4 September 2017

Tern Plc

(AIM: TERN)

Unaudited Interim Results for the six months to 30 June 2017

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 2017.

Key Highlights

	30 June 2017	**30 June 2016**	**31 December 2016**
	£	**£**	**£**
Net assets	10,787,236	7,281,023	11,187,739
Current assets	429,729	140,069	863,366
Total assets	11,031,059	7,493,313	11,464,696

- Strengthened Board of Directors with the appointment of new Chairman, Ian Ritchie, with over 30 years' experience as a technology entrepreneur and investor.
- Improved deal pipeline, with heads of terms signed, announced and in advance negotiations with InVMA Limited ("InVMA") and Wyld Research Limited ("Wyld"), whilst maintaining net asset value, net of cash.
- Device Authority Limited ("Device Authority") continued to make good progress, securing new contracts and continuing to receive widespread recognition for its innovation in IoT security.

Al Sisto, CEO of Tern Plc, said:

"I am delighted to report that in the first six months of 2017 Tern has continued to make progress in line with the business plan and against our stated objectives outlined in the 2016 annual report. During the first six months of 2017, the Board has focused on developing a growing pipeline of exciting IoT companies to add to our portfolio, and expects to make at least two additional investments before the year end. We have also focused on ensuring our existing portfolio companies meet their objectives; in particular, we are extremely pleased by how Device Authority continues to expand its market ecosystem and its strategic alliances and partnerships and continues to develop opportunities to further drive revenue growth; growth that we believe will increase Tern's shareholder value."

Enquiries:

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Chief Executive's Statement

Tern's strategy remains to invest in dynamic technology opportunities within the IoT market, which will deliver significant returns and create value for shareholders. By focusing on consistent year on year net asset growth, we aim to become a leading investment company specialising in the IoT market.

The Tern board believes that businesses categorised as first movers in their market segments have the opportunity to create standards and value for larger acquirers and it is these companies that we are looking to bring into our portfolio.

The IoT is being adopted globally across multiple sectors, including the public sector, agriculture, health care, manufacturing, and energy, among others. IoT technologies have evolved from a tool for simple communication and tracking via networks to include service-based business offerings that rely on data analytics. Adoption will likely accelerate as IoT devices become more affordable and offer increasing benefits. Generally, industries use the IoT to reduce costs through efficiencies, while addressing the challenges of enhancing interoperability of IoT devices, effective use of the vast amounts of data collected and maintaining security and privacy. The IoT market is forecast by A. T. Kearney to impact almost 6% of the global economy by 2020.

During 2017, Tern expects to invest in companies that provide cutting-edge IoT technology. Currently, two heads of terms have been signed with InVMA and Wyld, which are at advanced stages of negotiation.

Our stated objective is to hold twelve investments by 31 December 2019. Whilst acquiring investments has been one focus of the Board, it has also spent time developing strategic relationships within our portfolio companies, with the aim of successfully exiting investments within a timeframe of 18-36 months.

Portfolio Review

Device Authority

Tern is a majority shareholder in Device Authority, formerly known as Cryptosoft Limited. Device Authority Ltd has grown into a well-recognised, award winning international business delivering innovations in IoT security with bases in the UK and the USA.

FINANCIALS

Recent Device Authority Highlights

- The Board is delighted with its recent revenue contract successes and strong pipeline development, albeit Device Authority is at an early stage of revenue generation. The annual report and accounts for Device Authority for the year ended 31 December 2016 are expected to be released in September 2017.
- KeyScaler 5.5 was released in July 2017, introducing Automated Password Management ("APM") technology to tackle the real-world challenges organisations are facing today with cyber-attacks involving connected devices. KeyScaler's APM reduces the problem and removes the associated human risks of manually updating credentials on hundreds or thousands of IoT devices.

