17 September 2018

Tern Plc

(AIM: TERN)

Unaudited Interim Results for the six months to 30 June 2018

Tern Plc ("Tern" or the "Company"), the AIM quoted investment company specialising in the Internet of Things ("IoT") market, is pleased to announce its interim results for the six months to 30 June 2018.

Key Highlights

	30 June 2018	30 June 2017	31 December 2017
	£	£	£
Net assets	13,942,757	10,787,236	10,580,802
Current assets	2,671,784	429,729	850,675
Total assets	14,221,704	11,031,059	11,069,300
Loss for the period	(221,252)	(469,116)	(1,689,555)

- Raised £3.1m during the period and retired a convertible loan note facility, strengthening the balance sheet and improving Tern's investment options.
- £1.5m invested into growing the portfolio with a new medical Virtual Reality (VR) IoT investment, FVRVS Limited (trading as FundamentalVR), and into existing portfolio companies, Device Authority Limited ("Device Authority") and InVMA Limited.
- Year-on-year turnover of principal portfolio companies[1] from calendar year 2016 to 2017 increased by 126% and the increase for calendar year 2017 to 2018 is expected to be of the order of 12%. This includes a reduction in turnover for flexiOPS due to the receipt of the final EU grants. Without this reduction, the growth increases to 50%.
- Year-on-year increase in employees within principal portfolio companies[1], a key growth measurement or KPI, increased by 55% from calendar year 2016 to 2017 and increased a further 12% in the six months to June 2018.
- A close focus on cost management ensured that monthly administrative costs over the period remained comparable to the monthly burn rate in the year ended 31 December 2017. The reduced loss for the period compared to the six months to June 2017 was primarily due to a small fair value increase (£282,987).
- Net asset value per share fell to 6.2p for the period, this was due to share issues early in the year. The most recent fundraises were achieved at an appreciative net asset value per share.

Al Sisto, CEO of Tern Plc, said:

"I am pleased that Tern has made positive progress in terms of positioning our company as a leading investor in technology companies specialising in the IoT sector in the UK. Our recent activities, which include strengthening our balance sheet and making investments into new and potentially high-growth companies at attractive valuations, place us in a more solid position for the full year and beyond.

"Tern's hands-on approach, consultative support and excellent industry network represents an appealing proposition to the IoT companies in which we seek to invest. As a result, we believe that we are on track to meet our goal of having a dozen companies in our portfolio by the 2019 year-end, as we outlined at our Annual General Meeting (AGM) in April this year. The increased turnover reported by our portfolio companies reflect their positive progress and we are confident that we can continue to support this type of success in the future.

"At this point of our company's development, we believe we have the components in place for a scalable foundation that will drive sustainable growth for our shareholders, brought about by our management's years of experience in growing technology businesses; a unique approach in finding opportunities; and a focus on the dynamic IoT sector. Looking forward, over the next six months, we are planning to expand our team, by adding additional technology expertise to support the growing portfolio."

Note 1: Portfolio company growth excludes Seal and Push, in which Tern has a <1% holding and minimal influence.

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Chief Executive's Statement

During the first six months of 2018, Tern focused on building a portfolio of exciting IoT companies in the UK that the Board believes will be attractive candidates for acquisition or IPO, with valuations between £1 million to £10 million.

Our focus remains on delivering consistent investee company turnover growth; growing and expanding the existing investment business, as measured by investee company employee number growth; and focusing on year-on-year net asset growth.

With this in mind, we were pleased to have added an investment in an additional company to our portfolio during the period. Accordingly, the absolute net asset value of our holdings increased by 32% during the period. Notably, since our 2017 half year end, we have increased the number of portfolio companies from four to six. Our stated objective is to hold twelve investments by 31 December 2019 within a synergistic portfolio and this continues to be a focus of the Company.

Whilst acquiring investments has been one focus of the Board, it has also worked on supporting our portfolio companies and developing strategic relationships among our portfolio companies, with the aim of successfully exiting investments within a timeframe of 36 - 60 months after our initial investment. With this in mind, we delivered follow-on investment and support amounting to £0.7m during the period. In particular, we are pleased by how Device Authority continues to expand its important market ecosystem and its strategic alliances and partnerships against our stated objectives outlined in the 2017 annual report. We are also pleased to see the rapid progress FundamentalVR has made in converting to a SaaS revenue model and expanding into the important North America market since receiving our £0.8m investment.

