

tern

**Annual Report and Accounts 2024**

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# Chairman's Statement

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While market conditions remained challenging, I am pleased to report that 2024 was a year of meaningful progress for Tern. Our core portfolio continues to mature and demonstrate strength, and we remain firmly committed to delivering long-term value to our shareholders.

Tern offers investors a rare opportunity: the ability to hold shares in an AIM-quoted venture capital company focused on early-stage, high-growth technology businesses —companies typically inaccessible to most AIM retail investors. In many ways, our shareholders operate as Limited Partners in a traditional venture capital fund, but with the added advantage of daily liquidity and no obligation to contribute additional capital.

We have built a focused, high-potential portfolio operating in sectors poised for substantial growth. The Tern team actively works with our portfolio companies to drive value through hands-on support, strategic development, and, at the appropriate stage, targeted exits aimed at maximising shareholder returns.

In addition to the intrinsic value of the portfolio, our strategy is built around delivering shareholder returns through three core pillars:

- **Capital Distribution** via an appropriate method, when exits deliver sufficient proceeds.
- **Capital growth** through the successful commercial execution of our portfolio companies.
- **Diversification** by providing exposure to a wide array of transformative technology businesses typically out of reach for individual investors.

## Portfolio Review

### Device Authority ("DA")

In December 2024 DA received the second fundraising tranche from industry specialist investor, Ten Eleven Ventures, of US\$3.3m, at the same price as the first tranche provided in December 2023. The funds are being used by DA to advance product development, expanding its North American footprint and enhancing its Identity and Access Management (IAM) solutions for the Internet of Things (IoT).

DA's KeyScaler® platform, focused on automotive, medical and industrial sectors enabling 'zero trust' security for the IoT, has been selected by several major enterprises. DA acquired new customers in 2024, with existing key clients gearing up for mass production, utilising the platform.

With a strong presence in the UK, DA also has a successful 'go to market' in the US which has delivered three major customer wins in 2025. The total addressable market is large and growing, with cybercrime estimated by Cybersecurity Ventures to be the third largest economy in the world, with a fragmented industry. DA's annual recurring revenue (ARR) rose 10% year over year.

In March 2025 DA announced its that it had joined forces with Microsoft and CyberArk to deliver a secure IoT solution for manufacturing based on the National Institute of Standards and Technology's (NIST) latest framework. DA now plays a crucial role as a Microsoft IoT and Operational Technology (OT) security partner for Microsoft's Manufacturing Industry Reference Architecture.

Initial client wins are expanding into further orders leveraging KeyScaler®. One of DA's existing clients, a global leading automotive components provider, is scaling production to more factories as part of its Identity management process.

DA's modularised licence platform KSaaS (KeyScaler Software as a Service) has achieved over 16 million machine identity authentications worldwide, demonstrating the platform's scalability and its ability to secure IoT devices across diverse industries.

### FundamentalVR ("FVR")

FVR provide a software simulation environment that allows surgeons' accuracy to be measured objectively for the first time, with a mission to revolutionise surgical education globally.

Despite 2024 being tough in terms of macro conditions and customer restructuring, FVR expanded its relationships with existing logos. Customer growth was strong, including very important strategic alliances with Apple, Meta and Logitech, with Artificial Intelligence (AI) being used in different ways.

# Chairman's Statement

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Apple's and Meta's continued expansion of activity in the metaverse space provide significant interest and opportunities for the company.

A significant milestone in Q4 2024 was the launch of The American Academy of Ophthalmology VR Education programme on the platform.

In December 2024, the company was named 'Best Surgery Training VR Technology Company 2024' in the Global Excellence Awards by GHP Magazine, and the technology is vendor/hardware agnostic.

FVR was recognised as one of Fast Company's 'Most Innovative Companies of 2025'. This honour highlights their groundbreaking work in virtual reality, artificial intelligence, and haptic technology, which is transforming surgical training and medical education.

## **Talking Medicines ("TM")**

TM's revenues and annual recurring revenues both grew year on year, and with much improved gross margins. Operating expenses fell sharply in the year. TM has secured partnerships and signed contracts with multiple US based healthcare advertising agencies that serve pharmaceutical companies.

2024 was a breakthrough year, and the Board sees significant potential in TM's next phase of growth, with its customers entrusting over 2.9 million pieces of data to TM to date. Already at the forefront of AI, the company's Drug-GPT stands apart as a specialised 'Curated Large Language Model'.

The prescription drug market in the US alone is huge, and the cost of poor medical adherence is estimated by the PAN Foundation to be US\$525bn, with US\$30bn spent on marketing to address this. TM is well established in an AI category that is operating in a fast growing and large market, operating in Machine Learning and Natural Language Processing.

## **Sure Valley Ventures Enterprise Capital LP (SVV2)**

Tern continues to fulfil its commitment to invest up to £5 million in SVV2 over the 10-year life of SVV2, entered into in March 2022. During 2024, Tern invested a further £0.5 million in SVV2 to support their five further investments.

In addition, we added a modest investment in Sure Ventures plc to our portfolio post the year end, in January 2025, which has a 25.9% interest in Sure Valley Ventures Fund ("SVV1") and an approximate 6% interest in SVV2, providing exposure and potential upside to additional exciting technology businesses.

