

26 July 2016

## Tern Plc

### Chairman's statement for the half year to 30 June 2016

Tern Plc ("Tern" or the "Company"), the AIM quoted investment company specialising in the cloud and mobile sectors of the software market, is pleased to announce its interim results for the six months to 30 June 2016.

#### Group Highlights

	30 June 2016	30 June 2015
• Net Assets	£7,281,023	£862,502
• Current Assets	£140,069	£421,580
• Total Assets	£7,493,313	£1,204,068
• Device Authority Inc acquired by Cryptosoft Ltd		
• Acquisition of two Flexiant business units Flexiant Research and Concerto		

I am pleased to report that in the first six months of 2016 Tern has continued to make good progress in line with the business plan and against our stated objectives.

#### Device Authority

Tern has been a shareholder in Device Authority Limited ("Device Authority"), formerly known as Cryptosoft, for 20 months. When it was acquired in September 2014, Device Authority consisted of a piece of advanced software and a team of three engineers. In the 12 months since the new management team was installed, it has grown into an international business with bases in the UK and the USA, it has established strategic partnerships with world renowned software and hardware businesses, created a growing sales pipeline and expanded the team to more than 15 very talented employees.

#### Device Authority Highlights

- New team recruited and in place
- New products
- Awareness in the market created by:
  - Three Award mentions: CIO Review, Gartner Cool Vendor and Infosecurity Europe 2016
  - New Website
  - Regular webinars often in tandem with strategic partners
  - Events at conferences and shows
  - New product offerings
- Strategic Alliances – with 10 major players, 5 since 1 Jan 2016 including Intel and Dell

In April 2015, Device Authority Inc. was acquired. The transaction had the following effects:

- The value of Tern's shareholding in Device Authority increased to £7,144,288

- New institutional investor, Alsop Louie Partnership, in Device Authority Limited
- Patent portfolio acquired: 9 granted with a further 12 applied for

Following the acquisition trading has progressed with:

- Integration of the two organisations with approximately 20% reduction in overheads
- Commercial contracts increasing in number and size
- Integrated sales pipeline growing

In June 2016, in line with its stated objectives to acquire controlling interests in businesses; Tern bought two business units of Flexiant Limited.

- The first, “Concerto multi cloud and container management software”, is in a fast growing market sector, which offers significant opportunity. It is expected to take several months before the benefits of Tern’s ownership becomes apparent, as the opportunities are with larger organisations.
- Flexiant Research unit – an established software research and development unit which regularly participates in EU consortia. We believe it will be a key technology contributor to our other portfolio companies.

## **Financial**

The total assets of Tern increased significantly from £1.8 million at 1 January 2016 to £7.5 million at 30 June 2016 principally as a result of the following events:

- Re-valuation of investments:
  - The carrying value of Device Authority Limited was increased based on investments by a new third party investor when Device Authority acquired Californian authentication specialist, Device Authority Inc.
  - The revaluation above has been partially offset by write-downs of the investments in Flexiant Ltd and Push Technologies Ltd.
- Placing of 9,166,666 new ordinary shares at a price of 12p which raised £1.1 million in February 2016
- Two of Flexiant’s business units, Flexiant Research and Concerto, were acquired at a cost of £75,000
- Tern’s overheads include one-off costs of approximately £76,000 relating to the acquisition of Device Authority Inc, and the recently acquired Flexiant business units.

## **Post balance sheet events**

- A further placing of 6,562,500 ordinary shares at a price of 8p raising £525,000 was completed in July 2016 which has strengthened the current asset position of the Company.
- The business units acquired from Flexiant Limited collected over £90,000 from debtors in July 2016

## Shareholder Communication

Shareholders are welcome to submit comments and queries through the contact section of the Tern website [www.ternplc.com](http://www.ternplc.com). Whilst all are considered it is not always possible to reply individually.

