21 September 2020

Tern Plc

(AIM: TERN)

Unaudited Interim Results for the six months to 30 June 2020

Tern Plc ("Tern" or the "Company"), the AIM quoted investment company specialising in the Internet of Things ("IoT") market, is pleased to announce its interim results for the six months to 30 June 2020.

Key Highlights

	6 months to 30 June 2020	**6 months to 30 June 2019**	**12 months to 31 December 2019**
	£	**£**	**£**
Net assets	19,900,647	17,478,283	18,913,077
Current assets	961,566	2,153,071	1,182,451
Total assets	20,089,782	17,946,668	19,065,111
Profit/(Loss) for the period	142,474	(623,340)	(780,643)
Net asset value per share	7.0p	6.9p	7.0p

- The period-on-period increase in turnover of principal portfolio companies[1] in six months to 30 June 2020 was 62% (year-on-year increase in the 2019 full year: 27%), a particularly pleasing result given the impact COVID-19 had on the economy during this time.
- An exchange rate gain on the revaluation of the investment in Device Authority led to a £0.7m increase in fair value, delivering a profit for the period. In the six months to 30 June 2019, there was no material exchange rate impact.
- The period-on-period increase in the number of employees within the principal portfolio companies[1], a key growth measurement, increased by 7% in the six month period to 30 June 2020 (six months ended 30 June 2019: 9%).
- Net asset value per share at 30 June 2020 of 7.0p was unchanged during the period.
- A sale of Seal Software was achieved, one of Tern's early minority investments with a holding of less than 1%. Tern invested £50,000 in Seal Software and achieved an exit of 99% return on invested capital.
- £0.8 million raised during the period, strengthening the balance sheet and improving Tern's investment options. Of this, £0.5 million was re-invested in existing portfolio companies. As at 30 June 2020, Tern had £0.8 million cash on the balance sheet. This was further increased by a post balance sheet fundraise of £1.5 million in July 2020.
- Cost management continued to be a central focus with operating costs for the period similar to the comparable period in 2019.

Al Sisto, CEO of Tern Plc, said:

“We recognise the challenges created by the pandemic, but we also see the opportunities. Early in the year, we acted quickly to minimise the potential disruption presented by the COVID-19 virus. First, we acted to protect our employee base, whose safety and wellbeing are critical to our portfolio’s success and second, we ensured we and our companies created plans to safeguard and preserve the capital needed to maintain momentum. Despite the restrictions established to contain the spread of the virus, our portfolio has remained operational and given its IoT focus, is well positioned to participate in the acceleration towards a contactless digital work and business environment. Looking forward we are confident in making at least one new investment during the second half of 2020 and are focused on achieving at least one further syndicated investment event by the end of Q1 2021.

Our portfolio companies have solidified their leadership positions during the first six months of the year and we at Tern are aggressively seeking the very best IoT technology companies which can provide compelling solutions to the healthcare and industrial sectors in order to grow our NAV per share.”

Note 1: Principal portfolio company growth excludes Push Technology, in which Tern has a <1% holding and minimal influence.

Enquiries:

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Chief Executive’s Statement

Building on the momentum created in 2019, Tern has experienced a strong start to the year, despite the current unprecedented times. In 2019 we added to our investment team which has given us more capacity to simultaneously increase our focus on the existing portfolio and expand the quality and depth of our pipeline.

Our progress for the first half of the year shows that our portfolio is comprised of some of what we believe to be the most exciting private technology companies in the UK and, while the COVID-19 pandemic has clearly affected many companies around the world, we firmly expect that novel and disruptive technology will play an important role in the global recovery.

Right from the start of the pandemic, Tern formed a crisis management team comprised of the CEOs of our portfolio companies and the Tern Board, with an objective of sharing ideas and experiences to assist in navigating through the crisis. Weekly meetings were held to bring forward the lessons learned as the pandemic unfolded and to adopt strategies on employee wellbeing, business agility and to leverage the synergies within the portfolio companies' businesses themselves. These meetings enabled the portfolio companies to quickly adapt to the new challenges and, most importantly, opportunities presented by the COVID-19 crisis.

Our portfolio companies are leaders in their targeted markets. They are capable of being on the frontline, leading the recovery, given their expertise in the secure and remote management of devices and services, and the delivery of innovative virtual-environment training. These are all areas which are in increasing demand because of the changes made to enterprise, public sector and government work environments around the world.