This 'fund of funds' approach, in addition to our direct investments is, I believe, important for a number of reasons. Crucially it reduces the inherent risk associated with a concentrated portfolio and the uncertainty as to when value will be realised. Additionally, it allows our operating costs to be spread across a wider portfolio, we have the potential to recoup some costs through providing assistance to the companies held by these funds, we have the potential to receive exit proceeds earlier and there is the potential for synergy benefits for our direct portfolio companies from working with the fund's underlying investee companies.

## **Wyld Networks ("Wyld")**

In 2024, Wyld faced financial difficulties and raised capital via a rights issue on terms we believe were detrimental to existing shareholders. Tern did not participate in the rights issue, resulting in significant dilution. As a result of Wyld's IPO in 2021, Tern no longer plays a day-to-day role in Wyld's governance and had no influence over the fundraising process. Nevertheless, of the total capital Tern invested in Wyld, a substantial portion has been returned. We continue to monitor developments closely.

## **InVMA Limited ("Konektio")**

It was disappointing that in March 2024 Konektio entered administration. Tern had previously announced on 8 November 2023 that the Company had decided not to invest further in Konektio and following this decision, 75% of Tern's holding in Konektio was transferred into a valueless class of Konektio deferred shares, as announced on

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29 November 2023. Tern held approximately 8.8% of Konektio's equity at the time of administration and this holding had an unaudited book valuation of £222,624 as at 31 December 2023. Following Konektio entering administration, the Tern Directors concluded that it is unlikely that any value will be realisable from Tern's holding in Konektio and Tern's holding in Konektio is therefore now held at zero value. Konektio was dissolved in 2025.

## Outlook

Our core portfolio companies, Device Authority, FundamentalVR and Talking Medicines are thriving – despite a difficult environment for early-stage technology funding. They are delivering strong commercial traction, attracting global partners and investors, and we believe maturing into leaders in their respective markets.

Continued progress will require ongoing investment. To preserve our influence and potential return at exit, we must be in a position to support our portfolio through growth funding rounds – particularly against a backdrop of almost abundant private capital. As such, Tern having access to capital and flexibility to issue new shares remain strategically important.

Our model – focusing on seed to Series B rounds – positions us to benefit from significant upside potential as companies enter Series C and beyond. But this value can only be realised if we retain sufficient equity, which requires sustained support through follow-on funding.

Tern is also exceptionally well placed to benefit from growing interest in early-stage software and the generative AI space. Unlike passive capital, we invest time, expertise, and strategic insight into our portfolio companies. This approach has been critical in helping our portfolio companies raise growth capital and scale operations, particularly in the United States, the world's most dynamic technology market.

We continue to operate with a lean structure. Administration costs were reduced by 40% following the board and management restructuring in August 2023, and further reduced by 30% in 2024 year over year. We charge nominal management fees to our core portfolio companies, choosing instead to focus all resources on building long-term value.

In 2024, our management team, including Bruce Leith and Al Sisto, have once again proven the value of their deep experience and entrepreneurial track record. Our involvement with SVV2 also continues to open new avenues for income and value creation, such as the appointment of Bruce Leith as Executive Chairman of Purple Transform, with Tern receiving the related service fees.

We also welcomed two new non-executive directors, Jane McCracken and Iain Ross, whose contributions are already shaping Tern's strategic direction. I would like to thank our retiring directors, Alan Howarth and Sarah Payne, for their wisdom and service during their tenure.

An investment in Tern is a gateway to early-stage technology investing, offering access to what we believe are exceptional companies often beyond the reach of private investors. Our mission is clear: to support these businesses through their most critical stages, build them into market leaders, and deliver long-term capital gains for our shareholders.

We thank you for your continued trust and support and remain focused on achieving the best possible return on your investment.

DocuSigned by:  
  
59A9A86A3736449...  
**Ian Ritchie**  
CBE, FREng, FRSE  
Chairman

# Portfolio Companies and Holdings

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As at 31 December 2024

## Device Authority Limited (“DA” or “Device Authority”)

**Valuation £4.3m (31 December 2023: £4.4m)**

**Equity ownership 25.3% (before any dilution on exercise of share options)**

Device Authority, a recognised global leader in Identity and Access Management (IAM) for the Internet of Things (IoT), has continued to build strong business momentum in 2024.

At the core of its success are the company’s flagship solutions—KeyScaler® and KeyScaler Edge®—which provide comprehensive, end-to-end security lifecycle management across the Edge-to-Enterprise continuum. These solutions integrate seamlessly with leading IoT cloud platforms including Microsoft Azure, Avnet IoTConnect, AWS, PTC ThingWorx, and Google Cloud, enabling robust, scalable security for both new and legacy IoT deployments.

Device Authority is seeking to shape the future of connected systems through automated Zero Trust security at scale. As a global IAM leader for Enterprise IoT, the company serves critical industries such as Industrial, Automotive, Healthcare, and Critical Infrastructure.

The company’s KeyScaler-as-a-Service (KSaaS®) platform empowers organisations to minimise risk, reduce human error, and accelerate incident response, allowing organisations to establish trust in every device and data transaction. With the addition of KeyScaler AI, Device Authority now also enables secure and trusted AI in any connected environment.

This cloud-first, automation-driven approach has fuelled a strong start to the year, with new blue-chip customers onboarded and multiple enterprise-level Proof of Concept and pilot initiatives underway. Enterprises are increasingly choosing Device Authority for its cost-effective scalability and rapid automation—capable of authenticating, certifying, and registering devices in under 10 seconds, 60 times faster than manual methods.

