



Interim results for the six months to 30 June 2023

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Tern Plc

("Tern" or the "Company")

Unaudited interim results for the six months to 30 June 2023

Tern Plc (AIM: TERN), the company focused on value creation from Internet of Things ("IoT") technology businesses, announces its unaudited interim results for the six months to 30 June 2023 (the "Period").

Highlights

- Net asset value ("NAV") of £22.2 million as at 30 June 2023 (30 June 2022: £30.0 million, 31 December 2022: £24.9 million). This resulted in a reduction in net asset value per share from 6.4p as at 31 December 2022 to 5.7p as at 30 June 2023.
- Portfolio valuation of £21.8 million as at 30 June 2023 (31 December 2022: £23.9 million).
- £1.1 million was invested by Tern in its existing portfolio companies during the Period (six months to 30 June 2022: £0.8 million), supporting the portfolio companies' growth and development, together with maintaining Tern's position in certain portfolio companies.
- £1.2 million was realised for Tern from sale of shares in Wyld Networks AB ("Wyld Networks") during the Period.
- £2.1 million reduction in the value of the portfolio during the Period was primarily due to the £1.2 million value of Wyld Networks shares sold plus a fair value reduction of £2.0 million, offset by a £1.1 million investment in the portfolio. Of the £2.0 million fair value reduction:
 - £0.3 million was attributed to the valuation of Device Authority, principally due to the retranslation of the US Dollar investment due to a strengthening of Sterling;
 - £1.5 million was due to a combination of the reduction in the value of Wyld Networks as a result of a retranslation of the investment against a strengthening Sterling and a reduction in the market price of Wyld Networks shares as at 30 June 2023; and
 - £0.1 million related to a reduction in the valuation of InVMA (trading as "Konektio") following the pricing of its recent fundraise.
- Warrants issued over 5,524,007 ordinary shares in the Company exercisable at 6.78855 pence per ordinary share, a 50% premium to the share price on date of issue, which if exercised, would raise £0.4 million (net) for the Company.
- £0.5 million initial drawdown on an up to £3m loan facility obtained to provide the Company with a stronger negotiating position and access to funding for follow-on investment opportunities in the existing portfolio, together with allowing the Company the potential to gain from any future valuation increase from a proportion of its holding in Wyld Networks.

Portfolio highlights

- Progress across the portfolio* in the Period:
 - the year-on-year increase in unaudited aggregated Annual Recurring Revenue ("ARR") of the portfolio* was 43% (six months ended 30 June 2022: 112%, year ended 31 December 2022: 97%); and
 - the year-on-year increase in the number of employees within the portfolio*, a key growth measurement, was 23% (six months ended 30 June 2022: 52%, year ended 31 December 2022: 66%). This was supported by a year-on-year increase in ARR per employee of 16% (six months ended 30 June 2022: 40%, year ended 31 December 2022: 19%).
- Device Authority was awarded Microsoft's Rising Azure Technology 2023 Microsoft Partner of the Year Award, providing global recognition of its KSaaS® solution, built on Microsoft's Azure Cloud, and available in the Azure Marketplace to provide additional customer choice in procurement and consumption.
- In the first half of 2023, Wyld Networks continued to see significant growth in securing new customers and approximately doubled its order book to around SEK 92 million (approximately £6.7 million). Post Period end on 4 August 2023 Wyld Networks announced the signing of an agreement with Space X to explore potential areas of collaboration to collect data from IoT sensors in remote locations. This announcement led to a notable increase in the market price of Wyld Networks shares above that used for the valuation at 30 June 2023.
- FundamentalVR continued to build its ARR during the Period with important wins from both existing and new customers across a variety of procedural areas including ophthalmology, endovascular and urology.
- During the first half of 2023, Konektio raised a total of £1.5 million in a Series A fund raising from existing investors, including Tern, with all outstanding convertible loan notes being converted (in addition to the £1.5 million raised).
- Talking Medicines continued to make significant progress as an advanced artificial intelligence (AI) company and launched its Drug-GPT™ offering following the public launch of Chat GPT by Open AI.
- Following their first two investments, Sure Valley Ventures UK Software Technology Fund ("SVV2") has progressed its origination and their potential deal flow is distributed across their focused industry sectors, with almost 50% of the deals evaluated having a primary AI/machine learning (ML) focus.

