



The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). With the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

22 August 2019

Tekcapital plc
("Tekcapital", "the Company" or "the Group")
Unaudited Half-Yearly Report for the period ending 31 May 2019

Record Total Revenue, Profits and Net Assets for the Period

Tekcapital plc (AIM: TEK) a UK intellectual property (IP) investment group focused on creating marketplace value from investing and commercializing university technology announces its results for the six-month period ended 31 May 2019.

Financial highlights

- Net Assets increased 27% to US\$20.53m (30 Nov 2018: US\$16.13m)
- NAV per share US\$0.38 (30 Nov 2018: US\$0.30)
- Total Revenue of US\$5,401,568 (H1 2018: US\$1,278,413)
 - Net increase of US\$4,787,174 in fair value of portfolio companies
- Revenue from services US\$614,394 (H1 2018: \$639,561)
- Reduction of cost of sales by 36% to US\$239,342 (H1 2018: US\$371,774)
- Reduction of operating expenses by 7% to US\$740,947 (H1 2018: US\$800,643).
 - Service revenue cover appx. 63% of current cost base (H1 2018: 55%)
- Profit before tax of US\$4,421,279 (H1 2018: US\$105,996)
- Post end of period placement of 9,375,000 shares to raise gross proceeds of \$940,000.

Operational highlights: Portfolio Companies

Salarius® (97.5% ownership) www.salarius.co

- Appointed Javier Contreras as COO to further its commercialization efforts. Javier has significant experience in developing supply chains with Clorox and other leading companies
- Launched industrial production of MicroSalt®
- Secured first snack food customer (California packaged nut manufacturer).
- Conducted focus group testing and finalized consumer packaging for SaltMe!® Snacks
- Manufactured sample production run of four different crisps flavoured with MicroSalt®.

Lucyd® (100% ownership) www.lucyd.co

- Lucyd signed Richard Sherman, cornerback of the San Francisco 49ers, as its Chief Brand Officer
- Launched Loud 2.0 Bluetooth® designer glasses in ten styles/colours
- Launched social media influencer program

- Filed 13 design patents for Loud 2.0 and one utility patent for integration of Lucyd Loud with a smart watch.

Guident (100% ownership) www.guident.co

- Appointed Johan De Nysschen and Daniel Grossman as directors. Mr. De Nysschen recently served as Executive Vice President of General Motors and President of Cadillac Division. Daniel Grossman helped create General Motors' mobility division, "Maven", and led all operations as COO, was a Vice President at Zipcar, which was sold to Avis Budget for ~\$500m
- Guident Ltd has launched its commercial website and finalized its go-to-market plan
- Filed a new U.S. patent application (No. 16/386,530) entitled: Methods and Systems for Emergency Handoff of an Autonomous Vehicle. This patent application deals with the operation and control of an autonomous vehicle in the event of an accident.

Belluscura® (21.7% ownership) www.belluscura.com

- Continued progress with its unique and patented portable oxygen concentrator (POC) programme
- On 24 April 2019, Belluscura raised £500,000 with a crowdfunding program which Tekcapital participated approximately 10%
- Belluscura filed an additional patent application entitled "Improved Extracorporeal Membrane Oxygenation Device, System and Related Methods," which involves incorporating and expanding their existing oxygen enrichment patent portfolio into an innovative, next generation portable artificial lung and a novel wound care treatment device
- The company indicated it may receive FDA clearance later this year to be followed by commercial launch in H1 2020.

Operational highlights: Corporate

As part of continuing to expand our services in Latin America;

- Tekcapital delivered a webinar on commercialising university IP with the Creativity and Innovation Center 4.0 of the Universidad Tecnológica de Querétaro. This resulted in the formation of a strategic alliance with Universidad Tecnológica de Querétaro for providing Tekcapital's services in Mexico, post end of period
- Executed a strategic alliance agreement with Empeunde UP, the incubator & accelerator platform of Universidad del Pacífico for providing Tekcapital's services in Perú.

Post period end highlights:

- On 25 June 2019, Guident Ltd exclusively licensed patent application PCT US19 14 547 entitled: "Visual sensor fusion and data sharing across connected vehicles for active safety" from Michigan State University. This patent application describes methods for enhancing the safety of AV's by enabling them to share information with other AV's and drones regarding objects detected by their sensors. This proprietary method may improve safety by providing a more robust, real-time system for detecting pedestrians, traffic conditions and potential hazards.
- On 27 June 2019, Guident Ltd exclusively licensed U.S. patent # 9,964,948 B2 entitled: "Remote Control and Concierge Service for an Autonomous Transit Vehicle Fleet" from Florida International University. This patent describes methods for assisting autonomous vehicles and drones by using their sensor inputs in coordination with a remote control centre with the ability to take over operation of a vehicle or drone from anywhere in the world, enabling it to navigate in a variety of difficult situations such as heavy weather, crowded and dangerous traffic scenarios, accident prevention and remediation, and off-grid and last mile package delivery.

