Tern Plc

Report and Accounts

For the year ended 31 December 2015

Tern Plc

Company Information

DIRECTORS:	Angus Forrest Alan Howarth Bruce Leith Sarah Payne Albert Sisto
SECRETARY:	Sarah Payne
REGISTERED OFFICE:	9 Catherine Place London SW1E 6DX
COMPANY'S REGISTERED NUMBER	5131386
AUDITORS:	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
NOMINATED ADVISOR AND JOINT BROKER:	W H Ireland 24 Martin Lane London EC4R 0DR
JOINT BROKER	Peterhouse Corporate Finance Limited 15 Eldon Street London, EC2M 7LD
REGISTRARS	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
BANKERS	Handelsbanken 5th Floor 13 Charles II Street London SW1Y 4QU

Highlights of 2015

- All our investments increased revenues, customer numbers and are performing to plan
- Further uplifts in valuations
- Cryptosoft infrastructure is complete and growth phase has started
- Cryptosoft is one of only two security specialists to be selected in CI0 Review's Top IoT Solution Providers 2015
- Seal Software wins Red Herring, Biz and Spend Matters awards
- Executive team and Board strengthened

Finances continue to strengthen

31 December	**2015 £'000**	2014 £'000	2013 £'000
Total Assets	**1,825**	1,367	298
Net Assets	**1,692**	944	25
Highest share price	**27p**	11p	6p

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I Overview

The Internet of Things and Machine-to-Machine Communications: Over the past several years the outlook for new business services, based on the growth of connected devices, has received substantial attention. We believe products and services based on these technologies, generally referenced as the "Internet of Things" (IoT) and "Machine-to-Machine" communications (M2M), are now poised for rapid adoption.

As more devices are connected via a vast quantity of sensors, typically using Internet protocols to form a universal network; improvements in business efficiencies, enhancements in the lives of consumers, superior outcomes in healthcare and the development of entirely new business models will occur at an accelerating pace.

Cloud Computing and Mobility: At the same time, Tern believes cloud computing and mobile related services have entered a new phase of growth. Mobile devices are now ubiquitous, and enable reliable, on demand access to the cloud. As a consequence, new opportunities to create even greater value, for businesses and consumers, are arising.

II A Perspective on the Adoption of New Technologies

The adoption of new technologies usually occurs in ways we cannot anticipate. Nonetheless, we believe the fundamental dynamics of the IoT and M2M markets all point toward the acceleration of a massive transformation associated with these technologies. This perspective is derived from our analysis of the evolution of digital businesses over the past two decades:

First, the landscape of IoT and M2M businesses bears a striking resemblance to the three central transformations of the digital era: the shift to ecommerce, the cloud and mobility. From the outset, the potential value to consumers and businesses of ecommerce, the cloud and mobility, were not abstract, subtle, or difficult to understand. They reflected, among other things, clear analyses of the potential for improvements in business operations, productivity, and marketing; with similarly clear benefits for consumers. IoT and M2M products and services offer similarly straightforward, easily recognisable benefits for businesses and consumers.

Second, over the past two decades, businesses and consumers have grown increasingly accustomed to rapid change, driven by technological innovation, that impacts their activities.

To achieve the value provided by the growth of ecommerce activities, cloud-based solutions, and mobility, consumers and workers were required to change important aspects of their behaviour. Such change is never easy, or immediate. Nonetheless, we believe that as the frequency of change has increased, the barriers to adopting new behaviour, which is to some extent inherent in the human psyche, has diminished. As a result, change driven by new technologies is now adopted with increasing rapidity.

Third, IoT and M2M services offer immediate benefits to businesses, through cost savings and increased efficiencies, as well as enhancements in the delivery of services. Typically, new technologies, with an immediate impact on the bottom line, are first embraced by businesses, which then lead to consumer adoption. IoT and M2M services seem likely to follow this path.

Fourth, the infrastructure needed to support the widespread rollout of IoT and M2M businesses is now in place. These services and associated hardware will need to develop to support the 20+ billion connected devices that analysts project will be in operation by 2020. They do, however, serve as the necessary first steps, which will enable IoT and M2M businesses to launch on a large-scale basis.

In summary, the same fundamental dynamics - with regard to value which applied to the growth of ecommerce, cloud-based service and mobility, will apply in the IoT and M2M arenas, with one important difference: We anticipate that the speed of adoption associated with the use of these services for businesses and then consumers will be faster.

III Benefits on The Horizon

Businesses: IoT and M2M innovations offer compelling benefits for businesses, across a range of industries. To assess these benefits, we use a framework that reflects clusters of activities, which includes for example: (a) Remote monitoring of devices and transportation services, including their location and diagnostics associated with their functionality, (b) Smart systems providing geographic and component level knowledge related to manufacturing processes, the operation of utilities and infrastructure operations, and (c) Remote monitoring of consumer or patient devices associated with health care, customer experience and manufactured goods.

Our Markets

The list of potential benefits is significant: The remote monitoring of devices, with associated geographic information and diagnostics, heralds cost-savings related to logistics, improved asset utilisation, supply chain enhancements and the elimination of manufacturing inefficiencies associated with component malfunctions. In themselves, these benefits are estimated at tens of billions of Pounds in savings, which will improve profits, attract investment in new areas and lead to increased competitive positioning. And, this is just one aspect of the initial, highly tangible values for businesses associated with the roll-out of IoT and M2M services.

The conclusion is persuasive: Firms will rapidly embrace IoT and M2M services because the bottom line benefits are substantial and competitive dynamics will dictate that, as these technologies are shown to be reliable, industry participants will be unable to risk the higher cost structure and competitive disadvantage associated with ignoring these new opportunities.

Consumers: In 2015, consumers demonstrated their readiness to embrace Internet connected devices. In for example (a) new IoT products and services related to smart homes, which offer consumers increased convenience and cost savings, (b) the fitness and wearables markets, which offer wellness benefits and (c) healthcare devices, distributed throughout hospitals, doctors, and increasingly patient’s homes, are connected to the Internet and enable superior care through the delivery of real time information, and the receipt of real time instructions.

We believe these successful IoT introductions follow the benefits-oriented dynamic discussed above. Consumers, like businesses, readily embrace cost-saving opportunities. At the same time, real benefits associated with enhanced convenience, raised personal security and improved health and wellness, will power the adoption of IoT-based products and services.

IV Remaining Hurdles Will Be Overcome

Every successful innovation and new set of technologies, must by its very nature, overcome hurdles, which have the potential to constrain their growth. The IoT and M2M are no exception.

As we enter 2016, there appears to be a prevailing consensus that two principal hurdles may impede the rapid adoption of new services and products involving the IoT and M2M communications. These are: (a) Security, which refers to the use of ineffective or insufficient security solutions in IoT and M2M products and services, which expose businesses and consumers to data breaches or dangers posed by individuals acquiring remote access to insecure devices. (b) Interoperability, which refers to the need for users to work with multiple systems offered by different manufacturers and require separate management apps or tools.

Security: The need for IOT and M2M providers to adopt device and network appropriate security solutions is recognised by both businesses and consumers. Until such solutions are effectively deployed, the IoT and M2M transformation will remain an unfulfilled promise.

Moreover, in 2015 the threat of regulatory and legal action combined with rising insurance costs and user awareness related to insecure devices became increasingly apparent. These risks will provide additional impetus for manufacturers and service providers to spend on security solutions. We believe no company, on either side of the Atlantic, will want to face the increasing risk of legal jeopardy, whether in the form of lawsuits or regulatory action, associated with adopting insufficient security measures. These costs will be minor compared with loss of reputation.

Interoperability: Whilst many IoT providers want their devices to serve as the central hub for consumers to buy their entire line of IoT products and services. Inevitably, market forces will require IoT services to become interoperable. Hubs, apps and services will need to allow users to easily integrate all or the great majority of their IoT devices.

V Positive Moment for company with Tern’s Investment Approach

We are at a moment of extensive innovation. New technologies, new business models and new services are all poised to create real value for businesses and consumers. In a climate of this type, we believe Tern’s investment philosophy, combined with its transformational capabilities, will expand on the Company’s early success.

Chairman's Statement

For the year ended 31 December 2015

"Tern has achieved much in its first two years including establishing a portfolio of private Information Technology (IT) companies. As our portfolio companies become more established, so is the pace of their growth increasing."