* In this context Tern's portfolio is: Device Authority Limited, InVMA Limited (trading as Konektio), FVRVS Limited (trading as FundamentalVR) and Talking Medicines Limited, which are portfolio companies Tern has interests in as well as Wyld Networks AB, a Tern holding and excludes DiffusionData Limited, in which Tern has a <1% holding and minimal influence and SVV2.

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Chairman's statement

The first six months of 2023 remained a challenging environment for early-stage technology businesses. However, whilst it is always disappointing to report a decrease in the unrealised fair value of our investments, our portfolio companies continue to make significant progress, assisted by the Tern team, with growth in annual and monthly recurring revenues, which we consider to be a key indicator of progress and ultimately value that can be realised. This was evidenced in recent weeks with Wyld Networks' post Period announcement regarding the signing of an agreement with Space X to explore potential areas of collaboration to enable additional connectivity to collect data from IoT sensors in remote locations.

Post Period end, on 10 August 2023, we announced a number of changes to the Board of the Company and the Company's management structure. This Board and management restructuring is intended to provide an appropriate governance and management structure for the Company, at materially reduced cost, as we continue to focus on realising value from Tern's portfolio of IoT technology businesses, whilst maintaining Tern's hands on approach to guiding and assisting them.

In addition, the Company is implementing other cost saving measures, including moving to a lower cost office. Overall, the measures being implemented, whilst having to continue to incur significant professional fees associated with the portfolio companies and being an AIM quoted company, are expected to save approximately 40% of the Company's overall central costs in 2024, when compared to the level for 2022.

It is the Board's intention that the Company will not invest in any companies or entities not already part of Tern's existing portfolio at least until such time as the Company has realised material value from its current portfolio. We remain focused on maximizing this value to ultimately achieve good exits from our various investments, at the appropriate time, in order to deliver returns for our shareholders.

Ian Ritchie CBE, FEng, FRSE
Chairman

Financial review

Highlights

	6 months to 30 June 2023 £000	6 months to 30 June 2022 £000	12 months to 31 December 2022 £000
Investments	21,825	30,204	23,882
Net assets	22,209	30,042	24,852
(Loss)/Profit for the period	(2,840)	(2,414)	(10,447)
Net asset value per share	5.7p	8.5p	6.4p

During the first half of 2023, the Company focused on supporting the growth and development of its existing portfolio, funded by cash realisations of its existing holding in Wyld Networks and a £0.5 million loan.

The reduction in net asset value during the Period to £22.2 million (31 December 2022: £24.9 million) was driven largely by a £2.1 million reduction in the valuation of the portfolio. The valuation of the portfolio as at 30 June 2023 reflected a £1.1 million investment into existing portfolio companies, offset by £1.2 million of disposals and a £2 million fair value loss. The net asset value per share was 5.7p as at 30 June 2023 (31 December 2022: 6.4p).

The £1.2 million of disposals related to cash realisations on the sale of shares in Wyld Networks, of which £1.1 million was re-invested in the portfolio, primarily into Device Authority (£0.3 million), Konektio (£0.5 million), Talking Medicines (£0.2 million) and SVV2 (£0.1 million).

The remainder of the reduction in portfolio valuation was driven by the fair value decrease in the portfolio. Device Authority's overall fair value decreased by £0.3 million, reflecting a £0.3 million increase in fair value being offset by a £0.6 million reduction due to the foreign exchange impact of retranslating the US Dollar investment in Device Authority due to a strengthening Sterling position.

Wyld Networks' fair value reduced by £1.5 million, of which £0.3 million was due to exchange rate differences on retranslation of the Swedish Krona investment into a strengthening Sterling position, and the remainder due to a reduction in the market value of the Wyld Networks' shares. Wyld Networks is traded on an active financial market and its fair value is determined by the market price on 30 June 2023. This market price has subsequently increased post Period end.

Konektio's fair value decreased by £0.1 million in the most recent fundraising. The remainder of the reduction in net assets was due to a £0.2 million reduction in cash balance and a £0.5 million increase in liabilities due to the loan facility draw down.

The Company had an unaudited cash balance of £0.7 million as at 30 June 2023, which included the receipt of a £0.5 million initial drawdown on the up to £3 million loan facility announced on 12 June 2023. The loan facility was entered into to provide Tern with a stronger negotiating position and access to funding for follow-on investment opportunities in future syndicated fundraises undertaken by Tern's existing portfolio companies and is repayable with accrued interest, in equal monthly instalments, commencing 180 days from the date of each drawdown (the initial drawdown was 11 June 2023), until the end of the 18-month term of each drawdown. The Company is currently unable to make further drawdowns under the loan facility until such time as it is able to issue the required warrants as a transaction cost associated with further drawdowns, pursuant to the terms of the loan facility. The issue of any further warrants will require shareholder approval to provide the Directors with authority to allot ordinary shares.