Key to our value creation is the increase in turnover delivered by our portfolio companies. Pleasingly, the year-over-year growth in the aggregate revenue of our principal portfolio companies[1] increased by 126% from calendar year 2016 to calendar year 2017 and we expect the growth in the aggregate revenue of our investee companies from calendar year 2017 to calendar year 2018 to be of the order of 12%. This growth would increase to 50% if the reduction in turnover from flexiOPS is removed, reflecting an increase in customer contracts secured and delivered. flexiOPS received the last of the EU grants in the first six months of 2018 and is now focused on growing and securing contracts for Wyld Technologies. Another important indicator in the growth and success of our principal portfolio companies[1]: year-over-year employee headcount growth, increased by 55% from calendar year 2016 to calendar year 2017, and 12% in the six months to June 2018, highlighting a continuing growth in the portfolio overall.

The period also saw us build up our balance sheet resources. During the first six months of 2018, Tern retired the convertible loan notes obtained at the end 2017. We subsequently raised £3.1 million to improve our deployment capabilities. Our strategy was further developed in July 2018, when we added £2.9 million to our balance sheet to bolster our financial position for upcoming investment opportunities and to provide additional finance to develop the businesses of the existing portfolio companies. While our net asset value per share decreased by 16% during the period, primarily due to our funding activities in late 2017 and early 2018, during the latter half of this period and looking forward into the second half of the year, funding activities have been net asset value per share generative.

With the world becoming more connected than ever, we believe that 2018/19 will be an inflection point for the IoT sector. The IoT sector will be facing greater investment and more widespread adoption of IoT applications. An increase in IoT devices encompasses a wide range of physical devices with embedded electronics, software, sensors or actuators, with many of them allowing objects to be sensed or controlled remotely across networks. As a result, businesses are becoming the top adopters of IoT solutions, motivated by lower operating costs and increased productivity. IoT devices play a crucial role in the management of our global critical infrastructure and further adoption in critical infrastructure is expected to increase rapidly. For example, a *Business Intelligence* report ”The IOT Forecast Book 2018” suggests that by 2023:

- Companies offering IoT platform software and services will bring in nearly $18 billion annually;

- Total low-power wide-area network (LPWAN) connections will rise to more than 2 billion devices with about 1 in every 20 IoT devices connected to an LPWAN;
- The agriculture sector will install nearly 12 million sensors worldwide; and
- The installed base for robotic systems will approach 6 million globally, for example.

The Board believes that Tern is building a strong portfolio in industries that support companies within several of these critical infrastructure sectors with our companies addressing those segments of these markets where utilisation and adoption is already occurring.

Note 1: Portfolio company growth excludes Seal and Push, in which Tern has a <1% holding and minimal influence

Portfolio Review

Device Authority Limited ("Device Authority"): £9.9m valuation

Device Authority is an award winning, industry-recognised, international business delivering innovations in IoT security with offices in the UK and Silicon Valley. Since our initial investment in Cryptosoft Limited over three years ago, Device Authority has expanded its product portfolio, world class team and ecosystem of well-established business partners. Tern today is a 56.8% shareholder in Device Authority.

We were disappointed that the original objectives for 2017 were delayed by product integration issues, delays in customer implementation and restructuring. During the first six months of 2018, Device Authority continued to build on a strong base of strategic partners, including SyroCon Consulting and Eonti, Larsen and Toubro Infotech ('LTI') and Gemalto. Furthermore, it announced support for the Microsoft Azure IoT Hub. Device Authority also continued to be recognised as a critical force in the global IoT security market. For example, gaining recognition as a 2018 Emerging Star in the IOT Security Market by Quadrant Knowledge Solutions. The Board is pleased with Device Authority's continued focus and is encouraged by the recent pipeline development for KeyScaler.

Following the announcement of a strategic partnership with Thales, Device Authority and Thales announced the launch of their joint blueprint to secure the connected health industry. This IoT market is a strategic focus for Device Authority as healthcare forecasts predict growth to reach $612bn by 2024, according to a report by Grand View Research, Inc published in 2016.

During the period, Device Authority announced the launch of KeyScaler As A Service, providing IoT Security in the Cloud. This service enables IoT service providers and manufacturers to offer their customers the best security for IoT devices without the infrastructure or running costs associated with on-premise environments, expanding is ability to make market for its platform by simplifying customer deployment options.

Device Authority's fundraising activities with US Capital Partners continue in the US. A fundraise has not yet been completed but interested parties continue to meet with Device Authority. In the meantime, the Device Authority shareholders have supported the continued progress of the company by providing a total of $2.9 million in the form of convertible loan notes since November 2017, $1.7m of this provided by Tern ($0.5m post 30 June 2018).