Device Authority’s expanding partner ecosystem remains a strategic focus, with new collaborations including PlaxidityX (formerly Argus) and CyberArk, alongside a deepening partnership with Microsoft, which named Device Authority as a key component of its next-generation automotive and mobility security initiative.

The company’s innovation and leadership have earned widespread industry recognition, including:

- IoThinkTank’s IoT Security Product of the Year
- IoT HealthTech Innovation Award
- IoTSF’s IoT Security Champion Award

Additionally, in 2024 Device Authority has been named a Leader in the Quadrant Knowledge Solutions Spark Matrix for IoT IAM for the fifth consecutive year, achieving the highest ranking in Technology Excellence.

## FVRVS Limited (“FundamentalVR”)

**Valuation £3.6m (31 December 2023: £3.6m)**

**Equity ownership 10.3% (before any dilution on exercise of share options)**

FundamentalVR is a pioneering platform at the intersection of virtual reality, haptics, and data analytics, led by surgical education experts and top technologists. With a mission to revolutionise global surgical education, the company is making high-fidelity simulation both accessible and affordable, equipping medical professionals worldwide with state-of-the-art training tools.

The platform utilises widely available VR hardware—such as Meta’s Oculus Quest—and integrates advanced haptics technology to deliver a highly realistic, tactile simulation experience. Designed to operate seamlessly on standard computing systems, FundamentalVR provides surgeons with immersive, hands-on practice that closely mirrors real-life procedures, significantly enhancing preparedness and patient outcomes.

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The platform's impact is supported by recent findings published in the *Journal of Robotic Surgery*, which highlighted the benefits of immersive VR training. The study reported positive outcomes when trainees used the FVR's system in an operating room setting with CMR Surgical's Versius robot—a long-standing FundamentalVR partner.

In 2024, FundamentalVR expanded its influence in the medical device sector through strategic partnerships and product innovation. The integration of the platform with Apple Vision Pro and Logitech's Stylus MX INK has further strengthened its leadership in immersive training and spatial computing. These advancements have not only enhanced the realism of the simulation experience but also solidified the platform's position as an industry frontrunner.

Continuing its commitment to innovation, the company is also investing in Generative AI. It recently introduced Maia, a virtual AI-powered tutor embedded in the Fundamental Surgery Immersive VR Platform, designed to guide and support learners throughout their training journey. Maia marks a significant leap forward in personalised, adaptive surgical education.

With its award-winning technology, growing recognition, and focus on cutting-edge innovation, FundamentalVR is setting a new standard in surgical training for the digital age.

## Talking Medicines Limited (“Talking Medicines”)

**Valuation £2.1m (31 December 2023: £2.0m)**

**Equity ownership 23.8% (before any dilution on exercise of share options)**

Talking Medicines, a pioneering force in healthcare intelligence powered by Advanced Data Science and Artificial Intelligence, demonstrated significant progress in the first half of 2024 through the growing success of its flagship interface, Drug-GPT. Headquartered in Glasgow, the company continues to expand its commercial footprint in the U.S., with a growing presence across New Jersey, New York, and Philadelphia.

Drug-GPT has attracted considerable attention and revenue from leading global healthcare advertising agencies, which recognise its potential to revolutionise pharmaceutical marketing strategies. With U.S. pharmaceutical companies spending more than \$30 billion annually on drug marketing, the appetite for transformative tools is strong—particularly amid 2024's trends, including the industry shifting toward personalised medicine and the rapid adoption of Generative AI. These changes are driving a departure from outdated insight methods, such as focus groups, toward AI-powered platforms capable of delivering targeted, high-quality intelligence at scale.

Offering a validated 80% uplift in productivity, Drug-GPT significantly enhances efficiency in data curation and strategic insight generation. By aggregating and interpreting conversations from patients and healthcare professionals, the platform unlocks previously inaccessible data insights, enabling pharmaceutical clients to make better-informed, data-driven decisions.

Talking Medicines works with some of the world's largest healthcare ad agency networks, underscoring the value and credibility of Drug-GPT. The company continues to both onboard new clients and expand its footprint within existing partnerships, fueling the steady growth of its U.S. client base, with further expansion anticipated through the remainder of 2025.

Strategic partnerships remain central to Talking Medicines' success—both in sourcing raw data from health data communities and in deepening collaboration with clients seeking competitive advantages in an evolving landscape. Drug-GPT is continuously evolving, guided by the company's in-house data science team.

As part of its commitment to advancing industry understanding, Talking Medicines continues to contribute to academic discourse, most recently publishing a comparative study on patient language across therapeutic domains. These ongoing R&D efforts not only enrich the company's scientific credibility but also strengthen the intellectual property moat around its proprietary use of AI and data science in healthcare.

Looking ahead, Talking Medicines remains focused on expanding its customer base and U.S. market leadership, with ambitions to become the go-to partner for patient and healthcare practitioner intelligence. The company's management believes upcoming enhancements to Drug-GPT will continue to excite and engage clients, reinforcing its position as a preferred provider for AI-powered healthcare marketing intelligence.