- KeyScaler 5.5 also included an Amazon Web Services (“AWS”) IoT Public Key Infrastructure (“PKI”) connector that automates the provisioning of PKI certificates to any connected device on an organisation’s network, independent of manufacture-provisioned keys. PKI certificates provide a strong framework for identifying and authenticating individual devices, and are regarded by many experts as the first step to securing the entire IoT ecosystem. However, provisioning these certificates manually becomes time-consuming and cumbersome at IoT scale. AWS IoT customers can now leverage the technology and KeyScaler private certificate signing to solve device provisioning and credential management problems through the AWS Marketplace. Device Authority’s automated solution drives efficiencies and reduces human error, while also enabling Certificate Authorities (CA) to offer their certificates directly through the KeyScaler™ platform.
- Three important contract wins were secured with:
    - a medical device manufacturer agreeing to pay a subscription fee per annum per device with the potential of tens of thousands of units over the coming years;
    - a global IoT Platform provider where Device Authority will receive a percentage of the net revenues from the use of the application; and
    - a leading UK based IoT solution provider;
- Device Authority increased the number of key Strategic Alliances/Partnerships, including Intel, Dell, AWS, DigiCert and PTC;
- Leading industry analysts recognised that Device Authority was one of the notable providers of IoT security solutions. The Company has been recognised by:
    - Gartner as a ‘Cool Vendor’ in Cloud & Emerging Technology Security report
    - Forrester’s TechRadar: Internet of Things Security, Q1 2017
    - Forbes’ 6 Hot Internet of Things Security Technologies
    - Frost and Sullivan, CB Insights and Momentum Partners all included Device Authority in their analyses of significant participants in the IoT security ecosystem.
- Device Authority has created a Patent portfolio folio of 9 US granted patents, 2 exclusive use US Patents and 6 additional patents throughout the ROW with 6 of the key US patents having a lifetime value estimate of $18m, as assessed by ipCapital Group, Inc. in June 2017.

As at 30 June 2017, the value of Tern’s shareholding in Device Authority has been maintained at £10.5 million. After the balance sheet date, and as previously announced, Device Authority has signed a term sheet with US Capital Partners (www.uscapitalpartners.net) to raise new equity through a private placement offering. The minimum subscription from the private placement will be $2.5 million at first close which is expected to be in September 2017. The intended pricing of the fundraising attributes a pre-money valuation to Device Authority of $36m, or $0.75 per share, up from $23m or $0.47 at the last equity issue. The Board expects to be able to provide a further update on this fundraising process in due course.

flexiOPS Limited (“flexiOPS”)

flexiOPS continues to trade profitably, and is completing its portfolio of EU funded research and development cloud projects. Tern is working with flexiOPS to develop a business model for the longer term and the objectives of flexiOPS have been revised to include innovative and disruptive software products with commercial potential in markets in-line with Tern’s IoT strategy. Several new IoT product companies have been reviewed and an initial acquisition identified with Heads of Terms signed with Wyld, a company providing mesh networking. It is expected that this will not only be a standalone commercial opportunity but will be used to help other Tern portfolio of companies extend their offerings.

Seal Software Group Limited ("Seal Software")

During the first half of 2017, Seal Software, a leader in contract discovery and analytics, has continued to expand its customer base, strengthen its management team and win industry awards for its products and services. Specifically:

- Seal Software announced that PwC has selected Seal Software's award-winning software to dramatically reduce time-to-value for their client's contract needs. PwC has engaged with Seal for a number of contract-heavy use cases where key terms from unstructured contract data are needed, including IFRS 16, Brexit, GDPR and Loan Portfolio review.

- Clark Golestani was appointed to Seal Software's board of directors. Golestani has over 30 years of experience in technology and life sciences, and is currently the President of Emerging Businesses and Global CIO at Merck. This new appointment adds significant expertise in life sciences and technology to Seal Software's leadership team.

- Seal Software was awarded Red Herring's Top 100 award for North America. The award was announced at their ceremony event in Los Angeles California. Companies were judged by industry experts, insiders and journalists on a wide variety of criteria including financial performance, innovation, business strategy and market penetration.

Seal Software has also announced Seal Insight 2017 the company's second annual customer conference series. A day-long event taking place in San Francisco, New York and London, Seal Insight 2017 brings together the brightest and most innovative minds in the Seal Software community, including business leaders. Accenture will be the premier sponsor of Seal Insight 2017. Other partners supporting the events include DocuSign, JDX and Baker McKenzie.

Push Technology Limited ("Push Technology")

Push Technology pioneered and is the sole provider of real-time delta-data streaming and messaging technology that powers mission-critical business applications worldwide. Push Technology's Diffusion products are real-time, streaming data and messaging distribution solutions that allow you connected devices across unreliable networks at huge scale. Leading brands including: 888 Holdings, DAB Bank, IHSMarket, Consors Bank/BNP Paribas, Lloyds Bank, Racing Post, and William Hill, use Push Technology.