During the Period, the Company recorded a loss of £2.8 million, compared to a loss of £2.4 million in the six months to 30 June 2022. The loss included the fair value reduction of £2.0 million (six months to 30 June 2022: reduction of £1.2 million).

Overall operating costs reduced to £1.1 million compared to £1.2 million for the same period in 2022 and they were offset in part by additional revenue received in the period from the secondment of a Tern director to Konektio. Increases in audit fees and fees associated with the loan facility, offset some of the reductions in one-off fees incurred in 2022. All other expenses remained comparable. For the remainder of the year it is anticipated that costs will fall significantly, particularly following the post Period end Board and management restructuring announced on 10 August 2023.

Portfolio review

A 43% year-on-year growth in ARR was achieved for the portfolio* (six months ended 30 June 2022: 112%).

The year-on-year increase in employees within our portfolio*, a key growth measurement, was 23% in the Period (six months ended 30 June 2022: 52%) as the portfolio* focused on controlling burn rate and accelerating the route to break even whilst supporting ARR growth. This drove a 16% year-on-year increase in ARR per employee. Again, this indicates that the increase in employee growth was matched by a higher growth in ARR.

Device Authority Limited ("Device Authority")

Valuation of holding: £11.9 million

Holding: 53.8%

Convertible loan notes of £0.7 million and short term loan of £0.1 million

Sector: Security

Invested Since: September 2014

Device Authority, a global leader in identity and access management ("IAM") for the IoT, has continued its positive business momentum for the first half of the year.

The company's KeyScaler®, and KeyScaler Edge® solution enables full end-to-end security life cycle management from Edge to Enterprise into leading IoT cloud applications such as Microsoft Azure, Avnet IoTConnect, AWS, PTC ThingWorx and Google, providing IoT deployments with robust device security combined with scalability to meet the needs of new and legacy device deployments.

Not only has the KeyScaler® platform been selected by several major enterprises, including several leading medical device manufacturers and a major global engine manufacturer, but the company has also focused on recurring revenue growth via its cloud-first Keyscaler-as-a-Service® ("KsaaS") offering and expanding and cementing its strategic partner base. KsaaS provides a scalable and infrastructure-free alternative to on-premise installations, enabling businesses to achieve total device, data and operational trust without the burden of costly infrastructure or dedicated resources and with quicker time to production. KsaaS enables customers in all sectors, including automotive, medical device, government, and industrial manufacturing, to more rapidly onboard KeyScaler® and scale its usage in a secure, hosted cloud environment. The company is adopting a KsaaS first approach to help customers deploy faster and shorten sales cycles.

Device Authority's partnership with a leading automotive Tier 1 company continues to progress and the company also continues to see growing demand resulting from White House Executive Order 14028 in May 2021 that tasked US Government organisations with defining the minimum elements of a Software Bill of Materials ("SBOM"), considered critical to improving transparency and security in the software supply chain for national critical infrastructure. The recent subsequent release of the five pillars of the White House Cybersecurity Implementation Plan added further detail to the roadmap for SBOM as well as the creation of other international standards and this continues to provide commercial opportunities.

Device Authority was awarded Microsoft's Rising Azure Technology 2023 Microsoft Partner of the Year Award, providing global recognition of its KsaaS® solution, built on Microsoft's Azure Cloud, and available in the Azure Marketplace to provide additional customer choice in procurement and consumption. This follows Device Authority's recognition as a Microsoft IP Co Sell Partner, further advancing Microsoft as a channel for DA solutions.

In 2022, ABI Research released its annual 'Top Technology Companies' Whitepaper which highlights the market leaders across the enterprise sectors of augmented reality, 5G telco cloud-native platforms, supply chain management and logistics and IoT, among others. As an independent report, not paid for by the featured companies, it aims to provide an independent view on the market-leaders, combined with the top innovators and implementers in each of the categories. Device Authority has been named as the 'Overall Leader' in IoT Device Identity Lifecycle Management, in addition to 'Top Innovator and Implementer' in this category, moving ahead of their significantly larger competitors from last year's report. The ABI Research report can be downloaded at: <https://www.deviceauthority.com/wp-content/uploads/2022/08/37->

[Technology-Companies-Leading-the-Way-in-2022.pdf](#).

