Tern PLC (TERN)

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27 March 2018

Tern Plc (the "Company", or the "Group")

Final results for the year ended 31 December 2017

Tern Plc (AIM: TERN), the investment company specialising in the Internet of Things ("IoT"), is pleased to announce its final results for the year ended 31 December 2017.

Operational highlights

- Device Authority Limited secured new commercial contracts and boosted its partnerships
- New investments were made in IOT businesses: InVMA Limited and Wyld Technologies Limited
- Management team technology credentials strengthened with new Chairman
- Year on year finances stable but NAV impacted by exchange rate movement:
    * Total assets 2017: £11,069,300 (2016: £11,464,696)
    * Net assets 2017: £10,580,802 (2016: £11,187,739)
    * Profit/(loss) 2017: £1,689,555 loss (2016: £5,296,633 profit)
    * 2017 was impacted by an exchange loss (non-cash) caused by the revaluation of the Device Authority investment as the pound sterling strengthened against the dollar. 2016 profit was driven by the fair value revaluation gain on Device Authority due to the acquisition of Device Authority Inc

Commenting on the results, Tern CEO, Al Sisto said:

"2017 was a transitional year for Tern, with the Company diversifying its portfolio, realigning its management team and revising the Company approach to better ensure the success of our portfolio companies.

"With our transitional changes near complete, Tern's management and Directors anticipate that 2018 will represent a period of net asset value growth for Tern. We anticipate this to be achieved via the business expansion of our portfolio companies and the addition of one or more investments in new portfolio companies.

"We look forward to seeing ongoing potential in our flagship investment, Device Authority, having announced a number of exciting new partnerships already this year, as well as the wider IOT ecosystem, and I look forward to reporting on the progress of expansion of our portfolio companies.

"I would like to take this opportunity to thank all of our shareholders for their continued support and enthusiasm, our portfolio employees for their commitment, and our Directors for their dedication to the Company and its ongoing mission."

- End -

Enquiries

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Chairman's Statement

In my first Annual Report as your non-executive Chairman, I am pleased to communicate to you the progress we have made in terms of building a portfolio of exciting companies in the Internet of Things (IoT) sector.

This strategy is based on widely accepted forecasts that the majority of future computing devices will be distributed in huge volumes of low cost processors, all connected together, and to the internet, to solve real world problems.

This year has seen us make new investments in InVMA and Wyld Technologies, which diversifies our exposure beyond our existing key stake in Device Authority. Throughout 2018 we expect Device Authority will continue to be our most significant holding as we grow and further develop our portfolio. Our management team works closely with our portfolio companies to help them gain traction in their respective fields. In particular, our strong network enables us to facilitate industry introductions with potential technology or reseller partners, both within the UK and abroad, notably North America.

I would like to thank our Executive team on behalf of our shareholders for their hard work over the year.

I look forward to a year of growth as we continue to build our portfolio and aid the development of our investee companies and I am confident that we will see our companies prosper in the coming months.

Ian Ritchie CBE, FREng, FRSE
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CEO's Statement

We are pleased to present our annual report for the year ended 31 December 2017.

This past year represented a period of transition for the Company. We have delivered new investments in disruptive Internet of Things (" IoT") companies, diversifying our portfolio. In addition, we have realigned our management team so that it is best positioned to add value to companies in recognition of the fact that this exciting sector, which continues to grow in scope and significance, has moved beyond the early hype stage.

As a result, we were delighted to appoint a highly credentialed new non-executive Chairman, Ian Ritchie. Ian brings a wealth of experience in the technology industry which has already helped guide the Board during ongoing investment assessment.

We also revised our approach to better ensure the success of our portfolio companies and adopted an investing philosophy that does not rely on obtaining majority holdings in investee companies. We believe this will enable accelerated growth in the firms within our portfolio. This was put into practice at the time of our investment in two new portfolio companies, InVMA Limited and Wyld Research Limited (acquired by flexiOPS Limited).

Finally, to ensure that the Company's activities are appropriately understood by our shareholders, and the investing community at large, we implemented a new approach to our communications strategy.

