tern

www.ternplc.com

Building Better Businesses

Tern Annual Report: 2021

“2021 has been an excellent year for Tern and our partner businesses”

Al Sisto, CEO

£32.4m

Net assets

2020: £24m

£4.6m	9.2p	£2.5m
Profit after tax	Net asset value (NAV) per share	Funds reinvested
2020: £0.8m	2020: 7.3p	2020: £2m

47%	1.35p	132
Network of companies revenue growth	Basic Earnings per share	Network of companies employee nos.
2020: 18%	2020: 0.30p	2020: 106

A successful year with improved results delivered across all financial indicators

Net asset growth of 35% and a 26% increase in net asset per share

Profit before tax increased by 25%

Basic earnings per share (EPS) increased by 350% in 2021 and the Company reported positive retained reserves for the first time

Our network of companies[1] delivered aggregate year-over-year revenue growth of 47% (2020: 18%)

Our network of companies increased employee numbers in aggregate by 35% to 132 (31 December 2020: 106) and revenue per employee increased by 25%. (2020: 31% and 24% increases respectively)

Additional capital raised during the year of £4m (before expenses) with £2.5m of this injected in 2021 into our network of companies to support their value enhancing fundraises

Wyld Networks value more than doubled from £4m at 31 December 2020 to £8.7m at 31 December 2021 following a successful IPO on the Nasdaq First North Growth Market in Stockholm

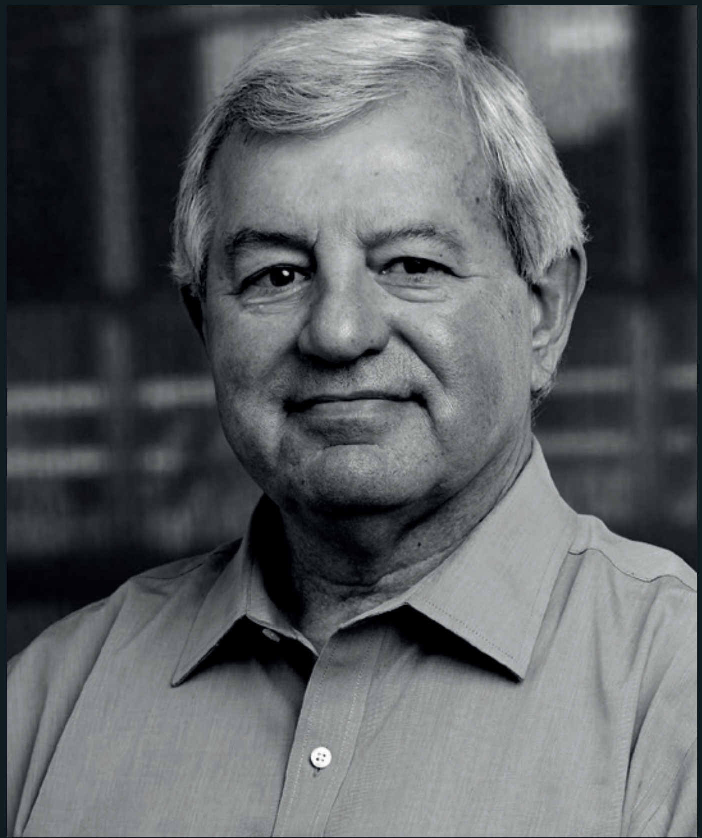
Further validation of business model through a net £6.2m fair value uplift across four companies, £4.7m achieved for Wyld Networks, and the remainder from Device Authority, Konektio and Talking Medicines

tern

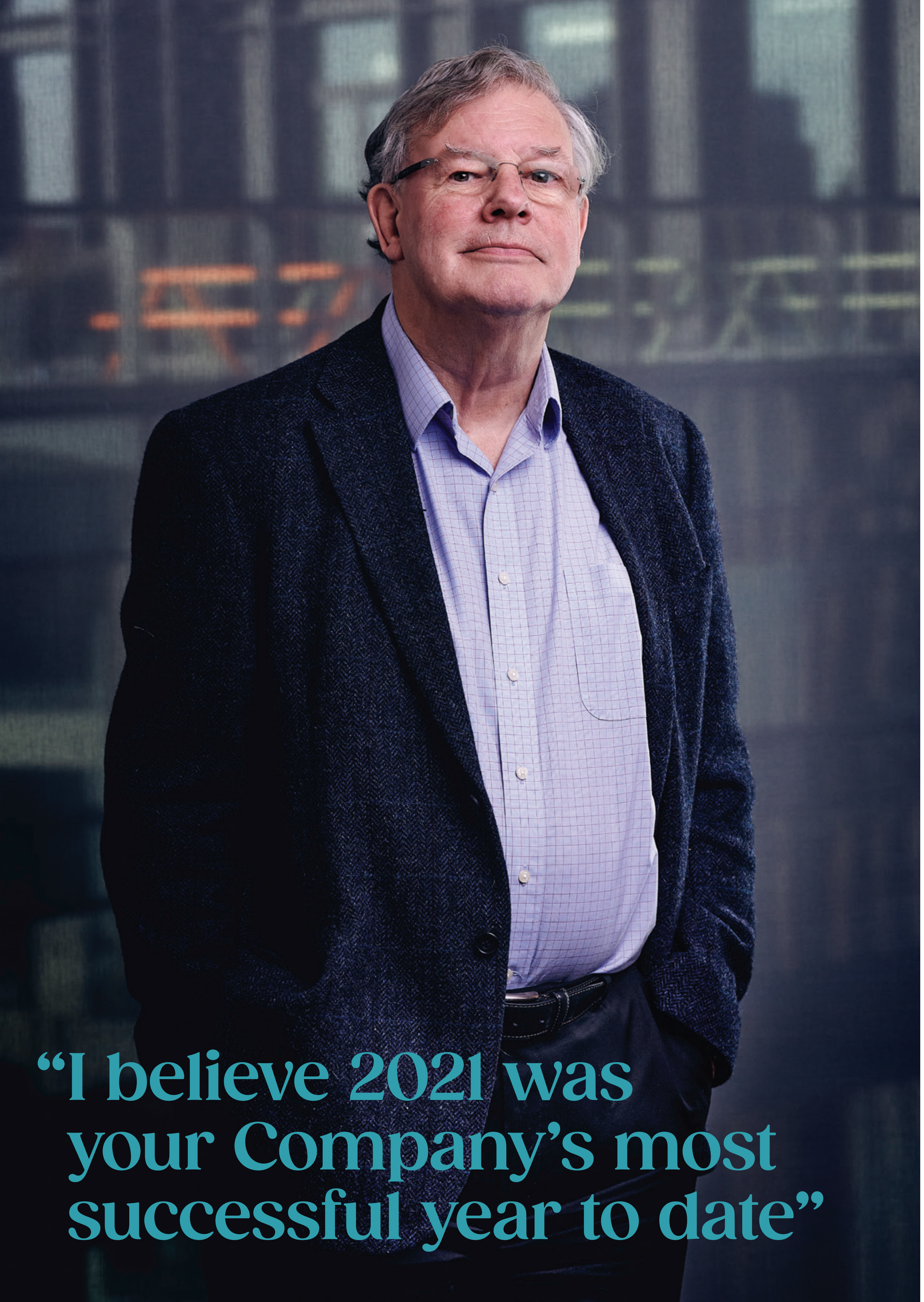
www.ternplc.com

1 Our ‘network of companies’ or ‘our companies’: Device Authority Limited, Wyld Networks AB, InVMA Limited (trading as Konektio), FVRVS Limited (trading as FundamentalVR) and Talking Medicines Limited, which are companies that Tern has interests in, as further described in the section headed The Tern Community and as detailed in note 11.

tern an empowering and productive year





Adding expertise and value to business

For the year ended 31 December 2021

I believe 2021 was your Company's most successful year to date. Each one of the companies in our network has made substantial and demonstrable progress during the year, despite the continuing challenges of the global COVID-19 pandemic, both in terms of revenue growth and in value.

The majority of the companies in our network attracted additional support and investment from independent third parties this year after they conducted thorough reviews, demonstrating ongoing confidence in their business models and future prospects. Third parties, in addition to Tern, provided additional resources to accelerate the development of new products and expand the base of satisfied users which led to increased Monthly Recurring Revenue (MRR).

I would like to take this opportunity to thank Al Sisto and the Tern executives for their hard work over the year. It is through their extraordinary efforts that we have achieved such excellent results. I would also like to note my appreciation for the support of our other non-executive director, Alan Howarth, who always adds sound advice based on his considerable business and financial experience.

Our philosophy is to add expertise and value to exceptional early-stage technology businesses in the key growth areas of Internet of Things (IoT), Artificial Intelligence (AI) and Data Science, but in doing so we have always made sure that we add much more than just money. One of our team serves as a director on the board of each of our companies and we strive collectively to actively help each company with their strategic challenges, whether it is sourcing key management skills, identification of target markets, or establishing new key sales offices.

During the COVID-19 pandemic, each of our companies have been required to substantially change the way they operate. In many cases this has involved staff working remotely and they have been forced to make, not only creative use of videoconferencing, but also good use of other technology tools to ensure that their teamwork remains effective.

In these circumstances extra efforts have been required to ensure that 'esprit de corps' attitudes are maintained among teams. Fortunately, much technology development can be achieved effectively through remote working and productivity has generally been maintained.

Tern has also gathered the CEOs all of the companies in our network in regular themed joint videoconferencing calls to report successes and challenges. As a result, one of our companies frequently offers help and support to another, and key lessons are learned and shared creating a force multiplier effect.

We have also established a separate ESG (Environmental, Social, and Governance) committee among the companies in our network in which each of these businesses can share their plans and collective conscientiousness for social and environmental factors. We aim to build metrics by which in future our ESG 'score' can be measured.

During 2021 we raised £4m in fresh funding which we have predominantely utilised to ensure that we continue to support our network of companies as they grow.

In one particular case, one of our companies, Wyld Networks, which listed on NASDAQ First North Growth Market in July 2021, achieved a market value of over £8m and has become a category leader. In another, our most recent addition to our network, Talking Medicines, has successfully raised external investment, from a leading life science investor to continue its value creation path and begin its expansion into the US.

As someone who has been involved with early-stage technology businesses for over 25 years, I feel that Tern, as a public company, takes a very honest and straightforward approach to its operations and our shareholders are free to buy and sell their shares at any time. But I must point out that as the companies in Tern's network are all early-stage, and although we work hard in conjunction with these companies and their leadership teams to create substantial value, we are regulated by market dynamics and have relatively little control over when such value will be realised.

In short, a stake in Tern should be seen as an ability to participate in the development of attractive businesses, generally not available to private investors, whose growth, with our guidance, will provide long-term capital gains.

It is our job to ensure that we work to achieve the strongest return for your investment, and we assure you that we will continue to make that our principal goal.

Ian Ritchie
CBE, FREng, FRSE
Chairman

"We strongly believe that values and culture are just as important as strategy"

In the ongoing challenges that have come from the pandemic, Tern succeded in delivering strong results and rewards to shareholders, while helping its network of companies not only navigate difficult times, but to actively strengthen and expand their commercial reach and opportunities.

Staying disruptive during global disruption

For the year ended 31 December 2021

I am pleased to report a record year for Tern, delivering growth in all key performance areas during a year of significant disruption to society, industry and particularly the technology sector. In a year when the world continued to stay at home the companies in Tern's network adapted to meet their customers' requirements and delivered more products and services than ever before. Performance by our network of companies resulted in an increase in our net assets of 35%, an increase in net assets per share of 26% and an increase in basic earnings per share of 350%.

As we adjusted to this 'new normal', no one predicted the pandemic's far-reaching economic impact, nor how industry would rapidly adopt technology and digital transformation. A vast proportion of these transformations were and are being led by the IoT, which has become a critical strategic component in developing new innovative digitally based solutions and new business opportunities.

We leveraged these wholesale changes of how businesses now need to operate and actively supported directly, and with our network of partners, to strengthen our businesses, resulting in uplifts to their value and in accelerating their Monthly Recurring Revenue (MRR), which we consider to be a key metric in establishing their market value in a trade sale or Initial Public Offering (IPO).

Our record performance and growth in 2021 is a testament to our strategy, built on our operational expertise, network of industry experts here and in the US, and hands on approach. A strategy that has helped our management teams adapt to the changing requirements of customers and markets, grow their businesses, secure additional third-party support and to make Tern the 'go to IoT company' for UK start-ups in healthcare and deep tech industrial IoT that are seeking to become industry leaders on the global stage.

Strategy Update

Tech M&A surged to a staggering US$1.1 trillion during 2021, an increase of 71% compared to 2020 and accounted for 20% of the US$5.9 trillion in the year's global M&A deal value and where software deals dominated the 2021 tech M&A landscape[1].

We expect the robust pace of deal making to continue in 2022 and beyond. We expect the tech M&A market to stay competitive in 2022, as strategic player continue to accelerate expansion through transformative M&A and as private equity firms head into the year with ample dry powder and hundreds of Special Purpose Acquisition Companies (SPACs) seek possible business combination targets.

As a result, the strategy of developing early-stage technology companies has changed to reflect the key market drivers of the acquirers. Today, all of the companies in our network are on a strong path, creating product lines that are unique in their solutions and are consistently developing an accelerated repetitive revenue model, or MRR to drive their market leadership and value. We believe the following to represent the key drivers of value that we work to achieve with our network of companies:

- **True SaaS (Software as a Service), or SaaS, subscription-based revenues;**
- **Demonstrated brand recognition and revenue retention;**
- **Historical and forward growth that achieves the 'Rule of 40' trade-off between profitability and growth;**
- **IoT solutions that drive critical business insights and action;**
- **In-house engineering team with strong employee retention; and**
- **IoT solutions that become an integral part of managing customers' businesses**

Hence our focus on obtaining year over year increases in MRR, as well as broader support from additional independent new third parties to help support them alongside Tern.

Additionally, we believe the process to create these great businesses requires focus and attention. We expect to continue to build a network of companies centred around the key components of the IoT ecosystem that are critical to usage in Healthcare (IMoT) and Industrial (IIoT) such as:

- **Connectivity Services**
  — LoRA, Satellite, Connectivity Management
- **End to End Security (Security by Design)**
  — Device Management, Connectivity Management, Two Way Control
- **Data Analytics and Visualization**
  — Virtual Reality/Augmented Reality, Digital Twins
- **Application Enablement**
  — Data Curation, Artificial Intelligence, Machine Learning Leading to Insights

With Tern's collective expertise and our hands on approach this enables us to deliver, where helpful, the advice and support

>>

1. Refinitiv Reports 2021 Q4 – Global M&A Financial Advisors

our companies need to assist them to achieve their strategic and operational goals, whilst not diluting our efforts across an overly broad set of generalist businesses. We work to provide founders with the tools we wished we had when we were in their shoes.