Device Authority continues to further develop its products and recently launched a new major release of the KeyScaler® platform, including advanced edge orchestration capabilities in KeyScaler Edge, in addition to other platform integration and breakthrough product enhancements.

As at 30 June 2023, the fair value of Tern's shareholding in Device Authority remained at £11.9 million (31 December 2022: £11.9 million), with the additional convertible loan note investment offset by a net £0.3 million decrease in fair value. This was due to a £0.6 million decrease due to the foreign exchange movement on the sterling value of Device Authority which is valued in US Dollars, offset by a £0.3 million increase in fair value.

In 2023 to date, Tern has provided a total of approximately £0.4 million of convertible loan note investment to Device Authority.

FVRVS Limited ("FundamentalVR")

Valuation of holding: £3.6 million

Holding: 13.0% (reducing to 12.1% post-Period)

Sector: Healthcare IoT

Invested Since: May 2018

FundamentalVR is a leading virtual reality and data analysis technology platform led by surgical training experts and leading technologists with a mission to revolutionise surgical training by bringing surgical simulation into the hands of medical professionals around the world, using low cost and easily accessible technology.

FundamentalVR's software platform takes advantage of readily available virtual reality devices, such as the Meta owned Oculus Quest and combines it with cutting edge haptics (being technology based on the sense of touch) to create a simulation system that can be used on any modern computer set up. Using machine learning, the software platform works together with haptic hardware devices to simulate the physical sensation of operating on human tissue. It also has the capability to provide AI driven real-time feedback, procedure correction data and best practice insight. The result is a simulation system that provides surgeons with a more hands-on experience and aims to better prepare them for real life situations, resulting in better patient outcomes.

FundamentalVR continues to build its ARR during the first half of 2023. With important wins from both existing and new customers across a variety of procedural areas including ophthalmology, endovascular and urology.

FundamentalVR continues to build awareness in the medical device marketplace and receive recognition for their leading platform. It is building a healthy pipeline of customer and new customer opportunities for the second half of the year.

As at 30 June 2023, the fair value of Tern's shareholding in FundamentalVR remained steady at £3.6 million (31 December 2022: £3.6 million), the final tranche of third-party funding received by FundamentalVR post Period end reduced Tern's equity ownership further, although the pricing of that tranche did not impact on valuation.

Wyld Networks AB ("Wyld Networks" or "Wyld")

Valuation of holding: £3.2 million

Holding: 27.0%

Sector: IoT enablement

Invested Since: June 2016

Wyld Networks, quoted on the NASDAQ First North Growth Market in Stockholm, enables affordable connectivity across the globe in areas where wireless coverage is unavailable or congested. The company specialises in providing wireless connectivity between IoT sensors and low Earth orbit ("LEO") satellites with its Wyld Connect solution (a satellite IoT terminal and module).

In the first half of 2023, Wyld Networks continued to see significant growth in securing new customers and approximately doubling its order book to around SEK 92 million (approximately £6.7 million) as well as continuing to focus on enhancing the development of Wyld Connect and Wyld Fusion (a provisioning and payment platform).

In addition, the company announced plans to extend their product offering to support 5G-NB-IoT (5G narrowband Internet of Things technology) in addition to LoRaWAN (Long Range Wide Area Networking), increasing Wyld's addressable market.

The company has focused its geographical commercial coverage predominately in South America, North America, Africa and the Middle East and recently announced plans to engage in Asia Pacific.

Post the Period end, on 4 August 2023, Wyld Networks announced the signing of an agreement with Space X to explore potential areas of collaboration to collect data from IoT sensors in remote locations. This had a notable positive impact

on Wyld's quoted market price.

During the Period Wyld Networks received approximately SEK 16.1 million (approximately £1.2 million) from the exercise of warrants, which had the effect of diluting Tern's holding in Wyld Networks.

As at 30 June 2023, the fair value of Tern's shareholding in Wyld Networks decreased to £3.2 million (31 December 2022: £6.0 million) primarily due to the disposal of shares in Wyld Networks (£1.2 million) as well as a fair value decrease (£1.5 million), which included a £0.3 million foreign exchange movement on the Sterling value of Wyld Networks which is valued in Swedish Krona. Wyld Networks' shares are traded on an active financial market and the fair value is therefore determined by reference to the quoted market price at the reporting date.