Turning to our trading performance for the year, in 2017 we recognised a loss for the year of £1.7 million, compared to a profit of £5.3 million in 2016. As our investment in Device Authority is based upon a US dollar value per share, the strengthening in the pound sterling in the year resulted in a £0.8 million exchange rate loss. We maintained the US dollar valuation of Device Authority, following a £6.1 million increase in 2016. We also experienced an increase in legal fees as we added new companies to our portfolio and an increase in directors' fees as we increased the number of directors and their time commitment to the Company. The remaining expenses were broadly flat. With our transitional changes now complete, Tern's management and Directors anticipate that 2018 will represent a period of net asset value ("NAV") growth for Tern. We anticipate this to be achieved via the business expansion of our portfolio companies and the addition of one or more investments in new portfolio companies.

Investment Focus and Philosophy

Tern's fundamental goal is to find technology companies in the UK involved in specific aspects of the IoT sector. Then, to invest in these companies, and provide management assistance and resources that accelerate the success of these firms.

At the outset, Tern recognised the potential to create shareholder value through investments in early-stage companies providing products and services associated with the IoT. The IoT, as detailed in the 'Our Markets' section of this report, is rapidly growing and transforming entire industries. This growth requires the development of new commercial ecosystems that create a demand for firms that can manage different aspects of the technologies and capabilities that will be essential to the development of the IoT.

As the IoT market has expanded and is maturing, Tern's investment philosophy has similarly evolved. The Company's management and directors have concluded that the best near-term opportunities, coupled with our expertise and resources, are best deployed through investments in three types of companies: (1) IoT security services, (2) IoT enablement services, and (3) IoT analytics.

These three areas share a range of common features that reflect our views on the areas where Tern is most likely to find and grow successful portfolio companies. They are all part of the evolving IoT ecosystem, represent high-growth areas, present large opportunities for new technology companies, and have the potential to integrate with third party IoT platforms. Platforms offer partners that may act as resellers which can both leverage a company's technology without the costs of developing and supporting a large in-house sales force. Our portfolio companies' partners also act as a warrant of the quality of the service involved, and operate across the many industries involved in the IoT.

In sharpening our investment focus, we have also adjusted our investment philosophy. As mentioned previously, we initially envisaged that Tern would, as a general rule, seek to invest in portfolio companies where Tern would have a controlling interest in the firm. With experience, we have concluded that it is often equally valuable for the growth of our portfolio companies, and the creation of shareholder value, for Tern to take large influential positions in firms, which may not represent sole or controlling ownership. This change in our philosophy is advantageous for our shareholders in several respects:

- First, we have found that the number of high-value investment opportunities available is far higher. As a result, we have greater opportunities to find companies and build NAV;
- Secondly, through shared ownership, Tern's responsibility and risk in funding the early growth of portfolio companies is similarly reduced;
- Thirdly, in many cases, the co-owners of our portfolio companies bring added capabilities that further assist in building the success of these companies; and
- Finally, our ability to deploy our capital across a wider range of firms, with reduced potential capital requirements as the operations of each firm evolves, means that Tern is able to build a broader base of high potential value-creating portfolio companies.

With a broader portfolio base, the Company will be able to reduce shareholder risk.

Portfolio Progress

In 2017, the Tern team worked extensively with the management of Device Authority Limited ("Device Authority"), our flagship investment, and flexiOps Limited ("flexiOPS") to help drive business expansion and success. The Board has also reviewed many businesses, as potential portfolio additions, resulting in the investments in InVMA Limited ("InVMA") and Wyld Technologies Limited (Wyld").

Device Authority

Device Authority continued to add to its ecosystem of partners and customers and make progress in line with its strategy to bring its IoT security platform to market via partnerships with leading IoT ecosystem providers during 2017. However, we were disappointed that it did not achieve the announced revenue targets for 2017 or secure additional investment through the efforts of US Capital Partners, a San Francisco based investment firm, although the fundraising process continues. The development of revenue traction was impacted by several factors:

- The delay in the completion of KeyScaler, the combined platform of Cryptosoft Limited and Device Authority Inc;
- The disruption created by the take over and consolidations of a number of our key reseller partners;
- Delays in customer implementation schedules; and
- The extended length in the time estimated to complete proof of concepts (POC's) with customers.

We believe these factors were critical in the company not achieving the early success anticipated in its fund-raising activities in the United States. As the company enters into 2018 we believe the product and POC issues have been resolved and key customers will begin shipping in their forecasted volumes.

Device Authority is valued at £9.69 million which is the same US dollar asset value as at 31 December 2016, the reduction is due to a foreign exchange movement due to the strengthening of the pound sterling between 2016 and 2017.