As at 30 June 2018, the value of Tern's shareholding in Device Authority has increased to £9.9 million (31 December 2017: £9.7 million) as a result of favourable exchange rate movements.

The annual report and accounts for Device Authority for the year ended 31 December 2017 are expected to be released in September 2018.

FVRVS Limited ('Fundamental VR'): £0.8m valuation

Tern invested £0.8m in FundamentalVR in May 2018 for a 18.3% holding. FundamentalVR provides Tern with exposure to the rapidly growing medical simulation market using low cost open system IoT devices, a market anticipated to grow to \$2.3bn by 2021 according to a 2016 report by MarketsandMarkets and provides a basis for developing our IoT analytics pillar of the Tern investment strategy.

FundamentalVR has already begun to use the funds received from Tern to further refine its SaaS delivery model and expand into the US market. America is an important strategic market for the company and over the next six months FundamentalVR will focus on the US medical industry as the next stage of their ambition of building a world leading SaaS based immersive surgical simulation and data gathering platform.

It is important to note that the decrease in turnover at FundamentalVR from £1m in the year ended 31 December 2016 to £0.3m in the year ended 31 December 2017 reflects the beginning of the change in its business model from one of bespoke sales to that of a growing subscription-based recurring revenue model which is securing and growing the value of the business.

flexiOPS Limited ("flexiOPS"): £78,000 valuation

flexiOPS, a wholly-owned Tern investment, completed its historic portfolio of EU funded research and development cloud projects during 2018. It has now re-focused on supporting the networking element of our IoT enablement strategy by aiding the growth and development of the Wyld Technology Limited ("Wyld Technology") ad-hoc mesh networking offering following their acquisition in late 2017.

During the first six months of 2018, Wyld Technology has focused on building out its development team and product platform, and now has a product roadmap that is in line with current market requirements via its ability to deliver and collect critical data via its ad-hoc mesh networking platform in the all critical "last mile:".

Mesh networks enable data to be transmitted from different devices simultaneously. This topology can withstand high traffic and even if one of the components fail, an alternative is always available, ensuring data transfer is not affected. As mesh network topology is self-forming and self-healing it is more efficient at creating robust ad-hoc networks; providing assured quality to ensure continuity of service.

InVMA Limited ("InVMA"): £0.6m valuation

InVMA, a company in which Tern has a 50% holding, delivers IoT applications, based on the industry leading PTC/Thingworx development platform that deliver real business value and competitive advantage to its customers. Its founding team combines years of world-class industrial design expertise with the Thingworx platform to create state of the art IoT systems and products in the medical and industrial IoT market segments.

Since our investment in late 2017, InVMA, as part of its business transformation, has launched AssetMinder, a product which monitors and manages data from all types of sensors that provides alerts when pre-determined thresholds or rules have been met or broken. In the first half of 2018, InVMA has focused on generating AssetMinder product sales to drive value creation. InVMA also announced the integration of InVMA's AssetMinder with Device Authority's KeyScaler which is an important proof point of Tern's influence in integrating the products and technologies of its portfolio companies.

Real-time monitoring's many benefits are fuelling IoT growth and 69% of manufacturers are relying on real-time monitoring to increase the accuracy of tracking production time, downtime, total parts created, rejects and parts remaining to be produced, according to a 2018 report by IQMS Manufacturing Software.

According to a report by Grand View Research published in 2016, the global industrial IoT market is expected to reach US$933.62 billion by 2025 from $109.28bn in 2016. Growth in this segment can be attributed to the developing cloud computing market, increasing government initiatives for supporting sustainable smart factories growth, and rising number of connected devices that generate a large amount of data. InVMA have also secured new strategic partnerships and contract wins in key segments of this market already, including the announcement of a contract with ESAB, part of the Colfax Group, to support the architecture of a new ESAB WorldCloud platform which will be powered my Microsoft Azure IOT and PTC's ThingWorx platform.

The annual report and accounts for InVMA for the year ended 31 December 2017 are expected to be released in September 2018.

Seal Software Group Limited ("Seal Software"): £125,439 valuation

During the first half of 2018, Seal Software, a company in which Tern holds less than 1%, a leader in contract discovery and analytics, has continued to grow and develop its business with numerous awards, new contracts and strategic partnerships announced. Specifically:

- Seal Software unveiled a global partnership with DocuSign to automate and connect the process of how agreements are prepared, signed, enacted and managed.
- Seal Software won the award for Outstanding Data Analytics Solution at the annual Big Data Excellence awards in May 2018. Seal Software was also named a 2018 Cool Vendor in Content Services by Gartner.
- The annual report and accounts for Seal Software for the year ended 31 December 2017 are expected to be released in September 2018.