Tern has achieved much in its first two years including establishing a portfolio of private Information Technology (IT) companies. As our portfolio becomes more established so the pace of their growth is increasing.

In 2015 we concentrated on ensuring each of our portfolio companies continued to expand, build value and make themselves ready for eventual sale. There have been some noteworthy achievements which are identified in the Investment Report on pages 5-7.

One characteristic feature, among our portfolio companies, has been the growth in revenues and new client wins. I believe this growth, over the past two years, supports the value of Tern's investment philosophy. Tern seeks to invest in businesses with strong, innovative products targeted at changing and growing markets. As appropriate, we work to enhance the management and daily operations of these businesses concentrating on sales and marketing including strategic alliances in the UK and overseas.

A feature of Tern's business model which merits particular attention is our highly targeted acquisition strategy: Tern seeks to acquire businesses with products in commercial service with blue chip customers, which in our view, have not achieved their commercial potential. This enables us to acquire proven products, typically with reference sites and case studies to assist in winning other large customers. We believe whilst this investment strategy limits the risk of acquisitions it offers major advantages in the speed and cost savings associated with building business success. Within the framework of this model, Tern acts as the transformational catalyst, applying its expertise and network to create above average returns through buying, building and later selling its portfolio companies. In addition, Tern works to structure post acquisition companies, in a manner that aligns the interests of all parties and allows the original entrepreneurs the opportunity to share in the upside of success, if they stay with the business.

Tern's financial position has again strengthened during the year as measured by two important metrics of business success: total assets and net assets.

As Tern has evolved there have been changes in the Board of Directors, as well as the addition of other affiliated individuals. I would like to thank the directors including those who have left for their contribution and welcome Sarah Payne, Finance Director, Alan Howarth, Non-executive Director and Bruce Judson, senior advisor, who joined during the year. Sarah, Alan and Bruce all bring expertise and experience which adds to our ability to provide the transformational catalyst that should further enable Tern to successfully execute the objectives of our business model as outlined above.

Events after the reporting period

There have been no significant post year end events.

Outlook

The ecosystem of technologies which surround the cloud computing and mobile markets, together with the associated Internet of Things ('IoT') and Machine-to-Machine ('M2M') sectors, continue to grow strongly as new technology offers real commercial and competitive advantages that can be evaluated and measured. This continues to attract larger companies, which have a strategy of growth by acquisition. As a consequence, there has been some interest in Tern's portfolio companies. We anticipate such interest, from larger companies, which participate in these sectors, should lead to at least one sale in 2016.

During 2015, we focused, in part, on building an experienced management team at Cryptosoft, which we believe will lead the company to realise its business potential. Now, with Cryptosoft's management team in place, Tern is able to look for other investment opportunities, which match Tern's criteria and those sought by our shareholders. In 2016, Tern will be actively investigating such opportunities.

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

Angus Forrest
Chairman

26 January 2016

Investment Report

For the year ended 31 December 2015

The Company's current investment portfolio consists of the following investments, all of which are unquoted:

Cryptosoft Limited

Activity: Data Security software

	£	£
Equity ownership: 100% 'A' Shares	Cost: 342,026	Valuation: 342,026
Shareholder loans	Cost: 619,413	Valuation: 619,413
	961,439	961,439

Valuation is based on cost, which is taken as fair value.

Cryptosoft Limited ("Cryptosoft") is a specialist data security business. It has developed innovative authentication policy and encryption software, which is hardware and software agnostic. It secures data in transit and storage. It is easy to deploy and scalable whilst being transparent to users.

Considerable progress has been made in 2015 with a new executive team which joined in July 2015. New products have been developed, the sales and marketing process has been re-engineered and sales campaigns have been initiated in the UK and North America. Several announcements have been made about strategic partnerships with distribution and technical partners. The current emphasis of Cryptosoft's management is on securing major sales and significant progress has been, and is being made, by the new team.

The business transformation can be observed by looking at the website, Cryptosoft white papers, and the recently initiated webinar series. Of note, Cryptosoft was recognised by *CIO Review* magazine, in a special issue released in November 2015, as one of the "50 Most Promising IoT Providers 2015".

A key aspect of Cryptosoft's potential for sales growth, and the focus of the company, is the commercial benefit of operating in the newly emerging and rapidly growing market of security for the Internet of Things. Gartner identifies security as the largest single area of IT spending. We anticipate major commercial developments, associated with Cryptosoft, will be announced in 2016.

In 2015 Cryptosoft announced:

- *CIO Review* recognised Cryptosoft as one of the "50 Most Promising IoT Providers 2015."
- Security remains the single largest challenge for private enterprise and governments and will continue to be the single largest area of IT spend according to Gartner
- The launch of new products, which open new sales opportunities
- Strategic Alliance with Device Authority Inc – a leader in authentication
- ThingWorx strategic alliance and Cryptosoft's Data Security Extension on the ThingWorx platform

For more information visit: www.cryptosoft.com

Investment Report

For the year ended 31 December 2015

Flexiant Corporation Limited

Activity: Cloud Orchestration software

Equity ownership: <1%	Cost: £134,635	Valuation: £269,270

Valuation, which includes convertible loan stock, is based on the price of shares in the most recent fund raise, which is taken as fair value.

Flexiant Corporation Limited ("Flexiant") has developed a software platform for cloud management. Flexiant Cloud Orchestrator is an easy to use solution for Managed Service Providers (MSPs) to manage cloud infrastructure, create and deliver differentiated services and for metering, billing and load distribution. The product offers unrivalled capability, which makes it particularly attractive to larger users such as telcos. In the MSP sector, the most important market change in 2015 was the take-up of the service provider role by telcos. Over 2015 there has been a major increase in customer numbers.

In 2015 Flexiant announced:

- New releases, which made Flexiant's products simpler to use.
- Major new accounts signed up in Brazil, Italy, Mexico, Turkey, Uruguay and the USA.
- Major increase in the number of users.

For more information visit: www.flexiant.com

Push Technology Limited

Activity: Data distribution software

Equity ownership: <1%	Cost: £120,197	Valuation: £120,197

Valuation is based on cost, which is taken as fair value.

Push Technology Limited ("Push") significantly diminishes the complexity around data distribution by removing redundant data to offer organisations intelligent delivery of real-time data to any device regardless of connectivity or location. The company's robust and innovative flagship communication platform, Diffusion™ helps to reduce infrastructure requirements while delivering high performance and scalable services to any Internet connected device.

In 2015 there was a significant increase in Internet messaging via mobile phones, often incorporating Push Technology as middleware. This makes Push's products attractive to many large established businesses, which have invested in legacy systems, and now have the desire and requirement to update their systems and offerings. This year Push's products have found new markets with take-up by telcos, large companies and banks.

Key announcements in 2015 included:

- New products and updates released for SaaS solutions and the enterprise market.
- Products launched on IBM's Bluemix and Cloud platform.
- Continued growth in the number of customers and accompanying revenues.

For more information visit: www.pushtechnology.com.

Investment Report

For the year ended 31 December 2015

Seal Software Group Limited

Activity: Database Analytics and Search software

Equity ownership: <1% Cost: £50,000 Valuation: £78,857

Valuation is based on the price of shares in the most recent fundraise, which is taken as fair value.

Seal Software Group Limited ("Seal") specialises in software which performs complex analysis of contractual data. Seal Software is specifically designed to locate, examine contractual documents and extract and present key contractual information related to language, clauses, clause combinations, and the significant contextual metadata held within them.

Seal Contract Discovery was recently reviewed by the influential *Spend Matters* blog which concluded:

'… A disruptive approach to contract visibility and management…a solution that every company of some size needs, no matter what they already have…a revolutionary way to really understand what is in contracts…potentially two full development cycles ahead of what is out in the market.'