- On 24 June 2019, Salarius Ltd secured a second customer (a Mexican seafood company) and shipped its first order for use with salted dried shrimp snacks.
- On 26 June 2019 and August 6, 2019 Belluscura secured £725,000 and £750,000 respectively in additional equity funding, both at 15 pence per share. The funds will be used to complete regulatory clearance and launch its innovative XPLOR portable oxygen concentrator. This brings the total amount raised by Belluscura in 2019 to £2.15m. The Company did not participate in the last two rounds but did participate in several earlier rounds.
- On 10 July 2019, the Company announced that it had completed a fundraising of \$0.94 million in gross revenues through the placing of 9,375,000 new ordinary shares with new and existing investors at a price of 8 pence per share.
- On 22 July 2019, Tekcapital signed strategic alliance with Technological University of Queretaro for expanding its services in Mexico.
- On 12 August 2019, Salarius Ltd announced that it has filed an additional patent application #16/535,703 for Microsalt entitled “Improved Low Sodium Salt Composition”. The application is directed to an improved low-sodium salt that attaches to a bulk carrier with enhanced electrostatic force, to help increase adhesion to a variety of food surfaces.
- On 15 August 2019, Lucyd Ltd announced launch of its new product, Sherman Shades by Lucyd: Official Sunglasses of Richard Sherman.

Dr. Clifford M. Gross, Chairman said: ‘We are pleased to report successful half-year performance for the Group, which has noted record total revenue, profits and net assets for the period whilst reporting important development milestones for its portfolio companies. We believe our unique approach of acquiring and commercialising university IP innovations, coupled with providing a range of IP services continues to deliver strong returns on invested capital.’

For further information, please contact:

Tekcapital Plc
Clifford M. Gross, Ph.D.

Via Yellow Jersey PR

finnCap Ltd (Nominated Adviser and Joint Broker)
Geoff Nash/ Max Bullen-Smith (Corporate Finance)
Camille Gochez (ECM)

+44 (0) 20 7220 0500

+44 (0) 20 7399 9427

Novum Securities Limited (Joint Broker)
Colin Rowbury (Corporate Broking)

+44 (0) 20 7933 8780

Yellow Jersey Limited
Tim Thompson / Annabel Atkins

tekcapital@yellowjerseypr.com

About Tekcapital plc

Tekcapital creates value from investing in new, university-developed intellectual properties and provides a range of IP investment services to make it easy for organisations to commercialise university-developed

technology. Tekcapital is quoted on the AIM market of the London Stock Exchange (AIM: symbol TEK) and is headquartered in Oxford, in the UK. For more information, please visit www.tekcapital.com

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Risk Factors and Forward-Looking Statements

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All statements of opinion and/or belief contained in this Report and all views expressed represent the directors' own current assessment and interpretation of information available to them as at the date of this Report. In addition, this Report contains certain "forward-looking statements", including but not limited to, the statements regarding the Company's overall objectives and strategic plans, timetables and capital expenditures. Forward-looking statements express, as at the date of this Report, the Company's plans, estimates, valuations, forecasts, projections, opinions, expectations or beliefs as to future events, results or performance. Forward-looking statements involve a number of risks and uncertainties, many of which are beyond the Company's control, and there can be no assurance that such statements will prove to be accurate. No assurance is given that such forward looking statements or views are correct or that the objectives of the Company will be achieved. Further, valuations of Company's portfolio investments and net asset value can and will fluctuate over time due to a variety of factors. The Company does not undertake to update any forward-looking statement or other information that is contained in this Report.

Chairman's statement

Tekcapital brings innovations from lab to market. In the first half of 2019, many of our key portfolio companies have made significant progress and as a result, our net assets ended the period at record levels.

Key portfolio companies

Tekcapital Plc commercialises university intellectual property, a process known as technology transfer, both for its own portfolio and as a service for client companies.

Over the past three years we have built a compelling group of portfolio companies to commercialize high value properties we have uncovered. We believe that when you couple commercialization ready, compelling university IP with strong senior management, you increase the probability that vibrant companies will emerge, net assets will grow, returns on invested capital are likely to increase and exits should occur faster. When we realise exits, the Group's goal is to distribute the majority of proceeds as a special dividend to our shareholders.