Push Technology Limited ("Push Technology"): £11,326 valuation

We have been informed by management that Push Technology, a company in which Tern holds less than 1%, continues on its path to profitability following a 2017 strategic realignment from a product focused company to a customer centric company outwardly focused on expanding into new markets. This includes a reduction in the sales cycle and a move to work more efficiently and control costs.

The annual report and accounts for Push Technology for the year ended 31 December 2017 are expected to be released in September 2018.

Financial

During the six months ended 30 June 2018, the Board focused on strengthening the balance sheet to support the existing portfolio companies and to enable investments in new exciting growth IoT companies. As a result, the total assets of Tern increased to £14.2 million at 30 June 2018, compared to £11.1 million at 31 December 2017. The total assets at 30 June 2018 included a cash balance of £1.5m and net current assets of £2.4m, of which £0.9m related to the convertible loans issued to Device Authority during 2017 and 2018.

The improved loss for the period reflects a close focus on cost management, with monthly administrative costs over the period remaining comparable to the monthly burn rate in the year ended 31 December 2017. A small increase in the fair value of the investment portfolio was recognised, reflecting a positive exchange rate variance for Device Authority Limited (£0.2m) and a 100% increase in the valuation of Seal Software Group Limited following a recent fundraise.

The net asset value per share fell slightly during the period, caused by the conversion of the loan note in 2017 with shares issued in 2018 and a further conversion in January 2018.

Post balance sheet events

A placing of 11,192,307 ordinary shares at an issue price of 26 pence raising gross proceeds of £2.9m was completed in July 2018, which has strengthened the cash and current asset position of the Company. The proceeds place the Company in a stronger financial position for upcoming investment negotiations and also provides additional finance to develop the existing portfolio company businesses.

Outlook

The Board remains committed to increasing our investment in the IoT market in the UK, focusing on adding new technology companies to the portfolio, including UK companies delivering platforms that include AI and machine learning for IoT, while continuously supporting and growing the existing portfolio. Adding an additional technology strong director to the Tern team will help support this aim.

We have set for ourselves a financial benchmark of achieving an average of 20% year-on-year growth in portfolio value by year end 2019 and at the half year we have achieved a 13% growth in the portfolio and stand well positioned to deliver over the full year with significant cash balances remaining to deploy.

By changing the traditional venture capital model and making our expertise accessible to a wider group of companies we believe we are breaking new ground. Our partnership approach offers Tern investors access to exciting technology companies which may not otherwise be available to them. The placings of £3.1 million in the first six months of 2018, gives us additional capacity and negotiating strength and is a validation of that model, having attracted support from high profile new investors, as well as the strong existing shareholder base.

We feel confident of making further progress during the second half of 2018 and look forward to making more announcements about business performance, new developments and improvements for each of our portfolio companies and reporting exciting new additions to the Tern portfolio.

Finally, I wish to thank all shareholders for their support and acknowledge the hard work of the all the directors and our advisors.

Al Sisto

Chief Executive Officer

14 September 2018

Unaudited Statement of Comprehensive Income
for the 6 months ended 30 June 2018

	Notes	6 months to 30 June 2018 (Unaudited) £	6 months to 30 June 2017 (Unaudited) £	12 months to 31 December 2017 (Audited) £
Revenue		64,245	42,639	97,940
Movement in fair value of investments		282,987	-	(757,705)
Gross Profit/(Loss)		347,232	42,639	(659,765)
Administration costs		(571,952)	(522,105)	(1,030,603)
Operating loss		(224,720)	(479,466)	(1,690,368)
Finance income		4,376	10,484	1,020
Finance costs		(908)	(134)	(207)
Loss before tax		(221,252)	(469,116)	(1,689,555)
Tax		-	-	-
Loss for the period		(221,252)	(469,116)	(1,689,555)
Earnings per share	**6**			
Basic		(0.1)p	(0.4)p	(1.4)p
Diluted		(0.1)p	(0.4)p	(1.4)p