In 2015 the notable events included:

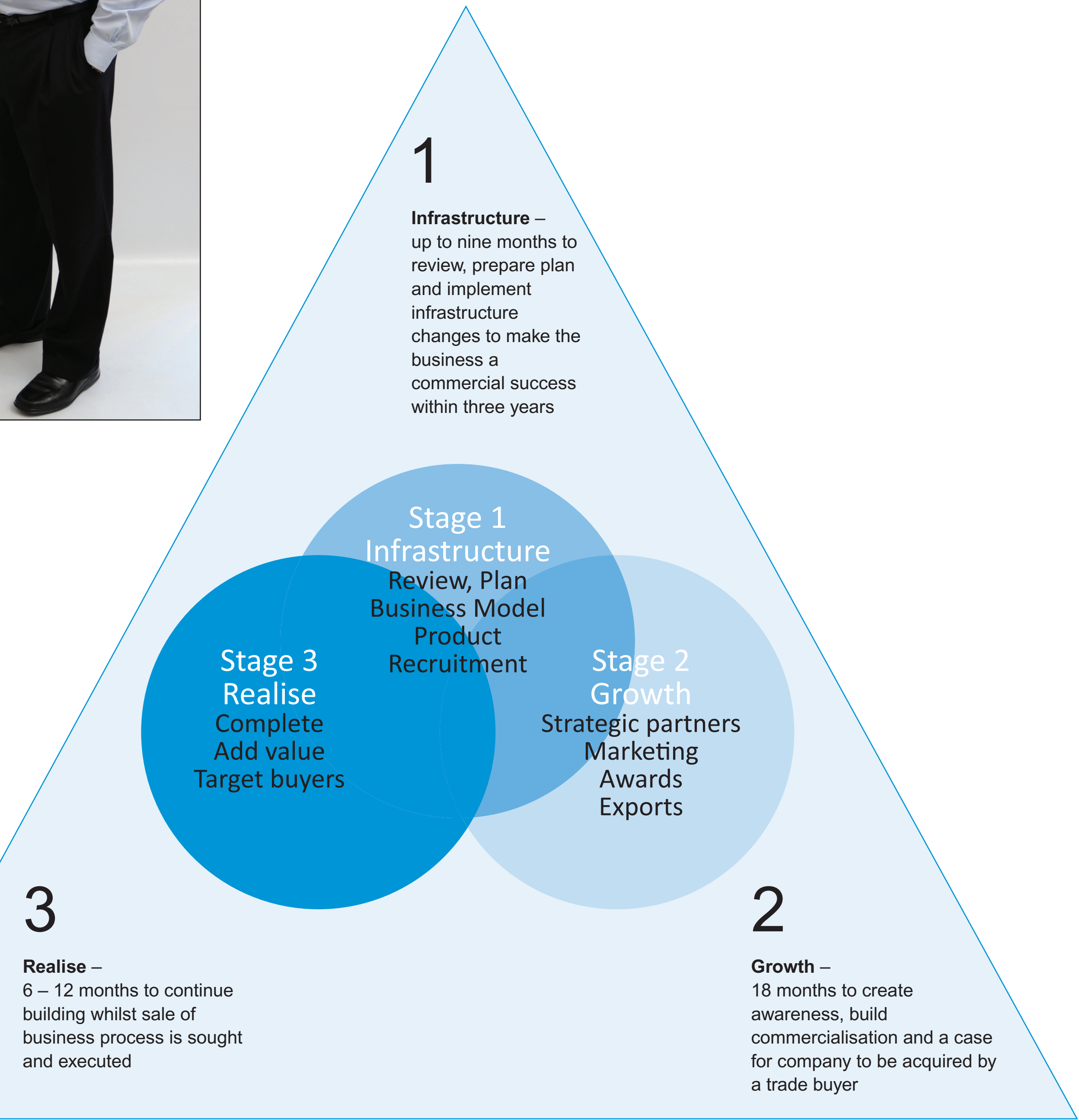
- Winner of *Red Herring's* Top 100 Global Award
- Gold Award winner "Most Innovative Company" by Best in Biz Awards 2015
- Top 50 "Company to Know" by *Spend Matters*, which is the largest global destination for research and analysis on procurement and supply (also a winner in 2014)
- Significant growth in the number of customers and accompanying revenues

For more information visit: www.seal-software.com

Strategic Report

For the year ended 31 December 2015

"Our vision is to create shareholder value by acquiring technology companies with world class products which have not achieved their full potential. Tern acting as a catalyst injects skills, knowledge, expertise and finance to improve commercialisation before seeking to realise by way of a trade sale. The proceeds will be used for reinvestment and to reward Tern shareholders."



Strategic Report

For the year ended 31 December 2015

Business Review

The Company is positioned as a quoted platform to invest in, and develop, private IT companies predominantly in the cloud, Internet of Things and mobile sectors.

A more detailed review of the activity and progress of the business, including the portfolio of investments, is contained in the Chairman's Statement and Investment Report on pages 4-7.

Future Developments

As explained in the Chairman's Statement the Company has begun to build a portfolio of investments and a pipeline of advanced IT investment opportunities. It expects to announce further developments through 2016.

Key Performance Indicators

Whilst the Company currently has limited investments in quoted or unquoted companies, as referred to above, the Company's principal activity is that of investing in companies. Accordingly the Company's Key Performance Indicators (KPI) are the return on investments and the net assets position of the Company including net assets per share. These indicators are monitored closely by the Board and the details of performance against these are given below.

- The return on investments: Flexiant Ltd and Seal Software Group Limited have been revalued in line with IFRS to a level consistent with recent fund raisings.
- The net assets of the Company at 31 December 2015 totalled £1,691,881 (2014: £943,631). The net assets per ordinary share as at 31 December 2015 were 2.70p (2014: 2.09p).

Financial Risk Management Objectives and Policies

The Company's policy in respect of financial instruments and risk profile is set out in Note 2 to the financial statements

Principal Business Risks and Uncertainties

The management of the business and the nature of the Company's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business. Where possible, processes are in place to monitor and mitigate such risks. The Company operates a system of internal control and risk management in order to provide assurance that the Board is managing risk whilst achieving its business objectives. No system can fully eliminate risk and, therefore, the understanding of operational risk is central to the management process.

Strategic Report

For the year ended 31 December 2015

To enable shareholders to appreciate what the business considers are the main operational risks, they are briefly outlined below:

	Risk	Potential impact	Strategy
Investment risk	An investment fails to perform as anticipated	• Investment may require additional finance • Inability to create maximum value timeously • Difficulty in realising investment	The Company is building a portfolio of investments to insulate itself against poor performance of anyone. It monitors the performance of each investment regularly.
Liquidity	The Company is unable to raise new funds	• May have a detrimental effect on the Company's ability to cover administration and other costs • May adversely affect returns of investee companies if they need to raise further funds	The Company will maintain sufficient cash balance to finance itself for a prudent period, or ensure that it has access to funds.

Assessment of Business Risk

The Board regularly reviews operating and strategic risks. The Company's operating procedures include a system for reporting financial and non-financial information to the Board including:

- reports from management with a review of the business at each Board meeting, focusing on any new decisions/risks arising;
- reports on the performance of investments;
- reports on selection criteria of new investments;
- discussion with senior personnel; and
- consideration of reports prepared by third parties.

Al Sisto
Director

26 January 2016

Board of Directors

Angus Forrest
Executive Chairman

Angus has been a venture capitalist for more than 20 years, specialising in technology companies operating in B2B markets. Angus was the co-founder and chief executive of Billam Plc, an AIM quoted investment company. His focus is on recruitment of talented teams and sales driven performance.

Alan Howarth
Non-Executive Director

Alan has extensive experience as a chairman and non-executive director of private and public companies. He has specialised in building and selling technology businesses. Previously, Alan was a partner of Ernst & Young and one of the founding partners of the EY Management Consulting practice in the UK. For the last fifteen years he has been managing a portfolio of non-executive appointments.

Bruce Leith
Executive Director Investments

Bruce began his career with IBM and has international sales experience in the software industry. Bruce was a senior executive at DataWorks Corporation and at London Bridge Software International. He is involved as an active angel investor in several high growth software businesses.

Sarah Payne
Finance Director

Sarah qualified with Ernst & Young as a chartered accountant before joining their corporate finance team. Sarah then spent six years with the BBC, within commercial and investment strategy and as Head of Financial Planning and Analysis. For the past seven years she has been an outsourced finance director for SME businesses principally within high tech markets.