Our “hands-on” approach to working with entrepreneurs as they set out to drive growth in their businesses is focused on providing our shareholders with long-term NAV growth per share.

By backing companies from their post product development lifecycle phase, from their seed funding to Series A rounds, we gain affordable access to high growth companies targeting large markets but with reduced product risk. By way of example, the step up in FundamentalVR’s valuation at the end of 2019 highlighted how we are well positioned to scale up the value of our investment capital.

New portfolio company investments
Tern is focused on carefully growing its portfolio to continue providing our shareholders with exposure to bold and disruptive early-stage IoT companies. We target businesses which have synergies with our existing base of best-in-class investee companies, both in terms of their target markets (healthcare and industrial) and technology type. This creates a highly productive ecosystem for growth.

With the additional Director added in 2019 we have increased both the quality and size of our pipeline. We are seeking IoT companies with technologies centered on Artificial Intelligence (“AI”), Machine Learning (“ML”) and Data Sciences, which we believe will add strength and resources to our existing investments and lead to an acceleration of NAV growth for our shareholders. Each of these markets are rapidly increasing in size and importance in the deployment of IoT solutions.

Follow on portfolio investments and support
During the first six months of the year, we were pleased to announce a realisation from our investment into Seal Software, with its sale to DocuSign. Seal was a minority investment made by the Company at its formation. The exit achieved a 99% return on invested capital and a cash contribution to the Company of £0.1 million.

Having raised £0.8 million in March 2020, we were well positioned to support and enable the continued growth of our portfolio companies during a challenging period. We delivered follow on investments amounting to £0.5 million, by participating in funding rounds directly or with other shareholders and provided hands-on support to help our portfolio companies scale in their respective markets and secure new partnerships.

For example, the Company provided Wyld Networks with an additional convertible loan of £0.3 million which enabled it to continue its commercial progress and helped secure additional external investment of £0.4 million.

Tern, along with Alsop Louie Partners and the Samenuk Family Trust, also continued with our convertible loan note support of Device Authority during the period, with the Company providing an additional £0.2 million in capital during the period. This enabled Device Authority to continue its partner and customer development activities, which now includes an expanded list of new customers, as it pursues a strategic partner to help leverage its market successes.

Tern later raised an additional £1.5 million in new capital (before expenses) post period end, with the target of prudently putting a proportion of this additional capital to work in at least one new investment by the year end.

Environmental, Social and Governance ("ESG")

The Tern Board is committed to conducting its investment and business activities in line with best practice ESG principles. We are enhancing our investment strategy to include ESG criteria and portfolio company scorecards. We are also reviewing our internal policies to ensure they are inclusive and comprehensive, for example, this included an annual Board Performance Review which was completed in August 2020.

Financial Priorities

Our financial priorities remain to accelerate the progress of our portfolio companies' commercial success; value creation; create robust realisations and the addition of new investments by:

- Investing in and creating businesses which have market validation and disruptive market opportunities;
- Providing hands-on support to achieve sustainable value creation;
- Making introductions which help our companies achieve global scale and a presence particularly in the USA;
- Syndication of post-seed round investments in our companies, focusing on relevant strategic and financial investors, to provide validation, and additional growth capital that de-risks the path to commercial success and monetisation;
- Strengthening management and boards where appropriate; and
- Continuing to explore innovative ways to expand the synergistic benefits of our portfolio.

Outlook

We believe that the current world situation is accelerating the adoption of technology across our portfolio's key markets. This belief is underpinned by the range of new partnerships and contracts delivered by our portfolio companies during this time. Of course, we must remain cognisant of the wider uncertainty and regulatory changes being implemented on the back of the pandemic, but the agility of our portfolio companies is a clear strength when it comes to managing this.

We have already announced our intention to make at least one new investment during the second half of 2020 and we feel confident in achieving at least one further syndicated investment event by the end of Q1 2021. We have a strong pipeline of new opportunities and are experiencing third party interests in our existing portfolio.

For the remainder of the year, we will continue to support our investee companies as they pursue new opportunities and adapt to the challenges presented by the pandemic. We will continue to work actively to help our investee businesses grow in order to mitigate risk and increase NAV per share for our stakeholders.

I would like to extend our thanks to the management teams of our portfolio companies whose dedication to business health and employee wellbeing has provided continuity and strategic leadership in this time.