# Portfolio Companies and Holdings

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## Sure Valley Ventures Enterprise Capital LP (“SVV2”)

**Valuation £0.7m (31 December 2023: £0.3m)**

### Equity ownership 6.1%

SVV2 is a leading venture capital fund investing in a diverse range of private UK software companies, with a strong focus on the rapidly growing immersive technology and metaverse sectors. Its portfolio includes ventures specialising in augmented and virtual reality, artificial intelligence, and cybersecurity.

SVV2's investment journey began with a £1m investment in RETiníZE Limited in March 2022, followed by a £500k follow-on investment in this company in 2024. In November 2022, the Fund invested £1.05m in Jaid (Opsmatix Limited), later adding £800k in tranches. September 2023 saw a £1.5m investment in Captur, an AI-driven workflow automation firm. In 2024, SVV2 made five new investments: £750k in Vortex IQ (June), £650k in Ittybit (June), £1m in Phinx Robotics (July), £1.5m in Purple Transform and £500k in Stylus Education (both August), and £1m in Vizgard (December), with £500k funded upfront and an option for another £500k investment.

Looking ahead, 2025 is set to be SVV2's largest deployment year yet, targeting 6-8 new investments and further portfolio expansions, with drawdowns of 15-20% of SVV2.

## DiffusionData Limited (previously Push Technology)

**Valuation £0.02m (31 December 2023: £0.02m)**

### Equity ownership <1%

DiffusionData enhances organisations' ability to facilitate real-time communication, extending beyond direct interactions to include automatic data updates across various channels. Its technology ensures that displayed information refreshes instantly—without user intervention—enabling seamless, dynamic experiences.

This real-time responsiveness is crucial for interactive applications, making them more engaging and efficient as they automatically adapt to new data the moment it becomes available.

## Wyld Networks AB (publ) (“Wyld Networks” or “Wyld”)

**Valuation £0.003m (31 December 2023: £2.4m) Holding 0.6%**

Wyld Networks, listed on the NASDAQ First North Growth Market in Stockholm, is seeking to transform global connectivity by delivering affordable wireless solutions in regions where conventional coverage is unavailable or congested. Specialising in satellite-based IoT communications, the company's flagship solution, Wyld Connect, enables seamless data transmission between IoT sensors and low Earth orbit (LEO) satellites via compact terminals and modules.

Wyld Networks achieved continued customer acquisition growth and marked a significant milestone with the commercial launch of its L-Band product. This development is key to delivering truly global IoT connectivity, expanding the company's service capabilities to even more remote and underserved locations.

Wyld successfully launched a satellite-enabled IoT tracker, aimed initially at tracking moving assets—a valuable solution for sectors such as logistics, agriculture, and conservation.

Wyld also secured several strategic partnerships and deployments:

- In Brazil, the company partnered with GeoApis to monitor bee colonies using LEO satellite connectivity, aiming to enhance pollination efficiency, sustainability, and crop yields.
- With SugaROx, a UK-based innovator in biostimulants, Wyld is supporting agricultural productivity and climate resilience in Brazil through enhanced field monitoring.

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- In the UK, Wyld entered into a collaboration with Harper Adams University, a leading institution in agriculture and environmental sciences, to deliver soil moisture data for cabbage crops across its 550-hectare research facility in Shropshire.

Additionally, Wyld forged a key partnership with Actility, a global leader in IoT connectivity platforms. This collaboration integrates Wyld's satellite capabilities with ThingPark Exchange, Actility's premier LoRaWAN® peering hub, enabling broader interoperability and global scalability for IoT applications.

From a commercial standpoint, Wyld Networks has concentrated efforts in South America, North America, Africa, and the Middle East, and has recently initiated expansion into the Asia-Pacific region, starting with Australia.

Wyld experienced financial difficulties during the year and was forced to raise additional funds, via a rights issue, under what the Board considered to be unfavorable terms. This rights issue involved issuing a large number of new shares at a low price, which significantly diluted the value of existing shares. Tern chose not to participate in the funding rights issue, which led to a substantial reduction in its ownership stake. The highly dilutive nature of the equity issue caused Wyld's share price to fall sharply, and it has remained depressed since.

# Environmental, Social and Governance (ESG) Report

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## Our Commitment

The company recognises the transformative potential of IoT technology to drive positive economic, social, and environmental change. While IoT has traditionally been marketed for commercial use, our portfolio companies leverage it to address what we believe to be some of the world's most pressing challenges. Our ESG Committee ensures that sustainability principles are integrated into investment decisions and monitors portfolio performance in these areas. We believe that financial success and social responsibility go hand in hand, requiring strong governance, societal impact, and environmental stewardship. Committed to driving meaningful change, we continuously set higher ESG standards across the industry

## Sustainable Investment

The Company is committed to promoting sustainable and responsible business practices by integrating ESG factors into its decision-making process. This commitment extends throughout the entire investment lifecycle, from initial assessment to exit.

To align with international best practices, the Company employs rigorous screening, appraisal, and monitoring methods in line with the United Nations Principles for Responsible Investment (PRI). Additionally, we actively engage with portfolio companies on ESG matters through quarterly ESG workshops, fostering continuous improvement.

Through these efforts, we strive to create a more equitable and sustainable business environment while driving positive social and environmental impact.

All investments made in 2024 were directed towards our existing portfolio.

## Environmental

The Company is committed to making a positive environmental impact. Our investment model reflects this by prioritising companies with a strong track record of environmental responsibility and sustainability.