## Use of Distributable Profits

In line with the previously stated investment policy; it is the intention of the Board to utilise the realised profits after tax, subject to there being sufficient funds and distributable reserves, as follows: dividends, reinvestment and up to 10% to incentivise and reward management.

## Outlook

We are confident of further progress in the second half and look forward to making announcements about new developments and improvements for each of our companies and investments.

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

## Enquiries:

### **Tern plc**

Tel: 07973 561232

Angus Forrest

### **WH Ireland - NOMAD and Broker**

Tel: 0117 945 3471

John Wakefield / Ed Allsopp

### **Peterhouse Corporate Finance - Joint broker**

Tel. 020 7469 0936

Lucy Williams / Duncan Vasey

## About Tern:

Tern Plc acquires and invests in privately owned companies with established products incorporating their own IP and an established customer base. Its investment strategy is focused on taking an active role in its investee companies in order to improve the business model, accelerate growth, expand the business globally, and identify exit opportunities.

**Unaudited Statement of Comprehensive Income  
for the 6 months ended 30 June 2016**

	<b>6 months to 30 June 2016 (Unaudited) £</b>	<b>6 months to 30 June 2015 (Unaudited) £</b>	<b>12 months to 31 December 2015 (Audited) £</b>
Revenue	32,930	60,000	162,500
Movement in fair value of investments	4,777,000	-	63,492
Gross Profit	<u>4,809,930</u>	<u>60,000</u>	<u>225,992</u>
Administration costs	(267,601)	(130,734)	(298,896)
Share based payment charge	(15,317)	-	(99,523)
Operating profit/(loss)	<u>4,527,012</u>	<u>(70,734)</u>	<u>(172,427)</u>
Finance income	12,282	2,055	11,786
Finance costs	(7,047)	(18,855)	(24,480)
Profit/(Loss) before tax	<u>4,532,247</u>	<u>(87,534)</u>	<u>(185,121)</u>
Tax	-	-	-
Profit/(Loss) for the period	<u>4,532,247</u>	<u>(87,534)</u>	<u>(185,121)</u>
<b>Profit/(Loss) per share</b>			
Basic	6.5p	(0.2p)	(0.37p)
Diluted	6.4p	(0.2p)	(0.37p)

**Unaudited Statement of Financial Position  
as at 30 June 2016**

	30 June 2016 (Unaudited) £	30 June 2015 (Unaudited) £	31 December 2015 (Audited) £
<b>Assets</b>			
Investments held for trading	7,332,350	706,863	810,350
Loans to investee companies	20,894	75,625	619,413
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<b>Non-current assets</b>	<b>7,353,244</b>	<b>782,488</b>	<b>1,429,763</b>
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<b>Current assets</b>			
Trade and other receivables	134,897	85,668	117,042
Cash and cash equivalents	5,172	335,912	278,456
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	140,069	421,580	395,498
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>7,493,313</b>	<b>1,204,068</b>	<b>1,825,261</b>
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<b>Equity attributable to the Company's equity holders</b>			
Share capital	4 1,315,952	1,310,656	1,314,118
Share premium	9,433,280	7,569,555	8,393,536
Loan note equity reserve	20,650	53,624	20,650
Share option and warrant reserve	912,613	797,773	897,296
Retained earnings	(4,401,472)	(8,869,106)	(8,933,719)
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	7,281,023	862,502	1,691,881
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<b>Current liabilities</b>			
Trade and other payables	107,849	61,797	35,986
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<b>Non-current liabilities</b>			
Borrowings	104,441	279,769	97,394
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<b>Total liabilities</b>	<b>212,290</b>	<b>341,566</b>	<b>133,380</b>
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<b>Total equity and liabilities</b>	<b>7,493,313</b>	<b>1,204,068</b>	<b>1,825,261</b>
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## Unaudited Statement of Cash flows