InVMA

Since announcing the investment by Tern in September 2017, InVMA, an established and growing player in the market for IoT enablement, has launched its new product, AssetMinder. The launch builds on the underlying IoT trend within the industrial and facilities management sectors to move towards a proactive performance and maintenance strategy for assets. Customers across any industry can now monitor and manage data from all types of assets and be alerted when pre-determined thresholds or rules have been met.

AssetMinder delivers real-time insights from remote and unmanned equipment. According to a market research report1, the Remote Monitoring and Control Market is expected to be valued at USD27.11 billion by 2023, at a CAGR of 4.47% between 2017 and 2023.

As our portfolio grows, there is also an opportunity for synergistic strategy as evidenced by InVMA signing an OEM agreement with Device Authority, to integrate KeyScalerTM into InVMA's new product, AssetMinder, on a revenue share basis.

flexiOPS

We believe that flexiOPS may be the source of valuable technology expertise to assist current and future Tern portfolio companies. During 2017, flexiOPS used its resources to purchase a stake in Wyld Technologies, a MESH networking company.

Wyld's market opportunities are broad from both a technological perspective, where interest is being shown in their underlying MESH Networking Capabilities, as well as in terms of its ability to deliver an integrated solution which leverages MESH. This was demonstrated in the recently announced Emergency and Disruption Alert Network solution.

Wyld sees commercial opportunity for its solutions in Transport, Government, Military/Law Enforcement and the Retail markets among others and will launch an SDK in the coming months to allow third parties to leverage its underlying MESH Networking Capabilities.

Investment and Portfolio Vision

Tern's investment philosophy reflects all of the factors discussed above. In addition, we seek out companies with management teams that have the potential to build high growth businesses.

Generally, market investors lack the ability to directly participate in the high growth technology IoT services businesses of the type Tern has identified. Traditionally, investments in firms of this type have been limited to venture capital and private equity firms. In contrast, Tern is designed to give investors an opportunity to participate in the value associated with building exciting IoT product and service companies that meet the criteria detailed here. In addition, as a company whose shares are traded on AIM, Tern allows investors to continuously assess the success of our efforts, and increase or reduce their stake in our initiatives, at any time.

Our vision is that, in three to four years hence, Tern will have an established portfolio of companies. At the same time, we anticipate that during this period we will be building shareholder value through liquidity events by our portfolio companies. We expect these events to reflect the importance and relevance of our portfolio companies in the market and lead to increases to the net asset value of Tern.

Year-End Funding and Related Activities

In the third quarter, the Company raised £0.6 million in an over-subscribed funding conducted by Primary Bid. The proceeds from this activity were directed to the new investment made into InVMA. The board believed the Primary Bid vehicle provided the company the most efficient access to capital given the market conditions at the time.

Towards the end of 2017, the Directors concluded that Tern's shareholders would be best served if Tern ensured that Device Authority had adequate financial resources to operate the business while attempting to close its funding activity. Also, the Board wanted Tern itself sufficiently financed to continue its focused mission. We therefore secured a convertible loan note facility of £2.2 million and drew down £550,000 in 2017 to meet these two objectives. At the time of this funding, market conditions necessitated that we offer shares at a substantial discount to the then trading price of Tern stock. This facility has now been terminated.

Communications Strategy

Finally, the Directors have recognised that Tern's shareholders require the greatest possible transparency. Therefore, in 2017, Tern's Directors and management adopted a revised shareholder communications policy. The core of this policy is our commitment to discuss the accomplishments of portfolio companies after they have been fully realised, as compared to discussing anticipated results and to ensure there is a connection between the news flow of investee companies and Tern, as a key investor. Tern will also host shareholder calls three times a year.

A Sustaining Vision for the Future

On behalf of the Directors and management of the Company, we want to thank you for your continued interest and support of Tern. We are approaching the future with increased confidence and our prospects for portfolio expansion appear significant. We are aware of the challenges and risks ahead but are confident that they are attainable. We believe we are at a tipping point and our refined strategy, coupled with the size of the IoT opportunity, provide a clear indication of our vision for renewed growth and shareholder value.

Albert Sisto
Chief Executive Officer

Strategic Report

Business review

The Company is positioned as a quoted platform to invest in, develop and sell private software companies with proven technology, based in the UK but with global opportunities and ambitions. These businesses are predominantly in the Internet of Things sector. A more detailed review of the activity and progress of the business, including the portfolio of investments, is contained in the CEO's Statement and Investment Report, which form part of the Strategic Report.