As a group of former founders and operators we focus our help across our companies specifically in four key areas:

- **use of capital;**
- **revenue and go-to market;**
- **product; and**
- **talent.**

As mentors and advisors, we relentlessly hustle to deliver value in these four areas. We give our time liberally, listen intently, and take action immediately. We have travelled this road many times and have a deep understanding of the challenges facing founders. Winning is a mindset. We are as ambitious as our founders and know that winning requires passion, grit, and both dynamic and orthogonal thinking that we can deliver from our diverse expertise, broad networks and experience. Our common thread is supporting disruptive companies and teams with strong products in large markets where we can help accelerate their brand recognition and MRR growth and path to success quickly.

Our Values and Culture

We strongly believe that values and culture are just as important as strategy. We seek to partner with ambitious entrepreneurs who want to tackle big, hard problems in ways most think not possible to create a better future. In this regard, we believe that integrity, transparency, humility, and a commitment to excellence are paramount to our mutual success. Those values underpin a culture that is team-first, non-hierarchical and meritocratic.

Operations and Financial Performance

Tern's collective operating experience in SaaS Software, Deep Tech, and Healthcare IoT technologies has helped each of the companies in our network to make substantial progress during 2021, which I believe has significantly increased the value that will ultimately be delivered for Tern shareholders. Value that can be measured in accelerated commercial progress, a continued increase in year-over-year MRR and the willingness of third-party partners to join us on the journey.

We achieved this key operating improvement by working side by side with the companies in our network through the global economic paralysis in the early days of the COIVD-19 pandemic to adjust to the new normal, resulting in renewed and enhanced commercial traction and growth.

Keeping a careful eye on our companies' liquidity and their access to additional resources when needed, were and are, we believe, the imperative to preserving shareholder value during economic shocks, such as our most recent experience caused by the global pandemic. We are vigilant and continue to be relentless with our support and are continuously working to create pathways towards sustainable multi-year growth that is several multiples over what has already been achieved. I am pleased to say that with the support of our shareholders, Tern was able to support our companies with additional resources, as required, during these times. In addition, to leverage the synergies of our network of IoT focused companies, we continued our series of fortnightly CEO round tables discussing the topics relevant to growing disruptive businesses and how to maximise value creation in the businesses, for example, by sharing go-to-market strategies and technologic advancements.

Three successful 2021 examples of the value created for our shareholders resulting from our vigilance and hands-on approach are Wyld Networks, InVMA (trading as Konektio) and Device Authority.

Today, Wyld Networks is a virtual satellite network operator that develops and delivers innovative wireless technology solutions that enable affordable connectivity for IoT devices and sensors anywhere in the world, especially for the 85% of the world's surface where there are no traditional cellular networks. Starting from humble beginnings in Brighton and Cambridge, we saw, in the two founders' ideas and passion, the ability to disrupt access to the Internet. Securing new commercial partners and helping to form the creation of a global IoT consortium, they have engaged customers to create a new market segment with launch partner agreements with end-users in energy and agriculture with customers such as Chevron and Bayer. Their relevance is also validated by their consortium partners which include some of the world's largest terrestrial LoRaWAN® IoT operators such as American Tower and Senet, with an objective to offer their existing and new customers the Wyld Connect satellite IoT solution to provision for 100% global coverage. Strong performance by the company has validated our approach and has created value for our shareholders.

Similarly at Konektio we, in collaboration with the founders, saw the opportunity to synthesise years of experience in designing and creating control systems as an engineering services business into a remote sensor/device monitoring SaaS based application which is now in the market as AssetMinder®. It is a product that connects legacy and existing systems and IoT based sensors to provide contactless data driven insight into their performance and state of operation.

Our commitment to supporting Konektio's transformation from a services business to a SaaS software company using AssetMinder® as the catalyst is another proof point in how our network of resources help founders create new and exciting business models that solve critical problems in large global markets. Business models that accelerate value creation through an MRR based metric and that attract additional partners to help us continue the journey in making AssetMinder® an industry leading product.

Lastly, and of significant importance was Device Authority's strategic partnership transaction with Venafi, a US$1.15 billion market cap industry leader, announced on 2 December 2021. This was the fulfilment of a commitment we made previously. We believe obtaining an active strategic partner with solid cybersecurity credentials and a large presence in the United States will help catapult Device Authority into North America. Venafi, with its major investor Thoma Bravo, fulfils this goal. However, in crafting this strategic transaction we did not lose sight of our ultimate objective to continue to create and return value to our shareholders.

Helping to build a company creating sustainable value is a journey that demands courage to take difficult and sometimes complicated actions to help put our companies on a proper trajectory for growth that is the critical component to drive value creation for our shareholders. Our network of companies are now well-funded and in the best commercial shape since our inception. The Tern team is fully focused on delivering another year of successful progress. We are constantly focused on building our companies to their next stage to maximise the opportunities available in the IoT market.

I fundamentally believe that our network of companies have very exciting futures ahead of them and 2022 will be a year of further significant progress.

"Our network of companies are well-funded and in the best commercial shape since our inception"

Sustainability and Governance

The excellent performance and results by the Company in 2021 are testament to the collective efforts of not just the Board, but of every employee at Tern and at our network of companies.

Since our humble beginnings in 2013, Tern has worked from a foundation built upon a strong corporate ethic in all its dealings and always strives to act in the best interests of its stakeholders. Proactive engagement with all stakeholder groups remains fundamentally important to our Board. We are members of the Quoted Companies Alliance (QCA) and have adopted their code of conduct and recommendations for industry best practices as part of our operating culture. For example, whilst the COVID-19 lockdowns and remote working imperatives curtailed face-to-face engagement during the past two years, Tern has been proactive using digital technologies to communicate such as podcasts, blogs and online Capital Markets Day events.

During the year we established an Environmental, Social and Governance (ESG) committee comprised of highly motivated employees from the companies in our network as many of these companies are developing technologies which help society, improve the quality of life, and ultimately help reduce carbon emissions. To ensure a unified mission, the ESG Committee is led by Alan Howarth and supported by Sarah Payne, our CFO. Leveraging Sarah's passion for ESG, and the committee's broad levels of expertise from the participants, we are now identifying key metrics to allow our network of companies to contribute positively to society's needs, minimising their carbon footprint, driven by good business sense and strong governance. The committee is also chartered to provide Tern with an ESG checklist for consideration in all new company building activity.

We look forward to reporting further on the committee's activities during the year and its work towards making Tern and its network of companies' leaders in ESG practices for the mutual benefit of all stakeholders and the planet as we strive to become carbon neutral in 2022.

Outlook and Summary

Our record financial results succinctly reflect the quality of the business which we have transformed by using the expertise of our team and network of resources. We greatly appreciate the continuing inspiration and support of our shareholders and advisers and are pleased to be delivering on our Key Performance Indicators (KPIs) and independent third-party validation of value creation throughout our companies.

Digital Transformation is leading the way in the markets we target and helping to create a new economic normality. We believe this heightened interest in using IoT devices, both new and installed, will accelerate during 2022. Acceleration that will bolster aggregate MRR growth across our companies now and for the foreseeable future. 2021 was a very good year with new independent third-party partners brought into our companies and we expect the continued MRR growth to drive additional strategic interest this year to help solidify their market segment leadership.

Having received new capital to fund their disruptive ambitions, we believe we will see significant further growth in employment across the companies in our network to aid in the execution of our plans to expand.

As we are continually evaluating the possibilities for our network of companies, we are also continuously evaluating additions and or replacements to support the growth of Tern and to stimulate additional value creation for our shareholders. We expect the Tern team to review additional opportunities to expand our network of companies during this year with an objective of securing an interest in at least one new exciting company to be added to the network that will add new capabilities, talent and the opportunity to support our growth objectives and improve our results.

Tern has grown significantly since its modest inception in 2013 via a combination of organic initiatives and shareholder support. We anticipate that this combined approach will continue during the next three years along with non-organic initiatives to continue increasing the total value of our business and the holdings of our shareholders. The successful execution of Tern's strategy by our team, despite the uncertainties created by the pandemic and government responses, has materially grown shareholder value and is a proof point that the Tern hands-on model works.

As CEO, I am extremely proud to be part of Team Tern and its culture, which is comprised of outstanding people who care about each other, our companies, our stakeholders and, importantly, who care about our planet.

I look forward to updating you, our shareholders throughout the year to report on our execution, growing confidence, expanding ambition, and value creation.

Albert Sisto
CEO

The Tern Community

Tern is committed to working with companies that are building the businesses who will change the future for the better.

Device Authority Limited ("DA" or "Device Authority")
Holding: 53.8%

Device Authority is a global leader in Identity and Access Management (IAM) for the IoT; focused on the automotive, medical device (IoMT) and industrial (IIoT) sectors.

Device Authority's KeyScaler™ platform provides zero touch provisioning and complete automated lifecycle management for securing IoT devices and data at scale, with frictionless deployment across device provisioning, authentication, credential management, policy based end-to-end data security/encryption and secure OTA (Over the Air) and HSM (Hardware Security Module) updates. KeyScaler™ is system agnostic, and protects their customers' global IoT deployments at the edge, in the cloud and integrating into complex policy-driven requirements, independent of the customers' proprietary hardware and software environments. KeyScaler™ is deployed both direct, and through key platform and system integrator partners such as Microsoft, Wipro, EPS Global/Intrinsic ID.

"We've been working with Tern since we started, and they've not only helped us in advancing our technology, but also helped us gain access to the markets which are key to our continued commercial success"

Darron Antill, CEO

Konektio is pioneering the next generation of Industrial IoT, delivering value by connecting businesses' people, process, places and things.

Konektio helps industrial and manufacturing companies prosper by converging their physical assets with new transformational digital insights. Konektio's AssetMinder® is a modular, industry 4.0, IoT SaaS platform, using a wide range of analytical tools and AI and machine learning algorithms to connect up whole factory floors and processes as well as managing resources into and out of the factory. AssetMinder® assesses the effectiveness and efficiencies of entire operations, putting customers in control of their assets and therefore directly impacting productivity, efficiency and business outcomes.

"We're so excited about the next developments of our AssetMinder® tool, we can't bring them online fast enough. We think our future is bright with the support of Tern"

Peter Stephens, CEO

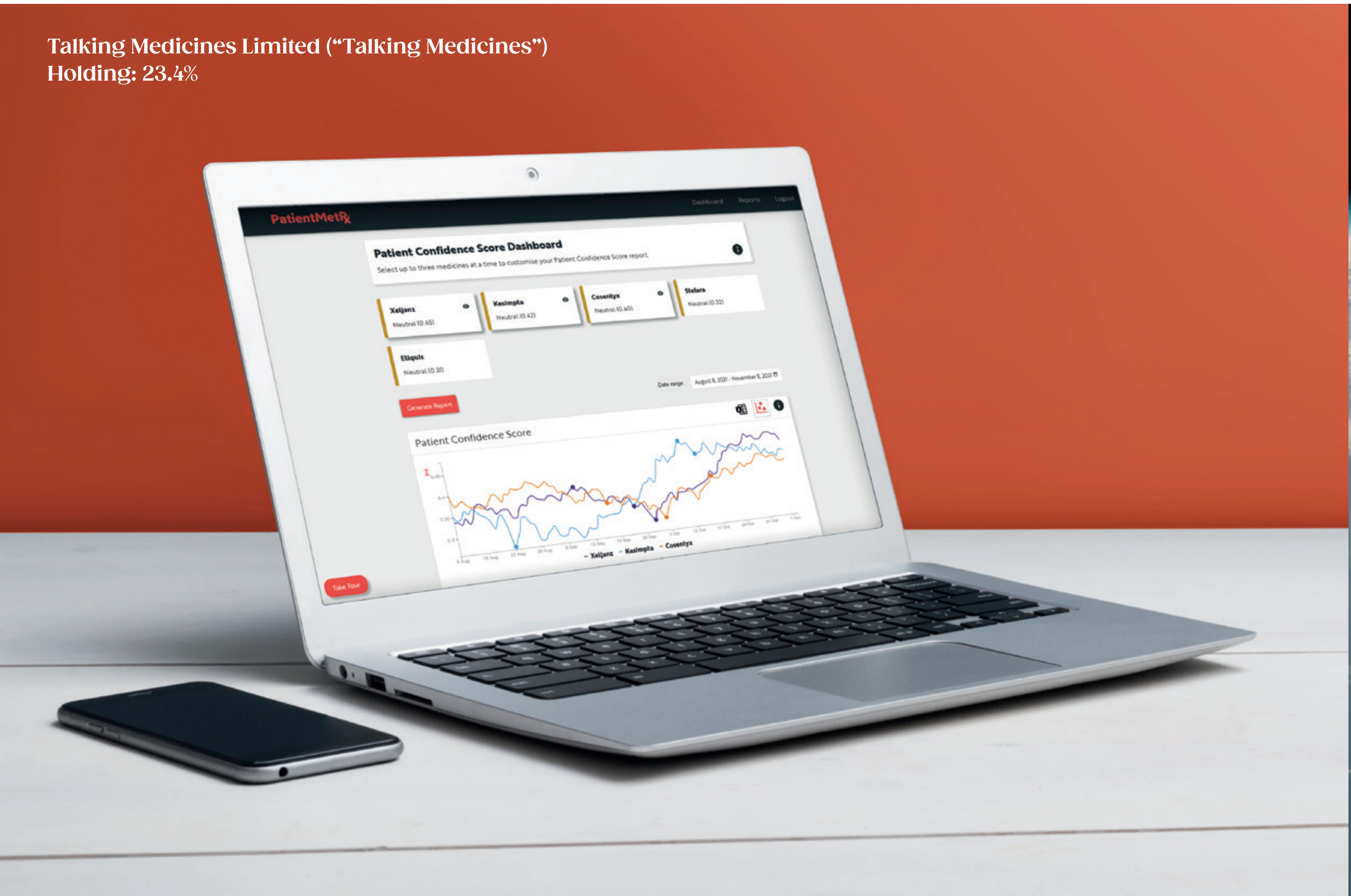
Providing a solution that is revolutionising Life Science companies' approach to surgery practice and education, FundamentalVR is making huge strides in its markets in Europe and the US.

FundamentalVR provides the Company with exposure to the rapidly growing medical simulation market using low cost open-system IoT devices. Their proprietary HapticVRTM platform replaces wet labs and cadaveric training with remote, collaborative training to accelerate life science product adoption.