As part of our broader sustainability efforts, we are actively working to reduce our carbon footprint. Through initiatives such as utilising renewable energy sources and adopting energy-efficient technologies, we aim to minimise our environmental impact and contribute to the global fight against climate change. By integrating sustainability into our investment approach, we strive to drive meaningful and lasting positive change.

Additionally, in our commitment to environmental sustainability, the Company has significantly reduced air travel and embraced modern communication technologies with a minimal carbon footprint.

## Social

Fostering a culture of fairness, transparency, and inclusivity is central to the Company's ESG strategy. We believe these values are crucial for creating a positive, productive work environment and building strong, mutually beneficial relationships with our stakeholders.

We are committed to conducting our business operations and stakeholder interactions in a socially responsible manner. This means proactively identifying and addressing potential environmental, social, and stakeholder impacts. By embedding social responsibility into our operations, we not only mitigate risks but also create meaningful opportunities to contribute positively to the communities in which we operate.

## Governance

To uphold the highest standards of integrity, ethics, and social responsibility, the Company has adopted the 2018 Corporate Governance Code published by the Quoted Company Alliance (QCA). This code provides a structured framework for effective corporate governance, outlining key principles for board structure, transparency, accountability, and stakeholder engagement.

We are fully committed to adhering to this code and continuously monitoring our practices to ensure compliance and maintain excellence in corporate governance.

# Financial Review

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2024 has been a dynamic and promising year for the portfolio as we continue to invest in the rapidly evolving Internet of Things (“IoT”) and artificial intelligence (“AI”) sectors. Driven by increasing enterprise adoption, advancements in machine learning, and the growing need for automation, our portfolio companies and holdings are transforming industries at an unprecedented pace. Market trends indicate sustained growth, with AI-powered solutions enhancing efficiency across healthcare, finance, and manufacturing, while IoT adoption fuels smarter infrastructure and connected ecosystems. We believe that our strategic investments have positioned us at the forefront of this innovation wave, reinforcing our commitment to unlock the potential of leading-edge private UK tech companies in order to deliver strong returns to our valuable shareholders.

## Statement of Financial Position

Net assets at 31 December 2024 were £10.7m, a reduction of £1.6m from the net assets of £12.3m at 31 December 2023. This is principally due to movements in investments held at fair value through the profit or loss (“FVTPL”) and the significant ongoing costs of operating as an AIM-quoted company. As noted in the Chairman’s Statement on page 5, the Company has implemented measures to reduce administration costs by 30% this year compared to 2023. However, the unavoidable expenses associated with maintaining Tern’s quoted status will inevitably impact the Company’s net assets on an ongoing basis.

The decline in the market price of Wyld Networks was the primary driver of the £2.1 million decrease in the fair value of the investment portfolio.

The Company’s cash balance was slightly higher as at 31 December 2024 (£0.4 million) compared to 31 December 2023 (£0.3 million). Administration and other operating expenses decreased by £0.5 million year-on-year, largely as a result of the board reorganisation.

Liabilities were £0.25 million lower at 31 December 2024 than at the same date in 2023, primarily due to the partial repayment of the short-term loan. In August 2024, the Company agreed to an amendment to the short term loan agreement in which the security requirement attached to the short-term loan facility was removed, and the repayment period was extended by 12 months to September 2025.

Investments held at FVTPL amounted to £10.7 million and represent the Company’s portfolio of high-growth technology companies. During the year, the fair value of the portfolio declined by £2.1 million, a significantly smaller decrease compared to the £11.1 million reduction recorded in 2023.

## Income Statement and Statement of Comprehensive Income

The total comprehensive loss for the year was £3.8m (2023: loss of £12.6m), primarily due to a negative movement in the fair value of investments held at FVTPL of £2.5m and the £1.2m of operating expenses incurred during the year.

The Company seeks to keep its fees charged to portfolio companies at modest levels, as the Company’s preference is for capital to instead be reinvested in the portfolio to drive value creation.

Administration costs decreased to £1.2m in 2024 (2023: £1.7m) as a result of the board reorganisation which was fully implemented in 2024. Other expenses decreased to £0.05m in 2024 (2023: £0.2m).

## Statement of Cash Flows

During the year, £1.1m was used in the Company’s operations, and £0.8m was deployed within our existing portfolio, via equity and loan investments.

In 2024, £0.3m of the short term loan provided to the Company was repaid (2023: £0.1m).

## Key performance indicators

The Company’s financial Key Performance Indicators (“KPIs”) are centred on increasing net asset value, enhancing net asset value per share, and achieving consistent revenue growth across our portfolio. In addition to financial metrics, the Company closely monitors non-financial KPIs, with a primary focus on the growth in employee numbers and annual recurring revenue per employee—both key indicators of sustainable commercial success. These performance metrics are tracked by the Board, with detailed results outlined below.

# Financial Review

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## The return on investments

### Unrealised fair value:

Wyld Networks: £3k valuation (31 December 2023: £2.4m): The equity valuation has decreased by £2.4m solely due to the reduction in Wyld Networks' market capitalisation to £2.4m at 31 December 2024 (a reduction in share price of 99% since 31 December 2023). Wyld Networks valuation is determined by reference to the appropriate quoted market price at the reporting date.

Device Authority: £4.3m valuation (31 December 2023: £4.4m): The valuation has decreased due to the sale of £0.2m of assets held in Device Authority during the year combined with a small foreign exchange movement.