The Company believes that there is considerable value to be realised from its portfolio companies and is continuing to further commercialise these operations. A common theme across our portfolio companies is that they have proprietary intellectual property, capable management and if successful, will improve the quality of life for the customers they serve. The Company's portfolio of investments includes:

- **Salarius Ltd** (www.salarius.co), of which Tekcapital owns 97.5%, owns a patented process for producing nano-particle sized salt crystals ("MicroSalt®"), which can reduce sodium consumption in snack foods by up to 50.0%, yet provide the same level of salty flavour found in traditional snacks. Salarius' goal is to make snack foods healthier. According to the World Health Organization, cardiovascular disease takes the lives of 17.9 million people per year and is responsible for 31% of global deaths and as such the low sodium ingredient market is estimated to reach US\$1.76 billion by 2025¹.
- **Lucyd Ltd** (www.lucyd.co), which is wholly owned by Tekcapital, sells innovative Bluetooth enabled glasses, regular spectacles and owns 13 design patent applications and one utility patent application for its augmented sound glasses. We believe Lucyd is the first company to offer proper prescription glasses online that allow the wearer to connect to their digital assistants. Their mission is to *Upgrade your Eyewear™*. Lucyd is positioned at the intersection of the online eyewear and digital assistant markets. Online eyewear sales in the U.K. are projected to reach \$824m² in 2019. The U.S. online eyewear market is projected to reach US\$3.5b in 2019 and expected to grow annually by 1.3%.³
- **Guident, Ltd** (www.guident.co), which is wholly owned by Tekcapital, was established to commercialise new technology to enhance the utility, safety and enjoyment of autonomous vehicles ("AVs") and drones. Using its proprietary IP, Guident seeks to develop software Apps and IP that allow users of AV's and drones to dispatch their vehicles to join ridesharing fleets, find available parking spots and charging stations and report and respond to accidents as well as park themselves and make deliveries. The autonomous vehicle market is expected to reach US \$65.3 billion by 2027⁴.

¹ <https://www.futuremarketinsights.com/reports/sodium-reduction-ingredient-market>

² <https://www.statista.com/outlook/12000000/156/eyewear/united-kingdom>

³ <https://www.statista.com/outlook/12000000/109/eyewear/united-states#market-onlineRevenueShare>

⁴ <https://www.statista.com/statistics/428692/projected-size-of-global-autonomous-vehicle-market-by-vehicle-type/>

- **Belluscura plc** (www.belluscura.com), of which Tekcapital now owns approximately 21.7%, has developed an improved portable oxygen concentrator to provide on-the-go supplemental O₂. They have continued to report progress in their advanced portable oxygen concentrator program (POC), which they believe will be smaller, lighter and quieter than competitive products and will have a replaceable filter cartridge that will allow the user to upgrade the unit as their disease progresses. As a result of the global prevalence of COPD, the medical portable oxygen market is expected to grow from \$1.4bn in 2018 to \$2.4bn by 2024⁵.

Corporate

In H1 2019 we continued with the expansion of our consulting services into Latin America. Currently, approximately 63% of our administrative expenses are now covered by our service revenue. One of our goals over the next few years is to have all of our operating costs covered by our service revenues. To help achieve this, we have focused our business development in Latin America, to accelerate growth in this emerging yet vibrant market for university IP commercialisation.

Financial performance

H1 2019 saw another strong period for value creation in the Group's short history, as evidenced by a 27% increase in net assets. The Group was able to accomplish this whilst simultaneously reducing its cost-of-sales by 36% and administrative costs by 7%. The Group has now demonstrated 2.5 years of growth in Net Assets and Total Revenue. Due to the quickening pace of innovation, patented, exogenously developed university technologies are a valuable currency, and as a result, we continue to believe that the market opportunity for the Group is both large and should continue to grow apace in lock-step with the progress of our portfolio companies.

Fundraising

Post end of period, on 10 July 2019, the Company announced that it had completed a small fundraising of \$0.94 million gross through the placing of 9,375,000 new ordinary shares with new and existing investors at a price of 8 pence per share. The new funds will be utilized for accelerating portfolio company growth and for working capital purposes including further expanding our services in Latin America.

Current Trading and Outlook

Having continued to develop and expand Tekcapital's existing business, the Board is confident that continued investment in our portfolio companies remains the right approach. In our 2018 year-end report we disclosed that we were exploring an investment in a new portfolio company in the cannabidiol space. Whilst we are still quite keen to do this, we think it is sagacious to wait until we report additional progress in our current portfolio before launching this effort.