The 2017 results have been materially impacted by an exchange rate loss (£0.8m) on the revaluation of the Device Authority investment at the balance sheet date. This, coupled with the gain recognised in 2016 on the Device Authority investment, has resulted in the movement in operating (loss)/profit between 2016 and 2017.

Future developments

As explained in the CEO's Statement the Company has undertaken a series of initiatives to position the Company for lasting success in its focused market sector and has continued to build a portfolio of investments and a pipeline of investment opportunities in IoT enablement.

Key performance indicators

The Company's principal activity is that of investing in companies. Accordingly, the Company's financial Key Performance Indicators (KPIs) are the return on investments and the net assets position of the Company including net assets per share. These indicators are monitored closely by the Board and the details of performance against these are given below.

- The return on investments:
  - Unrealised - Push Technology Limited has been revalued in line with IFRS to a level consistent with recent fund raisings. Seal Software Group Limited value remains unchanged. Device Authority's US dollar value remains unchanged, however a pound sterling reduction has been reflected

when revaluing the investment using the 2017 year end exchange rate. InVMA Limited and flexiOPS Limited have been evaluated in line with recent Tern investment. InVMA Limited is valued at cost which is taken as fair value. flexiOPS Limited is valued at the cost of investment in Wyld Technologies Limited which is taken as fair value. Device Authority is an early stage business in an emerging market where there is a lack of comparative businesses available on which to provide a comparable valuation and therefore value has been based on an assessment of numerous factors: the underlying value of the patent portfolio, the multiples achieved in comparable markets on recent transactions, and an assessment by the Board on the strength of the sales pipeline and achievability of the 2018 sales forecast.

- The net assets of the Company at 31 December 2017 were £10,580,802 (2016: £11,187,739). The net assets per ordinary share as at 31 December 2017 were 7.38p (2016: 9.44p).

The Company has non-financial KPIs which are also monitored regularly by the Board. These non-financial KPIs are focused around the number and quality of investment opportunities seen, the time taken to reach the decision to move forward with a potential investee company and the employee turnover in our portfolio companies. We believe these factors help serve as leading indicators of the future performance and our impact on our stakeholders.

Principal business risks and uncertainties

The management of the business and the nature of the Company's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business. Where possible, processes are in place to monitor and mitigate such risks. The Company operates a system of internal control and risk management in order to provide assurance that the Board is managing risk whilst achieving its business objectives with the assistance of the Audit Committee. No system can fully eliminate risk and therefore, the understanding of operational risk is central to the management process.

Identifying, evaluating and managing the principal risks and uncertainties facing the Company is an integral part of the way the business operates. The Company has policies and procedures in place throughout its operations, embedded within the management structure and as part of the normal operating processes. Market and economic conditions are recognised as one of the principal risks in the current trading environment. This risk is mitigated by the close monitoring of trading conditions and the performance of the Company's investment portfolio. The Company is affected by a number of risks and uncertainties, not all of which are wholly within its control as they relate to the wider macroeconomic and legislative environment within which the Company operates.

To enable shareholders to appreciate what the business considers are the main operational risks, they are briefly outlined below:

	Risk	**Potential Impact**	**Strategy**
Reliance on key people	The Company is unable to retain key individuals	Loss of knowledge and expertise Disruption for the Company or its investment companies	The Company offers a remuneration package designed to attract, motivate and retain key individuals Key individuals in the investment companies are offered an attractive remuneration package and either shares or share option incentives
Investment risk	An investment fails to perform as anticipated: - Investee companies may be operating in highly competitive markets with rapid technological change - Investee companies may be companies in early stage of commercial development. Generation of significant revenues is difficult to predict and not guaranteed The Company is unable to maintain its holding when the investee company requires significant additional funding The portfolio is dominated by one or two investments	- Investment may require additional finance - Inability to create maximum value in a timely fashion - Difficulty in realising investment - The Company's influence reduces - The value of the Company's holding falls - If one dominant investment fails it has a disproportionate impact on the Company	The Company actively takes an influential role in the strategic direction of its investments and monitors all investments regularly The Company's strategy has been formulated by the management team with a strong track record of generating gains from early stage companies within the technology sector The Company is building a portfolio of investments to insulate itself against poor performance of any one
Liquidity	The Company is unable to raise new funds	- May have a detrimental effect on the Company's ability to cover administration and other costs - May adversely affect returns of investee companies if they need to raise further funds	The Company will maintain a sufficient cash balance to finance itself for a prudent period, or ensure that it has access to funds
Legal & regulatory risk	Legal claims and changes to regulation	- Financial and reputational impact	Maintain strong advisory base. Legal advice taken on all investment and employment issues.
Foreign exchange risk	The valuation of investments may be impacted by foreign exchange movements	- The value of the Company's holding falls	The Company actively reviews the value of investments and will consider action on foreign exchange risk where relevant, following advice from advisors