Konektio: Nil valuation (31 December 2023: Nil): The equity value of Konektio was written off due to the company entering into administration in March 2024.

FundamentalVR: £3.6m valuation (31 December 2023: £3.6m): The valuation has remained static.

Talking Medicines: £2.1m valuation (31 December 2023: £2.0m): The valuation has increased due to additional funding provided to the company of £0.1m via CLN which was outstanding at the year end.

DiffusionData: £0.02m valuation (31 December 2023: £0.02m): The investment is valued at fair value with the price of the most recent valuation taken into account.

SVV2: £0.7m valuation (31 December 2023: £0.3m): The investment is valued at fair value at the value provided by the SVVUK fund. The fair value increase of £0.4m was made up of £0.5m of additional investment, offset by £0.1m decrease in fair value as provided by the fund.

The global downturn in technology company valuations and multiples applied to early-stage businesses was taken into consideration when assessing the fair value of the portfolio.

Further details in respect of fair value measurement can be found in note 19.

The net assets of the Company at 31 December 2024 showed a reduction of £1.6m to £10.7m (31 December 2023:

£12.3m). The net asset value per ordinary share as at 31 December 2024 decreased by 1.2p to 2.0p (31 December 2023: 3.2p).

The year-on-year unaudited annual recurring revenue ("ARR") of our key portfolio companies (excluding Konektio) decreased by 7% from 2023 to 2024 (increase of 33% from 2022 to 2023 (excluding Konektio)). This was primarily as a result of a number of expected revenue opportunities moving from 2024 into 2025.

The Company regularly monitors non-financial Key Performance Indicators (KPIs) as part of its strategic oversight. These KPIs primarily focus on the growth in employee numbers within our portfolio and annual recurring revenue (ARR) per employee. We believe these metrics serve as key leading indicators of future performance and reflect our broader impact on stakeholders.

Employees in our key portfolio companies (excluding Konektio) decreased by 45% from 2023 to 2024 (decrease of 11% from 2022 to 2023 (excluding Konektio)), however this decrease was greater than the decrease in the ARR such that the ARR per employee increased by 69% from 2023 to 2024 (increase of 50% from 2022 to 2023 (excluding Konektio)). The decrease in aggregate employee numbers was primarily as a result of the reduction in headcount at FundamentalVR as they utilised third party tools, reducing the need for inhouse capability. The Device Authority and Talking Medicines teams were stable during the year.

## Investing Policy

Tern's investment policy is to invest principally, but not exclusively, in the information technology sector within Europe. The Directors believe that the Company can invest in and acquire information technology businesses, improve them by a combination of new management and investment, and realise the value created which will be returned to shareholders. The Company may be either an active investor and acquire control of a single company or it may acquire non-controlling shareholdings. Once a target has been identified, additional funds may need to be raised by the Company to complete a transaction.

The Directors see IT as having considerable growth potential for the foreseeable future and many of the prospects they have identified are in this sector. The Company has invested in six investee companies, four of which comprise the principal portfolio companies and the Directors believe there are further opportunities to invest in and acquire established IT businesses which have good technology, marquee customers and could better exploit their assets with the injection of experienced management and new funds with the intention of creating value for shareholders.

Although the main focus of the investment policy has been on the exploitation of IT businesses, which the Directors intend to continue; this will not preclude the Company from considering an investment in suitable projects in other sectors where the Directors believe that there are high-growth opportunities.

The Directors believe the main driver of success for the Company is the expertise that can be provided by the Directors to the management involved in its investee companies and the value creation that the team of people is capable of realising. The Company is, and intends to continue to be, an active investor. Accordingly, it has sought and may seek in future investments, representation on the board of investee companies.

The new capital available to the Company will be used to support and assist its investee companies to grow, where appropriate, and used to locate, evaluate and select investment opportunities that offer satisfactory potential capital returns for shareholders. The Company may require further funds in order to invest further in its principal portfolio companies and take up these opportunities. It is the intention of the Directors to undertake further fundraising if such an opportunity should arise. The Company's investments may take the form of equity, debt, or convertible instruments. Investments may be made in all types of assets falling within the remit of the Investing Policy and there will be no investment restrictions.

The Directors may consider it appropriate to take an equity interest in any proposed investment which may range from a minority position to 100 percent ownership. Proposed investments may be made in either quoted or unquoted companies and structured as a direct acquisition, joint venture or as a direct interest in a project.

The Company has made investments and will seek further investment opportunities that can be developed through the investment of capital or where part of or all of the consideration could be satisfied by the issue of new Ordinary Shares or other securities in the Company. The investments the Company has made and any new opportunities have, or would generally have, some or all of the following characteristics, namely:


- a majority of their revenue derived from IT or the use of IT, and strongly positioned to benefit from market growth;
- a trading history which reflects past profitability or potential for significant capital growth going forward; and
- where all or part of the consideration could be satisfied by the issue of new Ordinary Shares or other securities in the Company.

The Company will identify and assess potential investment targets and where it believes further investigation is required, intends to appoint appropriately qualified advisers to assist.

The Company proposes to carry out a comprehensive and thorough project review process in which all material aspects of any potential investment will be subject to rigorous due diligence, as appropriate. It is likely that the Company's financial resources will be invested in a small number of projects or investments.

The Tern's investing policy is also available on the Company's website.