Unaudited Statement of Financial Position
as at 30 June 2018

	Note	30 June 2018 (Unaudited) £	30 June 2017 (Unaudited) £	31 December 2017 (Audited) £
Assets				
Investments held for trading		11,549,920	10,601,330	10,218,625
Loans to investee companies		-	-	-
Non-current assets		11,549,920	10,601,330	10,218,625
Current assets				
Trade and other receivables		1,133,132	93,763	576,849
Cash and cash equivalents		1,538,652	335,966	273,826
		2,671,784	429,729	850,675
Total assets		14,221,704	11,031,059	11,069,300
Equity attributable to the Company's equity holders				
Share capital	**7**	1,346,665	1,325,614	1,330,225
Share premium		16,833,172	12,420,593	13,237,362
Loan note equity reserve		-	17,479	123,482
Share option and warrant reserve		-	1,126,581	175,982
Retained earnings		(4,237,080)	(4,103,031)	(4,286,249)
		13,942,757	10,787,236	10,580,802
Current liabilities				
Trade payables		34,024	542	47,600
Accruals and other payables		244,923	168,077	229,564
		278,947	168,619	277,164
Non-current liabilities				
Borrowings		-	75,204	211,334
Total liabilities		278,947	243,823	488,498
Total equity and liabilities		14,221,704	11,031,059	11,069,300

Unaudited Changes in Equity
as at 30 June 2018

	Share capital	Share premium	Loan note equity reserve	Option and warrant reserve	Retained earnings	Total equity
	£	£	£	£	£	£
Balance at 1 January 2017	1,325,270	12,390,310	20,650	1,088,595	(3,637,086)	11,187,739
Total comprehensive income	—	—	—	—	(469,116)	(469,116)
Issue of share capital	344	30,283	—	—	—	30,627
Transfer on conversion of convertible loan notes	—	—	(3,171)	—	3,171	—
Share based payment charge	—	—	—	37,986	—	37,986
Balance at 30 June 2017	1,325,614	12,420,593	17,479	1,126,581	(4,103,031)	10,787,236
Total comprehensive income	—	—	—	—	(1,220,439)	(1,220,439)
Issue of share capital	4,611	941,925	—	—	—	946,536
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	—	—	(6,560)	—	6,560	—
Transfer of lapsed and exercised warrants	—	—	—	(713,326)	713,326	—
Transfer of option reserve	—	—	—	(199,287)	199,287	—
Share based payment charge	—	—	—	(37,986)	118,048	80,062
Balance at 31 December 2017	1,330,225	13,237,362	123,482	175,982	(4,286,249)	10,580,802
Total comprehensive income	—	—	—	—	(221,252)	(221,252)
Issue of share capital	16,440	3,953,310	—	—	—	3,969,750
Share and loan issue costs	—	(357,500)	—	—	—	(357,500)
Conversion of convertible loan notes	—	—	(123,482)	—	—	(123,482)
Transfer of lapsed warrants	—	—		(175,982)	175,982	—
Share based payment charge	—	—	—	—	94,439	94,439
Balance at 30 June 2018	1,346,665	16,833,172	—	—	(4,237,080)	13,942,757

Unaudited Statement of Cash flows

for the 6 months ended 30 June 2018

	Note	6 months to 30 June 2018 (Unaudited) £	6 months to 30 June 2017 (Unaudited) £	12 months to 31 December 2017 (Audited) £
Cash flows from operating activities				
Net cash used in operations	**8**	(503,436)	(438,760)	(783,866)
Purchase of investments		(1,048,309)	-	(375,000)
Loan to investment company		(465,240)	-	(402,436)
Net cash from operating activities		(2,016,985)	(438,760)	(1,561,302)
Cash flows from financing activities				
Proceeds on issue of shares		3,100,000	-	603,110
Proceeds on issue of loan note		550,000	-	550,000
Share issue expenses and Loan note issue expenses		(357,500)	-	(125,156)
Proceeds from exercise of warrants		-	2,377	34,303
Proceeds from exercise of options		8,500	9,000	9,000
Repayment of loan stock		(20,000)	-	-
Interest received		811	498	1,020
Net cash from financing activities		3,281,811	11,875	1,072,277
Increase/(decrease) in cash and cash equivalents		1,264,826	(426,885)	(489,025)
Cash and cash equivalents at beginning of period		273,826	762,851	762,851
Cash and cash equivalents at end of period		1,538,652	335,966	273,826

Notes to the unaudited interim statement
for the 6 months ended 30 June 2018

1. General information

The Company is a public limited company which has its ordinary shares admitted to trading on the AIM market operated by the London Stock Exchange and is incorporated in England and Wales.