Al Sisto
Chief Executive Officer

Financial

During these unprecedented times, the Company has monitored costs closely with continued Director salary reductions and mitigation activities in the principal portfolio companies, primarily salary reductions and some limited use of furlough schemes, where relevant. It has also supported its portfolio companies in applying for Innovate UK grants, where applicable, to support their ongoing innovative projects. Wyld Networks has successfully secured such a grant and InVMA has secured funding from the Future Fund post period end.

Tern had an unaudited cash balance of £0.8 million on 30 June 2020, which has been strengthened by the net proceeds of the £1.5 million subscription announced in July 2020. The period-on-period increase in turnover of the principal portfolio companies[1] for the first six months of 2020 was 62% (year-on-year increase in the 2019 full year: 27%). The Directors view this as a positive result given the slow down across the economy during this period.

We expect for the aggregate turnover of the principal portfolio companies[1] to increase year-on-year for the full 2020 financial year compared to 2019, however with the uncertainties created by COVID-19 and the fluidity of COVID-19 government requirements it is currently not possible to issue a sufficiently reliable and specific new forecast for the 2020 increase.

The period-on-period increase in employees within the principal portfolio companies[1], a key growth measurement, increased by 7% in the six months to June 2020 (six months ended 30 June 2019: 9%). This measure has been impacted in the latter half of the period by a slowdown in recruitment to ensure prudent management through the COVID-19 period.

During the six months ended 30 June 2020, Tern raised £0.8 million in March 2020 and provided ongoing support to its underlying portfolio base, investing £0.5 million via loan note facilities to provide capital for these entrepreneurial companies to enable them to continue to grow and develop within their focused markets. The fair value of the portfolio increased by £0.7 million following a weakening of the pound against the dollar which led to an increase in the Sterling value of Device Authority which is valued in US Dollars. Cost management continues to be a focus for the Company. Operating costs were broadly stable during the six months compared to the six months to 30 June 2019. A reduction in one-off non-recurring legal and professional costs was offset by an increase in share based payment costs and in Directors' fees, which was in part due to the appointment of a new

Executive Director. This increase was mitigated by a 20% salary reduction taken by all Directors from April 2020 because of the uncertainty caused by COVID-19.

In March 2020 the Company announced the sale of Seal Software, one of its early minority investments with a holding of less than 1%. Tern invested £50,000 in Seal Software and following completion, achieved an exit of 99% return on invested capital.

The net asset value per share of 7.0p as at 30 June 2020 was relatively stable compared to 6.9p at 30 June 2019 and 7.0p at 31 December 2019.

Sarah Payne
Chief Financial Officer

Note 1: Principal portfolio company growth excludes Push Technology, in which Tern has a <1% holding and minimal influence.

Portfolio Review

Device Authority Limited *("Device Authority")*
Valuation of holding: £13.8 million
Holding: 56.8%
Sector: Security
Invested Since: September 2014

Device Authority is a global leader in Identity and Access Management ("IAM") for the IoT, focused on medical / healthcare, industrial, automotive and smart connected devices. Their KeyScaler™ platform provides trust for IoT devices and the IoT ecosystem, to address the challenges of securing the Internet of Things.

The recent demand for remote working and technologies has reinforced the importance of having robust and secure devices, for example telemedicine and remote monitoring devices in the healthcare industry. Device Authority's KeyScaler™ platform can provide security and privacy solutions for these remote IoT devices.

In early 2020, Device Authority developed its hardware security module (HSM) Access Controller to help Enterprises protect their critical HSM infrastructure. This offers organisations an out-of-the-box solution which requires minimal integration effort from their internal teams. Device Authority also announced its secure code signing and update delivery service with Venafi.

In late March, Device Authority announced the launch of KeyScaler™ as a Service ("KSaaS") hosted in Microsoft Azure Cloud and four essential connectors to Microsoft Azure's IoT Edge, IoT Central, Azure Key Vault and Active Directory Certificate Services ("ADCS") products. These new Azure connectors are in addition to Azure IoT Hub, Device Provisioning Service ("DPS") and Event Hub connectors that are already part of the KeyScaler™ platform. Soon afterwards, Device Authority was recognised as an Early-Stage Medical Device Security Vendor in Forrester's report on medical device security: New Tech: Medical Device Security Q1 2020.