Assessment of business risk

The Board regularly reviews operating and strategic risks, with the assistance of its committees. The Company's operating procedures include a system for reporting financial and non-financial information to the Board including:

- reports from management with a review of the business at each Board meeting, focusing on any new decisions/risks arising;
- reports on the performance of investments;
- reports on selection criteria of new investments;
- discussion with senior personnel; and
- consideration of reports prepared by third parties.

Bruce Leith

Director

Investment Report

The Company's current investment portfolio consists of the following investments, all of which are unquoted:

Device Authority Limited

Market segment: Data Security software

Equity ownership: 56.8% 'A' Shares Cost: £4.34 million Valuation: £9.69 million

Valuation is based on the price of shares in the most recent fund raise (April 2016), which is taken as fair value, translated at the exchange rate at the balance sheet date. This was supported by an evaluation of a combination of factors including the independent valuation of Device Authority's patent portfolio, a comparison to transaction multiples in comparable market sectors and an evaluation of sales pipeline and 2018 trading forecast.

Device Authority Limited ("Device Authority") is an Internet of Things (IoT) security automation company. Device Authority provides simple, innovative solutions to address the challenges of securing applications and their devices while using the Internet with a robust, end-to-end security architecture that delivers efficiencies at scale. The Device Authority KeyScalerTM IoT security platform is purpose-built to address these challenges through automated device provisioning, credential management, secure updates and policy-driven data encryption.

Device Authority will continue to focus on building its contract base and device registrations, as well as developing its strategic alliances and OEM integration of the KeyScaler platform. Focus is also being driven to the thoughts around developing a white labelled version of KeyScaler and co-branding with other IoT platform providers.

Key announcements in 2017 included:

- Announcement of a three-year global agreement to power Comodo CA's IoT security service, which represents a significant milestone and revenue opportunity for DA;
- The integration of Device Authority's core KeyScaler™ product with Intel® Secure Device Onboard (SDO);
- The signing of a three-year agreement with MultiTech, a leading ARM-based developer and manufacturer of communications equipment for the industrial IoT, for DA to provide KeyScaler™ for its gateway products;
- The signing of an agreement with GCE Healthcare Products Group, whose products range from medical gas regulators and oxygen concentrators, to resuscitation and hospital ward equipment used in emergency, hospital and homecare environments;
- Entered into a new partnership with Super Micro Computer, Inc., a global leader in computing, storage and networking technologies to enable an on-boarding model, through which applications identify devices and automatically onboard them to their IoT management application; and
- Secured $1.7 million in convertible loan note funding from its significant investors, Alsop Louie Partners, George Samenuk and Tern.
- Online Trust Alliance names Device Authority to the 2017 Online Trust Honor Roll for the second consecutive year.
- Device Authority named Innovator in Access Control for second consecutive year.
- Device Authority accelerates IoT deployments as a founding member of EdgeX

InVMA Limited

Market segment: IOT Systems Integrator

Equity ownership: 50% Cost: £375,000 Valuation: £375,000

Valuation is based on cost, which is taken as fair value.

InVMA Limited ("InVMA") builds solutions that link connected products to their customers' systems to create new revenue streams, enhance customer satisfaction and improve operational efficiency. InVMA enables an Internet of Things that delivers real business value and competitive advantage.

- InVMA works closely with PTC, a $1.1 billion revenue software company, and is one of the only European integrators certified for PTC's Thingworx platform, a leading IoT development platform.