for the 6 months ended 30 June 2016

	6 months to 30 June 2016 (Unaudited)	6 months to 30 June 2015 (Unaudited)	12 months to 31 December 2015 (Audited)
Note	£	£	£
<b>Cash flows from operating activities</b>			
Cash used in operations	5 (180,663)	43,897	(79,159)
<b>Net cash from operating activities</b>	<u>(180,663)</u>	<u>43,897</u>	<u>(79,159)</u>
<b>Cash flows from investing activities</b>			
Purchase of investments	(1,135,000)	(74,885)	(114,880)
Loan to investment company	-	(75,000)	(610,000)
<b>Net cash from investing activities</b>	<u>(1,135,000)</u>	<u>(149,885)</u>	<u>(724,880)</u>
<b>Cash flows from financing activities</b>			
Proceeds on issue of shares	1,100,000	-	720,000
Share issue expenses	(58,421)	-	(34,900)
Proceeds from exercise of warrants	-	6,404	10,748
Repayment of loan stock	-	-	(50,000)
Interest received	800	1,222	2,373
<b>Net cash from financing activities</b>	<u>1,042,379</u>	<u>7,626</u>	<u>648,221</u>
<b>(Decrease)/increase in cash and cash equivalents</b>	(273,284)	(98,362)	(155,818)
<b>Cash and cash equivalents at beginning of period</b>	<u>278,456</u>	<u>434,274</u>	<u>434,274</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>5,172</u></u>	<u><u>335,912</u></u>	<u><u>278,456</u></u>

## Notes to the unaudited interim statement for the 6 months ended 30 June 2016

### 1. General information

The Company is a public limited company listed on AIM and is incorporated in England and Wales.

The address of its registered office is 9 Catherine Place, London SW1E 6DX. 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 International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and on the historical cost basis using the accounting policies which are consistent with those set out in the Company's Annual Report and Accounts for the year ended 31 December 2015.

This interim financial information for the six months to 30 June 2016 was approved by the board on [25 July 2016].

The unaudited interim financial information for the period ended 30 June 2016 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 December 2015 are extracted from the audited statutory financial statements for that period.

### 3. Earnings per share

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

	<b>6 months to 30 June 2016</b>	<b>6 months to 30 June 2015</b>	<b>12 months to 31 December 2015</b>
<b>Weighted average number of ordinary shares (see note below):</b>			
For calculation of basic earnings per share	69,440,650	45,368,269	49,375,127
For calculation of fully diluted earnings per share	70,289,723	45,368,269	49,375,127

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 6 months to 30 June 2015 as the loss in this period has an anti-dilutive effect.

#### 4. Share capital

	30 June 2016	30 June 2015	31 December 2015
	Number	Number	Number
Issued and fully paid:			
Ordinary shares of £0.0002	71,922,235	45,442,020	62,755,569
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	14,384	9,088	12,550
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
	<u>1,315,952</u>	<u>1,310,656</u>	<u>1,314,118</u>

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 Stock Exchange.

#### 5. Note to the cash flow statement

	6 months to 30 June 2016 (Unaudited)	6 months to 30 Jun 2015 (Unaudited)	12 months to 31 Dec 2015 (Audited)
	£	£	£
(Loss)/profit for the period	4,532,247	(87,534)	(185,121)
Adjustments for items not included in cash flow:			
Movement in fair value of investments	(4,777,000)	-	(63,492)
Share based payment charge	15,317	-	99,523
Finance expense	7,047	18,855	24,480
Finance income	(12,282)	(2,055)	(11,786)
Operating cash flows before movements in working capital	<u>(234,671)</u>	<u>(70,734)</u>	<u>(136,396)</u>
Adjustments for changes in working capital:			
- (Increase)/Decrease in trade and other receivables	(17,855)	215,596	184,014
- (Decrease)/increase in trade and other payables	71,863	(100,965)	(126,777)
Cash used in operations	<u>(180,663)</u>	<u>43,897</u>	<u>(79,159)</u>

#### 6. Availability of Interim results

Copies of the report will be available from the Company's website [www.ternplc.com](http://www.ternplc.com).