Al Sisto
Director Investment and North America

Al's experience includes senior executive in general management including as COO of RSA Data Security Inc, the leading security software specialist, where he transformed it from a passive patent licensing company to an aggressive sales led business. He was CEO of Phoenix Technologies Inc a leading BIOS software company operating globally, where he revitalised the business.

Directors' Report

For the year ended 31 December 2015

The directors present their annual report and the audited financial statements of Tern plc (the "Company") for the year ended 31 December 2015.

The Company is registered as a public limited company (plc). The Company's shares of 0.02p each are traded on AIM of the London Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investing in unquoted and quoted companies to achieve capital growth.

RESULTS AND DIVIDENDS

The results for the period are shown in the income statement on page 19.

The loss for the year was £185,121 (2014: £53,695 loss).

The directors do not recommend payment of a dividend.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant post year end events.

POLITICAL AND CHARITABLE CONTRIBUTIONS

No political or charitable donations were made during the period.

CONTROL PROCEDURES

Operational procedures have been developed for each of the Company's operating businesses that embody key controls over relevant areas. The implications of changes in law and regulations are taken into account by the Company.

The Board has considered the need for an internal audit function but has decided that this is not justified at present given the size of the Company. However, it will keep the decision under review on an annual basis at least.

GOING CONCERN

The financial statements have been prepared on the going concern basis because, as set out in detail in Note 1.3, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the year and their interests in the ordinary shares of the Company are as follows:

		At 31 December 2015 Ordinary shares	At 31 December 2014 Ordinary shares
A G P Forrest		6,276,269	4,216,289
M J Clark	(resigned 29 July 2015)	4,760,316	4,216,289
A M Howarth	(appointed 23 November 2015)	–	–
B H Leith		6,173,900	2,173,900
S L Payne	(started 1 September 2015)	–	–
L Read	(resigned 17 July 2015)	–	–
A E Sisto		6,180,000	2,400,000

The interests of the directors in options granted by the Company are disclosed under the "Report on Directors Remuneration".

Directors' Report

For the year ended 31 December 2015

SIGNIFICANT SHAREHOLDINGS

As at 22 January 2016, the company had been notified of the following shareholdings of 3% or more of the share capital.

	Number of Ordinary Shares	Percentage of Issued Shares Held
A G P Forrest	6,276,269	10.0%
A E Sisto	6,180,000	9.8%
B H Leith	6,173,900	9.8%
M J Clark	4,760,316	7.6%
Hargreave Hale Ltd	2,658,333	4.2%
J Penney	1,922,066	3.1%

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Company financial statements have been prepared in accordance with IFRS as adopted by the European Union subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION

In the case of each person who was a director at the time this report was approved:

- so far as that director is aware there is no relevant available information of which the company's auditors are unaware: and
- that director has taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

PUBLICATION OF ACCOUNTS ON THE COMPANY WEBSITE

Financial statements are published on the Company's website. The maintenance and integrity of the website is the responsibility of the directors. The directors' responsibility also extends to the financial statements contained therein.

Directors' Report

For the year ended 31 December 2015

INDEPENDENT AUDITORS

A resolution to re-appoint Jeffreys Henry LLP as auditors will be put to the members at the annual general meeting.

Signed on behalf of the board

Sarah Payne
Director

26 January 2016

Corporate Governance and Compliance

For the year ended 31 December 2015

The Company's shares are traded on AIM and, accordingly, compliance with the revised UK Corporate Governance Code is not mandatory. However, the Company has sought to comply with a number of the provisions of the Code in so far as it considers them to be appropriate for a company of this size and nature. The Board is accountable to the Company's shareholders for good corporate governance. This report and the Report on Directors' Remuneration describe how the Company applies the provisions of good corporate governance. A fuller version is available on the Company's website (www.ternplc.com) under Rule 26.

DIRECTORS

The Company supports the concept of effective Board leadership and control of the Company. The Board is responsible for approving Company policy and strategy. All directors have access to advice from the company secretary and independent professionals at the Company's expense.

The Board consists of four executive directors and one non-executive director. The non-executive director is independent of management and any business or other relationship which could interfere with the exercise of his independent judgement.

The Board members are listed on the inside cover.

RELATIONS WITH SHAREHOLDERS

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. It therefore encourages shareholders to offer their views.

The Company's website (www.ternplc.com) maintains up to date news flow for shareholders and other interested parties.

The AGM provides an opportunity for shareholders, particularly private investors, to question the Board on issues arising.

The notice convening the AGM is the notice of the meeting sent to shareholders with this report. A separate motion will be put to the meeting on each substantial issue.

APPOINTMENT OF DIRECTORS

The Board deals with all matters relating to the appointment of directors including determining the specification, identifying suitable candidates and selection of the appointee. No separate nominations committee has been formed.

Throughout the year the Articles of Association have required each director to seek re-election after no more than three years in office. Therefore the Board considers it inappropriate that non-executive directors be appointed for a fixed term as recommended by the Code.

ACCOUNTABILITY AND AUDIT

The Board as a whole endeavours to present a balanced and understandable assessment of the Company's position and prospects in all reports as well as in the information required to be presented by statutory requirements. No separate Audit Committee has been formed.

INTERNAL CONTROL

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investments and the Company's assets and for reviewing its effectiveness. Such a system is designed to manage, but not eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and accordingly even the most effective systems can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Angus Forrest
26 January 2016

Report on Directors' Renumeration

For the year ended 31 December 2015

The Board submits its Report on Directors' Remuneration for the year ended 31 December 2015.

REMUNERATION POLICY

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to manage the Company and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this but to avoid paying more than is necessary. Due to the Board's current size it does not have a Remuneration Committee.

There are three main elements of the directors' remuneration package being basic annual salary, performance related bonus and share option incentives.

All directors' salaries are reviewed annually by the Board.

DIRECTORS' REMUNERATION

The remuneration of each director, excluding share options awards, during the year ended 31 December 2015 is detailed in the table below:

	Salary and fees £	Pension payments £	Other benefits £	Annual bonuses £	2015 Total £	2014 Total £
A G P Forrest	32,000	–	–	–	32,000	–
M J Clark	12,750	–	–	–	12,750	–
A M Howarth	2,500	–	–	–	2,500	–
B H Leith	16,000	–	–	–	16,000	–
S L Payne	19,215	–	–	–	19,215	–
L Read	6,000	–	–	–	6,000	–
A E Sisto	24,000	–	–	–	24,000	–
	112,465	–	–	–	112,465	–
Share based payment charge	95,818	–	–	–	95,818	–
Total remuneration	208,283	–	–	–	208,283	–

None of the directors received any remuneration in 2014.

DIRECTORS' SHARE OPTIONS

Share options were granted to the directors during 2015. Their holdings as at 31 December 2015 are set out in the table below:

	Granted during the period	Exercised during the period	Outstanding at 31 December 2015	Option Price	Exercise period
A G P Forrest	500,000	–	500,000	9p	16 Feb 2015 – 15 Feb 2022
M J Clark	500,000	–	500,000	9p	16 Feb 2015 – 15 Feb 2022
A M Howarth	–	–	–	–	
B H Leith	500,000	–	500,000	9p	16 Feb 2015 – 15 Feb 2022
S L Payne	500,000	–	500,000	15.25p	29 Oct 2015 – 28 Oct 2022
L Read	500,000	–	500,000	9p	16 Feb 2015 – 15 Feb 2022
A E Sisto	500,000	–	500,000	9p	16 Feb 2015 – 15 Feb 2022
	3,000,000	–	3,000,000		

All directors' share options vest immediately on issue.

Alan Howarth

26 January 2016

Independent Auditor's Report

For the year ended 31 December 2015

We have audited the financial statements of Tern plc for the year ended 31 December 2015, which comprises the income statement and statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and the related notes on pages 23 to 38. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 13 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This included an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition we read all financial and non-financial information in the Chairman's Statement, Strategic Report, Directors' Report and Statement of Corporate Governance to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS's as adopted by the European Union; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report

For the year ended 31 December 2015

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remunerations specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Warren (Senior Statutory Auditor)
For and on behalf of Jeffreys Henry LLP
Chartered Accountants
Statutory Auditor
Finsgate
5-7 Cranwood Street
London
EC1V 9EE

Date: 26 January 2016

Income Statement and Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 £	2014 £
Turnover		162,500	41,000
Movement in fair value of investments		63,492	100,000
Gross profit		225,992	141,000
Administration costs		(298,896)	(161,654)
Share based payment charge	16	(99,523)	—
Operating loss	6	(172,427)	(20,654)
Finance income		11,786	105
Finance costs	7	(24,480)	(33,146)
Loss before tax		(185,121)	(53,695)
Tax	8	–	–
Loss for the period		(185,121)	(53,695)

Since there is no other comprehensive income, the loss for the period is the same as the total comprehensive income for the period.