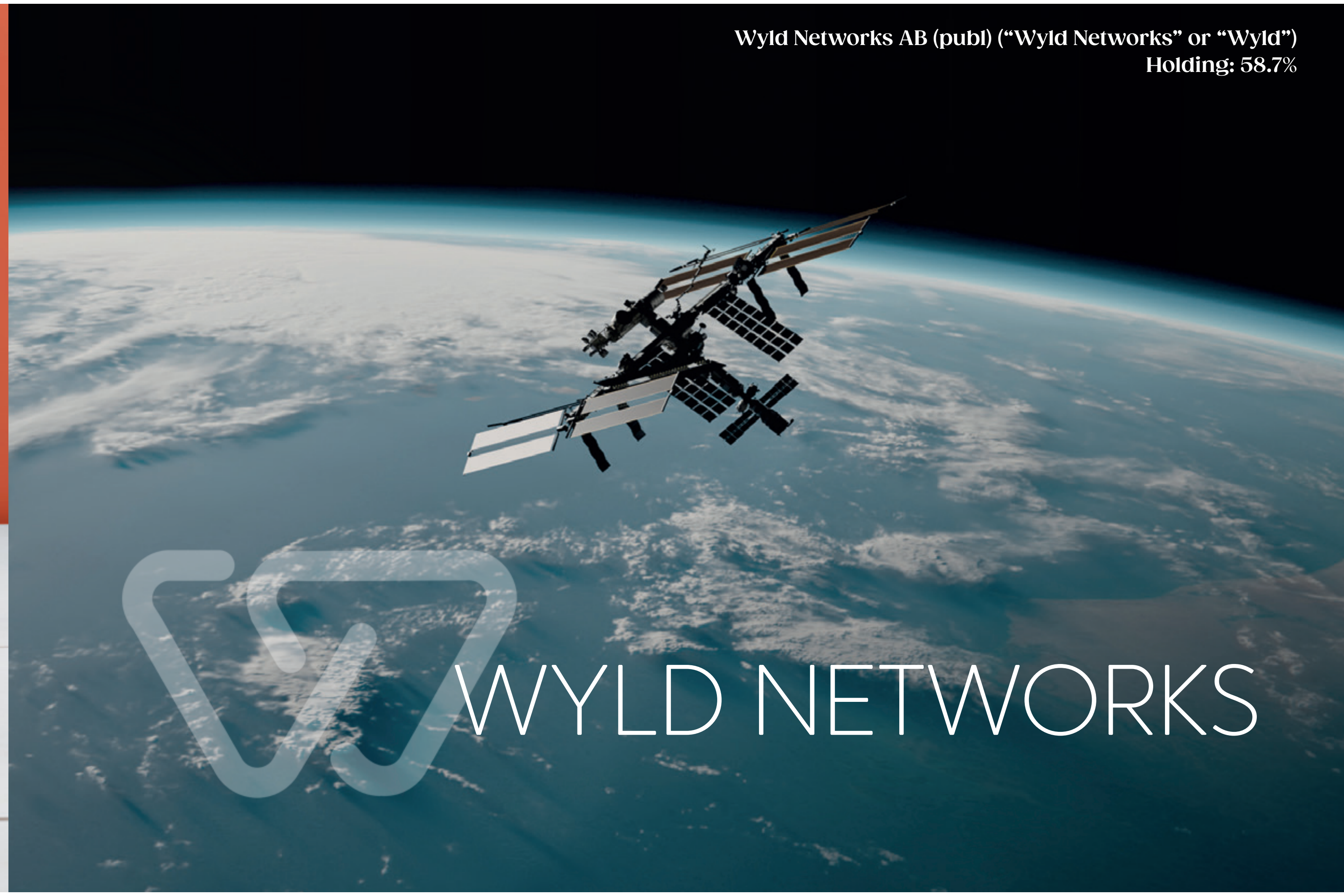
"Tern brought a wealth of experience in how to build a business, and for the last few years we've been doing exactly that, growing from where we were as a company of just three people, to where we are today"

Richard Vincent, CEO

Talking Medicines Limited ("Talking Medicines")
Holding: 23.4%



Wyld Networks AB (publ) ("Wyld Networks" or "Wyld")
Holding: 58.7%



Talking Medicines continue on their mission to become the gold standard in patient intelligence by medicine.

Talking Medicines is a social intelligence company designed specifically for the pharmaceutical industry. By structuring and translating the patient's voice on social media into actionable intelligence, it focuses on assisting pharmaceutical companies in delivering a greater return on investment for marketing and delivering better health outcomes for patients. Its platform, PatientMetRx, is an artificial intelligence (AI) and natural language processing (NLP) powered social intelligence service, to provide pharmaceutical companies with insights on patient experience on a scale and depth not previously possible.

"Tern is a very different type of partner, they are with you for the long-term and are a real team player as you build your business"

Jo Halliday, CEO

Wyld's ongoing success has meant more and more customers signing up to their low-cost, high value data solution.

Wyld Networks mission is to develop and market innovative solutions to create global and affordable wireless connectivity for people and things, from connecting IoT devices in hard-to-reach areas with satellite IoT solutions to connecting smartphones together in mesh networks without the need for WiFi or 4G.

"Tern brings a wealth of real-world experience in building companies from start-up through to scale-up. The collaborative nature of the way we all work is invaluable in sharing expertise and knowledge that helps us all grow as businesses"

Alastair Williamson, CEO

Push Technology Limited ("Push Technology" or "Push")
Holding: < 1%

PUSH TECHNOLOGY

Looking to accelarate the deployment of real-time applications, Push is bringing client products to market, fast.

Push significantly enhances the ability of organisations to communicate in real-time. This includes direct communication as well as indirect, for example, by refreshing data displayed information in real-time rather than when a user explicitly asks for an update. Interactive applications are infinitely more engaging, updating in real-time as new data becomes available.

"We are thrilled to be an active partner with companies that are looking to deliver real change through technology"

Al Sisto, CEO

"Building the next generation of solutions that will help accelerate transformation, security and sustainability in 2022 and beyond"

Tern is a company focusing on large global markets that are being disrupted by digital business value needs. Market issues that require new thinking and expertise to solve the issues created by the digital transformation of their existing processes.

It's a strategy that has teamed us with visionary businesses and business leaders, that are seeking to shake up the status quo — solving real problems for industries that until now seemed impossible on a global scale — and Tern is as driven as these entrepreneurs are, to use technology to deliver process, social and cultural change, alongside creating significant commercial success.

We have, and will continue to actively seek out companies at crucial stages of their development — often early in their first rapid expansion phase, bringing our wealth of market knowledge and business building expertise to the table at this critical time to maximise the impact on the business and set the stage for rapid growth.

Based on identifying a clear path to market, coupled with a clearly identified customer value programme, Tern acts as an active strategic advisor, providing structured, regular mentoring sessions based on our experience and what each unique business requires. We bring a very operational "hands-on" approach combined with board level experience to strategically guide businesses through the minefield of bringing innovation to the market at speed and scale, successfully.

A critical benefit Tern offers is the synergies within the core technologies of our network of companies which creates a "network effect" of collaboration. Our partnership businesses do not exist in silos, they are part of a thriving collaborative network of like-minded businesses, that proactively share experiences, insights and information to the benefit of all.

Tern believes technology is the huge driver for commercial success and societal change when directed and focused properly. Our support and assistance for our network of companies does not stop at growth and commercial success but to also help them realise their true corporate responsibility across every aspect of their operations. So, ESG is not simply a tick-box, but a core part of each company's DNA.

2021 was a hugely successful year, and we intend to expand Tern's strategic impact to transforming businesses.

As the world emerges from recent challenging events, Tern will expand on this success and expertise to continue building the next generation of solutions that will help accelerate transformation, security, and sustainability in 2022 and beyond.

Targeting markets with proven value

Industrial IoT Market worth $106.1 billion by 2026, at a CAGR[1] of 6.7%[2]

Smart Factory Market worth $134.9 billion by 2026, at a CAGR of 11.0%[3]

Internet of things (IoT) in Healthcare Market Worth USD 446.52 Billion at 25.9% CAGR by 2028[4]

1 Compound annual growth rate
2 Markets and Markets, Industrial IoT Market, 2021
3 Markets and Markets, Smart Factory Market with COVID-19 Impact, 2021
4 Fortune Business Insights, 2021

Building the businesses of the future

Tern's commitment to its network of companies is driving their competitiveness and commercial success.

"Tern is working to ensure that all of its network of companies have a positive ESG impact"

Enterprise and ESG

2021 saw strong progress on integrating ESG throughout our Company. We set out to establish core ESG principles during this year. This has included:

Established an ESG committee with representatives from the Board and all our companies meeting regularly throughout the year.

Establish route to becoming carbon neutral in 2022. Assessment of carbon footprint started and plan to fully offset carbon emissions during 2022. Continue to act on this to drive a meaningful reduction each year.

Updated our code of conduct to reflect ESG at the heart of what we do, explaining how we do business ethically and responsibly.

Provided diversity & inclusion training to senior executives at our companies.

Actively encouraged the sharing of great ESG ideas and initiatives across our companies

Continuing to maintain high standards of governance for all our companies

Our strategy ensures we only back companies that have a positive ESG impact: the real-time insights driven from IoT make our communities safer and more connected, and industry more efficient and productive

Tern:
building better futures

Outpacing our own KPIs

For the year ended 31 December 2021

2021 was a successful year of growth, measured by an improvement across all Tern's KPIs. Following 2020, when attention was rightly focused on ensuring all of our network of companies protected their position at a time of extreme uncertainty, 2021 marked a period of growth and progress for these companies.

As a Company we continued to focus on providing shareholders with access to some of the best private Internet of Things (IoT) technology focused companies in the UK.
During the year, one of these companies successfully listed on the Nasdaq First North Growth Market, while another two successfully completed value enhancing fundraises with well-respected partners.

We further strengthened our balance sheet by raising new equity capital of £4m in July 2021. This enabled the Company to continue to support our network of companies as they focus on developing and growing their Monthly Recurring Revenue (MRR).

The value of interests in our network of companies has increased by 40% from £21.9m as at 31 December 2020 to £30.6m as at 31 December 2021. The valuation includes additional funding of £2.5m, including alongside new syndicated partners at Device Authority and Konektio and fair value growth of £6.2m. This primarily comprises a £4.5m fair value gain for Wyld Networks and an aggregated £1.7m gain across Device Authority, Konektio and Talking Medicines.

Net assets increased by 35% to £32.4m as at 31 December 2021 (31 December 2020: £24.0m) and included a strong cash balance of £2.0m (31 December 2019: £2.1m). There is no debt on the balance sheet.

During the year, £1.5m of cash was used in company operations, £2.5m deployed in the existing network of companies and a net £3.8m raised through the July 2021 equity fundraising.

Income Statement and Statement of Comprehensive Income

The Company does not charge high board fees to ensure capital is not deducted at source and is instead reinvested in the companies in our network to drive value creation. Total investment income increased to £6.1m, a £4m increase compared to 2020. This has been driven primarily by the fair value uplift for Wyld Networks as well as fair value uplifts across three of the five other companies.

Overheads overall were fairly stable at £1.7m in 2021 (2020: £1.5m). This consisted of administration costs of £1.6m and other expenses of £0.1m. The administration costs included a £0.1m increase in directors' fees compared to 2020 which included small increases in salary and benefits as well as the return to full salary following the six-month reduction in fees in 2020 due to COVID-19 related management of uncertainty. Other expenses include costs relating to a share-based payment charge for options issued in 2019 and 2020 and recharged legal costs to the companies in our network.

Events after the end of the reporting period impacting 2021 results

On 1 February 2022, it was announced that Talking Medicines had completed a £1.59m fundraise at an increased valuation. The Company's investment in Talking Medicines is now valued at £1.79m, which included an additional investment of £0.4m by Tern in this round. This valuation was taken into account in the 2021 valuation of Talking Medicines.

Key performance indicators

The Company's financial Key Performance Indicators (KPIs) are focused on increasing net asset value, increasing net asset value per share and delivering consistent turnover growth from our network of companies. The Company also monitors non-financial KPIs, the primary focus being on the increase in employee numbers and turnover per employee at our network of companies which is an indicator of growth to support commercial success. These indicators are monitored closely by the Board and the details of performance against these are given below.

The return on investments:

Unrealised fair value:

- **Wyld Networks Limited: £8.7m valuation (31 December 2020: £4.0m): The equity valuation has increased due to additional funding provided to the company and a fair value uplift based on the market capitalisation as at 31 December 2021;**
- **Device Authority: £14.7m valuation (31 December 2020: £12.8m): The valuation has increased due to additional funding provided to the company and a fair value uplift based on the recent strategic equity fundraise in December 2021;**
- **Konektio: £2.2m valuation (31 December 2020: £1.2m): The equity value of Konektio increased due to additional funding provided to the company and a fair value uplift based on the recent equity fundraise in December 2021;**
- **FundamentalVR: £3.6m valuation (31 December 2020: £3m): The valuation has increased due to additional funding provided to the company via a convertible loan note. The equity value remains unchanged and is held at fair value, taking into consideration the current and expected performance of the company. As part of the valuation in the current year, the directors have not considered it necessary to recognise a fair value movement (from the most recent third-party valuation performed in October 2019);**
- **Talking Medicines: £1.4m valuation (31 December 2020: £0.9m): The investment is held at fair value with the most recent equity fundraise in January 2022 taken into account. The additional investment in January 2022 is not included in the 2021 results; and**
- **Push Technology: £0.02m valuation (31 December 2020: £0.03m): The investment is valued at fair value with the price of the most recent valuation taken into account.**


Sarah Payne, CFO

"2021 was a successful year of growth, measured by an improvement across all KPIs"

The companies in our network are early-stage businesses in evolving markets where there is a lack of comparative businesses available on which to provide a comparable valuation and therefore value has been based on an assessment of numerous factors which includes the multiples achieved in comparable markets on recent transactions, and an assessment by the Board on the strength of our companies sales pipelines and achievability of their 2022 sales forecast. Wyld Networks is measured as a Level 1 company under IFRS and as such the value is determined by reference to the appropriate quoted market price at the reporting date.

The net assets of the Company at 31 December 2021 showed strong growth to £32.4m (2020: £24.0m). The net asset value per ordinary share as at 31 December 2021 also increased to 9.2p
(2020: 7.3p).

The year-over-year growth in the aggregate revenue of our network of companies increased by 47% from 2020 to 2021
(18% from 2020 to 2021) which provides an indication of growth in the overall portfolio.

The Company has non-financial KPIs which are also monitored regularly by the Board. The non-financial KPIs are focused around the growth in employee numbers in our network of companies. We believe these factors help serve as leading indicators of the future performance and our impact on our stakeholders:

Employees in our network of companies increased by 35% from 2020 to 2021 (0% from 2019 to 2020), and this increase was balanced by an associated increase in revenues such that revenue per employee also increased by 25% from 2020 to 2021.