We believe that we are executing on our strategy and this should result in further increases in returns on invested capital as our portfolio companies continue to grow. Whilst the Company is progressing very well, net asset values will fluctuate from period to period due to individual portfolio company performance, valuations and changes in market conditions and macro-economic financial conditions, which may be material.

We are grateful for the patience and support of our shareholders. We are also sincerely appreciative of our creative and incredibly hardworking team who together have produced the results reported herein.

Dr Clifford M Gross
Chairman and CEO
22 August 2019

⁵ Global Market Insights: Oxygen Cylinders Market Size and Competitive Market Share & Forecast, 2017 –2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 May 2019

	Notes	Six months ended 31 May 2019	Six months ended 31 May 2018	Year ended 30 November 2018
		Unaudited US\$	Unaudited US\$	Audited US\$
Continuing Operations				
Revenue from services		614,394	639,561	1,040,830
Unrealised profit on the revaluation of investments	7	4,787,174	638,852	5,792,264
Total Revenue		5,401,568	1,278,413	6,833,094
Cost of sales		(239,342)	(371,774)	(559,630)
Gross Profit		5,162,226	906,639	6,273,464
Administrative expenses		(740,947)	(800,643)	(1,717,570)
Operating Profit		4,421,279	105,996	4,555,894
			105,996	4,555,894
Gain on ordinary activities before income tax				
Income tax expense		(2,090)	(1,194)	(1,406)
Gain after tax for the period		4,419,189	104,802	4,554,625
Other comprehensive income				
Foreign exchange gain/(loss)		(33,779)	(51,796)	(135,342)
Total other comprehensive (loss)		(33,779)	(51,796)	(135,342)
Total comprehensive gain for the period		4,385,410	53,006	4,419,283
Gain per share				
	6			
Basic earnings per share		0.081	0.002	0.103
Diluted earnings per share		0.081	0.002	0.103

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 May 2019

	Notes	As at 31 May 2019 Unaudited US\$	As at 31 May 2018 Unaudited US\$	As at 30 November 2018 Audited US\$
Assets				
Non-current assets				
Intangible assets		838,769	838,769	838,769
Financial assets at fair value through profit and loss	7	18,577,365	8,411,856	13,704,354
Convertible Loan Notes		294,720	-	250,000
Property, plant and equipment		25,167	41,435	33,489
		19,736,021	9,292,060	14,826,612
Current Assets				
Trade and other receivables		410,770	345,157	429,373
Cash and cash equivalents		492,983	1,418,889	1,165,442
		903,753	1,764,046	1,594,815
Total Assets		20,639,774	11,056,106	16,421,427
Liabilities				
Current liabilities				
Trade and other payables		114,124	309,575	285,957
Current income tax liabilities		500	500	500
Total liabilities		114,624	310,075	286,457
Net Assets		20,525,150	10,746,031	16,134,970
Equity				
Ordinary shares	8	326,036	264,221	326,036
Share premium	8	10,218,805	9,271,098	10,218,805
Retained earnings		9,940,614	1,053,692	5,516,655
Translation reserve		111,864	229,189	145,643
Merger reserve		(72,169)	(72,169)	(72,169)
Total Equity		20,525,150	10,746,031	16,134,970

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 May 2019

	Attributable to equity holders of the parent					
	Ordinary shares	Share Premium	Translation Reserve	Merger Reserve	Retained Earnings	Total Equity
	US\$	US\$	US\$	US\$	US\$	US\$
Unaudited						
Balance at 1 December 2018	326,036	10,218,805	145,643	(72,169)	5,516,655	16,134,970
Gain for the period	-	-	-	-	4,419,189	4,419,189
Other comprehensive income	-	-	(33,779)	-	-	(33,779)
Share based payments	-	-	-	-	4,770	4,770
Issue of ordinary shares	-	-	-	-	-	-
Balance at 31 May 2019	326,036	10,218,805	111,864	(72,169)	9,940,614	20,525,150
Unaudited						
Balance at 1 December 2017	264,221	9,271,098	280,985	(72,169)	931,826	10,675,961
Gain for the period	-	-	-	-	104,802	104,802
Other comprehensive income	-	-	(51,796)	-	-	(51,796)
Share based payments	-	-	-	-	17,064	17,064
Balance at 31 May 2018	264,221	9,271,098	229,189	(72,169)	1,053,692	10,746,031
Audited						
Balance at 1 December 2017	264,221	9,271,098	280,985	(72,169)	931,826	10,675,961
Share issue	61,815	1,097,216	-	-	-	1,159,031
Cost of share issue	-	(149,509)	-	-	-	(149,509)
Gain for the year	-	-	-	-	4,554,625	4,554,625
Other comprehensive income	-	-	(135,342)	-	-	(135,342)
Share based payments	-	-	-	-	30,204	30,204
Balance at 30 November 2018	326,036	10,218,805	145,643	(72,169)	5,516,655	16,134,970

Share capital represents the amount subscribed for share capital at nominal value.