	Notes	2015	2014
EARNINGS PER SHARE:	9		
Basic loss per share		(0.37) pence	(0.33) pence
Fully diluted loss per share		(0.37) pence	(0.33) pence

The accompanying accounting policies and notes are an integral part of these financial statements.

Statement of Financial Position

as at 31 December 2015

	Notes	2015 £	2014 £
ASSETS			
NON-CURRENT ASSETS			
Investments held for trading	10	810,350	631,978
Loans to investee companies	10	619,413	–
		1,429,763	631,978
CURRENT ASSETS			
Trade and other receivables	11	117,042	301,056
Cash and cash equivalents	12	278,456	434,274
		395,498	735,330
TOTAL ASSETS		1,825,261	1,367,308
EQUITY AND LIABILITIES			
Share capital	13	1,314,118	1,310,613
Share premium	13	8,393,536	7,563,193
Loan note equity reserve		20,650	53,624
Share option and warrant reserve		897,296	797,773
Retained earnings		(8,933,719)	(8,781,572)
		1,691,881	943,631
CURRENT LIABILITIES			
Trade and other payables	14	35,986	162,763
TOTAL CURRENT LIABILITIES		35,986	162,763
NON-CURRENT LIABILITIES			
Borrowings	15	97,394	260,914
TOTAL NON-CURRENT LIABILITIES		97,394	260,914
TOTAL LIABILITIES		133,380	423,677
TOTAL EQUITY AND LIABILITIES		1,825,261	1,367,308

The financial statements were approved and authorised for issue by the Board of Directors on 26 January 2016 and were signed on its behalf by:

Sarah Payne
Director

Company number 05131386

The accompanying accounting policies and notes are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital £	Share premium £	Loan note equity reserve £	Option and warrant reserve £	Retained earnings £	Total equity £
Balance at 31 December 2013	1,303,746	6,646,376	29,341	797,773	(8,752,553)	24,683
Total comprehensive income	–	–	–	–	(53,695)	(53,695)
Transactions with owners						
Issue of share capital	6,867	952,685	–	–	–	959,552
Share issue costs	–	(35,868)	–	–	–	(35,868)
Transfer on conversion of convertible loan notes	–	–	(24,676)	–	24,676	–
Issue of convertible loan notes	–	–	48,959	–	–	48,959
Balance at 31 December 2014	1,310,613	7,563,193	53,624	797,773	(8,781,572)	943,631
Total comprehensive income	–	–	–	–	(185,121)	(185,121)
Transactions with owners						
Issue of share capital	3,505	865,243	–	–	–	868,748
Share issue costs	–	(34,900)	–	–	–	(34,900)
Transfer on conversion of convertible loan notes	–	–	(32,974)	–	32,974	–
Share based payment charge	–	–	–	99,523	–	99,523
Balance at 31 December 2015	1,314,118	8,393,536	20,650	897,296	(8,933,719)	1,691,881

SHARE CAPITAL
The amount subscribed for shares at nominal value.

SHARE PREMIUM
This represents the excess of the amount subscribed for share capital over the nominal value of the respective shares net of share issue expenses.

LOAN NOTE EQUITY RESERVE
This represents the equity component of convertible loans issued

OPTION AND WARRANT RESERVE
This represents the calculated value of the options and warrants issued

RETAINED EARNINGS
Cumulative loss of the Company.

The accompanying accounting policies and notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 £	2014 £
OPERATING ACTIVITIES			
Net cash used in operations	18	(79,159)	(326,328)
INVESTING ACTIVITIES			
Purchase of investments		(114,880)	(407,952)
Loan to investee companies		(610,000)	—
Net cash used in investing activities		(724,880)	(407,952)
FINANCING ACTIVITIES			
Proceeds on issues of shares		720,000	757,500
Share issue expenses		(34,900)	(35,868)
Proceeds from issue of convertible loan notes		—	300,000
Proceeds from exercise of warrants		10,748	—
Repayment of loan stock		(50,000)	—
Interest received		2,373	105
Net cash from financing activities		648,221	1,021,737
Increase/(decrease) in cash and cash equivalents		(155,818)	287,457
Cash and cash equivalents at beginning of year		434,274	146,817
Cash and cash equivalents at end of year		278,456	434,274

The accompanying accounting policies and notes are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2015

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1.1 GENERAL INFORMATION

Tern plc is an investing company specialising in private IT companies, predominantly in the cloud, Internet of Things and mobile sectors.

The Company is a public limited company, incorporated in England and Wales, with its shares traded on AIM, a market of that name operated by the London Stock Exchange.

The address of Tern's 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 Company's presentational and functional currency.

1.2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union (EU) and therefore the financial statements comply with Article 4 of the EU IAS Regulation.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and there is an ongoing process of review and endorsement by the European Commission. The financial statements have been prepared on the basis of the recognition and measurement principles of IFRS that were applicable at 31 December 2015.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies set out below have been consistently applied to all periods presented, except where stated.

1.3 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.

1.4 STATEMENT OF COMPLIANCE

Issued International Financial Reporting Standards (IFRS) and Interpretations (IFRICS) relevant to Group operations

There are no IFRS or IFRIC interpretations that are effective for the first time in this financial period that would be expected to have a material impact on the Company.

Standards, interpretations and amendments to published standards that are not yet effective

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

1. ACCOUNTING POLICIES (continued)

1.5 REVENUE

Revenue is recognised, as amounts are invoiced, earned and become payable, with adjustment for any amount that is considered uncollectable. In the event that revenues are invoiced for services to be rendered in respect of a future period, the revenues are apportioned.

1.6 TAXATION

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on:

- the initial recognition of an asset or liability which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that the taxable profit will be available against which the differences can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

1.7 FINANCIAL ASSETS

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial instrument was acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each financial period end.

When financial assets are recognised initially, they are measured at fair value, being the transaction price plus directly attributable transaction costs.

Investments held for trading

All investments determined upon initial recognition as held at fair value through profit or loss are designated as investments held for trading. Investment transactions are accounted for on a trade date basis. Asset sales are recognised at the trade date of the disposal. Assets are sold at their fair value, which comprises the proceeds of sale less any transaction cost. The fair value of the financial instruments in the statement of financial position is based on the quoted bid price at the statement of financial position date, with no deduction for any estimated future selling cost. Unquoted investments are valued by the directors using primary valuation techniques such as recent transactions, last price and net asset value. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the statement of comprehensive income as “movement in fair value of investments”. Investments are initially measured at fair value plus incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IAS 39. This is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

Notes to the Financial Statements

For the year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

1.7 FINANCIAL ASSETS (continued)

The Company determines the fair value of its investments based on the following hierarchy:

LEVEL 1 – Where financial instruments are traded in active financial markets, fair value is determined by reference to the appropriate quoted market price at the reporting date. Active markets are those in which transactions occur in significant frequency and volume to provide pricing information on an on-going basis.

LEVEL 2 – If there is no active market, fair value is established using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable market data including recent arm's length market transactions, and comparisons to the current fair value of similar instruments; but where this is not feasible, inputs such as liquidity risk, credit risk and volatility are used.

LEVEL 3 – Valuations in this level are those with inputs that are not based on observable market data.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available-for-sale. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

1.8 IMPAIRMENT OF FINANCIAL ASSETS

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment charge was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

1.9 TRADE RECEIVABLES

Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

1.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

Notes to the Financial Statements

For the year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

1.11 TRADE PAYABLES

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

1.12 EQUITY INSTRUMENTS

Equity instruments are recorded at the proceeds received net of direct issue costs.

1.13 CONVERTIBLE LOANS

Convertible loans are accounted for as compound instruments. The fair value of the liability portion of the convertible loan notes is determined using a market interest rate for an equivalent non-convertible loan note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the loan notes. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity, net of tax effects, and is not subsequently re-measured.