DocuSigned by:



Ian Ritchie 736449...

Chairman

# The Board and Senior Leadership Team

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## The Board

### Ian Ritchie

*Non-Executive 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 660,000 times.

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

### Iain Ross

*Non-Executive Director*

Iain was appointed to the Board in October 2024. Iain is also the Chairman of NASDAQ-listed Silence Therapeutics plc, Executive Chairman of ReNeuron Group plc, and holds various other non-executive director positions internationally. Iain has 40 years of experience in the international life sciences and technology sectors, having held senior leadership roles in multinational pharmaceutical and biotech companies. With a strong background in corporate finance, he has successfully completed multiple financing transactions and has over 30 years of cross-border management experience as a Chairman or CEO.

**Committee membership: Member of Audit Committee and Remuneration Committee**

### Jane McCracken

*Non-Executive Director*

Jane was appointed to the Board in October 2024. Jane is also Chief Growth Officer at Corps Team as well as serving on the board of Edinburgh Worldwide Investment Trust plc. Jane has built a distinguished career working with high-growth technology businesses across the USA, UK, and Europe as an entrepreneur, investor, board member, and advisor. Her expertise spans various sectors, including software, e-commerce, digital health, and clinical research.

**Committee membership: Member of Audit Committee and Remuneration Committee**

## The Senior Leadership Team

### Bruce Leith

*Business Development Partner*

Bruce was one of the original founders of the Company with Albert in 2013. He is a non-executive director for selected portfolio companies. Bruce was a Board member until 9 August 2023 and has acted in a non-Board role since. 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.

**Albert Sisto**

*Chief Executive Officer*

Albert is one of the original founders of the Company and was appointed as CEO in September 2016. Albert was a Board member until 29 June 2023 and has acted in a non-Board role since. He also acts as non-executive Chairman and non-executive director for selected portfolio companies. Albert is a technology industry veteran with more than 35 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.

**Colin Nunn**

*Chief Financial Officer*

Colin was appointed in August 2023 and is responsible for the Company's financial and compliance functions in a non-Board capacity.

Colin qualified with Deloitte as a Chartered Accountant and is now an FCA.

Colin's experience ranges from director level finance and operation roles in multi-billion pound quoted companies such as Macrovision, Lotus, BAe Systems and NTT, to being a finance director of over twenty start-ups, primarily in the IT sector.

Colin is also an active angel investor in several high growth technology companies.

# Director's Report

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The Company is registered as a public limited company (plc). The Company's Ordinary shares of 0.02p each are admitted to trading on the AIM market 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 41. The loss for the year was £3,772,020 (2023: £12,608,130 loss).

The directors do not recommend payment of a dividend.

## Control procedures

The Company has implemented robust operational procedures, incorporating key controls across relevant areas to uphold sound governance practices. Additionally, it remains proactive in monitoring changes in laws and regulations, assessing their impact to ensure ongoing compliance.

To further strengthen its governance framework, the Company conducts comprehensive reviews of the portfolio, ensuring risks are identified and managed effectively.

## Financial Risk Management

The Company regularly assesses financial risks and their impact. These are discussed in further detail on note 2 to the financial statements.

## Going concern

In accordance with the applicable accounting standards, the Company's financial statements have been prepared on the going concern basis. The Board has carefully considered the Company's current financial position, including its cashflow, liquidity, and prospects to arrive at this conclusion.

In assessing the appropriateness of the going concern assumption, the Directors consider it appropriate to prepare the consolidated financial statements on a going concern basis, based on the following factors:

- i) The Directors believe that, to continue financially supporting the business's working capital requirements, its investment portfolio, and its commitments to SVV, shareholders will grant the necessary authority to issue shares and raise capital. Historically, the majority of resolutions requesting new equity issuance have received shareholder support.
- ii) The Directors are confident in their ability to generate cash flows through asset sales of a part of the portfolio. Following the successful disposal of assets held in DA at fair value in 2024, they are optimistic about facilitating further sales of assets. At the time of signing, the Company is actively engaged in multiple discussions with third-party investors.
- iii) The Directors could seek further debt funding similar to facilities that have been secured in the past, either through a loan or the issue of convertible loan notes.
- iv) The Directors anticipate receiving modest dividend distributions in the next 12 months from the Company's post-year-end investment in Sure Ventures plc ("SV plc").

The Directors acknowledge material uncertainty remains, as continued operations depend on successful fundraising, asset realisations, income from investments, or a combination of all three—factors that are partly beyond the Company's control. If these efforts are unsuccessful, the Company may be forced to sell assets at reduced values or accept unfavourable loan terms. There is no certainty that such funding will be available and/or the terms of such funding. These conditions are necessarily considered to represent a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. Whilst acknowledging this uncertainty, the Directors remain confident that the Company will be able to generate sufficient cash flow within a reasonable time when required, therefore the Directors consider it appropriate to prepare the financial statements

on a going concern basis. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Should the Company be unable to raise funds through the issue of new equity shares, it may be required to make judgments that could result in asset disposals at significantly reduced values, leading to proceeds well below their carrying amounts. Additionally, the receipt of new loan funding could occur with unfavourable terms.