Key announcements in 2017 include:

- InVMA unveiled AssetMinder, its new turnkey asset performance solution. AssetMinder delivers real-time insights from remote and unmanned equipment and integrates with Device Authority's KeyScaler(TM);
- InVMA announced £1 million committed sales orders in 2017 through securing new customers in OEM, Oil and Gas, Asset Rental and Manufacturing markets; and
- InVMA secured a number of repeatable annual contract wins including with a UK/International Airport, Howden Process Compressors, MSE Hiller, MEMS and GCE.

flexiOPS Limited

Market segment: Project management of research and innovation projects in technology

Equity ownership: 100% Cost: £37,500* Valuation: £78,000

* Cost is 50% of the purchase price of two business units flexiOPS and Concerto. Concerto was sold in 2016. Valuation is based on cost of Wyld Technologies Limited, a 90% subsidiary of flexiOPS Limited, which is taken as fair value.

flexiOPS Limited ("flexiOPS") runs project management and innovation technology projects with associated grant funding. It works across a portfolio of projects including Horizon 2020, the European Commission's EU Framework Programme for Research and Innovation, whose purpose is securing Europe's global competitiveness.

In September 2017, Wyld Technologies Limited ("Wyld"), a wholly owned subsidiary of flexiOPS, acquired the assets of Wyld Research Limited for £78,000 and a 10% holding in Wyld. Wyld has developed a proven mesh networking software platform.

In November 2017 Wyld launched its EDEN (Emergency and Disruption Alert Network) solution at the World Rail Conference in Amsterdam. Wyld is actively working with key strategic partners and prospects to deploy this critical component of delivering disruption information in challenging environments in 2018.

Push Technology Limited

Market segment: Data distribution software

Equity ownership: <1% Cost: £120,197 Valuation: £11,326

Valuation is based on the price of shares in the most recent fundraise, which is taken as fair value.

Push Technology Limited ("Push") significantly enhances the ability of organisations to communicate in real-time. This includes direct communication as well as indirect, for example, by refreshing data displayed information in real time rather than when a user explicitly asks for an update. Interactive applications are infinitely more engaging, updating in real-time as new data becomes available.

Key announcements in 2017 included:

- Release of enterprise-grade, data streaming and messaging solution.

Seal Software Group Limited

Market segment: Database Analytics and Search software

Equity ownership: <1% Cost: £50,000 Valuation: £62,714

Valuation is based on the price of shares in the most recent fundraise, which is taken as fair value.

Seal Software Group Limited ("Seal") specialises in writing software which performs complex analysis of contractual data. Seal is specifically designed to locate and examine contractual documents and extract and present key contractual information related to language, clauses, clause combinations, and the significant contextual metadata held within them.

In 2017 the notable events included:

- Contracts signed with Parker Hannifin, a Fortune 250 company and PwC;
- Strategic partnerships announced with State of Flux, the global procurement and supply chain management consultancy, TractManager Inc and Coin Sciences, the open source blockchain company;
- Continued expansion of worldwide operations with a new office opened in Egypt, as well as bolstering its team in Sweden;
- Aragon Research, a technology-focused research and advisory firm based in Silicon Valley, identified Seal as a key provider in the emerging Intelligent Content Analytics (ICA) market; and
- Seal was ranked 310th on Deloitte's Technology Fast 500TM, a ranking of the 500 fastest growing technology, media, telecommunications, life sciences and energy tech companies in North America.

Customers include Dropbox, Microsoft, Bosch, hp, Merck, Vodafone and many other multi-national organisations.

Income Statement and Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 £	2016 £
Turnover	97,940	69,715
Movement in fair value of investments	(757,705)	6,043,158
Gross (loss)/profit	(659,765)	6,112,873
Administration costs	(740,923)	(609,680)
Other expenses	(289,680)	(191,299)
Operating (loss)/profit	(1,690,368)	5,311,894
Finance income	1,020	1,198
Finance costs	(207)	(16,459)
(Loss)/profit before tax	(1,689,555)	5,296,633
Tax	-	-
(Loss)/profit for the period	(1,689,555)	5,296,633

Since there is no other comprehensive income, the loss for the period is the same as the total comprehensive income for the period

EARNINGS PER SHARE:		
Basic (loss)/profit per share	(1.4) pence	6.4 pence
Fully diluted (loss)/profit per share	(1.4) pence	6.4 pence