1.14 SHARE BASED PAYMENTS

All share based payments are accounted for in accordance with IFRS 2 – "Share-based payments". The Company issues equity-settled share based payments in the form of share options to certain directors, employees and advisors. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Fair value is estimated using the Black-Scholes valuation model. The expected life used in the model has been adjusted, on the basis of management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. At each statement of financial position date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings.

2. FINANCIAL RISK MANAGEMENT

The Company uses a limited number of financial instruments, comprising cash, short-term deposits, loans and overdrafts and various items such as trade receivables and payables, which arise directly from operations. The Company does not trade in financial instruments.

2.1 FINANCIAL RISK FACTORS

The Company's financial instruments comprise its investment portfolio, cash balances, debtors and creditors that arise directly from its operations and derivative instruments. The Company is exposed to market risk through the use of financial instruments and specifically to liquidity risk, market price risk and credit risk, which result from the Company's operating activities.

The Board's policy for managing these risks is summarised below.

Liquidity risk

The Company makes investments in private companies for the medium term. The Company manages this risk by holding cash to support its investments and for working capital. The Company has no borrowings, save loans from the directors. Whilst the Company has no quoted investments at present, if it holds such investments these may be sold to meet the Company's funding requirements.

As the Company has no significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

Notes to the Financial Statements

For the year ended 31 December 2015

2. FINANCIAL RISK MANAGEMENT (continued)

2.1 FINANCIAL RISK FACTORS (continued)

The following table shows the contractual maturities of the Company's financial liabilities, including repayments of both principal and interest where applicable.

As at 31 December 2015	Trade and other Payables £	Convertible Loans £	Total £
6 months or less	7,986	–	7,986
1 to 2 years	–	97,394	97,394
Total contractual cash flows	7,986	97,394	105,380

Market price risk

When the Company owns quoted investments it will be exposed to market price risk as shown by movements in the value of its equity investments. Any such risk will be regularly monitored by the directors.

Credit risk

The Company's primary credit risk arises from cash and cash equivalents and deposits with banks and other financial institutions. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

2.2 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of carrying amount of equity, less cash and cash equivalents as presented on the face of the statement of financial position. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

2.3 FAIR VALUE ESTIMATION

The nominal value less impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

3. CRITICAL ACCOUNTING ESTIMATES AND 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. Other valuation methodologies such as discounted cash flow analysis assess estimates of future cash flows and it is important to recognise that in that regard, the derived 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. Details of these assumptions are set out in Note 16.

4. 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.

Notes to the Financial Statements

For the year ended 31 December 2015

5. STAFF COSTS

Staff costs for the Company during the period, including directors	2015 £	2014 £
Wages and salaries	69,965	–
Consultancy fees	42,500	–
Social security costs	5,523	–
Share based payment charge	95,818	–
Total staff costs	213,806	–

The average number of people (including executive directors) employed by the Company during the period was:

	2015 No	2014 No
Directors	4.5	4
Total	4.5	4

DIRECTORS' AND REMUNERATION

Other than directors the Company had no employees. Total remuneration paid to directors during the period was as follows:

	2015 £	2014 £
Directors' remuneration		
– Salaries and benefits	69,965	–
– Consultancy fees	42,500	–
– Share based payment charge	95,818	–
Total directors' remuneration	208,283	–
Total remuneration of the highest paid director (including share based payment charge) was	47,970	–

A summary of remuneration paid to each director, including pension payments, is included in the Report on Directors' Remuneration (page 16).

6. OPERATING LOSS

	2015 £	2014 £
Loss from operations has been arrived at after charging:		
Remuneration of directors	213,806	–
Bad debt recovery	(37,500)	–
Auditor's remuneration		
– Audit services	12,000	12,000

Notes to the Financial Statements

For the year ended 31 December 2015

7. FINANCE COSTS

	2015 £	2014 £
Interest charge in respect of shareholder convertible loan notes	24,480	33,146
	24,480	33,146

8. TAXATION

	2015 £	2014 £
Taxation attributable to the Company	–	–

Domestic income tax is calculated at 20% (2014: 20%) of the estimated assessable profit for the period. The charge for the period can be reconciled to the loss per the income statement as follows:

	2015 £	2014 £
Loss before tax	(185,121)	(53,695)
Tax at domestic income tax rate	(37,024)	(10,739)
Expenses not deductible for tax purposes	891	792
Share based payment charge	19,905	–
Fair value movement	(12,698)	(20,000)
Unutilised tax losses	28,926	29,947
Tax (credit)/expense	–	–

The Company has unutilised losses of approximately £4.8 million (2014: £4.6 million) resulting in a deferred tax asset of approximately £1.0 million (2014: £0.9 million). The Company has not recognised a deferred tax asset in respect of these losses as there is insufficient evidence of future taxable profits.

Notes to the Financial Statements

For the year ended 31 December 2015

9. EARNINGS PER SHARE

	2015 £	2014 £
Loss for the purposes of basic and fully diluted earnings per share	(185,121)	(53,695)

	2015 Number	2014 Number
Weighted average number of ordinary shares:		
For calculation of basic earnings per share	49,375,127	16,142,804
For calculation of fully diluted earnings per share (see note below)	49,375,127	16,142,804

	2015	2014
Earnings per share:		
Basic loss per share	(0.37 pence)	(0.33 pence)
Fully diluted loss per share (see note below)	(0.37 pence)	(0.33 pence)

Note. The fully diluted loss per share for 2015 is the same as the basic loss per share as the loss for the year has an anti-dilutive effect on earnings per share.

10. NON-CURRENT ASSETS

INVESTMENTS HELD FOR TRADING

	2015 £	2014 £
Cost of investments brought forward	631,978	100,000
Additions	114,880	431,978
Cost of investments carried forward	746,858	531,978
Fair value adjustment to investments	63,492	100,000
Fair value of investments carried forward	810,350	631,978

All the investments held by the Company are Level 3 investments as defined in Note 1.7

Notes to the Financial Statements

For the year ended 31 December 2015

10. NON-CURRENT ASSETS (continued)

LOANS TO INVESTEE COMPANIES

	2015 £	2014 £
Loans to investee companies	610,000	–
Interest	9,413	–
Total Loans	619,413	–

During the year loan facilities were provided to Cryptosoft Limited. At 31 December 2015, the £610,000 loan was repayable by 31 December 2017 unless repaid earlier or converted.

The Company may at any time convert the outstanding balance of the facility (in whole or in part) into new ordinary A shares of Cryptosoft Limited at par.

Interest is charged at 5% per annum. At 31 December 2015 £9,413 of interest had been accrued on the loan.

As security for the facility, the Company holds a charge over all assets of Cryptosoft Limited.

11. TRADE AND OTHER RECEIVABLES

	2015 £	2014 £
Trade receivables	82,000	–
Other receivables	25,000	284,170
Prepaid expenses	10,042	16,886
Total	117,042	301,056

Note: In 2014, other receivables included an amount of £278,350 held in an escrow account in respect of share subscriptions which was transferred to the Company on 5 January 2015.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

12. CASH AND CASH EQUIVALENTS

	2015 £	2014 £
Cash at bank and on hand	278,456	434,274

Notes to the Financial Statements

For the year ended 31 December 2015

13. ISSUED SHARE CAPITAL

	Number of shares No.	Nominal value £	Share premium £
ISSUED AND FULLY PAID:			
At 31 December 2014			
Ordinary shares of £0.0002	45,228,527	9,045	
Deferred shares of £29.999	42,247	1,267,368	
Deferred shares of £0.00099	34,545,072	34,200	
	79,815,846	1,310,613	7,563,193
Ordinary shares issued for cash	6,000,000	1,200	718,800
Ordinary shares issued on exercise of warrant	942,995	188	10,560
Ordinary shares issued on conversion of loan stock	10,584,047	2,117	135,883
Share issue expenses	–	–	(34,900)
	97,342,888	1,314,118	8,393,536
At 31 December 2015			
Ordinary shares of £0.0002	62,755,569	12,550	
Deferred shares of £29.999	42,247	1,267,368	
Deferred shares of £0.00099	34,545,072	34,200	
	97,342,888	1,314,118	8,393,536

On 10 August 2015, 6,000,000 ordinary shares were issued at 12p per share for cash as the result of a private placing, raising £720,000 before expenses.