In June 2020 Device Authority announced the availability of KeyScaler™ in the Microsoft Azure Marketplace, an online store providing applications and services for use on Azure. The marketplace significantly expands Device Authority's sales channel as it lets customers worldwide discover, try, and deploy KeyScaler™ solutions that are certified and optimized to run on Azure. The company has also secured contract renewals via key channel partners and their customers during the period, including a contract to provide security services to a leading international automotive design and manufacturing company in conjunction with its use of the Azure platform.

In recent months, Device Authority continues to gain industry recognition, being identified as the 2020 technology leader in the SPARK Matrix analysis of the global IoT Identity and Access Management (IoT IAM) market by Quadrant Knowledge Solutions. Device Authority also continues to protect its intellectual property, securing the UK trademark for KeyScaler™ in August 2020.

Device Authority's shareholders continue to support the ongoing progress of the company, having provided a total of US$5.4 million in the form of convertible loan notes since November 2017, with US$3.6 million of this being provided by Tern (US$0.3 million in the six months to 30 June 2020).

As at 30 June 2020, the value of Tern's shareholding in Device Authority has increased to £13.8 million (31 December 2019: £12.7 million), primarily due to a weakening of the pound against the dollar which led to an increase in the Sterling value of Device Authority which is valued in US Dollars.

The annual report and accounts for Device Authority for the year ended 31 December 2019 are expected to be submitted to Companies House shortly.

FVRVS Limited *('Fundamental VR')*
Valuation of holding: £3 million
Holding: 26.9%
Sector: Healthcare IoT
Invested Since: May 2018

FundamentalVR is a dynamic technology and data insight business specialising in the intersection between immersive experiences and haptics, to enhance medical training and outcomes. It fits with Tern's strategy to invest in companies targeting the healthcare IoT market.

FundamentalVR continues to work with its customers to complete the simulations that they need to deliver their medical device and pharma-based products. Its virtual reality-based platform can keep the learner safe from unnecessary potential exposure to COVID-19, provide an endless supply of virtual patients and measure the performance of the healthcare professional in achieving the necessary operational skill levels, helping to create a more agile healthcare workforce.

In April 2020, FundamentalVR announced the expansion of the Fundamental Surgery platform, with the addition of a new education modality @HomeVR. In these current times, where rapid learning and remote access has never been more relevant, this has enabled health care professionals to prepare to use new equipment and undertake new procedures. FundamentalVR's multiuser support enables its enterprise customers to provide virtual master classes to accelerate the adoption of new products and procedures. This ability to access training remotely worldwide via the cloud enables collaboration in a virtual operating room or clinic with no requirement for physical presence. In the current COVID-19 environment, FundamentalVR's shared virtual setting also improves the overall communication process among surgeons and trainees. This was evidenced in a real world setting when the team at FundamentalVR designed and launched an online training tool that could quickly teach nurses and doctors how to operate ventilators. The new online tool, developed by Imperial College London, Imperial College Healthcare NHS Trust and FundamentalVR, allows the redeployed clinicians to gain the key knowledge they need for ventilating patients in just 30 minutes.

In June 2020, FundamentalVR achieved another important milestone when all the orthopaedic education simulations available on the Fundamental Surgery platform were reviewed by the American Academy of Orthopaedic Surgeons (AAOS) and awarded accreditation status. This recognition demonstrates the AAOS's commitment to innovation in medical education and will allow orthopaedic surgeons to collect continuing medical education (CME) credits while utilising the unique cutting-edge haptic FundamentalVR platform. This was followed in July 2020 by the company receiving centre accreditation from the Royal College of Surgeons of England. This kite mark of quality has been adopted by many leading organisations that develop world-class surgical education courses, solutions and platforms.

During the first half of 2020, FundamentalVR continued to gain industry recognition with the award of first place in Hit Consultants Top 18 Healthcare Augmented Reality and Virtual Reality companies to watch. More recently, the @HomeVR modality was selected as a finalist in the VR Awards.

The annual report and accounts for FundamentalVR for the year ended 31 December 2019 are expected to be submitted to Companies House shortly.

Wyld Networks Limited *("Wyld Networks")*
Valuation of holding: £1.2 million
Holding: 100%
Sector: IoT enablement
Invested Since: June 2016

Wyld Networks provides secure, intelligent and scalable mobile mesh networks and Low Power Wide Area Network (LPWAN) software and modules connecting both smartphones and IoT devices together without the need for WiFi or cellular networks.

In May 2020 it secured £0.4 million of convertible loan note investment to support its growing pipeline of opportunities in mobile mesh networks and wireless IoT connectivity.