Financial

During the six months ended 30 June 2017, the Board focused on Device Authority's execution as well as securing a strong pipeline of portfolio opportunities for the remainder of 2017 and beyond. As a result, the total assets of Tern remain stable at £11.0 million at 30 June 2017, compared to £11.5 million at 31 December 2016 with the decrease being due to a lower cash balance at 30 June 2017. The loss for the period also reflected this strategy, with turnover and administrative costs remaining comparable to the year ended 31 December 2016 after adjusting for the non-recurring costs: the Chairman's recruitment, the new website and the new corporate identity design.

Post balance sheet events

A placing of 9,138,027 ordinary shares at a price of 6.6 pence raising gross proceeds of £603,110 was completed in August 2017, which has strengthened the cash and current asset position of the

Company. The proceeds are expected to be used to finance the investment in InVMA, but will otherwise be used for general working capital purposes.

Outlook

The Board remains committed to increasing our investment in the IoT market, focusing on adding new and disruptive technology companies to the portfolio, while continuously reviewing the strategic options of our existing portfolio, with the intention of exiting within a 18-36 month timeframe.

We feel confident of making further progress during the second half of 2017, driven by new investments and the continued advancement of our existing portfolio companies. We look forward to making more announcements about business performance, 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 all the directors and our advisors.

Unaudited Statement of Comprehensive Income
for the 6 months ended 30 June 2017

	Notes	6 months to 30 June 2017 (Unaudited) £	6 months to 30 June 2016 (Unaudited) £	12 months to 31 December 2016 (Audited) £
Revenue		42,639	32,930	69,715
Sale of investment		-	-	383,489
Movement in fair value of investments		-	4,777,000	5,758,480
Cost of investment sold		-	-	(98,811)
Gross Profit		42,639	4,809,930	6,112,873
Administration costs		(383,119)	(267,601)	(609,680)
Other costs	**6**	(138,986)	(15,317)	(191,299)
Operating profit/(loss)		(479,466)	4,527,012	5,311,894
Finance income		10,484	12,282	1,198
Finance costs		(134)	(7,047)	(16,459)
Profit/(Loss) before tax		(469,116)	4,532,247	5,296,633
Tax		-	-	-
Profit/(Loss) for the period		(469,116)	4,532,247	5,296,633
Earnings per share	**7**			
Basic		(0.4)p	6.5p	6.4p
Diluted		(0.4)p	6.4p	6.4p

Unaudited Statement of Financial Position
as at 30 June 2017

	Note	30 June 2017 (Unaudited) £	30 June 2016 (Unaudited) £	31 December 2016 (Audited) £
Assets				
Investments held for trading		10,601,330	7,332,350	10,601,330
Loans to investee companies		-	20,894	-
Non-current assets		10,601,330	7,353,244	10,601,330
Current assets				
Trade and other receivables		93,763	134,897	100,515
Cash and cash equivalents		335,966	5,172	762,851
		429,729	140,069	863,366
Total assets		11,031,059	7,493,313	11,464,696
Equity attributable to the Company's equity holders				
Share capital	**8**	1,325,614	1,315,952	1,325,270
Share premium		12,420,593	9,433,280	12,390,310
Loan note equity reserve		17,479	20,650	20,650
Share option and warrant reserve		1,126,581	912,613	1,088,595
Retained earnings		(4,103,031)	(4,401,472)	(3,637,086)
		10,787,236	7,281,023	11,187,739
Current liabilities				
Trade payables		542	28,970	73,554
Accruals and other payables		168,077	78,879	98,963
		168,619	107,849	172,517
Non-current liabilities				
Borrowings		75,204	104,441	104,440
Total liabilities		243,823	212,290	276,957
Total equity and liabilities		11,031,059	7,493,313	11,464,696

