

Regulatory Story



[Spinnaker Opportunities PLC](#) - SOP Interim Results For Period Ended 30 June 2019
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Spinnaker Opportunities plc

("Spinnaker" or the "Company")

Half Yearly Report (Unaudited)

For the Period Ended 30 June 2019

Spinnaker Opportunities plc announces today its preliminary financial results for the period ended 30 June 2019.

Period Highlights

- The Company requested suspension of trading of its shares with effect from 27th February 2019, following the signing of a non-binding Heads of Terms to acquire the entire issued share capital of Kanabo Research Ltd ("Kanabo").
- Preparations and documentation for acquisition and re-admission of enlarged group continued satisfactorily.
- Cash of approximately £0.88 million as at 30 June 2019.

Post-Period Highlights

- £1.4 million funding pre-commitment signed for cornerstone funding required for enlarged group, conditional on admission.
- Acquisition and admission of enlarged group remains on course.

For further information, please visit <http://www.spinnakeropportunities.uk/> or contact the following:

Peterhouse Capital (Financial Adviser and Joint Broker)

Tel: +44 (0)20 7469 0930

Guy Miller / Lucy Williams / Eran Zucker

SI Capital (Joint Broker)

Tel: +44 (0)1483 413 500 / +44 (0) 203 871 4038

Nick Emerson / Greg Mahoney

Blytheweigh (Financial PR)

Tel: +44 (0) 207 138 3553

Tim Blythe / Julia Tilley / Fergus Cowan / Jane Lenton

Chairman's Statement

I am pleased to present the interim financial statements to shareholders for the six months ending 30 June 2019.

The period under review was dominated, as far as the Company was concerned, by three priorities: the negotiation and due diligence required to get to the point of signing non-binding Heads of Terms; the significant work with the transaction advisory team involved in turning the Heads of Terms into a suite of definitive documents; finally, preparing the enlarged group for re-admission to trading. A lot of this activity is necessarily invisible to investors until it is published in its final form as a prospectus. We were, however, pleased to announce earlier this month that we had received a £1.4 million funding pre-commitment which is a significant milestone on our journey. This should give encouragement to shareholders, just as it does to the board and wider team at Spinnaker. The focus now is on completing the re-admission process as efficiently as possible.

There has been has seen a significant heightening of public interest in Europe in the medicinal benefits of chemicals derived from cannabis year to date 2019. Hardly a day goes by without commentary in the mainstream press. Conferences that in previous years attracted medicinal cannabis enthusiasts in the low hundreds were this year attended by thousands of people, including high ranking politicians, medical pioneers and the professional investment community. Through its proposed acquisition of Kanabo, Spinnaker is at the forefront of efforts to bring the medicinal benefits of cannabis to European consumers, while at the same time enabling investors to participate in the growth of the sector through a public market vehicle.

I would like to take this opportunity to thank my board colleagues, retained advisers and the transaction advisory team for their dedication and hard work which has brought the Company within sight of a ground-breaking transaction. We look forward to updating shareholders through to completion and beyond.

Andy Morrison
Chairman

Results for the 2019 interim financial period

A summary of the key financial results is set out in the table below:

	Unaudited	Unaudited	Audited
	30.6.2019	30.6.2018	31.12.2018
	£'000	£'000	£'000
Revenue	-	-	-
Operating expenses	(157)	(92)	(161)
Operating loss	(157)	(92)	(161)
Finance income	1	1	2
Loss before tax	(156)	(91)	(159)
Taxation	-	-	-

Loss for the period	(156)	(91)	(159)
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Interest

The net interest cost for the Company for the period was £nil.

Loss before tax

Loss before tax for the period was £156,000.

Taxation

Taxation charge was £nil for the period.

Earnings per share

Basic and diluted earnings per share for the period was 0.5p loss.

Financial position

The Company's unaudited balance sheet as at 30 June 2019 can be summarised as set out in the table below:

	Assets £'m	Liabilities £'m	Net assets £'m
	£'000	£'000	£'000
Non-current assets	-	-	-
Current assets and liabilities	893	(12)	881
Loans and provisions	-	-	-
Total as at 30 June 2019	893	(12)	881

Cash flow

Net cash outflow for 2019 was £158,000.