Wyld Networks' mesh technology was originally designed for applications such as major sporting events, music festivals, retail centres and transport hubs to deliver relevant, location-aware information. In March 2020 the team focused on repurposing its technology to support the COVID-19 efforts earlier in the year to enable it to play a vital role in protecting residents, staff and visitors in care homes and hospitals as well as helping business and education get back to work safely.

In May 2020, Wyld Networks announced that it had signed an agreement with Highland Health Ventures Ltd (HHVL) to test and deploy its Wyld mesh technology into certain care homes in Scotland to help protect residents, staff and visitors, and prevent the spread of COVID-19 or other viruses. This was recently confirmed to be due to commence in a care home in Inverness in October 2020. The patented solution connects smartphones directly to smartphones, without the need for WiFi or cellular connectivity, to create an infrastructure-lite wireless mesh communication network, as well as provide social distance monitoring and alerting. HHVL is an independent company with a Collaboration Agreement with NHS Highland for the purpose of developing innovations in healthcare.

Continuing its commercial traction, Wyld Networks also announced it had signed an agreement with a global satellite operator to co-develop, test and co-market a LoraWAN direct to satellite solution that is intended to bring the cost of satellite IoT services in line with terrestrial based IoT solutions, aimed at opening up a new frontier in the deployment of IoT solutions. In September 2020 it was announced that an initial £0.1m purchase order had been received for the test phase as part of this agreement to develop and deliver a small number of proprietary-designed Low Power Wide Area Network ("LPWAN") IoT modems to be functionally tested with a pre-commercial low earth orbiting ("LEO") satellite. The Tern Board believes that, following successful testing, a full deployment of this technology with a LEO satellite constellation could follow.

Wyld Networks continues to deliver solutions against its existing contracts with Delta-T, Develco, RCD, CADIS, Eltek and Envirosystems.

More recently, Wyld Networks announced the launch of Wyld Mesh and Fusion, its innovative mobile mesh networking technology, data curation and content delivery platform. Wyld Mesh and Fusion provides businesses with an innovative way to generate new revenue streams, operate more efficiently, get back to work safely and monitor social distancing practices. Wyld Mesh harnesses the power of mobile devices to create wireless mesh communication networks with applications in enterprise, healthcare, retail, education, events and industry.

Wyld Networks also successfully filed a patent application for its disruptive mesh (Wyld Mesh) and data curation (Wyld Fusion) technology platform to protect its IP and further establish value.

Tern continues to support the growth of the business with an additional loan of £0.3 million provided during the period, bringing the outstanding convertible loan balance to £1.1 million as at 30 June 2020.

The annual report and accounts for Wyld Networks for the year ended 31 December 2019 are expected to be submitted to Companies House shortly.

InVMA Limited *("InVMA")*

Valuation of holding: £1 million
Holding: 50%
Sector: IoT enablement
Invested Since: September 2017

InVMA is an Industrial Internet of Things (IIoT) software solutions company enabling their customers to digitally improve performance using real-time analytics and predictive intelligence. InVMA empowers industrial and manufacturing companies by converging their physical assets with new transformational digital insights, enabling customers to reduce internal operating costs and downtime risk, while creating new revenue streams through remote monitoring and management. InVMA has recently announced the appointment of a new CEO, Peter Stephens, to help finalise the transformation of the business to a SaaS based software products company, which was coupled with a £0.25 million investment from Tern and the Future Fund.

A significant milestone in InVMA's product transformation was achieved in January 2020 when it was announced that the company had secured an initial order commitment worth £817,000 over a two-year period to provide their AssetMinder® SAAS IIoT solution to a global, multi-billion Euro revenue supplier to the industrial and construction sectors. This was achieved as a result of the re-positioning of InVMA from a consultancy services to a Software as a Service (SaaS) product business, in which Tern has been instrumental.

Although COVID-19 has had a material impact on the industrial sector, interest in remote monitoring remains a key growth area for development as manufacturers increase efficiencies using machine learning and connected devices. InVMA has carefully managed demand for their services and products while effectively utilising government furlough support where required. Over this period InVMA has continued to focus on the growth of its AssetMinder® SaaS product supported by a rapidly evolving market where the Directors believe that remote monitoring has moved to the forefront of industrial and manufacturing agendas. AssetMinder® is a unique customisable platform for a wide variety of assets as it enables its customers to remotely collect, aggregate and monitor real-time data on their specific assets, devices and equipment; providing analytics and predictive insights that drive intelligence-based decisions for individual machines, entire manufacturing lines, and across a portfolio of facilities. Tern's Directors believe that InVMA has the potential to be the go to SAAS platform for smart manufacturing and machine condition monitoring.