Share premium represents the amount subscribed for share capital in excess of nominal value and net of any directly attributable issue costs.

The merger reserve arose on the share for share exchange undertaken by the Company with Tekcapital Europe Limited on 18 February 2014.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 May 2019

Group	Note	Six months ended 31 May 2019 US \$	Six months ended 31 May 2018 US \$	For the year ended 30 Nov 2018 US \$
Cash flows from operating activities				
Cash outflows from operations		(553,436)	(345,397)	(866,377)
Taxation paid		(2,090)	(1,994)	(1,269)
Net cash outflows from operating activities		(555,526)	(347,391)	(867,646)
Cash flows from investing activities				
Purchase of financial assets at fair value through profit and loss*		(109,643)	-	(693,413)
Purchases of property, plant and equipment		(96)	(44,558)	(45,841)
Proceeds from sale of property, plant and equipment				80
Net cash outflows from investing activities		(109,739)	(44,558)	(739,174)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		-	-	1,159,031
Costs of raising finance		-	-	-
Proceeds from the exercise of warrants		-	-	(149,508)
Cash from non-controlling interest		-	-	-
Net cash inflows from financing activities		-	-	1,009,523
Net decrease in cash and cash equivalents		(665,266)	(391,950)	(597,297)
Cash and cash equivalents at beginning of year		1,165,442	1,797,729	1,797,729
Exchange gain/(loss) on cash and cash equivalents		(7,193)	13,110	(34,990)
Cash and cash equivalents at end of the period		492,983	1,418,889	1,165,442

Notes to the financial information

1. General information

Tekcapital PLC is a company incorporated in England and Wales and domiciled in the UK. The address of the registered office is 12 New Fetter Lane, London, United Kingdom, EC4A 1JP. The Company is a public limited company, which is quoted on the AIM market of the London Stock Exchange in 2014.

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

2. Basis of preparation

The financial information for the six months ended 31 May 2019 set out in this interim financial information is unaudited and does not constitute statutory financial statements. The interim condensed financial information has been presented in US Dollars ("\$").

3. Accounting policies

3.1 Statement of compliance

The accounting policies applied by the Group in these unaudited half year results are consistent with those applied in the annual financial statements for the year ended 30 November 2018.

The financial statements of Tekcapital PLC Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 of the FY 2018 accounts. The estimates that changed since then are disclosed in Note 7.

4. Going concern

The Group meets its day to day working capital requirements through its service offerings, bank facilities and monies raised in follow-on offerings. The Group's forecasts and projections indicate that the Group has sufficient cash reserves to operate within the level of its current facilities, if the group forecasts are not achieved the Directors are confident that additional funds could be raised through equity issues if required. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Company therefore continues to adopt the going concern basis in preparing both its consolidated financial statements and for its own financial statements.

5. Taxation

Immaterial charge of \$2,090 has arisen in the six-month period ended 31 May 2019 (31 May 2018: \$1,194).

6. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the period.

Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the sum of weighted average number of (1) Ordinary Shares outstanding during the period and (2) Ordinary Shares to be issued assuming exercise of outstanding stock options with intrinsic value above \$0 at 31 May 2019.

	Six months ended 31 May 2019 US\$	Six months ended 31 May 2018 US\$	Year ended 30 November 2018 US\$
Profit attributable to equity holders of the Company	4,419,189	104,802	4,554,625
Weighted average number of Ordinary Shares in issue:			
Basic	54,353,042	42,654,707	44,100,930
Diluted	54,653,042	42,654,707	44,120,817
Basic profit (loss) per share (\$)	0.081	0.002	0.103
Diluted profit (loss) per share (\$)	0.081	0.002	0.103

7. Financial Assets at Fair Value through Profit or Loss

Group's investments in portfolio companies are listed below and classified as equity instruments. The principal place of business for portfolio companies listed below is England and Wales.

