been reviewed by the Company's Auditor, have been prepared in accordance with the International Financial Reporting Standards ('IFRS'), and accounting policies adopted by the Group as set out in the annual report for the period ended 31 March 2022 (available at www.vulcanplc.com). The Group does not anticipate any significant change in these accounting policies for the year ended 31 March 2022.

This interim report has been prepared to comply with the requirements of the Access Rulebook of the AQSE Growth Market. In preparing this report, the Group has adopted the guidance in the Access Rulebook for interim accounts which do not require that the interim condensed consolidated financial statements are prepared in accordance with IAS 34, 'Interim financial reporting'. Whilst the financial figures included in this report have been computed in accordance with IFRSs applicable to interim periods, this report does not contain sufficient information to constitute an interim financial report as that term is defined in IFRSs.

The financial information contained in this report also does not constitute statutory accounts under the Companies Act 2006, as amended. The financial information for the period ended 31 March 2022 is based on the statutory accounts for the year then ended. The Auditors reported on those accounts. Their report was qualified as follows:

Due to the disposal of some of the group's subsidiaries they were unable to obtain sufficient appropriate audit evidence on the following areas:

- the discontinued operations in the Consolidated Statement of Comprehensive Income relating to M&G Olypmic Products Limited:
- the cut off for the revenue of IVI Metallics Limited: the sales cut off sample for which we did not receive information was £89,000, including post year end sales of £59,000
- we were appointed subsequent to the year end and were not able to observe the counting of the physical inventory and were unable to verify by alternative means the inventory quantities held at the year end.

The auditors referred to going concern as a key audit matter. They drew attention to note 3 in the financial statements, which shows conditions which indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Their opinion was not modified in respect of this matter.

The financial statements have been prepared on the historical cost basis, except for the certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies adopted are set out below.

Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up for the period ended 31 March 2022. Control is achieved when the Company has the power:

- over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, value added taxes and other sales related taxes.

Performance obligations and timing of revenue recognition:

All of the Group's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are collected or delivered to the customer, or in the case of fabrication project work, when the project has been accepted by the customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually it will have a present right to payment. Consideration is received in accordance with agreed terms of sale.

Determining the contract price:

The Group's revenue is derived from:

a) sale of goods with fixed price lists and therefore the amount of revenue to be earned from each transaction is determined by reference to those fixed prices; or

b) individual identifiable contracts, where the price is defined

Allocating amounts to performance obligations:

For most sales, there is a fixed unit price for each product sold. Therefore, there is no judgement involved in allocating the price to each unit ordered.

There are no long-term or service contracts in place. Sales commissions are expensed as incurred. No practical expedients are used.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to set off.

2. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Going concern

The directors are confident that the existing financing set out in note 6 will remain available to the Group and, as demonstrated by equity raised since the period end, that additional sources of finance will be available. The directors, with the operating initiatives already in place and funding options available, are confident that the Group will achieve its cash flow forecasts. Therefore, the directors have prepared the financial statements on a going concern basis. These financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

3. Impairment charge

	6 Months to 30 September 2022	6 Months to 30 September 2021	Year ended 31March 2022
	£'000	£'000	£'000
Goodwill	-	-	1,142
Identified intangible assets	-	-	571
Other receivables	-	-	327
	-	-	2,040
Of which relating to:	£'000	£'000	£'000
Continuing activities	-	-	572
Discontinued activities	-	-	1,468
	-	-	2,040

4. Finance costs

	6 Months to 30 September 2022	6 Months to 30 September 2021	Year ended 31March 2022
	£'000	£'000	£'000
Interest on loans, bank overdrafts and leases	247	217	476
Loan arrangement fees and other finance costs	19	18	26
	266	199	502
Of which relating to:	£'000	£'000	£'000
Continuing activities	235	199	420
Discontinued activities	31	36	82
	266	235	502

5. Discontinued activities

	6 Months to 30 September 2022 £'000	6 Months to 30 September 2021 £'000	Year ended 31March 2022 £'000
Revenue	396	2,233	4,011
Cost of sales	(319)	(1,736)	(3,152)
Gross margin	77	497	859
Operating expenses	(171)	(888)	(1,653)
Other Income	25	85	(22)
Impairment charge	-	-	(1,468)
Finance costs	(32)	(36)	(83)
Loss before tax on discontinued activities	(101)	(342)	(2,367)
Tax credit on discontinued activities	-	-	68
Profit on disposal of discontinued activities	1,372	-	654
Profit / (loss) on discontinued activities	1,271	(342)	(1,645)