In June 2020, InVMA announced that it had signed a partnership agreement with Senseye Limited, the Industry 4.0 software company using machine-learning algorithms for predictive maintenance. This partnership enables customers to more easily, and cost-effectively, capture and share their shop-floor and machine performance data, driving better predictive maintenance insights on assets using proprietary machine-learning algorithms that automatically forecast machine failure and remaining useful life. This seamless capability means that companies at any stage of IoT maturity can leverage advanced machine learning intelligence to improve shop floor productivity, product quality and to proactively reduce manufacturing downtime.

Tern had an outstanding convertible loan balance of £50,000 with InVMA as at 30 June 2020, this increased by a further £125,000 post period end, with Tern's investment being accompanied by £125,000 of convertible loan investment from the Future Fund.

The annual report and accounts for InVMA for the year ended 31 December 2019 are expected to be submitted to Companies House shortly.

Push Technology Limited *("Push Technology")*
Valuation of holding: £34,205
Holding: <1%

Sector: Data distribution
Invested since: July 2014

Push Technology, a company in which Tern holds less than 1%, secured £10m of Series A funding in April 2020, led by Maven Capital Partners. It was reported that the company has begun the year strongly, benefitting from market momentum building as the use of web and mobile devices to access global busines systems grows.

For organisations worldwide, Push Technology’s software product, Diffusion, powers the real-time applications and systems critical to their business expansion, revenue growth, and optimal ongoing business operations. Diffusion simplifies and speeds development, deployment, and scaling of customers’ systems, providing peace of mind that data is securely managed and efficiently delivered in real-time.

Unaudited Income Statement and Statement of Comprehensive Income
For the six months ended 30 June 2020

	Notes	6 months to 30 June 2020 (Unaudited) £	6 months to 30 June 2019 (Unaudited) £	12 months to 31 December 2019 (Audited) £
Fee income		42,076	51,965	124,766
Movement in fair value of investments	**9**	736,470	11,724	293,756
Total investment income		778,546	63,689	418,522
Administration costs		(632,644)	(494,028)	(1,028,605)
Other Expenses		(95,857)	(192,718)	(245,414)
Operating profit/(loss)		50,045	(623,057)	(855,497)
Finance income		92,429	1,943	74,854
Finance costs		-	(2,226)	-
Profit/(loss) before tax		142,474	(623,340)	(780,643)
Tax		-	-	-
Profit/(Loss) and total comprehensive income/(loss) for the period		142,474	(623,340)	(780,643)
Earnings per share	**8**			
Basic and diluted earnings/(loss) per share		0.1p	(0.3)p	(0.3)p

Unaudited Statement of Financial Position
As at 30 June 2020

	Note	30 June 2020 (Unaudited) £	30 June 2019 (Unaudited) £	31 December 2019 (Audited) £
Assets				
Non-current assets				
Investments	**9**	19,128,216	15,793,597	17,882,660
		19,128,216	15,793,597	17,882,660
Current assets				
Trade and other receivables		172,024	780,347	174,486
Cash and cash equivalents		789,542	1,372,724	1,007,965
		961,566	2,153,071	1,182,451
Total assets		20,089,782	17,946,668	19,065,111
Equity and liabilities				
Share capital	**10**	1,358,238	1,352,433	1,355,571
Share premium		23,335,580	21,006,754	22,578,619
Retained earnings		(4,793,171)	(4,880,904)	(5,021,113)
		19,900,647	17,478,283	18,913,077
Current liabilities				
Trade and other payables		189,135	468,385	152,034
Total liabilities		189,135	468,385	152,034
Total equity and liabilities		20,089,782	17,946,668	19,065,111