Statement of Financial Position

As at 31 December 2017

	2017 £	2016 £
ASSETS		
NON-CURRENT ASSETS		
Investments held for trading	10,218,625	10,601,330
	10,218,625	10,601,330
CURRENT ASSETS		
Trade and other receivables	576,849	100,515
Cash and cash equivalents	273,826	762,851
	850,675	863,366
TOTAL ASSETS	11,069,300	11,464,696
EQUITY AND LIABILITIES		
Share capital	1,330,225	1,325,270
Share premium	13,237,362	12,390,310
Loan note equity reserve	123,482	20,650
Share option and warrant reserve	175,982	1,088,595
Retained deficit	(4,286,249)	(3,637,086)
	10,580,802	11,187,739
CURRENT LIABILITIES		
Trade and other payables	277,164	172,517
TOTAL CURRENT LIABILITIES	277,164	172,517
NON-CURRENT LIABILITIES		
Borrowings	211,334	104,440
TOTAL NON-CURRENT LIABILITIES	211,334	104,440
TOTAL LIABILITIES	488,498	276,957
TOTAL EQUITY AND LIABILITIES	11,069,300	11,464,696

Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £	Share premium £	Loan note equity reserve £	Option and warrant reserve £	Retained deficit £	Total equity £
Balance at 31 December 2015	1,314,118	8,393,536	20,650	897,296	(8,933,719)	1,691,881
Total comprehensive income	-	-	-	-	5,296,633	5,296,633
Transactions with owners						
Issue of share capital	11,152	4,210,311	-	-	-	4,221,463
Share issue costs	-	(213,537)	-	-	-	(213,537)
Share based payment charge	-	-	-	191,299	-	191,299
Balance at 31 December 2016	1,325,270	12,390,310	20,650	1,088,595	(3,637,086)	11,187,739
Total comprehensive income	-	-	-	-	(1,689,555)	(1,689,555)
Transactions with owners						
Issue of share capital	4,955	972,208	-	-	-	977,163
Issue of convertible loan note	-	-	112,563	-	-	112,563
Share and loan issue costs	-	(125,156)	-	-	-	(125,156)
Transfer on conversion of convertible loan notes	-	-	(9,731)	-	9,731	-
Transfer of lapsed and exercised warrants	-	-	-	(713,326)	713,326	-
Transfer of option reserve	-	-	-	(199,287)	199,287	-
Share based payment charge	-	-	-	-	118,048	118,048
Balance at 31 December 2017	1,330,225	13,237,362	123,482	175,982	(4,286,249)	10,580,802

Statement of Cash Flows

For the year ended 31 December 2017

	2017 £	2016 £
OPERATING ACTIVITIES		
Net cash used in operations	(783,866)	(64,729)
Purchase of investments	(375,000)	(3,460,000)
Loan to investee companies	(402,436)	-
Net cash used in operating activities	(1,561,302)	(3,524,729)
FINANCING ACTIVITIES		
Proceeds on issues of shares	603,110	4,217,500
Share issue expenses	(125,156)	(213,537)
Proceeds from exercise of warrants	34,303	3,963
Proceeds from exercise of options	9,000	-
Proceeds on issue of loan note	550,000	-
Interest received	1,020	1,198
Net cash from financing activities	1,072,277	4,009,124
(Decrease)/increase in cash and cash equivalents	(489,025)	484,395
Cash and cash equivalents at beginning of year	762,851	278,456
Cash and cash equivalents at end of year	273,826	762,851

Notes

1. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union (EU) and therefore the financial statements comply with Article 4 of the EU IAS Regulation.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and there is an ongoing process of review and endorsement by the European Commission. The financial statements have been prepared on the basis of the recognition and measurement principles of the IFRS that were applicable at 31 December 2017.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies set out below have been consistently applied to all periods presented, except where stated.

In accordance with IFRS 10, par 4 the Company has taken the exemption not to present consolidated financial statements as it is an investing company that measures all of its investments at fair value through the income statement.

2. EARNINGS PER SHARE

	2017 £	2016 £
(Loss)/profit for the purposes of basic and fully diluted earnings per share	(1,689,555)	5,296,633

	2017 Number	2016 Number
Weighted average number of ordinary shares:		
For calculation of basic earnings per share	124,586,665	82,298,281
For calculation of fully diluted earnings per share	124,586,665	82,298,281

	2017	2016
Earnings per share:		
Basic (loss)/earnings per share	(1.4) pence	6.4 pence
Fully diluted (loss)/earnings per share	(1.4) pence	6.4 pence

3. ANNUAL GENERAL MEETING (AGM)

The annual report will be available from the company website from 27 March 2018 and will be posted to shareholders on or before 28 March 2018. The annual report contains a notice of the AGM which will be held at 9.30am on 24 April 2018 at the offices of Reed Smith, The Broadgate Tower, 20 Primrose Street, London, EC2A 2RS.

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