This inflow reflects the net placing for the Company during the period.

Interim Condensed Income Statement

6 month period ended 30 June 2019

Unaudited 6 months ended	Unaudited 6 months ended	Audited Year ended
30.06.19	30.06.18	31.12.18

	Note	£'000	£'000	£'000
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Operating expenses		(157)	(92)	(161)
Operating loss		(157)	(92)	(161)
Net finance income		1	1	2
Loss before tax		(156)	(91)	(159)
Taxation		-	-	-
Loss for the period		(156)	(91)	(159)
Loss attributable to the Company		(156)	(91)	(159)

Loss per share expressed in pence per share

From continuing and total operations:

Basic & diluted loss per share, pence	5	(0.5)	(0.3)	(0.5)
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The Company has no items of other comprehensive income.

Interim Condensed Balance Sheet

As at 30 June 2019

	Unaudited 30 June 2019	Unaudited 30 June 2018	Audited 31 December 2018
Note	£'000	£'000	£'000

Assets				
Current assets				
Receivables and prepayments		10	9	13
Cash		883	1,128	1,041
Total current assets		893	1,137	1,054
Current liabilities				
Trade and other payables		12	31	17
Net current assets		881	1,106	1,037
Net Assets		881	1,106	1,037
Share capital	3	735	735	735
Share premium	3	592	592	592
Share based payments reserve	4	59	60	59
Retained earnings		(505)	(281)	(349)
Total equity attributable to equity holders of the Company		881	1,106	1,037

Interim Condensed Statement of Changes in Equity

6 months ended 30 June 2019

	Share capital	Share premium	Share based payments reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	650	510	58	(190)	1,028

Loss for the period	-	-	-	(159)	(159)
Total comprehensive loss	-	-	-	(159)	(159)
Shares issued	85	85	-	-	170
Share issue costs	-	(3)	1	-	(2)
Balance at 31 December 2018	735	592	59	(349)	1,037
Loss for the period	-	-	-	(156)	(156)
Total comprehensive loss	-	-	-	(156)	(156)
Balance at 30 June 2019	735	592	59	(505)	881

Interim Condensed Cash Flow Statement

6 months ended 30 June 2019

	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Loss for the period	(156)	(91)	(159)
Adjustment for:			
(Increase)/decrease in receivables	3	(5)	(9)
Increase/(decrease) in payables	(5)	(27)	(41)
Net cash used in operating activities	(158)	(123)	(209)

Cash flows from financing activities			
Shares issued (net of costs)	-	169	168
Net cash from/(used in) financing activities	-	169	168
Net increase/(decrease) in cash and cash equivalents			
	(158)	46	(41)
Cash and cash equivalents brought forward	1,041	1,082	1,082
Cash and cash equivalents carried forward	883	1,128	1,041

Notes to the interim condensed financial statements

For the 6 month period ended 30 June 2019

1. General information

Spinnaker Opportunities plc (the Company) is a company incorporated and domiciled in England and Wales. It is a cash shell company listed on the standard list of the London Stock Exchange.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial results are set out below. These policies have been consistently applied to all financial periods presented, unless otherwise stated.

Basis of preparation and going concern basis

The interim condensed financial statements for the 6 months ended 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim financial information set out above does not constitute statutory accounts within the meaning of Companies Act 2006. It has been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union (adopted IFRS).

The financial statements have been prepared under the historic cost convention.

The Company was incorporated on 17 November 2016 and in 2017 was admitted to Standard List of London Stock Exchange, the period under review represents the third interim set of accounts. The interim financial information for the 6 months ended 30 June 2019 has not been reviewed or audited. The interim financial report has been approved by the Board on 24 July 2019.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this review. The financial position of the Company, its cash flows and liquidity position are described in this business review. In addition, the below notes to the financial results include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk. As highlighted below, the Company meets its day to day working capital requirements through its on-going cash flows.