InVMA Limited (trading as "Konektio")

Valuation of holding: £0.9 million

Holding: 28.3%

Sector: IoT enablement

Invested Since: September 2017

Konektio develops and provides Industrial IoT ("IIoT") software via a Software as a Service ("SaaS") model to the industrial and manufacturing sectors. Their AssetMinder™ software enables remote asset connectivity, monitoring and management delivering condition based monitoring, predictive maintenance and energy monitoring and optimisation that provides insights to drive productivity improvements and cost savings. AssetMinder™, is machine agnostic and allows manufacturers to diagnose issues and proactively plan maintenance that reduces downtime and improves both operational efficiency and operating margins.

In early 2023, Konektio released their energy monitoring and carbon tracking platform, AssetMinder™ Impact, that delivers real-time insights and improved energy management and optimisation that leads to savings across the most energy consuming manufacturing processes using water, air, gas, electricity, and steam (WAGES). Konektio believes the new release could save energy intensive manufacturers and industrial customers 12% or more per year on their energy costs through rapid turnkey deployment, providing a deeper understanding of customer's energy consumption efficiencies and producing comparative analytics to identify efficiencies across their factory equipment and field assets. The data and insights also provide the detailed information companies require to meet increasing carbon and ESG reporting obligations, helping them to accelerate their drive to net zero.

Following this new product release, Konektio announced a boost to their senior team with the appointment of a new Chief Technology Officer in the period, Gareth McLaughlin, with over 20 years of experience and a proven track record within the Industrial IoT, telematics and technology sectors.

During the first half of 2023, Konektio raised a total of £1.5 million in Series A fund raisings from existing investors, with all outstanding convertible loan notes being converted. Tern invested a total of £0.2m in these Konektio fundraisings and converted £0.5m of convertible loan notes. As announced on 26 May 2023, a second tranche of £1.3 million is due for completion in Q4 2023, within which Tern has committed to invest a minimum of £0.28 million, with an option, at Tern's sole discretion, to increase its investment amount up to £0.4 million. Should Tern not fulfil its commitment to invest a minimum of £0.28 million at this time, 75% of Tern's holding in Konektio will be transferred to a valueless class of Konektio's deferred shares.

As at 30 June 2023, the fair value of Tern's shareholding in Konektio was £0.9 million (31 December 2022: £0.5 million).

Talking Medicines Limited ("Talking Medicines")

Valuation of holding: £2.0 million

Holding: 23.8%

Convertible loan notes of £0.2 million

Sector: Data intelligence

Invested Since: November 2020

Talking Medicines uses Advanced Data Science and next generation Artificial Intelligence to transform socially sourced feedback from patients into data intelligence about their lived experience regarding medicine use through structuring and evaluating emotions, opinions, and attitudes at scale.

Talking Medicines entered 2023 as an advanced AI company ready to take advantage of the huge attention given to Large Language Models ("LLMs") through the public launch of Chat GPT by Open AI. Talking Medicines has launched Drug-GPT™ which stands apart as a specialised "Curated Large Language Model". This means that it offers natural language questioning of proprietary, curated social data resulting in acutely high-quality output. This trusted intelligence on 'patient voice' is a ready solution for the highly regulated health sector and marketing agencies, who can then make data-driven decisions based on curated truths, as opposed to the raw open web.

The capabilities for Drug-GPT™ have now been integrated into all Talking Medicines offerings. Further strength has been added to the capabilities by extending source data to include clients own unstructured data and building AI classification and curation to include Health Care Professionals, Digital Opinion Leaders, and Key Opinion Leaders to find a single source of truth enabling metrics that support measurement and tracking across broader healthcare voices.

The Talking Medicines solutions include its SaaS dashboard PatientMetRx®, alongside Data as a Service ("DaaS") for larger clients. This provides Talking Medicines' customers and their clients access to a level of scale and depth of insights

through automation that was previously not possible from manual extraction. From trials, it has been found that Talking Medicines solutions provide 80% time saving for customers through automation and this is building robust efficiency and effectiveness for customers. This enables their pharma advertising and marketing consulting customers to make higher returns through data-driven decisions in creative and strategic processes.

The company continues to build its US operation in the New Jersey/New York metro area with significant marketing agency groups amongst new clients. Looking ahead the focus is on building the US market further to capitalise on the new service offerings and leading as an Advanced Data Science and next generation Artificial Intelligence company.

As at 30 June 2023, the fair value of Tern's shareholding in Talking Medicines increased to £2.0 million (31 December 2022: £1.8 million) due to additional investments from Tern of approximately £0.2 million via convertible loan notes during the Period.