Unaudited Statement of Changes in Equity
For the six months ended 30 June 2020

	Share capital	Share premium	Retained earnings	Total equity
	£	£	£	£
Balance at 31 December 2018	1,348,903	19,660,434	(4,257,564)	16,751,773
Total comprehensive income	—	—	(623,340)	(623,340)
Transactions with owners				
Issue of share capital	3,530	1,496,470	—	1,500,000
Share issue costs	—	(150,150)	—	(150,150)
Balance at 30 June 2019	1,352,433	21,006,754	(4,880,904)	17,478,283
Total comprehensive income	—	—	(157,303)	(157,303)
Transactions with owners				
Issue of share capital	3,138	1,746,865	—	1,750,003
Share issue costs	—	(175,000)	—	(175,000)
Share based payment charge	—	—	17,094	17,094
Balance at 31 December 2019	1,355,571	22,578,619	(5,021,113)	18,913,077
Total comprehensive income	—	—	142,474	142,474
Transactions with owners				
Issue of share capital	2,667	797,333	—	800,000
Share issue costs	—	(40,372)	—	(40,372)
Share based payment charge	—	—	85,468	85,468
Balance at 30 June 2020	1,358,238	23,335,580	(4,793,171)	19,900,647

Unaudited Statement of Cash Flows

For the six months ended 30 June 2020

	Note	6 months to 30 June 2020 (Unaudited) £	6 months to 30 June 2019 (Unaudited) £	12 months to 31 December 2019 (Audited) £
OPERATING ACTIVITIES				
Net cash used in operations	**11**	(554,777)	(521,944)	(1,337,878)
Purchase of investments		(517,221)	(925,634)	(1,808,034)
Loan to investee companies		-	(445,292)	(688,332)
Cash received from sale of investments		92,864	-	-
Interest received		1,083	1,943	3,555
Net cash used in operating activities		(978,051)	(1,890,927)	(3,830,689)
FINANCING ACTIVITIES				
Proceeds on issue of shares		800,000	1,500,000	3,250,003
Share issue expenses		(40,372)	(150,150)	(325,150)
Net cash from financing activities		759,628	1,349,850	2,924,853
Decrease in cash and cash equivalents		(218,423)	(541,077)	(905,836)
Cash and cash equivalents at beginning of period		1,007,965	1,913,801	1,913,801
Cash and cash equivalents at end of period		789,542	1,372,724	1,007,965

Notes to the Unaudited Interim Statements
For the six months ended 30 June 2020

1. General information

Tern plc is an investing company specialising in private software companies, predominantly in the Internet of Things sector.

The Company is a public limited company, incorporated in England and Wales, with its ordinary 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 statements of Tern Plc have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union (EU). They do not include all of the information required for full annual financial statements and should be read in conjunction with Tern plc's audited financial statements for the year ended 31 December 2019. The financial information for the year ended 31 December 2019 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 2019 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 and drew attention by way of emphasis to the impact of COVID-19 on the Company. 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. The post period end fundraise and the impact of COVID-19 has been considered as part of the Directors' assessment.

4. Investments

The investment valuation consists of equity investments and convertible loan notes.

In accordance with IFRS 10, para 4, investments are recognised at FVTPL in line with guidance set out in IFRS 9. Changes in foreign exchange rates impact investments valued in a foreign currency.

5. Convertible Loans

Financial assets

Convertible loans provided to investment companies are evaluated with reference to IFRS 9. The convertible loan facility issued to Device Authority is a financial asset with multiple embedded derivatives and a warrant instrument. The convertible loan facilities issued to InVMA and Wyld Networks are financial assets with multiple embedded derivatives. IFRS 9 permits the entire contract for both loans to be designated at FVTPL.

6. Critical accounting judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

ESTIMATES

Fair value of financial instruments

The Company holds investments of £19.1 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 business, other valuation methods such as discounted cash flow analysis assess estimates of future cash flows to derive fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

The Company holds financial assets that have been held at FVTPL. The value of the convertible loan note has been estimated by assessing the probability of each possible redemption or conversion scenario and accounting for this within the overall fair value assessment.

JUDGEMENTS

Investments held at FVTPL

The critical judgement that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is the assessment that 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.

7. 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 and therefore the figures presented on the face of the income statement and statement of financial position represent the segmental information.

8. Earnings/Loss per share

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

	6 months to 30 June 2020	**6 months to 30 June 2019**	**12 months to 31 December 2019**
	£	**£**	**£**
Profit/(Loss) for the purposes of basic and fully diluted loss per share	142,474	(623,340)	(780,643)
Weighted average number of ordinary shares (see note below):	Number	Number	Number
For calculation of basic earnings/(loss) per share	277,271,791	245,256,672	251,945,498
For calculation of fully diluted earnings/(loss) per share	278,608,041	245,256,672	251,945,498
Earnings/(Loss) per share			
Basic and diluted earnings/(loss) per share	0.1p	(0.3)p	(0.3)p

The fully diluted loss per share for 2019 is the same as the basic loss per share as the loss for the period has an anti-dilutive effect on earnings per share.

