

Tern Plc

Chairman's statement for the half year to 30 June 2015

Tern Plc ("Tern" or the "Company"), the AIM quoted investment company specialising in the cloud and mobile sector of the IT market, is pleased to announce its interim results for the six months to 30 June 2015.

Highlights

- Current assets £421,580 (2014 £85,092)
- Total assets £1,204,068 (2014 £285,092)
- All Investments making good progress

Chairman's Statement

Since Tern's admission to AIM in August 2013, the Company has made considerable progress, becoming established and acquiring initial business interests. The pace of development of those interests is accelerating providing an impetus for Tern.

Tern's business model is to invest in and acquire businesses, which can be developed; the planned outcome being a trade sale to a major player which will incorporate the business unit into its own portfolio. A description of Tern's stages of the process of commercialisation:

Stage 1 – Infrastructure – review, plan, and implement change as required, to the business model, product range and in the recruitment of new management: timeframe 6 – 9 months

Stage 2 – Expansion – increase marketing, win awards, appoint strategic partners and begin exporting: timeframe 6 – 18 months

Stage 3 – Sale of the Company – raise interest of potential buyers, sell the company – year three

Our three investments made in 2013 and 2014 are in stages 2 and 3, growing strongly, creating value and buyer interest on the route to realisation.

In 2015, Tern has concentrated its resources on advancing the development of Cryptosoft, currently the Company's most significant asset. The acquisition of and initial investment in Cryptosoft was made in autumn 2014. Cryptosoft was at an earlier stage than Tern's other investee companies. We have now completed Stage 1, during which there was a limited amount of news that could be released and are pleased to have appointed; Darron Antill, who joined Cryptosoft's board as CEO. He has over 20 years' experience in the IT industry and built four fast-growth software companies in the UK and US.

We look forward to making further announcements over the next six months during the early implementation of Stage 2.

Cryptosoft claims to be the only supplier with a peer reviewed, market proven software security product, for IoT ('Internet of Things') and M2M ('Machine to Machine') applications that is hardware, software and security system agnostic and which can support legacy and future installations.

At *Internet of Things World*, the largest global IoT event, held at the end of April in San Francisco, Cryptosoft was the only company offering a holistic security solution and following this, it is now discussing major contract opportunities with potential UK and US customers. It is likely to take several months before the first of these is secured.

Cryptosoft continues to attract significant interest and we are endeavouring to exploit its first mover advantage in the data security market for IoT and M2M.

Financial

Tern's balance sheet remains unleveraged with the investments financed by equity and healthy level of current assets. A tight control on costs is being maintained whilst the portfolio continues to develop.

As outlined above we are investing in Cryptosoft's infrastructure to enable it to expand the commercialisation of its activities and move towards financial independence. The added value is not reflected in Tern's financial statements, which are prepared under IFRS accounting standards.

The statements show long term creditors and some of the current liabilities totalling £300,000 which is interest free and owed to directors. It is expected these amounts will be converted to share capital in due course, which will strengthen the balance sheet.

Post balance sheet events

The Board would like to thank Laurence Read and Michael Clark for their contribution as directors over the past two years, and wishes them well for the future.

Outlook

M & A activity continues to be a feature of the sector with multinational corporations regularly acquiring niche players in North America and Europe in the first half of 2015, which gives confidence that exits by trade sale are a real option.

I would like to welcome Sarah Payne who has been appointed Finance Director and Company Secretary. She starts officially on 1 September 2015.

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

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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 2015**

	6 months to 30 June 2015 (Unaudited) £	6 months to 30 June 2014 (Unaudited) £	12 months to 31 December 2014 (Audited) £
Revenue	60,000	10,000	41,000
Movement in fair value of investments	-	-	100,000
Gross Profit	<u>60,000</u>	<u>10,000</u>	<u>141,000</u>
Administration costs	(130,734)	(91,849)	(161,654)
Operating loss	<u>(70,734)</u>	<u>(81,849)</u>	<u>(20,654)</u>
Finance income	2,055	-	105
Finance costs	(18,855)	(11,230)	(33,146)
Loss before tax	<u>(87,534)</u>	<u>(93,079)</u>	<u>(53,695)</u>
Tax	-	-	-
Loss for the period	<u><u>(87,534)</u></u>	<u><u>(93,079)</u></u>	<u><u>(53,695)</u></u>
Loss per share			
Basic	(0.2p)	(0.9p)	(0.3p)
Diluted	(0.2p)	(0.9p)	(0.3p)