Sure Valley Ventures UK Software Technology Fund ("SVV2")

Valuation of holding: £0.1 million

Holding: 5.9%

Sector: IoT deep tech

Invested since: March 2022

SVV2 is a venture capital fund investing in a range of private UK software companies with a focus on companies in the immersive technology and metaverse sectors, including augmented and virtual reality, artificial intelligence, and security.

SVV2 has investments in two companies so far, RETInIZE Limited, a creative tech company based in Belfast, and Jaid (t/a Opsmatix Limited), an innovative technology firm providing AI-powered human communication solutions. Follow on investment for Jaid, under the same terms as the initial round was taken up by SVV2 in the Period.

The SVV2 team has made progress with origination and their potential deal flow is distributed across their focused industry sectors, with almost 50% of the deals evaluated having a primary AI/ML focus alongside other deals with Immersive Tech, SaaS, Cyber Security and IoT. The vast majority of the deals evaluated have AI underpinning technology which is in line with the fund's main investment strategy.

SVV2 continues to see returns from its in-person approach to origination. During the Period, the investment team members attended many start-up events and pitch competitions in Liverpool, Manchester, London, Cambridge and Dublin hosted by Plexal, Innovate UK, Google Cloud, InterTrade Ireland, Entrepreneurs Collective, Xoogler and more.

The SVV2 team has also been involved in some fantastic initiatives to build their brand, support the wider start-up ecosystem and push forward the diversity and inclusion agenda and during the Period, SVV2 became an investor member of Fund Her North - a collective seeking to improve access to funding for female founders across the North at every stage of their journey.

As at 30 June 2023, the fair value of Tern's shareholding in SVV2 was £0.1 million (31 December 2022: £0.1 million). The additional investment during the Period was in part offset by fees charged by the fund.

DiffusionData Limited ("DiffusionData")

Valuation of holding: £0.02 million

Holding: <1%

Sector: Data distribution

Invested since: July 2014

DiffusionData is a pioneer in real-time data streaming and messaging solutions. Founded to solve the real-time systems and application connectivity and data distribution challenges experienced by companies worldwide, the company has an international team of business and technology experts. The company's flagship offering-the Diffusion® Intelligent Data Platform, makes it easy to consume, enrich, and deliver data reliably.

As at 30 June 2023, the fair value of Tern's shareholding in Diffusiondata was £0.02 million (31 December 2022: £0.02 million).

Unaudited Income Statement and Statement of Comprehensive Income For the six months ended 30 June 2023

	Notes	6 months to 30 June 2023 (Unaudited) £000	6 months to 30 June 2022 (Unaudited) £000	12 months to 31 December 2022 (Audited) £000
Fee income		156	20	66
Movement in fair value of investments	7	(1,988)	(1,233)	(8,416)
Profit on disposal		9	-	11
Total investment deficit		(1,823)	(1,213)	(8,339)
Administration costs		(1,052)	(1,241)	(2,159)

Operating loss		(2,875)	(2,454)	(10,498)
Finance income		35	40	51
Loss before tax		(2,840)	(2,414)	(10,447)
Tax		-	-	-
Loss and total comprehensive loss for the period		(2,840)	(2,414)	(10,447)
Earnings per share	6			
Basic and diluted loss per share		(0.73)p	(0.69)p	(2.92)p

**Unaudited Statement of Financial Position
As at 30 June 2023**

	Note	30 June 2023 (Unaudited) £000	30 June 2022 (Unaudited) £000	31 December 2022 (Audited) £000
Assets				
Non-current assets				
Investments	7	21,825	30,204	23,882
		<u>21,825</u>	<u>30,204</u>	<u>23,882</u>
Current assets				
Trade and other receivables		352	205	363
Cash and cash equivalents		741	290	932
		<u>1,093</u>	<u>495</u>	<u>1,295</u>
Total assets		22,918	30,699	25,177
Equity and liabilities				
Share capital	8	1,380	1,372	1,379
Share premium		33,391	30,546	33,341
Share warrant reserve		140	-	-
Retained earnings		(12,702)	(1,876)	(9,868)
		<u>22,209</u>	<u>30,042</u>	<u>24,852</u>
Current liabilities				
Trade and other payables		346	657	325
Borrowings	9	191	-	-
Total current liabilities		537	657	325
Borrowings	9	172	-	-
Total non-current liabilities		172	-	-
Total liabilities		709	657	325
Total equity and liabilities		22,918	30,699	25,177