During the year 10,584,047 ordinary shares of 0.02p were issued to directors of the Company on conversion of loan stock; of the share issued 9,840,000 were issued at 1.25p per share and 744,047 were issued at 2.016p per share.

During the year 942,995 ordinary shares of 0.02p were issued to warrant holders on exercise of warrants; of the shares issued 354,355 were issued at 3p per share and 588,640 were issued at 0.02p per share.

14. TRADE AND OTHER PAYABLES

	2015 £	2014 £
Trade payables	4,375	16,755
Amount to be invested in Cryptosoft	–	100,000
Accruals	28,000	46,008
Other taxes and social security	3,611	–
Total	35,986	162,763

The directors consider that the carrying amount of trade payables approximates to their fair value.

Notes to the Financial Statements

For the year ended 31 December 2015

15. BORROWINGS

SHAREHOLDER LOANS

On 16 August 2013 the Company entered into an agreement for the issue of £200,000 convertible loan notes repayable on 1 January 2015 if not converted prior to that date, this date was subsequently extended to 1 January 2016 in December 2014. The Shareholder Loans are interest free and unsecured and may be converted at 2.016p per share at any time prior to the redemption date. In December 2015 the repayment date for the balance of the loan outstanding was extended to 1 January 2017. On 1 January 2015, £30,000 of this loan was outstanding. During 2015 £15,000 of the loan was converted into 744,047 ordinary shares. At 31 December 2015 £15,000 of this loan was outstanding (assuming full conversion), this would convert into 744,047 ordinary shares.

On 30 July 2014 the Company issued a convertible loan note for £100,000, interest free and repayable on 1 January 2016. The loan is convertible at 1.25p per share at any time prior to the redemption date. On 1 January 2015 £70,000 of the loan was outstanding. During 2015 £28,500 of the loan was converted into 2,280,000 ordinary shares. In December 2015 the repayment date for the balance of the loan outstanding was extended to 1 January 2017. At 31 December 2015 £41,500 of the loan was outstanding (assuming full conversion), this would convert into 3,320,000 ordinary shares.

On 17 September 2014 the Company issued £200,000 convertible loan notes, interest free and repayable on 1 January 2016. The loan is convertible at 1.25p per share at any time prior to the redemption date. During 2015 £94,500 of the loan was converted into 7,560,000 ordinary shares and £50,000 was repaid. In December 2015 the repayment date for the balance of the loan outstanding was extended to 1 January 2017. As at 31 December 2015 £55,500 of the loan was outstanding (assuming full conversion), this would convert to 4,440,000 ordinary shares.

The repayment of £50,000 was made under the terms of a settlement agreement. This is now disputed by the other party. In the event that the £50,000 had to be converted @ 1.25p, Tern plc would receive £50,000 from the other party and issue 4,000,000 ordinary shares.

The net proceeds from the issue of the Shareholder Loans have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Company.

	2015 £	2014 £
Liability brought forward	260,914	154,753
Convertible loan notes issued	–	300,000
Equity component of loan notes issued	–	(46,223)
Adjustment to equity component on extension of convertible loan	(247)	(2,736)
Loan notes converted	(187,753)	(178,026)
Interest charge	24,480	33,146
Liability at 31 December	97,394	260,914

LOAN MATURITY ANALYSIS	2015 £	2014 £
Non-current liabilities – More than one year, but not more than five years	97,394	260,914
	97,394	260,914

16. SHARE BASED PAYMENT CHARGES

WARRANTS

On 19 August 2013, a warrant was issued to a professional adviser as part of their fees, over 1.5% of the Company's share capital from time to time, exercisable at 4.6p per share or a lesser number at par based on a formula at any time within 3 years of the date of issue. At 31 December 2013, 1.5% of the share capital of the Company represented 163,375 shares, which increased by 515,052 shares to 678,427 shares at 31 December 2014. These warrants were exercised in full on 17 August 2015. The warrant holder was entitled to 816,630 ordinary shares at an exercise price of 4.6p per share or 588,640 ordinary shares at 0.02p per share. The warrant holder elected to convert the lesser number of 588,640 ordinary shares at 0.02p. No further warrants are entitled to be exercised under this warrant.

On 15 September 2014, 396,302 warrants were issued to the vendor of Cryptosoft Limited, exercisable at any time prior to 12 September 2017. 198,151 of the warrants are exercisable at 2p per share and 198,151 are exercisable at 4p per share. The estimated fair value of these warrants at the date of issue is not considered material.

On 25 November 2014, 1,260,000 warrants were issued on a one for ten basis to subscribers to the placing for 12,600,000 shares at 3p per share on that date. The warrants are exercisable at 3p per share at any time prior to 3 December 2017. During 2015, 354,355 of these warrants were exercised.

The estimated fair value of the warrants issued in 2013 was calculated by applying the Black-Scholes option pricing model. The assumptions used in the calculation were as follows:

Share price at date of grant	4.6 pence
Exercise price	4.6 pence
Expected volatility	50%
Expected dividend	Nil
Contractual life	3 years from vesting date
Risk free rate	2.5%
Estimated fair value of each warrant	1.66 pence

A total share based payment charge of £2,704 was expensed in 2013 in respect of the warrants issued.

The number of warrants outstanding at 31 December 2015 was as follows:

Date of issue	At 31 Dec 2014	Issued	Exercised	Lapsed	At 31 Dec 2015	Exercise Price per share	Exercisable on or before
16.08.13	678,427	–	(588,640)	(89,787)	–	0.02p	16.08.16
12.09.14	198,151	–	–	–	198,151	2.0p	12.09.17
12.09.14	198,151	–	–	–	198,151	4.0p	12.09.17
25.11.14	1,260,000	–	(354,355)	–	905,645	3.0p	3.12.17
	2,334,729	–	(942,995)	(89,787)	1,301,947		

Notes to the Financial Statements

For the year ended 31 December 2015

16. SHARE BASED PAYMENT CHARGES (continued)

OPTIONS

The Company operates an equity settled share based remuneration scheme for directors and advisors. Under the directors' scheme options may be granted to purchase shares which must be exercised within seven years from the date of the grant.

The exercise price of directors' options outstanding at the end of the year varied between 9p and 15.25p with a weighted average exercise price of 10p. The directors' options vest immediately on issue.

During the year share options were issued to a professional adviser as part of their fees. Under the advisors scheme options may be granted to purchase shares which must be exercised within five years from the date of grant. The advisor options vest quarterly over the first twelve months.

The Black Scholes method was used to calculate the fair value of options at the date of grant.

The table below lists the inputs to the model used for the options granted during the year:

	Directors	Advisors
Weighted average share price at date of grant	7.5 pence	14.25 pence
Weighted average exercise price	10 pence	15 pence
Expected volatility	50%	50%
Vesting period	1	4
Contractual life	7 years	5 years
Risk free rate	0.48%	0.48%

A total share based payment charge of £99,523 was expensed in 2015 in respect of the options granted, of this £95,818 related to options issued to directors during the year.

The share options held as at 31 December 2015 are set out in the table below:

	Granted during the period	Exercised during the period	Outstanding at 31 December 2015	Option Price	Exercisable on or before
Directors	2,500,000	–	2,500,000	9p	15 Feb 2022
	500,000	–	500,000	15.25p	28 Oct 2022
Total Directors	3,000,000	–	3,000,000		
Total Advisors	250,000	–	250,000	15p	16 Dec 2020
Total Options	3,250,000	–	3,250,000		

Note: A detailed breakdown of directors' options is set out in the Report on Directors' Remuneration.

Notes to the Financial Statements

For the year ended 31 December 2015

17. RELATED PARTY TRANSACTIONS

During 2014, £300,000 was advanced by the directors by way of interest free convertible loans. At 31 December 2015 the balance of loans unconverted was £97,394 (2014: £260,914), plus an additional £20,650 relating to equity (2014: £53,624).