**Unaudited Statement of Financial Position
as at 30 June 2015**

	Note	30 June 2015 (Unaudited) £	30 June 2014 (Unaudited) £	31 December 2014 (Audited) £
Assets				
Investments held for trading		706,863	200,000	631,978
Other receivables		75,625	-	-
Non-current assets		<u>782,488</u>	<u>200,000</u>	<u>631,978</u>
Current assets				
Trade and other receivables		85,668	36,260	301,056
Cash and cash equivalents		335,912	48,832	434,274
		<u>421,580</u>	<u>85,092</u>	<u>735,330</u>
Total assets		<u><u>1,204,068</u></u>	<u><u>285,092</u></u>	<u><u>1,367,308</u></u>
Equity attributable to the Company's equity holders				
Share capital	4	1,310,656	1,303,746	1,310,613
Share premium		7,569,555	6,646,376	7,563,193
Loan note equity reserve		53,624	29,341	53,624
Share option and warrant reserve		797,773	797,773	797,773
Retained earnings		(8,869,106)	(8,845,632)	(8,781,572)
		<u>862,502</u>	<u>(68,396)</u>	<u>943,631</u>
Current liabilities				
Trade and other payables		61,797	87,505	162,763
Non-current liabilities				
Borrowings		279,769	265,983	260,914
Total liabilities		<u>341,566</u>	<u>353,488</u>	<u>423,677</u>
Total equity and liabilities		<u><u>1,204,068</u></u>	<u><u>285,092</u></u>	<u><u>1,367,308</u></u>

Unaudited Statement of Cash flows

for the 6 months ended 30 June 2015

	6 months to 30 June 2015 (Unaudited) £	6 months to 30 June 2014 (Unaudited) £	12 months to 31 December 2014 (Audited) £
Cash flows from operating activities			
Cash used in operations	5 43,897	(97,985)	(326,328)
Net cash from operating activities	<u>43,897</u>	<u>(97,985)</u>	<u>(326,328)</u>
Cash flows from investing activities			
Purchase of investments	(74,885)	(100,000)	(407,952)
Loan to investment company	(75,000)	-	-
Net cash from investing activities	<u>(149,885)</u>	<u>(100,000)</u>	<u>(407,952)</u>
Cash flows from financing activities			
Proceeds on issue of shares	-	-	757,500
Share issue expenses	-	-	(35,868)
Proceeds from issue of convertible loan notes	-	100,000	300,000
Proceeds from exercise of warrants	6,404	-	-
Interest received	1,222	-	105
Net cash from financing activities	<u>7,626</u>	<u>100,000</u>	<u>1,021,737</u>
(Decrease)/increase in cash and cash equivalents	(98,362)	(97,985)	287,457
Cash and cash equivalents at beginning of period	<u>434,274</u>	<u>146,817</u>	<u>146,817</u>
Cash and cash equivalents at end of period	<u><u>335,912</u></u>	<u><u>48,832</u></u>	<u><u>434,274</u></u>

Notes to the unaudited interim statement for the 6 months ended 30 June 2015

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 2014.

This interim financial information for the six months to 30 June 2015 was approved by the board on 4 August 2015.

The unaudited interim financial information for the period ended 30 June 2015 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 2014 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:

	6 months to 30 June 2015	6 months to 30 June 2014	12 months to 31 December 2014
Weighted average number of ordinary shares (see note below):			
For calculation of basic earnings per share	45,368,269	10,891,700	16,142,804
For calculation of fully diluted earnings per share	45,368,269	10,891,700	16,142,804

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 and the 6 months to 30 June 2014 as the losses in these periods have an anti-dilutive effect.

4. Share capital

	30 June 2015	30 June 2014	31 December 2014
	Number	Number	Number
Issued and fully paid:			
Ordinary shares of £0.0002	45,442,020	10,891,700	45,228,527
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	9,088	2,178	9,045
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>1,310,656</u>	<u>1,303,746</u>	<u>1,310,613</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 2015 (Unaudited)	6 months to 30 Jun 2014 (Unaudited)	12 months to 31 Dec 2014 (Audited)
	£	£	£
(Loss)/profit for the period	(87,534)	(93,079)	(53,695)
Adjustments for items not included in cash flow:			
Movement in fair value of investments	-	-	(100,000)
Finance expense	18,855	11,230	33,146
Finance income	(2,055)	-	(105)
Operating cash flows before movements in working capital	<u>(70,734)</u>	<u>(81,849)</u>	<u>(120,654)</u>
Adjustments for changes in working capital:			
- Decrease in trade and other receivables	215,596	14,652	(250,144)
- (Decrease)/increase in trade and other payables	(100,965)	(30,788)	44,470
Cash used in operations	<u>43,897</u>	<u>(97,985)</u>	<u>(326,328)</u>

6. Availability of Interim results

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