The address of its registered office is 27-28 Eastcastle Street, London, W1W 8DH. Items included in the financial statements of the Company are measured in Pound Sterling which is the currency of the primary economic environment in which the entity operates. The financial statements are also presented in Pound Sterling which is the Company's presentational currency.

2. Basis of preparation

The interim financial statements of Tern Plc have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union (EU). They do not include all of the information required for full annual financial statements, and should be read in conjunction with Tern plc's audited financial statements for the year ended 31 December 2017. The financial information for the year ended 31 December 2017 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Company's statutory financial statements for the year ended 31 December 2017 have been filed with the Registrar of Companies and can be found on the website www.ternplc.com. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498 (2) or Section 498 (3) of the Companies Act 2006.

These interim financial statements have been prepared under the historical cost convention and have been approved for issue by the Board of Directors.

3. Going concern

The financial statements have been prepared on the going concern basis.

The directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Company's financial statements

4. Critical accounting 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, rarely 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 year are outlined below.

Income taxes

Judgement is required in determining the Company's provision for income tax. Where the final tax outcome is different from the amounts that were initially recorded, the differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Fair value of financial instruments

The Company holds investments that have been designated as held for trading on initial recognition. Where practicable the Company determines the fair value of these financial instruments that are not quoted (Level 3) using the most recent bid price at which a transaction has been carried out. These techniques are significantly affected by certain key assumptions, such as market liquidity. Given the nature of the investments being early stage business, other valuation methods such as discounted cash flow analysis assess estimates of future cash flows to derive fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

Share based payments

The calculation of the fair value of equity-settled share based awards and the resulting charge to the statement of comprehensive income requires assumptions to be made regarding future events and market conditions. These assumptions include the future volatility of the Company's share price. These assumptions are then applied to a recognised valuation model in order to calculate the fair value of the awards.

5. Segmental reporting

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker, which is identified as the Board of Directors.

In identifying its operating segments, management generally follows the Company's service lines which represent the main products and services provided by the Company. The directors believe that the Company's continuing investment operations comprise one segment.

6. Earnings per share

Earnings per share is calculated by reference to the weighted average shares in issue as follows:

	6 months to 30 June 2018	**6 months to 30 June 2017**	**12 months to 31 December 2017**
Weighted average number of ordinary shares (see note below):			
For calculation of basic earnings per share	199,609,225	119,668,783	124,586,665
For calculation of fully diluted earnings per share	199,609,225	119,668,783	124,586,665

The same number of shares is used for the calculation of the diluted loss per share as for the basic loss per share for the six months to 30 June 2018 as the losses in these periods have an anti-dilutive effect.

7. Share capital

	30 June 2018	30 June 2017	31 December 2017
	Number	**Number**	**Number**
Issued and fully paid:			
Ordinary shares of £0.0002	225,484,580	120,230,677	143,286,855
Deferred shares of £29.999	42,247	42,247	42,247
Deferred shares of £0.00099	34,545,072	34,545,072	34,545,072
	£	**£**	**£**
Issued and fully paid:			
Ordinary shares of £0.0002	45,097	24,046	28,657
Deferred shares of £29.999	1,267,368	1,267,368	1,267,368
Deferred shares of £0.00099	34,200	34,200	34,200
	1,346,665	1,325,614	1,330,225

The deferred shares have negligible value, being subject to restrictions as to voting, participation and redemption according to the new Articles of Association then adopted, nor are they quoted on the AIM market of the London Stock Exchange.

8. Note to the cash flow statement

	6 months to 30 June 2018 (Unaudited)	6 months to 30 June 2017 (Unaudited)	12 months to 31 Dec 2017 (Audited)
	£	**£**	**£**
Loss for the period	(221,252)	(469,116)	(1,689,555)
Adjustments for items not included in cash flow:			
Movement in fair value of investments	(282,987)	-	(17,621)
Exchange rate loss	-	-	775,326
Share based payment charge	94,439	37,986	118,048
Finance expense	-	-	207
Finance income	(4,376)	(10,484)	(1,020)
Operating cash flows before movements in working capital	(414,176)	(441,614)	(814,615)
Adjustments for changes in working capital:			
- (Increase)/decrease in trade and other receivables (excluding loan to investee companies)	(91,043)	6,752	(73,898)
- Increase/(decrease) in trade and other payables	1,783	(3,898)	104,647
Cash used in operations	(503,436)	(438,760)	(783,866)

9. Availability of interim results

Copies of this report will be available from the Company's website www.ternplc.com.