Cryptosoft Limited, a company in which Tern has a controlling shareholding, is also considered a related party. During the year Tern invoiced Cryptosoft £161,363 (2014: £36,000) in respect of management services, facility fees and expenses. At the year-end Tern was owed £82,000 in trade receivables by Cryptosoft (2014: nil). A further £25,000 was reflected within other debtors for accrued income as at 31 December 2015 (2014: nil). Tern has also provided a loan facility to Cryptosoft. As at 31 December 2015, £619,432 was outstanding (2014: nil).

During the year the Company settled a £25,000 invoice with Talisman Ventures Limited, a company wholly owned by Angus Forrest, in respect of amounts invoiced to the Company in 2013. There were no amounts outstanding to or from the company at 31 December 2015.

During the period, Leith Partners Limited, a company in which Bruce Leith has a controlling shareholding, invoiced the Company £18,200 for management services (2014: nil). There were no amounts outstanding to or from the company at 31 December 2015.

During the period, Sixth Bridge LLC, a company in which Al Sisto has a controlling shareholding, invoiced the Company £24,000 for management services (2014: nil). There were no amounts outstanding to or from the company at 31 December 2015.

During the period, Alan Howarth & Associates Limited, a company in which Alan Howarth has a controlling shareholding, invoiced the Company £3,000 for management services (2014: nil). There were no amounts outstanding to or from the company at 31 December 2015.

18. CASH FLOW FROM OPERATIONS

	2015 £	2014 £
Loss for the year	(185,121)	(53,695)
Adjustments for items not included in cash flow:		
Movement in fair value of investments	(63,492)	(100,000)
Share based payment charge	99,523	–
Finance expense	24,480	33,146
Finance income	(11,786)	(105)
Operating cash flows before movements in working capital	(136,396)	(120,654)
Adjustments for changes in working capital:		
(Increase)/decrease in trade and other receivables	184,014	(250,144)
Increase/(decrease) in trade and other payables	(126,777)	44,470
Cash used in operations	(79,159)	(326,328)

Notes to the Financial Statements

For the year ended 31 December 2015

19. OPERATING LEASE COMMITMENTS

	Year to 31 Dec 2015 £	Year to 31 Dec 2014 £
Minimum lease payments under operating leases recognised as an expense in the period	–	18,221

At the period end date, the Group had outstanding commitments for future minimum lease payments under non-cancellable leases which fall due as follows:

	31 Dec 2015 £	31 Dec 2014 £
Land and Buildings:		
Within one year	–	–
	–	–

20. FINANCIAL INSTRUMENTS

The Group uses financial instruments, other than derivatives, comprising cash to provide funding for the Group's operations.

CATEGORIES OF FINANCIAL INSTRUMENTS

The IAS 39 categories of financial asset included in the statement of financial position and the headings in which they are included are as follows:

	2015 £	2014 £
FINANCIAL ASSETS:		
Cash and bank balances	278,456	434,274
Loans and receivables	701,413	278,350
Investments held for trading	810,350	631,978

FINANCIAL LIABILITIES AT AMORTISED COST:

The IAS 39 categories of financial liabilities included in the statement of financial position and the headings in which they are included are as follows:

	2015 £	2014 £
Trade and other payables	7,986	116,755
Borrowings	97,394	260,914

21. EVENTS AFTER THE REPORTING PERIOD

There have been no significant post year end events.

22. ULTIMATE CONTROLLING PARTY

The directors do not consider there to be a single ultimate controlling party.

Notice of 2016 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2016 Annual General Meeting of the Company will be held at 9.30 am on 17 March 2016 at the offices of W H Ireland, 24 Martin Lane, London, EC4R 0DR for the following purposes:

ORDINARY BUSINESS

To consider, and if thought fit, to pass the following resolutions as ordinary resolutions:

1. To receive and adopt the Company's annual accounts for the financial year ended 31 December 2015, together with the Directors' Report and Auditors' Report on those accounts;

2. To re-appoint Jeffreys Henry LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company at a remuneration to be determined by the directors.

3. Mr Angus Forrest retires by rotation, in accordance with the Articles of Association of the Company, having consented to be considered for re-election, and is hereby re-elected as director.

4. Mrs Sarah Payne to the extent she has been appointed as a director of the Company since the date of the last annual general meeting, become subject to retirement by rotation in accordance with article 85 of the Company's articles of association, and having consented to be considered for re-appointment, is hereby re-appointed as a director under that article.

5. Mr Alan Howarth to the extent he has been appointed as a director of the Company since the date of the last annual general meeting, become subject to retirement by rotation in accordance with article 85 of the Company's articles of association, and having consented to be considered for re-appointment, is hereby re-appointed as a director under that article.

SPECIAL BUSINESS

To consider, and if thought fit, to pass the following resolutions, of which resolution 4 will be proposed as an ordinary resolution and resolution 5 will be proposed as a special resolution:

6. That for the purpose of section 551 of the Companies Act 2006 (the Act) the directors of the Company be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (within the meaning of Section 560 of the Act) up to an aggregate nominal amount of £50,000 provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require relevant equity securities to be allotted after such expiry and the board may allot relevant equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

   This authority is in substitution for all subsisting authorities previously conferred upon the directors for the purposes of section 551 of the Act, without prejudice to any allotments made pursuant to the terms of such authorities.

7. That, subject to the passing of resolution 4 above, the directors of the Company be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred by resolution 4 above as if section 561 of the Act did not apply to any such allotment provided that the power conferred by this resolution shall be limited to:

   7.1 the allotment of equity securities for cash in connection with an issue or offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of equity securities subject only to such exclusions or other arrangements as the board may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange in any territory; and

   7.2 the allotment (otherwise than pursuant to sub-paragraph 5.1 of this resolution (5) of equity securities up to an aggregate nominal value of £50,000.

   The power conferred by this resolution 5 shall expire (unless previously renewed, revoked or varied by the Company in general meeting), at such time as the general authority conferred on the board by resolution 4 above expires, except that the Company may at any time before such expiry make any offer or agreement which would

Notice of 2016 Annual General Meeting

or might require equity securities to be allotted after such expiry and the directors of the Company may allot or sell equity securities for cash in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

8. That the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its Ordinary Shares provided that:-

   8.1 the maximum number of Ordinary Shares authorised to be purchased is 10 per cent of the entire issued share capital of the Company;

   8.2 the minimum price which may be paid for an Ordinary Share is £0.0002

   8.3 the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the middle-market prices shown in the quotation for an Ordinary Share as derived from the Stock Exchange Alternative Trading Service of the Stock Exchange for the 5 business days immediately preceding the day on which the Ordinary Share is purchased.

   8.4 the authority hereby conferred shall expire on the earlier of the date falling 15 months after the Annual General Meeting or on the conclusion of the next annual general meeting of the Company to be held in 2016; and

   8.5 the Company may make a contract to purchase its Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such contract.

By Order of the Board
Sarah Payne, *Company Secretary*
Dated 26 January 2016

Notes to the AGM notice

1. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 and by paragraph 18(c) of The Companies Act (Consequential Amendments) (Uncertificated Securities) Order 2009, only those members entered on the Company's register of members not later than 9.30 am on Tuesday 15 March 2016, or if the meeting is adjourned, Shareholders entered on the Company's register of members not later than 2 days before the time fixed for the adjourned meeting (excluding non-business days) shall be entitled to attend and vote at the meeting.

2. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy (or proxies) to attend, speak and vote in his place. A proxy need not be a member of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy.

3. To be effective, the Form of Proxy must be deposited at the office of the Company's registrars, Share Registrars Limited, Suite 6, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey, GU9 7LL so as to be received not later than 9.30 am on Tuesday 15 March 2016, or if the meeting is adjourned, not later than 48 hours before the time fixed for the adjourned meeting.

4. To change your proxy instructions simply submit a new proxy appointment using the methods set out above and in the notes to the Form of Proxy. Note that the cut-off times for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where you have appointed a proxy and would like to change the instructions, please contact the Company's registrars, Share Registrars Limited, Suite 6, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey, GU9 7LL.

5. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Share Registrars Limited, Suite 6, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey, GU9 7LL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

Notice of 2016 Annual General Meeting

In either case, the revocation notice must be received by the Company's registrars, Share Registrars Limited, Suite 6, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey, GU9 7LL no later than 9.30 am on Tuesday 15 March 2016.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified above, then your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by our agent Share Registrars (ID 7RA36) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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