Segment reporting

The Company is currently a cash shell and the directors believe that there is no benefit to show any segmental reporting until a new strategy is undertaken.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Taxation

Income tax payable is provided on taxable profits using tax rates enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial results. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related balance sheet tax asset is realised or the deferred liability is settled. Deferred income tax assets are recognised to the extent that it is possible that future taxable profit will be available against which temporary differences can be utilised. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Going concern basis of preparation

The Company has approximately £0.88 million cash at the period end and has recently secured a contractual investment commitment of £1.4 million conditional on the completion of the acquisition of Kanabo and re-admission of its shares to trading. Accordingly, the Directors have prepared the accounts on a going concern basis as they consider that the Company has adequate funding.

3. Share capital and share premium

Ordinary shares of 2.5p	Number of shares	Share capital £'000	Share premium £'000
Shares issued brought forward	29,400,120	735	592
At 30 June 2019	29,400,120	735	592

4. Share based payments

Share based payments reserve

Movements in the share based payments reserve in the period relate to:

	£'000
At the beginning of the period	59
Warrants issued	-
Share options issued	-

Warrants

	Number of awards	Weighted average exercise price
At the beginning of the period	26,590,500	£0.074
Granted	-	
Exercisable at 30 June 2019	26,590,500	£0.074

The warrants outstanding at 30 June 2019 have a weighted average remaining contractual life of 0.8 years.

At 30 June 2019, the Company had the following warrants in issue:

	Warrants	Broker Warrants	Warrants	Broker Warrants
Date of grant	17-May-17	17-May-17	3-Jan-18	3-Jan-18
Number granted	24,000,000	790,500	1,700,000	100,000
Contractual life	3 years	3 years	2.5 years	2.5 years
Exercise price	£0.075	£0.05	£0.075	£0.05
The estimated fair value	Nil	£0.017	Nil	£0.017

The Warrants were granted to the subscribers and placees as part of the share subscription and placing. These warrants fall outside the scope of IFRS 2 and the share price that was paid by the subscribers reflected any fair value of these warrants.

The Broker Warrants were issued to the Company's brokers and others for their services in connection with the placing.

All the warrants vested at the date of the agreement.

The fair value of warrants issued during the period determined using the Black-Scholes valuation model and a share based payment charge of £nil (year ended 31 December 2018: £1,700) has been recognised in the financial statements as a deduction from the share premium account as the warrants were issued in connection with share subscriptions.

Other significant inputs into the model are:

	Warrants	Broker Warrants
Issue date share price	5p	5p
Risk free rate	0.4%	0.4%
Expected volatility	50%	50%

The average volatility has been calculated by using the average volatility for the Company and other similar companies.

4. Share based payments (continued)

Share options

	Number of awards	Weighted average exercise price
At the beginning of the period	2,440,000	£0.05
Granted	-	-
Exercisable at 30 June 2019	2,440,000	£0.05

The options outstanding at 30 June 2019 have a weighted average remaining contractual life of 0.8 years.

At 30 June 2019, the following options were issued to directors of the Company under the share option incentive scheme:

Date of grant	17-May-17
Number granted	2,440,000
Contractual life	3 years
Exercise price	£0.05
The estimated fair value	£0.017

All options vested at the date of the agreement.

The fair value of the options issued during the period determined using the Black-Scholes valuation model and a share based payment charge of £nil (year ended 31 December 2018: £nil) has been recognised in the income statement.

Other significant inputs into the model are:

Issue date share price	5p
Risk free rate	0.4%
Expected volatility	50%

The average volatility has been calculated by using the average volatility for the Company and other similar companies.

5. Earnings per share

Basic and diluted

The basic earnings per share is calculated by dividing the (loss)/profit attributable to the ordinary shareholders of the Company by the weighted average number of Ordinary shares in issue during the period, excluding Ordinary shares purchased by the Company and held as treasury shares.

	Half year ended	Half year ended	Year ended
	30.06.19	30.06.18	31.12.18
(Loss)/profit attributable to equity holders of the Company (£'000)	(156)	(91)	(159)
Weighted average number of shares in issue	29,400,120	29,400,120	29,381,490
(Loss)/earnings per share (pence)	(0.5)	(0.3)	(0.5)

There are no diluted earnings per share as the share warrants and options currently in issue do not have a dilutive effect.

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