Sarah Payne
CFO

Tern:
True thought leadership

Experience and passion drive the board to help companies build busineses that deliver sustainable success as true partners






Ian Ritchie
Chairman

Ian was appointed as Chairman of the Company in June 2017. Ian is also the non-executive Chairman of Computer Applications Service and Krotos and completed his term of office as the Chairman of iomart plc in 2018. He has also been involved with technology risk finance for over 25 years.

He founded OWL in 1984, which pioneered hypertext application development (a forerunner to the world wide web) selling the company to Panasonic in 1989. Since then, he has been personally involved in over 50 start-up high-tech businesses. Ian is a Fellow of the Royal Academy of Engineering, the Royal Society of Edinburgh, and a Fellow and past President of the British Computer Society. His TED talk has been viewed over 650,000 times.

Committee membership:
Member of Audit Committee and Remuneration Committee

Albert Sisto
Chief Executive Officer

Albert is one of the original founders of the Company and was appointed as CEO in September 2016. He chairs the Investment Committee and also acts as non-executive Chairman and non-executive director for selected investee companies. Albert is a technology industry veteran with more than 25 years of senior executive level experience.

As Chief Operating Officer at RSA Data Security Inc, the leading security software company, he led its transformation from a passive patent licensing operation to an aggressive, sales-oriented software company. At RSA he negotiated partnership agreements with IBM, Intel, Compaq, Cisco and Nortel.

Albert was Chairman, President and CEO of Phoenix Technologies Limited, the global BIOS software company (NASDAQ:PTEC) and Chairman and CEO of HiFn (NASDAQ:HIFN). He also served as a Venture Partner for Nauta Capital designer Transmeta and was involved in spinning off Silicon Corporation.

Sarah Payne
Chief Financial Officer

Sarah was appointed to the Board in September 2015 and is responsible for the Company's financial and compliance functions as well as being a member of the Investment Committee and acting as a non-executive director for selected investee companies.

Sarah qualified with Ernst & Young as a Chartered Accountant and spent six years with the firm, joining its corporate finance team for the later years and is now an FCA. She spent six years with the BBC, firstly within their corporate commercial and investment strategy team and then as Head of Financial Planning and Analysis. For the seven years before joining Tern Plc, Sarah was an outsourced Finance Director for SME businesses principally within high-tech markets.

Bruce Leith
Business Development Director

Bruce was one of the original founders of the Company with Albert in 2013. He is a member of the Investment Committee and a non-executive director for selected investee companies. Bruce began his career with IBM and has extensive international sales management and board level experience in the software industry including senior level positions at DataWorks Corporation, London Bridge Software International and Codestream.

Specialising in delivering high-growth, high profit results through product development, portfolio repositioning and geographical expansion, Bruce was involved in the successful sales of a number of companies including Interactive UK, London Bridge and Codestream. Bruce is also an active angel investor in several high growth software businesses.

Matthew Scherba
Investment Director

Matthew joined the Board in March 2020 and is a member of the Investment Committee and a non-executive director and Chairman for selected investee companies. He has over 25 years of international executive management experience covering the full technology lifecycle, focused on strategy and commercial development, including investment and NED roles.

He is a life-long entrepreneur with experience creating, building and scaling early-stage technology businesses. He has founded, run and invested in early-stage companies across the Internet of Things (IoT), including software, hardware, mobile, Artificial Inteligence (AI), machine learning, and blockchain.

Alan Howarth
Non-Executive Director

Alan was appointed to the Board in November 2015 and acts as a non-executive director for FVRVS, one of the Company's investee companies. Alan has extensive experience as a Chairman and non-executive director of private and public companies. He is a specialist in building and selling technology businesses. Previously, Alan was a partner at Ernst & Young and is one of the founding partners of the EY Management Consulting practice in the UK. For the last eighteen years he has been managing a portfolio of non-executive appointments.

Committee membership:
Chair of Audit Committee and Chair of Remuneration Committee

Big challenges, big opportunities

For the year ended 31 December 2021

The Company is registered as a public limited company (plc). The Company’s Ordinary 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 the Internet of Things sector.

Results and dividends

The results for the year are shown in the Income Statement and Statement of Comprehensive Income on page 48.
The profit for the year was £4,578,321 (2020: £803,891).
The directors do not recommend payment of a dividend.

Political and charitable contributions

Recognising the ongoing difficulties suffered by many in our local communities due to the pandemic, the Board approved a £10,000 charitable donation to a number of charities nominated by the employees and directors, all of which support vulnerable children and adults living in poverty or homelessness around the UK (2020: £10,000).

Control procedures

Operational procedures have been developed for the Company that embody key controls over relevant areas. The implications of changes in law and regulations are considered by the Company.
The Board considered the need for an internal audit function and during 2021 an internal audit function was set up to undertake control reviews of our network of companies, under the direction of the CFO.

COVID-19

The developing COVID-19 pandemic understandably influenced the Board and its Committee’s activities in the early part of the year. As the year progressed, the Board’s focus, outside its usual responsibilities, turned to ensuring the Company operated as usual with a mix of face to face and hybrid interactions, with consideration given to how best to ensure good interaction with stakeholders.
The fortnightly video conference with our network of companies’ CEOs continued but with a more strategic focus and encouraged the interaction of all attendees on a wide range of value creation, people and ESG topics.

Even during a time when restrictions of movement are still a possibility, the team and our network of companies are in a good position to continue to grow, capitalising on the successes of the year, whilst remaining flexible, agile businesses; essential in the changeable political and healthcare environment we currently face.

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.
This has been assessed using detailed cash flow analysis so that the Board can conclude that the Company has sufficient working capital resources to continue for at least 12 months without any additional financing requirements. The ongoing impact of COVID-19 has been considered as part of this assessment. In the event that opportunities are presented such that additional funding was required, management are confident that they would be able to obtain additional funds from various sources.

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:

Ordinary shares at:	31/12/2021	31/12/2020
Alan Howarth	-	-
Bruce Leith	8,857,233	8,857,233
Sarah Payne	100,000	100,000
Ian Ritchie	1,010,333	1,010,333
Matthew Scherba	716,666	716,666
Albert Sisto	10,416,666	10,416,666

Options granted to the directors by the Company are disclosed under the "Report on Directors Remuneration".

Significant shareholdings

As at 16 March 2022, 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
Albert Sisto	10,416,666	3.0%

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Reports 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 Company financial statements in accordance with UK-adopted international accounting standards. 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 international accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and statements; and**
- **prepare the financial statments 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.

The directors are also responsible for ensuring that they meet their responsibilities under the AIM rules format.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Comany's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other juristiction.

Section 172 compliance

Section 172 of the Companies Act 2006 format imposes a general duty on every director to act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members (shareholders) as a whole. When considering what is most likely to promote the success of the company, directors must have regard to various matters designed to ensure that boards consider the broader implications of their decisions, not just for their shareholders but for a wider group of stakeholders. These matters include:

- **the likely consequences of any decision in the long term;**
- **the interests of the company's employees;**
- **the need to foster the company's business relationships with suppliers, customers and others;**
- **the need to maintain an effective company selection process, including maintaining a strong pipeline of opportunities and a thorough due diligence process;**
- **the impact of the company's operations on the community and the environment;**
- **the desirability of the company to maintain a reputation for high standards of business conduct; and**
- **the need to act fairly as between members of the company.**

During the year, the Board considered the impact of COVID-19 on its stakeholders and continued to take appropriate action to ensure the mitigation of any impact on the Company. The Board also continued the round table meetings with our network of companies' CEOs to provide both a support network and a forum for strategic discussion, encouraging the continuing exploitation of synergies that are already inherent in the underlying businesses.

The Board determines the strategic objectives and policies of the Company to best support the delivery of long-term value, providing overall strategic direction within an appropriate framework of rewards, incentives and controls. The Board is collectively responsible for the success of the Company: the executive directors are directly responsible for running the business operations; and the non-executive directors are responsible for bringing independent judgement and scrutiny to decisions taken by the Board. The non-executive directors must satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust. Following presentations by the executive directors and a disciplined process of review and challenge by the Board, clear decisions on policy or strategy are adopted, and the executive directors are fully empowered to implement those decisions. Examples of stakeholder considerations in certain key Board decisions during the year are provided in the above table.

Stakeholder interests and the matters listed above are factored into all Board discussions and decisions. A more detailed assessment of stakeholder engagement is included in the Corporate Governance and Compliance section on pages 33-36.

Key board decisions	Stakeholder considerations
The Board considered and approved a private placing and retail offer via PrimaryBid to raise in total gross proceeds of £4m.	**The Board considered the ability of the Company to partner with new businesses and continue backing our existing companies, supporting long-term sustainable growth of the business.** **Consideration was also given to the increased involvement of PrimaryBid to ensure shareholders were given the opportunity to participate in this fundraise.**
The Board considered and approved a further $1.25m of funding into Device Authority alongside a new investor, Venafi Inc.	**Consideration was given to the valuation placed on the business and the strategic value of an industry partner joining the Device Authority board.** **Consideration was given to how the strategic value of this fundraise should be communicated to all stakeholders to explain the value created by the maturing of the partnership between Device Authority and Venafi.**
The Board considered and agreed that regular presentation with CEOs should be held during the year.	**Following the success of the November 2020 online shareholder presentation the Board agreed that regular presentations involving companies' CEOs should be planned to ensure stakeholders heard from each of the companies during the year and had the opportunity to pose questions.** **The Board also requested increased visibility of shareholder questions and concerns following the Board evaluation process. A standing item was already included on the Board agenda and a formal feedback report is now also provided for every Board meeting.**
The Board considered the resolutions that did not pass at the AGM and adjusted the details of the resolution being put forward for approval as a result.	**The Board requested detailed feedback on shareholder sentiment following the AGM. The Board considered how to reflect this feedback in an adjusted resolution which was then put to the general meeting and passed.**

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.

Independent auditors

The auditor, Nexia Smith & Williamson Audit Limited, was appointed on 10 December 2019 in accordance with section 160 (2) of the Companies Act 2006. In accordance with S489 (4) of the Companies Act 2006, a resolution to re-appoint Nexia Smith & Williamson Audit Limited as auditor will be put to the members at the annual general meeting.

Signed on behalf of the board

Sarah Payne
CFO
16 March 2022

Corporate Governance and Compliance

For the year ended 31 December 2021

As Chairman, it is my responsibility to ensure that good standards of corporate governance are embraced throughout the Company. As a Board, we set clear expectations concerning the Company's culture, values and behaviours and promote good corporate governance.

The Company's shares are traded on AIM and the Company is subject to the UK City Code on Takeovers and Mergers. The Board recognises the value and importance of high standards of corporate governance and applies the Corporate Governance Code 2018 ("the Code") published by the Quoted Company Alliance (QCA). This report and the Report on Directors' Remuneration describe how the Company applies certain of the provisions of good corporate governance. A fuller updated review describing how the Company applies the QCA's ten principles of corporate governance is available on the Company's website (www.ternplc.com) under Investor Zone. The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to creating a workplace environment that allows people to flourish and that this will contribute to enhancing shareholder value. The Company takes a zero-tolerance approach to bribery and corruption and has a clear anti-bribery policy. The Company seeks to comply with all laws, regulations and rules applicable to its business and to conduct that business in line with applicable established best practice.

Role of the Board and how it operates

The Board has collective responsibility for setting the overall strategy of the Company, and for promoting the Company's corporate values and culture. In discharging its role, the Board is also responsible for ensuring that appropriate policies, procedures and controls are in place to support effective risk management and performance against agreed strategic and financial Key Performance Indicators (KPIs).

The day-to-day management of the Board is the responsibility of the CEO and the executive directors. The operation of the Board is documented in a formal schedule of matters reserved for its approval which ensures appropriate oversight.

These matters include:

- **Approval of the budget and any material change to it;**
- **Oversight of the Company's operations, including internal control environment;**
- **Changes made to the Company's capital structure;**
- **Approval of financial results;**
- **Approval of any cash injections into the network of companies;**
- **Approval of regulatory news releases; and**
- **Changes to Board structure or composition.**

The Board meets at least eleven times per year, with the agendas for those meetings planned in advance. Standing items are included on each agenda, including updates from the CEO and CFO, and on the performance of the network of companies.

Detailed packs are prepared and circulated in advance of each meeting, with reports against the standing items providing updates on key matters for Board information and discussion, and tracking performance against the agreed KPIs. Board and Committee papers are distributed to directors in advance of the meetings, and each meeting is minuted by the Company Secretary. Every director is aware of their right to have any concerns minuted.

Composition of the Board

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 full-time executive directors and two non-executive directors. The non-executive directors are independent of management and any business or other relationship which could interfere with the exercise of their independent judgement.

Ian Ritchie has been Chairman, senior independent director and a director of the Board for over four years. He has extensive experience as an independent director of listed companies and technology startup companies. Albert Sisto has been a director of the Board for over eight years and CEO for over five years. He has over 25 years of experience at senior executive level and with security software companies.

The Board considers that it contains a range of skills, knowledge and experience that are appropriate for the business. The Board also believes the Board members are of sufficient ability to bring independent judgement on issues of strategy, performance, resources and standards of conduct, which are vital to the success of the Company. The Board believes that it operates in an open and constructive manner and works effectively.

Bespoke training is offered as required which covers core matters, such as regulatory requirements, technical training as well as personal skills development, to continue to develop the skill sets of the Board members.

The Board members are listed on page 28.

Independence of Non-executive Directors

The non-executive chairman and non-executive director are all considered by the Board to be independent of management and not influenced by any relationship which could interfere with the exercise of their independent judgement. Notwithstanding this conclusion, Ian Ritchie has an interest in 0.3% of the Company's issued share capital.

The Board is satisfied that the Chairman and the non-executive director devote sufficient time to the business, in accordance with the time commitment requirements set out in their individual letters of appointment, and they each maintain open communication with the executive directors between the formal Board meetings.

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.

The Remuneration Committee is responsible for agreeing the executive framework and remuneration policy.

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.

Board Meetings

The Board met formally eleven times in 2021. Board meetings are also convened throughout the year as required and the Board met several times in 2021 in addition to the formal meetings to discuss and approve fund-raising activities for the Company and its network of companies.

The directors are expected to attend all Board meetings and Committee meetings on which they sit. The table above shows directors' attendance at formal scheduled Board and Committee meetings during the year.

	Board Meetings (out of 11)	Audit Committee (out of 2)	Remuneration Committee (out of 1)
Ian Ritchie	11	2	1
Albert Sisto	11	2[1]	1[1]
Sarah Payne	11	2[1]	n/a
Bruce Leith	11	n/a	n/a
Matthew Scherba	11	n/a	n/a
Alan Howarth	11	2	1

Note 1: Attendance by invitation

Board Evaluation

The Board carries out an evaluation of its performance as a whole annually, taking into account the QCA's Guidance on Board Effectiveness. This process is led by the Chairman and the latest evaluation was carried out in August 2021. In 2021, external input was sought from various advisors to ensure a robust evaluation process which incorporated external viewpoints. As a result of this input a formal report is now prepared for every Board meeting summarising the interaction with individual shareholders during the previous month to ensure the Board is kept up to date on the key themes that are being raised and discussed.