Unaudited Changes in Equity
as at 30 June 2017

	Share capital	Share premium	Loan note equity reserve	Option and warrant reserve	Retained earnings	Total equity
	£	£	£	£	£	£
Balance at 1 January 2016	1,314,118	8,393,536	20,650	897,296	(8,933,719)	1,691,881
Total comprehensive income	—	—	—	—	4,532,247	4,532,247
Issue of share capital	1,834	1,098,166	—	—	—	1,100,000
Share issue costs	—	(58,422)	—	—	—	(58,422)
Share based payment charge	—	—	—	15,317	—	15,317
Balance at 30 June 2016	1,315,952	9,433,280	20,650	912,613	(4,401,472)	7,281,023
Total comprehensive income	—	—	—	—	764,386	764,386
Issue of share capital	9,318	3,112,145	—	—	—	3,121,463
Share issue costs	—	(155,115)	—	—	—	(155,115)
Share based payment charge	—	—	—	175,982	—	175,982
Balance at 31 December 2016	1,325,270	12,390,310	20,650	1,088,595	(3,637,086)	11,187,739
Total comprehensive income	—	—	—	—	(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

Unaudited Statement of Cash flows

for the 6 months ended 30 June 2017

	Note	6 months to 30 June 2017 (Unaudited) £	6 months to 30 June 2016 (Unaudited) £	12 months to 31 December 2016 (Audited) £
Cash flows from operating activities				
Cash used in operations	**9**	(438,760)	(180,663)	(64,729)
Net cash from operating activities		(438,760)	(180,663)	(64,729)
Cash flows from investing activities				
Purchase of investments		-	(1,135,000)	(3,460,000)
Loan to investment company		-	-	-
Net cash from investing activities		-	(1,135,000)	(3,460,000)
Cash flows from financing activities				
Proceeds on issue of shares		-	1,100,000	4,217,500
Share issue expenses		-	(58,421)	(213,537)
Proceeds from exercise of warrants		2,377	-	3,963
Proceeds from exercise of options		9,000	-	-
Interest received		498	800	1,198
Net cash from financing activities		11,875	1,042,379	4,009,124
(Decrease)/increase in cash and cash equivalents		(426,885)	(273,284)	484,395
Cash and cash equivalents at beginning of period		762,851	278,456	278,456
Cash and cash equivalents at end of period		335,966	5,172	762,851

Notes to the unaudited interim statement
for the 6 months ended 30 June 2017

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 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 2016. The financial information for the year ended 31 December 2016 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 2016 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. Other expenses

	6 months to 30 June 2017	**6 months to 30 June 2016**	**12 months to 31 December 2016**
	£	£	£
Share based payment	37,986	15,317	191,299
Other provisions	101,000	-	-
	138,986	15,317	191,299

Other provisions relate to a provision for legal costs associated with potential investments, expected to complete during 2017 and a provision for a contingent liability in relation to employer's national insurance in previous years.

7. Earnings per share

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

	6 months to 30 June 2017	**6 months to 30 June 2016**	**12 months to 31 December 2016**
Weighted average number of ordinary shares (see note below):			
For calculation of basic earnings per share	119,668,783	69,440,650	82,298,281
For calculation of fully diluted earnings per share	119,668,783	69,518,964	82,298,281

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 2017 as the losses in these periods have an anti-dilutive effect.

8. Share capital

	30 June 2017	30 June 2016	31 December 2016
	Number	Number	Number
Issued and fully paid:			
Ordinary shares of £0.0002	120,230,677	71,922,235	118,511,443
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	24,046	14,384	23,702
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
	1,325,614	1,315,952	1,325,270

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.

9. Note to the cash flow statement

	6 months to 30 June 2017 (Unaudited)	6 months to 30 June 2016 (Unaudited)	12 months to 31 Dec 2016 (Audited)
	£	£	£
(Loss)/profit for the period	(469,116)	4,532,247	5,296,633
Adjustments for items not included in cash flow:			
Movement in fair value of investments	-	(4,777,000)	(5,758,480)
Share based payment charge	37,986	15,317	191,299
Cost of investment sold	-	-	37,500
Finance expense	-	7,047	16,459
Finance income	(10,484)	(12,282)	(1,198)
Operating cash flows before movements in working capital	(441,614)	(234,671)	(217,787)
Adjustments for changes in working capital:			
- (Increase)/Decrease in trade and other receivables	6,752	(17,855)	16,527
- (Decrease)/increase in trade and other payables	(3,898)	71,863	136,531
Cash used in operations	(438,760)	(180,663)	(64,729)

10. Availability of Interim results

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