	31 May 2018 US \$	1 December 2018 US \$	Additions US \$	Exchange difference US \$	Fair value gain/(loss) US \$	31 May 2019 US \$
Guidant Limited	21,860	8,545,103	-	-	4,111,218	12,656,321
Lucyd Ltd	4,676,745	3,040,616	-	(2,889)	(1,642,916)	1,394,811
Belluscura Limited	1,405,588	1,126,315	109,022	(19,892)	553,717	1,769,162
Salarius Ltd	2,000,000	923,830	621	(261)	1,765,155	2,689,345
Non Invasive Glucose Tek Limited	23,797	667	-	(12)	-	655
Smart Food Tek Limited	43,749	43,073	-	(745)	-	42,328
eGravitas Limited	165,018	-	-	-	-	-
Frigidus Ltd	52,202	-	-	-	-	-
eSoma Limited	22,897	24,750	-	(7)	-	24,743
Total Balance	8,411,856	13,704,354	109,643	(23,807)	4,787,174	18,577,365

The valuation techniques used fall under, Level 2 – Observable techniques, other than quoted prices, and Level 3- Other techniques as defined by IFRS 13. There has been no transfer between levels during the period. Fair value measurement hierarchy for financial assets as at 31 May 2019 with comparative amounts as of 30 November 2018:

	Date of Valuation	Total US \$	Significant observable inputs (Level 2) US \$	Significant unobservable inputs (Level 3) US \$
Guident and others	31 May 2019	16,808,203		16,808,203
Belluscura Limited	31 May 2019	1,769,162	1,769,162	
Total Balance	31 May 2019	18,577,365	1,769,162	16,808,203
Guident and others	30 November 2018	12,578,039		12,578,039
Belluscura Limited	30 November 2018	1,126,315	1,126,315	
Total Balance		13,704,354	1,126,315	12,578,039

Guident (\$4.1m gain)

An external valuation prepared by an independent patent valuation expert in June 2019 for US patent 9,429,943 as of 31 May 2019 resulted in the fair value gain of \$4.1m compared to 30 November 2018. The Group retained the valuation expert who prepared the 30 November 2018 valuation. The total fair value of \$12.7m reflects the fair value of Guident's net assets as determined by:

- Valuation of US patent 9,429,943 of \$15.4m conducted by an external, qualified valuation expert using the Income Approach, Royalty Relief Method. Following valuation inputs were applied by the valuation expert:
 - Total US market size of \$35b for autonomous vehicles and drones (as the patent applies to both) for the 12 years period ended 30 September 2033. 1% market penetration of Guident's patent starting in 2021 with annual increase of 1% leading to a 12% market penetration by 2033, resulting in projected \$3b in sales of drones/vehicles underlying licensing revenue between 2021 and 2033. These market penetration assumptions are based on a number of factors:
 - Broad protection and claims included in the IP
 - The protection given to the product by its US patent, likely provides Guident with a barrier to entry in the US through 2033
 - The strength and experience of the board, whose proven expertise is in the exact areas required to bring the product to market and build the brand;
 - There are no foreseeable software development barriers in the commercialisation process
 - Other foreseeable challenges for the team to deliver successful commercialisation appear to be well within the abilities of the directors to handle.
 - Commercialisation milestones accomplished in the short history of the company, including launches of its new website and the go to market efforts in H1 2019
 - Addition of Guident's EH 6530 patent application filed in H1 2019, aimed to provide additional protection for Emergency Handoff of AV Control in the case of a reportable event such as an accident.

- Total estimated 6% licence royalty rate, with 3% royalty attributable to the university and 3% (2.375% as of 30/11/2018) comprising Guident's licensing revenue based on comparable market transactions. The adjustment in the license royalty rate was made by the independent expert compared to 30/11/2018 valuation as a result of addition of two new comparable market transactions and removal of one agreement due to its lack of recency.
- 17% discount rate (18% as at 30/11/2018) which was used to discount proceeds as determined by opportunity cost (10%), inflation rate (2%) and technology risk (5%). The inflation rate was adjusted from 3% to 2% compared to 30/11/2018 based on revised Federal Reserve inflation targets.
- Corporate income tax rate of 17% applied to projected licensing costs

The NPV of \$14.46m calculated based on the above was further adjusted by \$0.93m of the Tax Amortization Benefit ("TAB") to arrive at \$15.4m representing valuation of the patent.

- The deferred tax liability of (\$2.6m) recorded by Guident based on UK corporate tax rate of 17% applied to the fair value gain associated with the patent.
- Net book value of other assets and liabilities of (0.1m).