Due to the size and nature of the company, the effectiveness of the individual directors is constantly evaluated and therefore it is not the belief of the Board that a formal process is required. Due to the detailed review of performance at each Board meeting, any issues are very quickly apparent and can be dealt with on a timely basis. As the company grows, the Board will periodically consider whether a more formal annual evaluation process is required in the future. The Company's Board, individual director and Committee evaluation process have not changed materially over the previous years, on the basis that the Board as a whole consider these evaluation processes to be appropriate for the Company's requirements.

Board committees

The Board has delegated specific responsibilities to the Audit and Remuneration Committees.

Audit Committee

The Audit Committee was established in November 2016 and is chaired by Alan Howarth.

The Board 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. All financial information published by the Company is subject to the approval of the Audit Committee.

The Audit Committee is responsible for reviewing the Company's internal control and risk management systems and reviewing and monitoring the requirement for an internal audit function and the effectiveness of the external audit. An internal audit function was set up in 2021 to undertake controls reviews in the network of companies, under the direction of the CFO. The CFO reports directly to the Committee on all findings.

The Committee is responsible for maintaining a 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

"We rely on our stakeholders for our success in achieving our aim of becoming the leading company specialising in IoT in the UK"

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.

Activities of the Audit Committee include monitoring the integrity of the Company's financial statements and other formal announcements relating to the Company's financial performance and reviewing significant financial reporting judgements contained in them.

The Audit Committee advises the Board on the appointment, reappointment and removal of the external auditor, considers its effectiveness and approves its remuneration and terms of engagement. It also reviews and monitors the independence and objectivity of the external auditor.

There were two Audit Committee meetings in 2021. These were fully attended by all members.

Remuneration Committee

The Remuneration Committee was established in November 2016 and is chaired by Alan Howarth. A detailed Remuneration Report is included on pages 41-42.

There was one Remuneration Committee meeting in 2021. This was fully attended by all members.

The Audit Committee and Remuneration Committee do not provide formal reports but do report to the Board on all recommendations. Given the size of the Company and the Board's familiarity with the business of the Company, it is not considered necessary to provide formal reports.

External Advisors

The Board seeks advice and guidance as required throughout the year from its Nomad (Allenby Capital), its corporate lawyers (Reed Smith) and auditors (Nexia Smith & Williamson). External advice is also provided as required on human resources, corporate policies and financial PR. The Board also receives consultancy advice on any new company opportunities, including technical due diligence.

Conflicts of Interest

Every director has a statutory duty under the Companies Act 2006 to avoid a situation in which they have a direct or indirect interest that may or does conflict with the interests of the Company and every director is required at the start of any meeting to disclose any conflicts in the agenda matters to be discussed. The Company's Articles of Association allow for a director to vote and form part of the quorum if the conflict arises from a permitted cause.

Internal controls

The Board is ultimately responsible for establishing and monitoring internal control systems and reviewing the effectiveness of these systems. The Board views the effective operation of the internal control environment as critical to the success of the Company. However, it recognises that such systems can provide reasonable but not absolute assurance against material misstatement or loss.

The key elements of the Company's internal control system are as follows:

- **Close management of the day-to-day activities by the executive directors;**
- **An annual budgeting process which is approved by the Board, performance against which is reviewed at every Board meeting;**
- **No single individual has the ability to authorise payments in excess of £2,000;**
- **Monthly management reporting to the Board against agreed KPIs; and**
- **An annual audit of the financial statements**

Share dealing, anti-bribery and whistleblowing

The Company applies a share dealing code in conformity with the requirements of Rule 21 of the AIM Rules. All employees, including new joiners, are required to agree to comply with the code. The Company also has anti-bribery and whistleblowing policies, which are included in the Company handbook and communicated to all employees. The Company operates an open and inclusive culture and employees are encouraged to speak up if they have any concerns. The aim of such policies is to ensure that all directors and employees observe ethical behaviours and bring matters which cause them concern to the attention of either the executive or non-executive directors.

Our Key Stakeholders

We rely on our stakeholders for our success in achieving our aim of becoming the leading investment company specialising in IoT in the UK. Our key stakeholders are our network of companies, our people, our shareholders, our suppliers and the wider community within which we operate.

Our network of companies

Each company has a Tern nominated director who works closely with the companies to advise and guide with regular interactions throughout the month and more formally through attendance at their monthly board meetings.

The companies provide a report for the Board each month and the CEOs present at the Board meeting at least annually.

The CEOs meet fortnightly on a video conference with the Board and this provides an opportunity to discuss strategic progress but also to bring in external speakers, during 2021 this included a diversity and inclusion workshop. Regular industry relevant articles are also shared within this group.

Our employees

Our people are central to the success of our business. We want to deliver outstanding service to our companies by ensuring our people are engaged and active in delivering the Company strategy. We are a growing company with a small number of employees, all of whom have regular contact with the CEO and other directors, where open communication and feedback is encouraged.

Our 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.

We do this via a programme of events which have continued to be adapted to allow for the limitations placed on events by social distancing requirements due to the pandemic:

AGM

The AGM provides an opportunity for shareholders, particularly private investors, to question the Board on issues arising in a formal setting and then informally immediately following the AGM. Directors enjoy the opportunity to engage with shareholders, answer their questions and meet with them informally.

The Company's current intention is to proceed with a face-to-face AGM. The Company will continue to monitor UK Government and NHS advice and members will be notified in the event that the Company is required to change its plans.

The Company plans to host an online meeting after the AGM to present an update for the year and to provide an opportunity for questions to be asked by shareholders unable to attend the AGM.

Shareholder calls

A minimum of two shareholder calls per annum provide an opportunity for shareholders to put their questions to the Board and from time to time to the CEOs from our network of companies who are also often in attendance. These calls provide a helpful way of presenting an update to the shareholders on a regular basis and addressing their questions by taking and answering questions posed to the directors through this forum. The calls held during 2021 were hosted on a video link and this will continue to be the preferred format to use for future events.

Annual Report

We publish a full annual report and accounts each year where we articulate the strategy for the coming year and a review of the annual performance. The report is available in online and paper format.

Regulatory and non-regulatory news

We issue regulatory news as required and non-regulatory news to communicate significant news from our network of companies and explain the relevance and impact of the press release.
Analyst reports are periodically prepared and issued by Progressive Research to provide a more indepth analysis in support of regulatory news updates.

Website

The Company's website **(www.ternplc.com)** maintains a comprehensive, up to date news flow for shareholders and other interested parties. A dedicated email address is provided (info@ternplc.com) which is managed by the Company's financial public relations advisors. The Company may exercise discretion as to which questions will receive a response and all information provided will be freely available in the public domain. If necessary, the enquiries will be brought to the Board's attention and a summary of key themes is now prepared for the Board every month. There is a section dedicated to investors which includes financial results, analyst coverage, corporate governance information, information on the Board, constitutional and admission documents and a link to our regulatory news.

Our suppliers

Our Company has a small number of suppliers and therefore regular interaction is the norm. Feedback is inherent within these interactions and input from specifically our nomad, brokers and PR agency have resulted in improved external communication and better interaction with our wider stakeholder groups. These parties also provide feedback into the annual Board Evaluation process.

Our Community

We are closely involved with each of our companies and therefore can influence their consideration of impact on their community. Given our area of expertise our companies are often involved in addressing ESG factors by increasing efficiencies and focusing actions on minimising waste. In 2022, our focus on this area will increase to ensure we are fulfilling our aim to have a positive impact on our environment and community.

Ian Ritchie
Chairman

Financial risk management objectives and policies

The management of the business and achievement of the Company’s strategy are subject to a number of risks. The Board considers that the risks detailed below represent the key areas that could impact on achieving overall strategic objectives. The key controls over the Group’s principal risks and uncertainties are documented in the Company’s risk register, which includes an assessment of the risk, likelihood of occurrence, severity of impact and mitigating actions.

An assessment of the strength of mitigating actions determines the net risk score and any further actions required. This risk register is reviewed regularly by the Board, with assistance from the Board committees. This review also assesses the effectiveness of the Company’s risk management and related control systems. The executive directors meet at least weekly to review ongoing trading performance for the network of companies, discuss budgets, forecasts, opportunities and new risks associated with ongoing trading. No system can fully eliminate risk and therefore, the understanding of operational risk is central to the management process.

Identifying, evaluating and managing the principal risks and uncertainties facing the Company is an integral part of the way the business operates. Market and economic conditions are recognised as one of the principal risks in the current trading environment. This risk is mitigated by the close monitoring of trading conditions and the performance of our network of companies The Company is affected by a number of risks and uncertainties, not all of which are wholly within its control as they relate to the wider macroeconomic and legislative environment within which the Company operates. As a result of the COVID-19 pandemic, the risk register was expanded to capture specific COVID-19 impacts and review controls which may be operating less effectively as a result of COVID-19 impacts. Also during the year an internal audit function was created to evaluate and assess the controls within our network of companies, ensuring any risks were highlighted to the Audit Committee which would escalate and report on the reviews to the Board.

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

Risks include not being able to secure later rounds of funding at crucial development inflection points and not being able to source or retain appropriately skilled and experienced staff. Other risks arise where competing technologies enter the market, or commercial traction is not achieved within the forecast timeframe with commercial success protracted leading to severe cash flow pressure. Technology can be materially unproven and may ultimately fail, IP may be infringed, copied or stolen, may be more susceptible to cybercrime and other administrative taxation or compliance issues. These factors may lead to a reduction in value generated at the Company level.

The Company does not operate in the Ukraine or Russia and is therefore not directly affected by the impact of the ongoing political conflict.

Assessment of business risk

The Board regularly reviews operating and strategic risks, with the assistance of its committees. 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 the network of companies, this now includes a rotating monthly presentation by one of the network of companies’ CEOs at each Board meeting;**
- **reports on selection criteria of new companies and a discussion around pipeline and new opportunities;**
- **quarterly review of the risk register;**
- **consideration of issues relating to governance and compliance;**
- **reports from the sub-committees when they meet; and**
- **consideration of reports prepared by third parties.**

Mitigating Risk

Ability to maximise value from the network of companies

Risk
The timing of disposal of a holding is uncertain and cash returns to the Company are therefore not predictable.

Potential Impact
Companies may require additional funding if syndication events are delayed.
The funding requirements may exceed those forecast in the Company cash flow.

Mitigation Strategy
The Company maintains sufficient cash resources to manage its ongoing operational and investment commitments.

Regular operational reviews are undertaken by the executive team who meet weekly and the investment directors present a review of performance at each meeting.

Financial performance of the Company is a standing agenda item at the Board.

The Board meets with the CEOs from the network of companies every fortnight to discuss operational performance and other strategic initiatives.

Dominance of single company in the network of companies

Risk
The network of companies is dominated by one or two companies.

Potential Impact
If one dominant company fails it may have a disproportionate impact on the Company.

Mitigation Strategy
The Company is building a network of companies to insulate itself against poor performance of any single company.

Inherent risk of building a network of early-stage companies

Risk
The returns and cash proceeds from the network of companies may be insufficient. The majority of the businesses are at a relatively early stage in their development, and as a result, carry inherent risks including technical and commercial risks. Typically, such companies are developing new technology or disrupting existing technologies in a relatively new sector.

Potential Impact
Risks include not being able to secure later rounds of funding at crucial development inflection points and not being able to source or retain appropriately skilled and experienced staff. Other risks arise where competing technologies enter the market, or commercial traction is not achieved within the forecast timeframe with commercial success protracted leading to severe cash flow pressure.

Technology can be materially unproven and may ultimately fail, IP may be infringed, copied or stolen, may be more susceptible to cybercrime and other administrative taxation or compliance issues. These factors may lead to the Company recognising a fair value loss or loss on diposal.

Mitigation Strategy
The Company undergoes rigorous due diligence before proceeding with backing a new company.

The Company actively takes an influential role in the strategic direction of its companies and regularly monitors performance. A Company Director holds a Non-Executive Board position on all company boards

The Company's strategy has been formulated by the management team with a strong track record of generating gains from early-stage companies within the technology sector.

These mitigating factors reduce, although they do not eliminate, the risk of direct failure, particularly in the current pandemic-induced economic climate. A focus on bringing in synergistic companies and encouraging a strong network between them further mitigate the inherent risks.

Retain and attract successful staff

Risk
The Company is unable to retain key individuals or attract experienced, skilled and successful Directors.

Potential Impact
The Company depends on the experience, skill and judgement of the team in both selecting promising companies to join the network as well as to guide them once they join and the success of the Company is dependent on having the right individuals in place.

New staff can cause disruption for the Company as new individuals take time to gain an understanding of the company's strategy and requirements.

Mitigation Strategy
The Company offers balanced and competitive remuneration packages, overseen by the Remuneration Committee, designed to attract, motivate and retain key individuals. This includes the potential to receive performance related bonuses and share options.

Key individuals in the companies are offered a competitive remuneration package and either shares or share option incentives.

Cyber security breaches

Risk
Cyber security incidents may affect the operations and reputation of the Company.

Potential Impact
A significant cyber security breach could result in financial liabilities, reputational damage, business disruption or the loss of business critical or commercially sensitive information.

Mitigation Strategy
To ensure operational resilience and minimise the risk of occurrence of cyber security incidents, the Company utilises reliable software and hardware and operates anti-virus protection systems and backup procedures.

Maintain required level of capital to operate at optimum level

Risk
The Company is unable to raise new funds due to a reduction in investor confidence or access to capital.

The timing of company realisations is uncertain and cash returns to the Company are therefore not predictable.

Potential Impact
Can result in a reduction in the ability to grow the network of companies or the ability to maintain holdings in existing companies. May have a detrimental impact on the Company's ability to fund operational costs.

Mitigation Strategy
The Company will maintain a sufficient cash balance to finance itself for a prudent period or ensure it has access to funds.

The financial performance of the Company is a standing agenda item at the Board and regular working capital reviews are undertaken.

Foreign exchange risk

Risk
The valuation of assets may be impacted by foreign exchange movements

Potential Impact
The value of the Company's assets could fall.

Mitigation Strategy
The Company actively reviews the value of its assets and will consider action on foreign exchange risk where relevant, following advice from advisors.

The Company does not currently operate hedging arrangements to mitigate exposure to currency fluctuations but relationships are in place with foreign exchange service providers in the event the Board decides to make such arrangements.