9. Investments

	30 June 2020	30 June 2019	31 December 2019
	£	£	£
Fair value of investments brought forward	17,882,660	14,856,239	14,856,239
Reclassification of cash flow loans from other debtors	-	-	165,000
Interest accrued on convertible loan note	91,346	-	71,299
Additions	517,221	925,634	2,496,366
Disposals	(99,481)	-	-
Cost of investments carried forward	18,391,746	15,781,873	17,588,904
Fair value adjustment to investments	736,470	11,724	293,756
Fair value of investments carried forward	19,128,216	15,793,597	17,882,660
Fair value of equity investments	10,808,679	8,034,875	10,196,240
Fair value of convertible loans	8,319,537	7,758,722	6,833,088
Fair value of cash flow loans	-	-	853,332
Fair value of investments	19,128,216	15,793,597	17,882,660

The convertible loan facility issued to Device Authority is a financial liability with multiple derivatives and the entire contract has been designated at FVTPL, with any movement in fair value taken to profit or loss for the year. For the six months to 30 June 2020 the fair value increase was £0.7 million (30 June 2019: £nil). The convertible loan note has been secured with a charge over Device Authority's intellectual property.

The cash flow loan issued to Wyld Networks was converted into a secured convertible loan note in May 2020. It is a financial liability and the entire contract has been designated at FVTPL, with any movement in fair value taken to profit or loss for the year. The convertible loan note has been secured with a charge over Wyld Network's intellectual property.

10. Issued share capital

	30 June 2020	30 June 2019	31 December 2019
	Number	Number	Number
Issued and fully paid:			
Ordinary shares of £0.0002	283,352,376	254,323,945	270,019,045
Deferred shares of £29.999	42,247	42,247	42,247
Deferred shares of £0.00099	34,545,072	34,545,072	34,545,072
	£	£	£
Issued and fully paid:			
Ordinary shares of £0.0002	56,670	50,865	54,003
Deferred shares of £29.999	1,267,368	1,267,368	1,267,368
Deferred shares of £0.00099	34,200	34,200	34,200
	1,358,238	1,352,433	1,355,571

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

During the period, Wyld Networks issued a £400,000 convertible loan note (“CLN”) to an external party (the “CLN Holder”) which includes a put option on Tern shares. Under the terms of the convertible loan note, and following a conversion event, any amount of the convertible loan note not converted into Wyld shares will automatically be converted into fully paid ordinary shares of 0.02 p each in the capital of Tern ("Tern Shares") at a 15% discount to the market price of Tern Shares on AIM at market close on the date of the conversion event. If a conversion event has not occurred by 6 May 2021 (the "Maturity Date"), then the CLN Holder has the option to elect to convert all of the CLN into Tern Shares at a 15% discount to the five-day average closing price of Tern Shares on AIM immediately prior to the Maturity Date, or, failing such election, the maturity date of the CLN is to be extended for one further year ("the Second Maturity Date"). If a Conversion Event has not taken place by the Second Maturity Date, the CLN will automatically convert into fully paid Tern Shares at a 15% discount to the five-day average closing price of Tern Shares on AIM immediately prior to the Second Maturity Date.

11. Cash flow from operations

	6 months to 30 June 2020 (Unaudited)	6 months to 30 June 2019 (Unaudited)	12 months to 31 Dec 2019 (Audited)
	£	£	£
Profit/(Loss) for the period	142,474	(623,340)	(780,643)
Adjustments for items not included in cash flow:			
Movement in fair value of investments	(736,470)	(11,724)	(293,756)
Share-based payment charge	85,468	-	17,094
Deferred cash on sale of investment	6,617	-	-
Interest income accrued	(91,346)	-	(71,299)
Finance income	(1,083)	(1,943)	(3,555)
Operating cash flows before movements in working capital	(594,340)	(637,007)	(1,132,159)
Adjustments for changes in working capital:			
- Decrease/(increase) in trade and other receivables (excluding loan to investee companies)	2,462	(95,875)	(100,306)
- Increase/(decrease) in trade and other payables	37,101	210,938	(105,413)
Cash used in operations	(554,777)	(521,944)	(1,337,878)

12. Availability of interim results

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