Salarius (\$1.8m gain)

Due to commercialisation advancements as of 31 May 2019, an external valuation prepared by an independent patent valuation expert in June 2019 for US patent 8,900,650 resulted in the fair value gain of \$1.8m compared to 30 November 2018. The Group retained the valuation expert who prepared the 30 November 2018 valuation. The total fair value of \$2.7m reflects the fair value of Salarius net assets as determined by:

- Valuation of US patent 8,900,650 of \$3.5m conducted by an external, qualified valuation expert using the Income Approach, Royalty Relief Method. Following valuation inputs were applied by the valuation expert:
 - Projected underlying revenue from sales from following operating segments:
 - (1) Sales of low sodium salt to snack food manufacturers ("B2B") of \$50.1m for the 11-year period ended 2030. Market penetration of 0.1% in 2019 growing to 10% in 2029. These market penetration assumptions are based on a number of factors:
 - MicroSalt® is a unique product believed to be substantially in advance of alternatives, and has been developed, and tested in terms of taste acceptability and ready to market;
 - The protection given to the product by its US patent, which is believed to effectively provide Salarius a barrier to entry in the US for 11 more years;
 - The strength and experience of the management team, whose proven expertise is in the exact areas required to bring the product to market and build the brand;
 - The company has already secured first customer (California packaged nut manufacturer) and shipped first two orders; the second customer (Mexican seafood company) had its first order for salted dried shrimp snacks shipped after the period end;
 - There are no foreseeable manufacturing barriers in the commercialisation process. Manufacturing has been already established and outsourced, and relationships with vendors in the supply chain put in place;
 - Other foreseeable challenges for management to deliver successful commercialisation appear to be well within the abilities of management to handle. The go to market strategy has been finalised and the business development team strengthened.

- (2) Sales of salty snacks (“B2C”) estimated at \$121m for the 11-year period ended in 2030. The projections assume Salarius’ product being sold in 300 individual stores by the end of 2019, growing annually to a total of 18,431 stores by 2030.

These market assumptions are based on a number of factors, in addition to first three points covered in p.1:

- The company is ahead of schedule with regards to initial stages for the launch of its SaltMe® line of full-flavor, low-sodium chips by H1 2020 in four varieties: original, barbecue, sour cream & onion and cheddar & sour cream. Panel testing amongst salty snack buyers was completed and resulted in a weighted purchase intent of 27.75%, which is believed to be significantly higher than average new product initiatives. Manufacturing has been already established and outsourced, and relationships with vendors in the supply chain (e.g. chips packaging) established. The go to market strategy has been finalised and the business development team strengthened.
- Licence royalty rate of 8.2% with 3% royalty attributable to the university and 5.2% (4.8% at 30 November 2018) comprising Salarius’ licensing revenue based on comparable market transactions. The adjustment in the license royalty rate was made by the independent expert compared to 30/11/2018 valuation as a result of addition of new comparable market transactions to address Company’s expansion into the snack food market (B2C segment)
- 12% discount rate used to discount proceeds as determined by opportunity cost (10%) and inflation rate (2%). The inflation rate was adjusted from 3% to 2% compared to 30/11/2018 based on revised Federal Reserve inflation targets. Technology risk was determined at 0%, as the patent describes easily manufactured salt compositions, maybe manufactured in many production facilities without extensive modifications. The end product has already been manufactured and used to conduct consumer acceptance tests.
- The deferred tax liability of (\$0.6m) recorded by Salarius based on UK corporate tax rate of 17% applied to the fair value gain associated with the patent
- Net book value of liquid assets, creditors and debtors of (\$0.2m).

Lucyd Ltd (\$1.6m loss)

The fair value of \$1.4m reflects the fair value of Lucyd’s net asset as determined by:

- Valuation of the following Lucyd assets performed by an external, qualified valuation expert in June 2019 (The Group retained the valuation expert who prepared the 30 November 2018 valuation):
 - Lucyd’s e-commerce platform selling advanced and fashionable eyewear valued at \$0.9m as determined by applying an 17% discount rate on \$5m of gross profit projected through 2022. The 17% discount rate was calculated as a total of 10% opportunity cost, 2% inflation rate and 5% technology risk. The inflation rate was adjusted from 3% to 2% compared to 30 November 2018 based on revised Federal Reserve inflation target.
 - Lucyd’s 46.5m LCD tokens held in treasury valued at \$0.1m based on the observable price of \$0.0076, discounted by 66% for market discount to reflect market’s volatility and liquidity
 - Lucyd’s trademarks valued at \$0.2m, assessed using Cost Approach Reproduction Method. Through cost analysis, the fair value approximates cost recognized in Lucyd’s balance sheet
- The deferred tax liability of (\$0.15m) recorded by Lucyd based on UK corporate tax rate of 17% applied to the fair value gain associated with the ecommerce platform

- Net book value of creditors, debtors and liquid assets of \$0.3m.

Lucyd will be re-valuated in subsequent reporting periods. The future value of Lucyd could fluctuate significantly, either up or down, based on the performance of the business, the achievement of product development milestones, available capital, customer receptivity to the products, and the change in the value of the Lucyd token (LCD) held on the balance sheet, amongst other factors.