Competition risk

Risk
As the IoT sector becomes more mature, it will attract increased interest from entities competing with the Company.

Potential Impact
This may have a detrimental impact on the Company's ability to add businesses to its network at an acceptable cost.

The Company may miss out on opportunities if it does not match prices and terms offered by competitors but equally it may experience decreased rates of return if it matches unfavourable terms.

Mitigation Strategy
The Company seeks to mitigate competition by having a diverse pipeline of opportunities and a proven track record of successful experiences with its network of companies.

The management team has a strong track record of providing opportunities in the USA for UK technology companies which should remain attractive to new companies.

ESG/Climate Change

Risk
Increasing need to navigate the regulatory, market, technology, and reputational aspects associated with climate change concerns as well as the potential physical impacts.

Potential Impact
Transitioning to a lower-carbon economy may entail policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change, which include changing stakeholder expectations as consumers and investors making decisions based on carbon performance and climate resilience. Impact on employee attraction and retention due to increased interest in working for 'climate aware' organisations.

Mitigation Strategy
Development of a company ESG strategy and working with ESG advisors to assess carbon footprint and target reduction as well as focusing on stakeholder interactions and ensuring the Company culture reflects all elements of the ESG strategy.

Macroeconomic issues

Risk
This would include any further restrictions caused by the COVID-19 Pandemic. The Economic impact of COVID-19 affecting the performance of the Company and uncertainty in the Economic climate caused by the pandemic

Macroeconomic issues also incorporate the UK exit from the European Union and ongoing trade negotiation and related regulatory changes as well as the ongoing hostilities between Russia and Ukraine.

Potential Impact
Restrictions on movement caused by the pandemic can impact on the commercial performance of the companies. Loss of consumer confidence impacts on fundraising success.

Widespread sickness in the workforce of the companies may reduce the operational effectiveness of the business.

Detrimental impact on performance of companies with exposure to the European Union, Russia or Ukraine.

Mitigation Strategy
The Company monitors its working capital to ensure it has sufficient funds to maintain operations during any economic slow down.

The Board has taken legal advice on the Company's exposure to Brexit-related risks and continues to monitor the impact of the trade discussions and the impact of the conflicts between Russia and Ukraine.

Reputational risk

Risk
As a public company listed on AIM, anyone can acquire shares in the Company.

Potential Impact
The actions of shareholders are outside of the control of the Company but can impact on the Company by association.

Mitigation Strategy
The Board maintains regular interaction and communication with all its stakeholders and seeks to openly articulate its culture and strategy to shareholders at regular points through the year.

Director's Remuneration

For the year ended 31 December 2021

I am pleased to present our Remuneration Committee Report for the year ended 31 December 2021, which summarises the work of the Remuneration Committee, as well as the remuneration policy, details of the directors' remuneration packages and a summary of all remuneration paid to directors during the year.

The members of the Remuneration Committee (the "Committee") are Alan Howarth (Chair of the Committee) and Ian Ritchie, both of whom are independent non-executive directors of the Company.

The Remuneration Committee is responsible for agreeing the framework and remuneration policy for the executive directors. It sets the remuneration for the Board, agrees the terms of employment of all Board members, including those on cessation of employment, ensuring all payments are fair to both the employee and the Company; continues to review the appropriateness of the remuneration policies, with reference to the conditions across the Company and up to-date information on other companies, including benchmarking exercises carried out for AIM companies and ensures that all requirements on the disclosure of remuneration are fulfilled.

There was one Remuneration Committee meeting in 2021. This was fully attended by all members. No advice was sought by the Board or its Committees on any significant matters.

The activity of the Committee during the year was predominately focused on remuneration matters, including approving the remuneration increase for the executive directors and approving the bonus payments to the executive directors following the assessment of performance against agreed financial Key Performance Indicators (KPIs), which are designed to inspire and measure business progress. The Committee also approved the performance measures for the 2022 annual bonus. The bonus amounts paid in respect of the year ended 31 December 2021 are set out in the table on page 42.

Remuneration Policy

The policy of the Remuneration Committee 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 returns. It aims to provide appropriate levels of remuneration to do this and have compensation programs that are structured at or near the midpoint of our peer group whilst maintaining affordability for the Company.

There are three main elements of the directors' remuneration package being:

- **basic annual salary,**
- **performance related bonus and**
- **participation in the Company's share option plan.**

Other benefits include employer contributions to pension, life assurance and private health insurance.

Only base salaries are pensionable. All directors' salaries are reviewed annually by the Remuneration Committee.

Executive directors' service contracts

The executive directors are appointed under service contracts which are not for a fixed duration and are terminable upon six months' notice by either party.

Non-executive directors

Each of the non-executive directors is appointed under a letter of appointment with the Company. Subject to their re¬appointment by shareholders, the initial term of appointment for each non-executive director is three years from the date of appointment and their appointments are terminable upon three months' notice by either party. The non-executive directors' fees are determined by the Board.

The Company Share Option Plan

The Company operates an equity settled share-based remuneration scheme for directors, employees and advisors. Under the director and employees' scheme (issued during the year), options may be granted to purchase shares which must be exercised within ten years from the date of the grant.

The options are capable of exercise on the third anniversary of the grant date according to the increase in share price on the vesting date. If at any point prior to the third anniversary of the grant date, the share price increases by 100%, then 100% of the shares vests immediately. If there has been no increase in share price by the third anniversary, then 0% of the shares vest. Between these two points the options will vest on a straight-line basis.

No options were issued to directors during the year ended 31 December 2021.

Performance Related Bonus

The purpose of the bonus plan is to align the interests of selected senior executives of the Company with those of its shareholders. Participation in the Plan is at the discretion of the Board and it will enable selected senior executives to share in a proportion of the value realised from the investments made by the Company over time based on successful performance against KPIs set by the Board.

The annual bonus for executive directors is assessed against financial KPIs. Challenging targets have been set. Actual performance targets are not disclosed as they are considered to be commercially sensitive at this time.

Director's Remuneration

The remuneration of each director, excluding share options awards, during the year ended 31 December 2021 as detailed in the table below:

	Basic Salary £000	Pension Contributions £000	Performance related bonus £000	Other benefits £000	2021 TOTAL £000	2020 TOTAL £000
EXECUTIVE DIRECTORS						
Albert Sisto	151.7	15.3	89.9	15.7	272.5	212.3
Sarah Payne	132.0	13.2	38.8	0.6	184.6	149.6
Bruce Leith	129.4	12.9	38.4	12.4	193.1	149.1
Matthew Scherba	129.4	12.9	38.4	4.5	185.2	136.8
NON-EXECUTIVE DIRECTORS						
Ian Ritchie	37.8	-	-	-	37.8	32.4
Alan Howarth	31.5	-	-	-	31.5	27.0
	611.8	54.3	205.5	33.2	904.8	707.2
Share based payment charge					34.2	85.5
Total remuneration	611.8	54.3	205.5	33.2	939.0	792.7

Note: The 2020 remuneration includes the 20% reduction in fees for six months sacrificed in the early months of the pandemic. This reduction was not repaid to the directors.

Director's Share Options

The director's outstanding share options as at 31 December 2021 are shown in the table below:

	2020	Granted	Exercised	Expired	2021	Option price	Expiry date
EXECUTIVE DIRECTORS							
Al Sisto	2,500,000	-	-	-	2,500,000	8.5p	18 May 2027
Sarah Payne	2,500,000	-	-	-	2,500,000	8.5p	18 May 2027
Bruce Leith	2,500,000	-	-	-	2,500,000	8.5p	18 May 2027
Matthew Scherba	2,500,000	-	-	-	2,500,000	9.15p	1 Dec 2029
NON-EXECUTIVE DIRECTORS							
Ian Ritchie	-	-	-	-	-		
Alan Howarth	250,000	-	-	-	250,000	13p	22 Feb 2023

Alan Howarth
Chairman of the
Remuneration Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TERN PLC

Opinion

We have audited the financial statements of Tern Plc (the 'company') for the year ended 31 December 2021 which comprise the Income Statement and Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards. In our opinion, the financial statements:

- **give a true and fair view of the state of the company's affairs as at 31 December 2021 and of the company's profit for the year then ended;**
- **have been properly prepared in accordance with UK-adopted international accounting standards; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	DESCRIPTION OF RISK	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of investments	**Investments are the most significant balance on the balance sheet and the value is reliant on third party financial information and projections.** **Due to the nature of the investments there is a lack of observable inputs and therefore the key risk is considered to be the fair value of investments. We therefore identify the valuation of investments held for trading as high risk.** **The company's accounting policy on investments is shown in note 1.8 to the financial statements, critical accounting judgements and estimates included in note 3 and related disclosures are included in note 11.**	**For investments where there has been third party equity investments in the year, we compared the valuation of investments held in the balance sheet to the valuation derived from the third party fundraises into these investments.** **For investments listed on a recognised exchange, we compared the valuation of investments held in the balance sheet to the valuation derived from the publicly available share price from the exchange as at 31 December 2021.** **For all other investments, we challenged the valuation of investments, assessing the methodology used by management and corroborating key inputs/assumptions as appropriate.** **We utilised our specialist valuations team to review the validity of the methodology and calculations used to value the investments.** **We tested the mathematical accuracy of the valuation calculations.**

Our application of materiality

The materiality for the company financial statements as a whole was set at £1,100,000. This has been determined with reference to the benchmark of the company's net assets, which we consider to be one of the principal considerations for members of the company in assessing the company's performance. Given the company is an Investment Company, as defined under IFRS 10, an earnings-based measure would not be appropriate. Financial Statement materiality represents 3.5% of the company's net assets as presented in the Statement of Financial Position which aligns with the interests of the users of the financial statements. We also applied a specific materiality for all balances other than those in relation to investments which was set at £160,000. This is based on 10% of total expenditure in the year.

Performance materiality for the company's financial statements was set at £715,000, being 65% of company's financial statement materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds financial statement materiality. We judged this level to be appropriate based on our understanding of the company and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. The level of 65% was set due to the level of estimation in the investments balance.

Performance materiality, in respect of all balances other than those in relation to the investments balance has also been set at 65% of financial statement materiality, being £104,000.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- **Challenging the key assumptions used in the detailed budgets and forecasts prepared by management for the financial year to 31 December 2022 and period to 31 March 2023;**
- **Assessing the mathematical accuracy of the detailed budgets and forecasts and agreeing to the underlying key assumptions;**
- **Comparing actual cash flow performance in 2021 to management's prior year forecasts and comparing actual cash flow performance in 2022 so far to management's 2022 forecast;**
- **Reviewing bank statements to monitor the cash position of the company post year end;**
- **Obtaining an understanding of significant expected cash outflows in the forthcoming 12-month period from the date of signing these financial statements including any cash requirements the company may have to provide to its investee companies; and**
- **Considering the sensitivity of the assumptions and re-assessing headroom after sensitivity.**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- **the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and**
- **the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

- **We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:**
- **adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or**
- **the financial statements are not in agreement with the accounting records and returns; or**
- **certain disclosures of directors' remuneration specified by law are not made; or**
- **we have not received all the information and explanations we require for our audit.**

>>

Auditor's Report

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We obtained an understanding of the legal and regulatory framework applicable to the company as well as the laws and regulations applicable, and considered these throughout our testing. We obtained an understanding of the entity's policies and procedures by discussions with management. We also drew on our existing understanding of the company's industry and regulation.

We understand the company complies with requirements of these frameworks through:

- **The Directors updating operating procedures, manuals and internal controls as legal and regulatory requirements change.**
- **The Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.**

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the company's ability to conduct business; and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the company:

- **The Companies Act 2006 and IFRS in respect of the preparation and presentation of the financial statements; and**
- **AIM regulations and Market Abuse Regulations**

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above;

- **We have reviewed a sample of legal and professional invoices**
- **Made enquiries with management as to any legal or regulatory issues during the year**
- **We have reviewed Board minutes for evidence of non compliance**
- **We have confirmed with management there has been no correspondence with the FRC during the year**
- **We have obtained representation from management that they have disclosed to us all known instances of non-compliance or suspected non-compliance with laws and regulations**

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journals and inflation of investment values. This was communicated to the other members of the engagement team who were not present at the discussion.

The procedures carried out to gain evidence in the above areas included;

- **Testing of the investments balance as described in the key audit matters section above; and**
- **Testing of manual journal entries, selected based on specific risk assessments applied based on the company's processes and controls surrounding manual journals.**

The senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities. In particular, both the senior statutory auditor and the audit manager have a number of years' experience in dealing with companies subject to AIM Regulation.

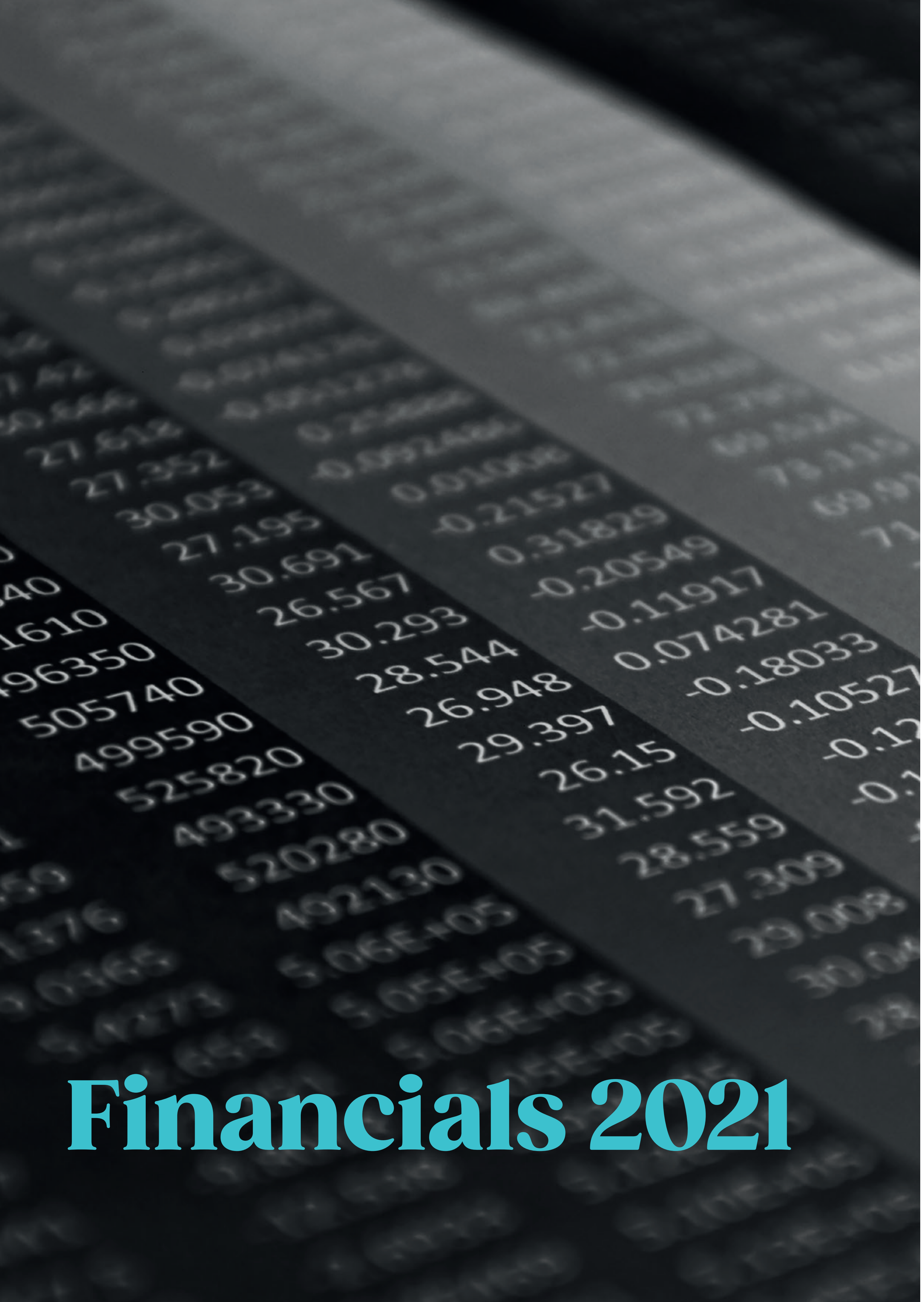
A further description of our responsibilities is available on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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 auditor's 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.