**Unaudited Statement of Changes in Equity
For the six months ended 30 June 2023**

	Share capital £000	Share premium £000	Share warrant reserve £000	Retained earnings £000	Total equity £000
Balance at 31 December 2021	1,372	30,546	-	498	32,417
Total comprehensive income	-	-	-	(2,414)	(2,414)
Transactions with owners					
Share based payment charge	-	-	-	40	40
Balance at 30 June 2022	1,372	30,546	-	(1,876)	30,042
Total comprehensive income	-	-	-	(8,032)	(8,032)
Transactions with owners					

Issue of share capital	7	3,114	-	-	3,121
Share issue costs	-	(319)	-	-	(319)
Share based payment charge	-	-	-	40	40
Balance at 31 December 2022	1,379	33,341	-	(9,868)	24,852
Total comprehensive income	-	-	-	(2,840)	(2,840)
Transactions with owners					
Issue of share capital	1	50	-	-	51
Issue of warrants	-	-	140	-	140
Share based payment charge	-	-	-	6	6
Balance at 30 June 2023	1,380	33,391	140	(12,702)	22,209

Unaudited Statement of Cash Flows

For the six months ended 30 June 2023

		6 months to 30 June 2023 (Unaudited)	6 months to 30 June 2022 (Unaudited)	12 months to 31 December 2022 (Audited)
	Note	£000	£000	£000
OPERATING ACTIVITIES				
Net cash used in operations	10	(846)	(882)	(2,056)
Purchase of investments		(1,133)	(785)	(1,670)
Cash received from sale of investments		1,238	-	42
Loan to investee companies		-	-	(144)
Interest received		-	-	1
Net cash used in operating activities		(741)	(1,667)	(3,827)
FINANCING ACTIVITIES				
Proceeds on issue of shares		50	-	3,122
Share issue expenses		-	-	(320)
Proceeds from drawdown of loan		500	-	-
Net cash from financing activities		550	-	2,802
(Decrease) in cash and cash equivalents		(191)	(1,667)	(1,025)
Cash and cash equivalents at beginning of period		932	1,957	1,957
Cash and cash equivalents at end of period		741	290	932

Notes to the Unaudited Interim Statements For the six months ended 30 June 2023

1. General information

Tern is an investing company specialising in private software companies, predominantly in the Internet of Things (IoT).

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 27/28 Eastcastle Street, London W1W 8DH. Items included in the financial statements of the Company are measured in Pounds Sterling, which is the Company's presentational and functional currency.

2. Basis of preparation

The interim financial information in this report has been prepared in accordance with UK-adopted international accounting standards. The financial statements have been prepared on the basis of the recognition and measurement principles of the IFRS that were applicable at 30 June 2023. They do not include all of the information required for full annual financial statements and should be read in conjunction with Tern's audited financial statements for the year ended 31 December 2022. The financial information for the year ended 31 December 2022 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Company's statutory financial statements for the year ended 31 December 2022 have been filed with the Registrar of Companies and can be found on the Company's website: www.ternplc.com. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498 (2) or Section 498 (3) of the Companies Act 2006. These interim financial statements

have been prepared under the historical cost convention as adjusted for the valuation of investments and have been approved for issue by the Board of Directors.

3. Going concern

The financial statements have been prepared on the going concern basis.

The Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Company's financial statements.

In the event that additional funding was required, management is confident that they would be able to obtain additional funds from various sources. For example, the Company can exit part of its investment in its held level one investments with the risk that such transactions are determined by an inherent and undetermined market risk.

4. Investments

The investment valuation consists of equity investments.

In accordance with IFRS 10, paragraph 4B, investments are recognised at fair value through profit and loss (FVTPL) in line with guidance set out in IFRS 9. Changes in foreign exchange rates impact investments valued in a foreign currency.

5. Critical accounting judgements and key sources of estimation uncertainty

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 key sources of estimation uncertainty 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.

ESTIMATES

Fair value of financial instruments

The Company holds unquoted investments of £18.6 million 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 using the most recent bid price at which a transaction has been carried out. These techniques are significantly affected by certain key assumptions, such as market liquidity. Given the nature of the investments being early-stage businesses, other valuation methods such as discounted cash flow analysis to assess estimates of future cash flows and derive fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

JUDGEMENTS

Investments held at FVTPL

The critical judgement is the assessment that the investments should be consolidated. This assessment was reached following a review of all the key conditions for an investment entity, as set out in IFRS 10 and the Company was judged to have met those key conditions as follows:

- The Company obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- The Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- The Company measures and evaluates the performance of substantially all its investments on a fair value basis.