The Company disposed of M&G Olympic products Limited on 30 March 2022, Orca Doors Limited on 18 July 2022 and IVI Metallics Limited on 31 July 2022

6. Earnings per share

The calculation of the basic earnings loss per share is based on the following data	6 Months to 30 September 2022 £'000	6 Months to 30 September 2021 £'000	Year ended 31March 2022 £'000
Loss for the period from continuing activities	(547)	(609)	(2,042)
Earnings / (loss) for the period for the purposes of basic loss per share attributable to equity holders of the Company	724	(951)	(3,687)
Weighted average number of Ordinary Shares for the purposes of basic loss per share	554,051,792	299,050,167	346,819,139
Basic loss per share (pence) from continuing activities	(0.01p)	(0.20p)	(0.6p)
Earnings / (loss) per share (pence) attributable to equity holders of the Company	0.13p	(0.32p)	(1.07p)

The Company has issued options over ordinary shares which could potentially dilute basic earnings per share in the future. There is no difference between basic loss per share and diluted loss per share as the potential ordinary shares are anti-dilutive.

7. Borrowings

	At 30 September 2022 £'000	At 30 September 2021 £'000	At 31 March 2022 £'000
Non-current liabilities			
Secured			
Corona virus business interruption loan (CBIL)	-	799	634
Convertible loan note	-	-	-
Other Loans	-	-	-
Unsecured			
Bounce back loan (BBL)	-	89	40
Convertible loan note	-	-	-
	-	888	674
Current liabilities			
Secured			
CBIL	704	106	182
Factoring facility	333	292	447
Other Loans	1,854	1,854	1854
Unsecured			
BBL	-	11	10
Convertible loan note	475	473	475
	3,366	2,736	2,968
Total Borrowings	3,366	3,624	3,642

The CBIL was drawn down in September 2020. It is repayable over 6 years, commencing October 2021. Interest rate is 3.99%. The loan is secured by a debenture over the Company and IVI Metallics Limited and cross guarantees from the Company and certain subsidiaries.

Following the disposal of IVI and its subsequent administration, pursuant to the cross guarantee, HSBC issued a final demand for repayment for the outstanding principal. The final sum payable will depend on the outcome of the administration and the Company is in negotiations with the bank to reschedule the loan. Pending the outcome, the outstanding capital is classified as falling due within one year. An interim payment has been made by the administrator has been made to Ablrate and this has been offset against interest payments due to them.

The impact on the income statement has been to reduce the profit on disposal of discontinued activities for the period ended 30 September 2022 by £646,000.

The convertible loan note has a coupon of 5%. The lender has the right to convert the outstanding principal into ordinary share of the Company at a price of 1p per share. In the event that the lender does not exercise its conversion rights by 30 September 2023, the loan shall become immediately repayable by the Company.

Other loans falling due in less than one year of £1,854,000 (HY21 £1,854,000) are secured by means of a debenture, chattels mortgage and cross guarantee entered into by the Company and each of its subsidiaries. The lender has agreed to waive the maturity date, so long as the other terms of the agreement continue to be adhered to. The loans bear an interest rate of 18% per annum.

The factoring facilities are secured on certain trade receivables. There is a factoring charge of 1% of the Gross debt and a discount rate of 5% above Lloyds bank base rate on net advances. The agreement provides for 6 months' notice by either party and certain minimum fee levels.

Reconciliation to cash flow statement

	At 1 April 2022	On disposal	Repaid	At 30 September 2022
	£'000	£'000	£'000	£'000
Secured borrowings				
Other Loans	1,854	-	-	1,854
CBIL	816	-	(112)	704
Factoring facilities	447	(81)	(33)	333
	3,117	(81)	(145)	2,891
Convertible loan note	475	-	-	475
BBL	50	(40)	(10)	-
Total borrowings	3,642	(121)	(155)	3,366

8. Share capital

	Number	£'000
Issued and fully paid:		
At 31 March 2021	280,786,938	112
Issued during the period	64,108,222	26
At 30 September 2021	344,895,160	138
Issued during the period	181439,442,	80
At 31 March 2022	526,334,602	218
Issued during the period	55,081,892	16
At 30 September 2022	581,416,494	234

9. Post balance sheet events

On 12 October 2022, the Company announced binding heads of terms, subject to documentation, for the acquisition of the entire share capital of Peregrine X Limited.