Sancho Simmonds

Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
25 Moorgate,
London EC2R 6AY
16 March 2022



Financials 2021

Income Statement and Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 £	2020 £
Fee income		63,783	151,159
Movement in fair value of investments	11	6,240,095	1,992,891
Loss on disposal		(199,115)	–
Total investment income		6,104,763	2,144,050
Administration costs		(1,635,058)	(1,341,802)
Other expenses	6	(75,372)	(206,845)
Operating profit	7	4,394,333	595,403
Finance income	8	183,988	208,488
Profit before tax		4,578,321	803,891
Tax	9	–	–
Profit and total comprehensive income for the period		4,578,321	803,891

Since there is no other comprehensive income, the profit for the year is the same as the total comprehensive income for the year.

EARNINGS PER SHARE			
Basic earnings per share	10	1.35 pence	0.30 pence
Diluted earnings per share	10	1.33 pence	0.30 pence

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

Statement of Financial Position

As at 31 December 2021

	Notes	2021 £	2020 £
ASSETS NON-CURRENT ASSETS			
Investments	11	30,612,047	21,904,791
		30,612,047	21,904,791
CURRENT ASSETS			
Trade and other receivables	12	189,354	261,301
Cash and cash equivalents	13	1,957,203	2,130,166
		2,146,557	2,391,467
TOTAL ASSETS		32,758,604	24,296,258
EQUITY AND LIABILITIES			
Share capital	14	1,371,970	1,367,635
Share premium	14	30,546,569	26,740,789
Retained earnings	15	498,010	(4,107,767)
		32,416,549	24,000,657
CURRENT LIABILITIES			
Trade and other payables	16	342,055	295,601
TOTAL CURRENT LIABILITIES		342,055	295,601
TOTAL LIABILITIES		342,055	295,601
TOTAL EQUITY AND LIABILITIES		32,758,604	24,296,258

The financial statements were approved and authorised for issue by the Board of Directors on 16 March 2022 and were signed on its behalf by:

Company number 05131386

Sarah Payne
Director

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 2021

	Share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 31 December 2019	1,355,571	22,578,619	(5,021,113)	18,913,077
Total comprehensive income	–	–	803,891	803,891
TRANSACTIONS WITH OWNERS				
Issue of share capital	12,064	4,488,336	–	4,500,400
Share issue costs	–	(326,166)	–	(326,166)
Share based payment charge	–	–	109,455	109,455
Balance at 31 December 2020	1,367,635	26,740,789	(4,107,767)	24,000,657
Total comprehensive income	–	–	4,578,321	4,578,321
TRANSACTIONS WITH OWNERS				
Issue of share capital	4,335	4,031,665	–	4,036,000
Share issue costs	–	(225,885)	–	(225,885)
Share based payment charge	–	–	27,456	27,456
Balance at 31 December 2021	1,371,970	30,546,569	498,010	32,416,549

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

Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 £	2020 £
OPERATING ACTIVITIES			
Net cash used in operations	20	(1,535,722)	(1,189,481)
Purchase of investments		(2,504,185)	(1,957,248)
Cash received from sale of investments		–	93,421
Interest received		56,829	1,275
Net cash used in operating activities		(3,983,078)	(3,052,033)
FINANCING ACTIVITIES			
Proceeds on issues of shares		4,000,000	4,500,400
Share issue expenses		(225,885)	(326,166)
Proceeds from exercise of options		36,000	–
Net cash from financing activities		3,810,115	4,174,234
(Decrease)/increase in cash and cash equivalents		(172,963)	1,122,201
Cash and cash equivalents at beginning of year		2,130,166	1,007,965
Cash and cash equivalents at end of year		1,957,203	2,130,166

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 2021

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 software companies, predominantly in the Internet of Things.

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 Pound Sterling, rounded to the nearest pound 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 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 31 December 2021.

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 except for investments and certain financial instruments which are measured at fair value at the end of each reporting period. 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.

In accordance with IFRS 10, para 4 the directors consider the Company to be an investment company and have taken the exemption not to present consolidated financial statements or apply IFRS3 when it obtains control of another entity as it is an investing company that measures all of its investments at fair value through the income statement in accordance with IFRS 9.

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. This has been assessed using detailed cash flow analysis so that the Board can conclude that the Company has sufficient working capital resources to continue for at least 12 months from the approval of the financial statements without any additional financing requirement. A review of a variety of macro-economic factors including COVID-19 have been considered as part of this assessment. In the event that opportunities are presented such that additional funding was required, management are 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.

1.4 STATEMENT OF COMPLIANCE

International Financial Reporting Standards ("Standards") in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and are expected to relate to the Company:

- **IAS 1 Presentation of Financial Statements: amendments regarding the disclosure of accounting policies (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023).**
- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: amendments regarding the definition of accounting estimates (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023).**

1.5 ADOPTION OF NEW AND REVISED STANDARDS

There are no new standards adopted by the Company in the financial year.

1.6 FEE INCOME

Under IFRS 15, fee income is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring services to an investee company or recharging legal advice to an investee company. For each contract with an investee company there is only one performance obligation in the contract and the transaction price is readily identifiable. Fee income is recognised as each performance obligation is satisfied in a manner that depicts the transfer to the investee company of the goods or services promised.

There is no variable consideration within the transaction price.

Fee income from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

1. ACCOUNTING POLICIES (continued)

1.7 TAXATION
The tax expense represents the sum of the tax currently payable and any deferred tax. 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.

1.8 INVESTMENTS
The investment consists of equity investments and convertible loan notes issued to an investee company. The convertible loan notes are financial assets with multiple embedded derivatives which can include a warrant instrument. These financial assets are measured in their entirety at FVTPL.

In accordance with IFRS 10, paragraph 4B, 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.

1.9 IMPAIRMENT OF FINANCIAL ASSETS
Assets carried at fair value through profit or loss (FVTPL)
Under IFRS 9 no impairment testing is required for equity investments which are measured at fair value through profit or loss ("FVTPL").

1.10 TRADE RECEIVABLES
Trade receivables are classified as a financial asset and are valued at amortised cost in accordance with IFRS 9. 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 calculated as the change in lifetime expected credit losses and recognised in the income statement, in accordance with IFRS 9.

1.11 CASH AND CASH EQUIVALENTS
Cash and cash equivalents are carried in the statement of financial position. Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

1.12 TRADE PAYABLES
Trade payables are financial liabilities measured at amortised cost in accordance with IFRS 9.

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

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, with a corresponding adjustment to retained earnings, based on the Company's estimate of shares that will eventually vest.

Fair value is estimated using the Black-Scholes model as relevant for the terms and conditions of the options. 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 behavioral 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, convertible loans 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, loans to investee companies, cash balances, debtors and creditors that arise directly from its operations. 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 predominantely private companies for the medium term which are therefore not immediately liquid. The Company manages this risk by holding cash to support its investments and for working capital. The Company ensures it has sufficient cash through a combination of means including proceeds from asset sales, equity raises and, in the past, the use of convertible loan notes. The financial performance and position of the investee companies are regularly monitored to assess when further investment may be required, this includes a review of cash flow forecasts. The Company has a quoted investment which may be sold to meet the Company's funding requirements.

The Company's income and operating cash flows are substantially independent of changes in market interest rates.

MARKET PRICE RISK
As 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.

The unquoted investments currently held are not liquid.

FOREIGN EXCHANGE RISK
The Company generally conducts its business within the UK, however some of its investments are valued based on a foreign currency valuation. Device Authority, the most significant investment, is based on a US dollar valuation and Wyld Networks is based on a SEK valuation and therefore their value can change dependent on currency exchange movement. To the extent that exchange rate fluctuations impact the value of the Company's investments in its foreign operations, they are not hedged.

CREDIT RISK
The Company's primary credit risk arises from loans made to its investee companies and trade receivables. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable and derivative instruments. These instruments contain a risk of counterparties failing to discharge their obligations. The Company monitors credit risk and manages credit risk exposure by type of financial instrument by assessing the creditworthiness of counterparties. The Company does not anticipate non-performance by counterparties; however it generally requires security over the companies' assets to support financial instruments with credit risk.

The Company derives its fee income from a small number of investments. Fee income to these investee companies is not expected to fluctuate significantly and is not significant in value.

The credit risk on loans is low as the expectation is to convert loan balances on realisation of the assets. The credit risk on trade receivables is low due to the generally low balance held.

The maximum credit exposure is equal to the carrying values of cash at bank, accounts receivables and investments.

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 the carrying amount of equity plus debt 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
Refer to note 17 for the fair value estimation accounting policy.

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 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

As set out in note 11, the Company holds unquoted investments of £21.9m that have been designated as held for trading on initial recognition. Where practicable the Company determines the fair value of these financial instruments that are not quoted (Level 3) using the most recent bid price at which a transaction has been carried out. These techniques are significantly affected by certain key assumptions, such as market liquidity. Given the nature of the investments being early-stage business, other valuation methods such as discounted cash flow analysis 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.

The Company holds financial assets that have been held at FVTPL. The value of the convertible loan notes 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 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 of 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.

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

5. STAFF COSTS

Staff costs for the Company during the year, including directors	2021	2020
	£	£
Wages and salaries	909,060	690,771
Consultancy fees	–	17,500
Social security costs	85,083	66,911
Pension costs	59,709	56,216
Share based payment charge	27,456	109,455
Total staff costs	1,081,308	940,853

The average number of people (including non-executive directors) employed by the Company during the year was:	2021	2020
	No	No
Directors	6	6
Employees	1	1
Total	7	7

DIRECTORS' REMUNERATION

Other than directors the Company had one employee as at 31 December 2021. Total remuneration paid to directors during the year was as follows:

	2021	2020
	£	£
DIRECTORS' REMUNERATION		
– Salaries and benefits	850,455	638,353
– Consultancy fees	–	17,500
– Social security costs	78,770	61,387
– Pension costs	54,309	51,475
– Share based payment charge	34,187	85,468
Total directors' remuneration	1,017,721	854,183

Total remuneration of the highest paid director was	272,541	212,301

A summary of remuneration paid to each director, including pension payments, is included in the Report on Directors' Remuneration (page 41-42).

Key management personnel is deemed to consist solely of the statutory directors.

6. OTHER EXPENSES

	2021	2020
	£	£
Share based payment (options)	27,456	109,455
One-off legal and professional costs	31,916	1,613
Recharged professional fees	6,000	85,777
Charitable donations	10,000	10,000
	75,372	206,845

7. OPERATING PROFIT

	2021	2020
	£	£
PROFIT FROM OPERATIONS HAS BEEN ARRIVED AT AFTER CHARGING		
Remuneration of directors	1,017,721	854,183
FEES PAYABLE TO THE COMPANY'S AUDITOR FOR SERVICES PROVIDED TO THE COMPANY		
– Audit services	35,000	33,250
– Tax compliance services	4,675	4,450
– Advisory services	1,025	1,662
– Audit related services	3,000	3,000

8. FINANCE INCOME

	2021	2020
	£	£
Bank interest	–	1,275
Interest income on loan notes	21,897	–
Interest accrued on convertible loan notes	162,091	207,213
	183,988	208,488

9. TAXATION

	2021	2020
	£	£
Profit before tax	4,578,321	803,891
Tax at domestic income tax rate	869,881	152,739
Expenses not deductible for tax purposes	6,026	21,139
Income not taxable	(1,185,618)	(380,639)
Unutilised tax losses	309,711	206,761
Tax	–	–

The Company has unutilised losses of approximately £9.4m (2020: £7.7m) resulting in a deferred tax asset not recognised of approximately £1.7m (2020: £1.4m). The losses do not have an expiry date. The Company has not recognised a deferred tax asset in respect of these losses as there is insufficient evidence of future taxable profits. The Company has not recognised a deferred tax liability in respect of fair value gains on investments as most asset sales are expected to be exempt from taxation due to the substantial shareholding exemption (SSE).

10. EARNINGS PER SHARE

	2021	2020
	£	£
Profit for the purposes of basic and fully diluted profit per share	4,578,321	803,891

	2021 Number	2020 Number
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES		
For calculation of basic earnings per share	339,559,205	290,768,708
For calculation of fully diluted earnings per share	342,975,205	290,768,708

	2021	2020
EARNINGS PER SHARE:		
Basic earnings per share	1.35 pence	0.30 pence
Diluted earnings per share	1.33 pence	0.30 pence

In 2020 the fully diluted earnings per share is the same as the basic earnings per share as the share options were underwater which would have an anti-dultive effect on earnings per share.

11. NON CURRENT ASSETS

INVESTMENTS	2021 £	2020 £
Fair value of investments brought forward	21,904,791	17,882,660
Interest accrued on convertible loan note	162,091	171,473
Additions	2,504,185	1,957,248
Disposals	(199,115)	(99,481)
Fair value of investments carried forward	24,371,952	19,911,900
Fair value adjustment to investments	6,240,095	1,992,891
Fair value of investments carried forward	30,612,047	21,904,791

	Cost	Valuation	Equity ownership
	£000	£000	%
Wyld Networks AB	1,788	8,746	58.7
Device Authority Limited	8,565	14,686	53.8
InVMA Limited (Konektio)	1,525	2,189	36.8
FVRVS Limited (FundamentalVR)	2,928	3,576	26.9
Talking Medicines Limited	860	1,392	23.4
Push Technology Limited	120	23	<1
	15,786	30,612	

The convertible loan facility issued to FVRVS is a financial asset 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. In 2021 the value of the convertible loan outstanding was £530,000 (2020: nil)

The convertible loan facilities issued to Device Authority, InVMA and Wyld Networks were converted into equity during the year with any movements in fair value taken to profit or loss for the year.