In coming to this conclusion, the Company also judged that its investment-related activities do not represent a separate substantial business activity or a separate substantial source of income to the investment entity.

6. Earnings/(Loss) per share

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

6 months to 6 months to 12 months to

	30 June 2023	30 June 2022	31 December 2022
	£000	£000	£000
Loss for the purposes of basic and fully diluted loss per share	(2,840)	(2,414)	(10,447)
Weighted average number of ordinary shares (see note below):	Number	Number	Number
For calculation of basic and fully diluted loss per share	388,681,380	352,014,701	357,424,413
Loss per share			
Basic and diluted loss per share	(0.73)p	(0.69)p	(2.92)p

At 30 June 2022, 31 December 2022 and 30 June 2023 the fully diluted earnings per share is the same as the basic earnings per share as the share options and warrants were underwater which would have an anti-dilutive effect on earnings per share.

7. Investments

	30 June 2023	30 June 2022	31 December 2022
	£000	£000	£000
Fair value of investments brought forward	23,882	30,612	30,612
Interest accrued on convertible loan notes	27	40	47
Additions	1,133	785	1,670
Disposals	(1,229)	-	(31)
	23,813	31,437	32,298
Fair value adjustment to investments	(1,988)	(1,233)	(8,416)
Fair value of investments carried forward	21,825	30,204	23,882

On 25 April 2023, the convertible loan facility issued to InVMA Limited was converted into equity with any movements in fair value taken to profit or loss for the period.

8. Issued share capital

	30 June 2023	30 June 2022	31 December 2022
	Number	Number	Number
Issued and fully paid:			
Ordinary shares of £0.0002	389,676,311	352,014,701	388,571,510
Deferred shares of £29.999	42,247	42,247	42,247
Deferred shares of £0.00099	34,545,072	34,545,072	34,545,072
	£000	£000	£000
Issued and fully paid:			
Ordinary shares of £0.0002	79	71	78
Deferred shares of £29.999	1,267	1,267	1,267
Deferred shares of £0.00099	34	34	34
	1,380	1,372	1,379

The deferred shares have no voting or dividend rights. The deferred shares are not quoted on the AIM market of the London Stock Exchange.

On 12 June 2023, 1,104,801 new ordinary shares were issued at a deemed price of 4.5257 pence per share in settlement of a Facility implementation fee of £50,000.

9. Borrowings

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)	31 Dec 2022 (Audited)
	£000	£000	£000
Gross loan	500	-	-
Transaction cost	(140)	-	-
Interest	(3)	-	-
Balance carried forward	363	-	-
Short term borrowings	191	-	-

Long term borrowings	172	-	-
	363	-	-

The borrowing transaction cost was calculated using the Black Scholes model. The transaction cost, from the issue of warrants, will be taken to profit or loss over the 18 month loan repayment period.

10. Cash flow from operations

	6 months to 30 June 2023 (Unaudited)	6 months to 30 June 2022 (Unaudited)	12 months to 31 Dec 2022 (Audited)
	£000	£000	£000
(Loss)/profit for the period	(2,840)	(2,414)	(10,447)
Adjustments for items not included in cash flow:			
Movement in fair value of investments	1,988	1,233	8,416
Loss/(profit) on disposal	(9)	-	(11)
Share-based payment charge	6	40	80
Finance expenses	3	-	-
Finance income	(35)	(40)	(51)
Operating cash flows before movements in working capital	(887)	(1,181)	(2,013)
Adjustments for changes in working capital:			
- (Increase)/decrease in trade and other receivables (excluding loans to investee companies)	20	(16)	(26)
- Increase/(decrease) in trade and other payables	21	315	(17)
Cash used in operations	(846)	(882)	(2,056)

11. Events after the reporting period

On 10 August 2023, the Company announced a restructuring of the Board such that Bruce Leith and Matthew Scherba stepped down with immediate effect. It was announced that Sarah Payne will step down as CFO and Company Secretary on or before 30 September 2023 but will remain on the Board as a Non-Executive Director. Following these changes, the Board will comprise: Ian Ritchie, Alan Howarth and Sarah Payne. The Company also announced that it was implementing cost savings which once fully implemented are expected to save approximately 40% of the overall central costs in 2024 when compared to 2022, this includes a material reduction in remuneration for the senior management team.

12. Availability of interim results

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

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