Belluscura (\$0.5m gain)

The Group contributed \$0.1m in a private placement held in March and April 2019 at 15 pence a share. The fair value of the holding increased by \$0.5m as a result. The Group did not participate in the post period end private placements executed by Belluscura in June 2019 and August 2019, both at 15 pence per share.

Other investments (Nil Gain / Nil loss)

Given early stage of commercialisation, fair value of remaining portfolio companies was recorded based on the cost of acquired IP, as their carrying amounts represent a reasonable approximation of fair value.

Under level 3 unobservable inputs. In the absence of observable inputs, the directors have considered the entities own data to determine the fair value, which equates to the original funds invested. They do not consider that any other available information would materially change or give a more reliable representation of the value.

This is the only category of financial instruments measured and re-measured at fair value.

Description of significant unobservable inputs to valuation:

The significant unobservable input used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 May 2019 are shown as below:

	Valuation Technique	Significant unobservable input	Estimate applied	Sensitivity of the input to fair value
Lucyd	Income Approach (Eshop)/Net Asset Approach (Treasury Tokens)	Discount to Future Cash Flows from Eshop Sales	17%	2% increase in the discount factor would decrease the Lucyd valuation by \$72,000, a 2% decrease in the discount factor would increase the value by \$78,400.
		Eshop net profit through June 2023	\$2m	A 20% increase in gross profit would increase the Lucyd valuation by \$695,851. A 20% decrease in gross profit would decrease the Lucyd valuation by \$578,390.
Guident	Income Approach Royalty Relief	Discount to Future Cash Flows from licensing	17%	5% increase in the discount factor would decrease the Guident valuation by \$2,690,000, a 5% decrease in the discount factor

Method				
Salarius		Royalty Relief Rate	5.375%	would increase the value by \$11,812,000 A 1% increase in the royalty relief rate would increase the Guident valuation by \$3,487,000, a 1% decrease in the royalty relief rate would decrease the valuation by \$1,747,000
		Gross licensing proceeds	\$3.1B	A 20% increase in the gross licensing proceeds would increase the Guident valuation by \$6,309,000. A 20% decrease would decrease the Guident valuation by \$5,221,000.
	Income Approach Royalty Relief Method	Discount to Future Cash Flows from licensing	12%	2% increase in the discount factor would decrease the Salarius valuation by \$356,000, a 2% decrease in the discount factor would increase the value by \$426,000
		Licence Royalty Rate	8.2%	A 2% increase in the royalty rate would increase the Salarius valuation by \$1,121,277 a 2% decrease in the royalty rate would decrease the Salarius valuation by \$1,121,277.
		Projected sales	\$172m	A 20% increase in the projected sales would increase the Salarius valuation by \$583,064. A 20% decrease in the projected sales would decrease the Salarius valuation by \$485,887.

No sensitivities have been included on the other investments as their fair value equates to cost. The Group exercised judgment in determination of sufficiency of portfolio companies' cash reserves, forecasts and ability to raise money to achieve their fair values. Directors reviewed and questioned the forecasts used, standing liquidity and working capital balances, as well as discussed capability and plans to raise money in the future with directors or management of portfolio companies. Based on the review, the Group made a positive determination as to portfolio companies' likely ability to achieve fair values considering liquidity factors.

8. Share Capital

The Company's ordinary shares are of £0.004 par value.

All of the Company's issued ordinary shares have full voting, dividend and capital distribution (including winding up) rights; they do not confer any rights of redemption. The Company does not hold any ordinary shares in treasury.

Issued and fully paid	Shares Number	Share capital US\$	Share premium US\$
Ordinary shares of £0.004 each			
At 1 December 2017	42,654,707	264,221	9,271,098
Shares issued in further public offering			
Shares issued on exercise of warrants	-	-	-
	-	-	-
As at 31 May 2018	42,654,707	264,221	9,271,098
At 1 December 2017	42,654,707	264,221	9,271,098
Shares issued in further public offering	11,698,335	61,815	947,708
As at 30 November 2018	54,353,042	326,036	10,218,806
Shares issued in further public offering	-	-	-
As at 31 May 2019	54,353,042	326,036	10,218,806

9. Related party transactions

The Group has taken advantage of the exemption in IAS 24 “related parties” not to disclose transactions with other Group companies. During the period the Group did not employ any services of non-Group companies meeting the definition of related parties.

10. Interim results

The interim results for the six months ended 31 May 2019 will not be sent to shareholders but will be available from the Company’s website at <http://tekcapital.com/investors/>.

- Ends -