12. TRADE AND OTHER RECEIVABLES

	2021	2020
	£	£
Trade receivables	102,959	166,564
Prepayments	63,850	36,753
Interest receivable on convertible loan note	808	35,740
Other receivables	21,737	22,244
Total	189,354	261,301

The directors consider that the carrying amount of trade and other receivables approximates to its fair value.
There is no provision for bad debt. 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 the trade receivables which all relate to receivables from our investments.

13. CASH AND CASH EQUIVALENTS

	2021 £	2020 £
Cash at bank	1,957,203	2,130,166

The directors consider that the carrying amount of cash at bank is a reasonable approximation to its fair value.

14. ISSUED SHARE CAPITAL

	Number of shares no.	Nominal value £	Share premium £
ISSUED AND FULLY PAID			
AT 31 DECEMBER 2020			
Ordinary shares of £0.0002	330,338,101	66,067	
Deferred shares of £29.999	42,247	1,267,368	
Deferred shares of £0.00099	34,545,072	34,200	
	364,925,420	1,367,635	26,740,789
Ordinary shares issued for cash	21,676,600	4,335	4,031,665
Share issue expenses	–	–	(225,885)
	386,602,020	1,371,970	30,546,569
AT 31 DECEMBER 2021			
Ordinary shares of £0.0002	352,014,701	70,402	
Deferred shares of £29.999	42,247	1,267,368	
Deferred shares of £0.00099	34,545,072	34,200	
	386,602,020	1,371,970	30,546,569

Ordinary Shares
The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

Deferred shares of £29.999
The shares have no voting or dividend rights. There are no capital distribution (including on winding up) rights, other than to receive the nominal amount paid on the shares, after the ordinary shareholders have received the sum of £100 per share.

Deferred shares of £0.00099
The shares have no voting or dividend rights. There are no capital distribution (including on winding up) rights, other than to receive the nominal amount paid on the shares. The Company has the right to purchase all the shares for £1.

On 13 July 2021, 21,276,600 ordinary shares were issued at 18.8p per share for cash as the result of a private placing raising £4,000,000 before expenses. On 21 December 2021, 400,000 ordinary shares of 0.02p were issued to a former director of the Company on exercise of options at 9p per share.

15. RESERVES

Details of the movements in reserves are set out in the Statement of Changes in Equity. A description of each reserve is set out below.

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.

Retained earnings
Cumulative profit of the Company.

16. TRADE AND OTHER PAYABLES

	2021 £	2020 £
Trade payables	75,232	104,066
Accruals and deferred income	217,361	138,726
Other taxes and social security	49,462	52,809
Total	342,055	295,601

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

17. FAIR VALUE MEASUREMENT

FINANCIAL ASSETS

The Company classifies its financial instruments in the following categories: at fair value through profit or loss or amortised cost. 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.

FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Investments

All investments are determined upon initial recognition as held at fair value through profit or loss. Investment transactions are accounted for on a trade date basis. Asset sales are recognised at the trade date of the disposal. The fair value of the financial instruments in the statement of financial position is based on the last transaction 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 and last price. 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 measured at fair value in accordance with IFRS 9. Details of the valuation technique for each individual investment is set out in the Financial Review on page 25-26.

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.

The following table shows the levels within the hierarchy of investments measured at fair value on a recurring basis at 31 December 2021 and 31 December 2020:

For Level 3 investments, the fair value assessment was made by the directors using the price of the shares in the most recent fundraise, where this was available, as well as an assessment of market valuations placed on comparable businesses, a review of the underlying asset values and a review of the sales pipeline and forecast to support any valuation applied.

Convertible loans provided to investment companies are evaluated with reference to IFRS 9. The financial asset will be measured and accounted for at FVTPL. Assets are measured at fair value at each reporting date, with any movement in fair value taken to profit or loss for the year.

31 DECEMBER 2021	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments held for trading	8,746,157	–	21,865,890	30,612,047

31 DECEMBER 2020	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments held for trading	–	–	21,904,791	21,904,791

See note 11 for more detail.

18. SHARE BASED PAYMENTS

OPTIONS

The Company operates an equity settled share based remuneration scheme for directors, employees and advisors. Under the director and employees' scheme, options issued during the year were granted to purchase shares which must be exercised within ten years from the date of the grant.
The options are capable of exercise on the third anniversary of the grant date according to the increase in share price on the vesting date. If at any point prior to the third anniversary of the grant date, the share price increases by 100%, then 100% of the shares vest immediately. If there has been no increase in share price by the third anniversary, then 0% of the shares vest. Between these two points the options will vest on a straight-line basis.

Under the previous scheme, which is still in place for the non-executive director and previous directors, shares were granted which must be exercised within seven years from the date of grant. These options vest immediately on issue.

In 2017 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 ten years from the date of grant. The advisor options are fully vested and the 2015 options have now lapsed.

The Black Scholes method was used to calculate the fair value of the director and employees' scheme to calculate the fair value of options at the date of grant.

A total share based payment charge of £27,456 was recognised in 2021 (2020: £109,455) in respect of the options granted in 2019 and 2020, of this £(6,732) (2019: £23,987) related to equity settled options issued to employees. A small adjustment was made to the employee share based payment in 2021 due to a slight overcharge in 2020.

The table below lists the inputs to the model used for the options granted in 2020:

	EMPLOYEES
Weighted average share price at date of grant	8.15 pence
Weighted average exercise price	8.15 pence
Expected volatility	100%
Vesting period	3
Contractual life	10
Risk free rate	1.94%

The share options held as at 31 December 2021 are set out in the table below:

	Outstanding at 31 December 2020	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2021	Option Price	Exercisable on or before
Directors	7,500,000	–	–	–	7,500,000	8.5p	18 May 2027
	250,000	–	–	–	250,000	13p	22 Feb 2023
	2,500,000	–	–	–	2,500,000	9.15p	1 Dec 2029
Total directors	10,250,000	–	–	–	10,250,000		
Employees	500,000	–	–	–	500,000	8.15p	22 July 2030
Other	900,000	–	400,000	–	500,000	9p	15 Feb 2022
	100,000	–	–	–	100,000	8.5p	18 May 2027
Total Options	11,750,000	–	400,000	–	11,350,000		

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

19. RELATED PARTY TRANSACTIONS

The Company considers the following businesses to be related parties and details in the table below, all related party transactions that took place during the year.

FOR THE PERIOD AS AT 31 DECEMBER	2021			2020		
	Sales £	Purchases £	Investment £	Sales £	Purchases £	Investment £
Device Authority Limited	24,333	738	1,172,511	32,000	-	527,247
Wyld Networks AB	-	-	451,674	-	-	-
Wyld Networks Limited	6,450	-	-	31,025	-	445,000
Wyld Technologies Limited	6,000	-	-	13,350	-	-
FVRVS Limited (FundamentalVR)	10,000	-	530,000	16,938	-	-
InVMA Limited (Konektio)	12,000	-	350,000	48,156	-	125,000
Talking Medicines Limited	5,000	-	-	30,000	-	860,001

Outstanding trade receivable balances at the year-end are detailed in the table below:

AS AT 31 DECEMBER	2021 £	2020 £
Device Authority Limited	90,959	83,844
FVRVS Limited (FundamentalVR)	12,000	-
InVMA Limited (Konektio)	-	82,720

Equity shareholdings are detailed in Note 11.

20. CASH FLOW FROM OPERATIONS

	2021 £	2020 £
Profit for the year	4,578,321	803,891
ADJUSTMENTS FOR ITEMS NOT INCLUDED IN CASH FLOW		
Movement in fair value of investments	(6,240,095)	(1,992,891)
Loss on disposal	199,115	–
Deferred cash on sale of investment	–	6,060
Share based payment charge	27,456	109,455
Finance income	(183,988)	(208,488)
Operating cash flows before movements in working capital	(1,619,191)	(1,281,973)
ADJUSTMENTS FOR CHANGES IN WORKING CAPITAL		
Decrease/(increase) in trade and other receivables [1]	37,015	(51,075)
Increase in trade and other payables	46,454	143,567
Cash used in operations	(1,535,722)	(1,189,481)

1 Excludes interest receivable from investments.

21. FINANCIAL INSTRUMENTS

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

CATEGORIES OF FINANCIAL INSTRUMENTS

The IFRS 9 categories of financial asset included in the Statement of Financial Position and the headings in which they are included are as follows, all of which are current:

	2021 £	2020 £
FINANCIAL ASSETS		
Cash at bank	1,957,203	2,130,166
Financial instruments at amortised cost		
Trade receivables	102,959	166,564
Other receivables	21,737	22,244
Fair value through profit or loss (FVTPL)		
Investments	30,612,047	21,904,791

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST:

The IFRS 9 categories of financial liabilities included in the Statement of Financial Position and the headings in which they are included are as follows, all of which are current:

	2021 £	2020 £
Trade payables	75,232	104,066
Accruals	201,920	125,809

22. EVENTS AFTER THE REPORTING PERIOD

On 1 February 2022, it was announced that Talking Medicines Limited had completed a £1.6m equity fundraise at an increased valuation. The Company's investment in Talking Medicines is now valued at £1.8m, which included an additional investment of £0.4m by Tern in this round.

On 2 March 2022, it was announced that Tern has agreed to participate in a new venture capital fund, the Sure Valley Ventures UK Software Technology Fund alongside the British Business Bank and other investors. Tern will initially invest approximately £90,000 and has committed to invest up to £5m in total over the 10-year life of the fund, which would equate to a c.5.9% interest.

23. ULTIMATE CONTROLLING PARTY

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

Notice of 2022 Annual General Meeting

Notice of 2022 Annual General Meeting NOTICE IS HEREBY GIVEN that the 2022 Annual General Meeting of Tern plc ("the Company") will be held at 9.30am on Wednesday 27 April 2022 at the offices of Reed Smith, The Broadgate Tower, 20 Primrose Street, London, EC2A 2RS.

COVID-19 Arrangements

While it is currently anticipated that there will be no restrictions on social contact or meeting format at the time of the AGM, shareholders should carefully consider whether or not it is appropriate to attend the AGM. The Board remains keen to ensure the wellbeing of all employees and shareholders is protected and to minimise any public health risks from public gatherings. Shareholders are strongly encouraged to exercise their voting rights by completing and submitting a Form of Proxy in advance of the meeting, appointing the Chairman of the Annual General Meeting as proxy rather than a named person. Shareholders are asked not to attend the AGM if they are displaying any symptoms of COVID-19, or have recently been in contact with anyone who has tested positive. To minimise transmission we encourage shareholders to take a rapid lateral flow test before attending the meeting, and subject to conditions on the day of the meeting, shareholders may be required to wear face masks.

The Company will continue to closely monitor the developing impact of COVID-19, including the latest UK Government guidance. If a change to Government guidelines is announced after the date of this Notice is published and such guidelines limit gatherings and shareholder attendance at the AGM, any changes to the AGM arrangements will be notifed to shareholders through the Company's website www.ternplc.com and, where appropriate, by announcement made by the Company to a Regulatory Information Service.

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 2021, together with the Directors' Report and Auditors' Report on those accounts.

2. To re-appoint Nexia Smith & Williamson 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. Sarah Payne retires by rotation, in accordance with the Articles of Association of the Company and having consented to be considered for re-appointment, is hereby re-appointed as a director of the Company.

4. Alan Howarth retires by rotation, in accordance with the Articles of Association of the Company and having consented to be considered for re-appointment, is hereby re-appointed as a director of the Company.

SPECIAL BUSINESS

To consider, and if thought fit, to pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions:

5. 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 £12,500 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.

6. That, subject to the passing of resolution 5 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 5 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:

6.1 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

6.2 the allotment (otherwise than pursuant to sub-paragraph 6.1 of this resolution (6) of equity securities up to an aggregate nominal value of £10,000.

The power conferred by this resolution 6 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 5 above expires, except that the Company may at any time before such expiry make any offer or agreement which would 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.

7. 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:

7.1 the maximum number of Ordinary Shares authorised to be purchased is 10% of the entire issued share capital of the Company;

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

7.3 the maximum price which may be paid for an Ordinary Share is an amount equal to 105% 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;

7.4 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 2023; and

7.5 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
23 March 2022

NOTES TO THE AGM NOTICE

1. Shareholders are strongly encouraged to exercise their voting rights by completing and submitting a Form of Proxy in advance of the meeting, appointing the Chairman of the Annual General Meeting as proxy rather than a named person.

2. 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 9.30am on 25 April 2022, 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.

3. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy (or proxies) to 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.

4. To be effective, the Form of Proxy must be deposited at the office of the Company's registrars, Share Registrars Limited, Molex House, The Millennium Centre, Crosby Way, Farnham, Surrey, GU9 7XX so as to be received not later than 9.30am on 25 April 2022, or if the meeting is adjourned, not later than 48 hours before the time fixed for the adjourned meeting.

5. 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, Molex House, The Millennium Centre, Crosby Way, Farnham, Surrey, GU9 7XX.

6. 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, Molex House, The Millennium Centre, Crosby Way, Farnham, Surrey, GU9 7XX. 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.

In either case, the revocation notice must be received by the Company's registrars, Share Registrars Limited, Molex House, The Millennium Centre, Crosby Way, Farnham, Surrey, GU9 7XX no later than 9.30am on 25 April 2022.

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.

7. 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.

Company Information

DIRECTORS
Ian Ritchie
Albert Sisto
Sarah Payne
Bruce Leith
Alan Howarth
Matthew Scherba

SECRETARY
Sarah Payne

REGISTERED OFFICE
27/28 Eastcastle Street
London
W1W 8DH

COMPANY'S REGISTERED NUMBER
5131386

AUDITOR
Nexia Smith & Williamson
25 Moorgate
London
EC2R 6AY

NOMINATED ADVISER AND BROKER
Allenby Capital Limited
5 St. Helen's Place
London
EC3A 6AB

REGISTRARS
Share Registrars Limited
Molex House
The Millennium Centre
Crosby Way
Farnham
Surrey
GU9 7XX

BANKERS
Handelsbanken plc
3rd Floor
86 Jermyn Street
London
SW1Y 6JD

CORPORATE LAWYERS
Reed Smith LLP
The Broadgate Tower
20 Primrose Street
London EC2A 2RS