## 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:

<b>Ordinary shares at:</b>	<b>31/12/2024</b>	<b>31/12/2023</b>
Alan Howarth	–	–
Sarah Payne	<b>185,184</b>	166,666
Ian Ritchie	<b>2,276,887</b>	1,636,999
Iain Ross	<b>1,100,000</b>	–
Jane McCracken	–	–

The dates of resignation and appointment of directors are detailed in the "Corporate Governance Statement" on page 21.

Options granted to the directors by the Company are disclosed under the "Report on Directors Remuneration" on page 35.

## Significant shareholdings

As at 4 June 2025, no shareholder held more than 3% of the issued share capital.

## Statement of Directors' responsibilities

In accordance with applicable laws and regulations, the directors are responsible for preparing the Strategic Report, Directors' Reports, and financial statements. Company law requires the preparation of financial statements for each financial period. To comply with this requirement, the directors have chosen to prepare the Company's financial statements in accordance with UK-adopted international accounting standards. The directors only approve the financial statements once they are fully satisfied that they provide a true and fair view of the Company's financial position, including its profit or loss for the relevant period.

When preparing the financial statements, the directors must:

- Select and consistently apply suitable accounting policies;
- Make reasonable and prudent judgments and accounting estimates;
- Confirm compliance with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume the Company will continue operating.

The directors are also responsible for maintaining accurate accounting records that clearly document the Company's transactions, provide an accurate reflection of its financial position at any given time, and ensure compliance with the Companies Act 2006. Additionally, they must safeguard the Company's assets and implement measures to prevent and detect fraud or other irregularities.

Furthermore, the directors must fulfil their obligations under the AIM Rules.

They are also responsible for ensuring the accuracy and authenticity of corporate and financial information presented on the Company's website. It is important to note that UK regulations governing the preparation and dissemination of financial statements may differ from those in other jurisdictions.

# Director's Report

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continued

## Section 172 compliance

Section 172 of the UK Companies Act 2006 outlines directors' duties to promote the company's success while considering a range of factors. Directors must act in good faith and in a manner they believe will most likely foster long-term success, taking into account the interests of employees, shareholders, customers, suppliers, and the environment. They are also expected to exercise reasonable care, skill, and diligence, carefully evaluating the long-term impact of their decisions. This section of the Companies Act promotes responsible and sustainable business practices, encouraging directors to take a broader perspective beyond solely maximising shareholder value.

The Board plays a vital role in defining the Company's strategic objectives and policies to maximise long-term value. It provides strategic direction within a framework of rewards, incentives, and controls and is collectively responsible for the Company's success. While the senior management team is responsible for day-to-day operations, non-executive directors offer independent judgment and oversight, ensuring balanced decision-making.

To uphold financial integrity, non-executive directors assess the accuracy of financial information, ensuring that robust financial controls and risk management systems are in place. Through a structured process of Board review and challenge, clear policies and strategies are established, and the senior management team is fully empowered to implement them effectively.

The Board consistently considers stakeholder interests in its discussions and decisions. Stakeholder perspectives are integrated into key Board decisions, as outlined in the table below. Further details on stakeholder engagement can be found in the Corporate Governance and Compliance section on pages 20-27.

Key board decisions	Stakeholder considerations
The Board frequently evaluated the need for fair value adjustments to the portfolio companies' valuations given the evolving macroeconomic conditions.	Consideration was given to the changes in valuation metrics that we observed in the global investment markets. Attention was paid to the effects of elevated inflation and interest rates on the operational strategies of the portfolio companies, along with the constraints posed by difficult economic times.
The Board considered and approved follow-on investments in SVV2 and Talking Medicines. The Board considered and did not approve a follow-on investment in Wyld Networks.	Consideration was given to participate in the Wyld TO6 Rights Issue in October 2024. The Board decided that the Rights Issue was not in the best interests of Wyld Networks' shareholders, including Tern, and therefore did not participate in the Rights Issue. The Board continues to take advice on what, if any, options are available to it in relation to its Wyld shareholding.
The Board considered and approved the raising of equity finance through ordinary share issues and an open offer.	Consideration was given to alternative sources of finance including the drawdown of further debt. The Board evaluated the impact on the Company's cash position, working capital requirements and the Company's commitment to further invest in SVV2.
The Board considered the amendment to the existing debt position.	Consideration was given to cash availability and the Company's commitment to further invest in SVV2 and also the cost of debt.
The Board approved the sale of some of its holding of Device Authority shares.	Consideration was given to cash availability from alternative sources.
The Board approved the appointment of two new non-executive directors upon the resignation of two non-executive directors.	Consideration was given to the balance of skills of the board. The Board evaluated the diversity of suitable candidates.

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## Disclosure of information

Each director, at the time of approving this report, confirms to the best of their knowledge that there is no relevant audit information of which the Company's auditors are unaware. Additionally, they have taken all necessary steps to ensure they are fully informed of any relevant audit information and that the auditors are made aware of it.

## Publication of accounts on the Company website

The Company's financial statements are available on its website, and the directors are responsible for ensuring their accuracy and authenticity. This includes maintaining the reliability of the financial statements presented online and ensuring compliance with applicable regulations. Accordingly, the directors' responsibilities extend to the integrity and upkeep of the website, as well as the accuracy of the financial statements published on it.

## Independent auditors

The auditor, S&W Partners Audit Limited (previously CLA Evelyn Partners 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 CLA Evelyn Partners Limited as auditor will be put to the members at the annual general meeting.

Signed on behalf of the board

DocuSigned by:



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**Ian Ritchie**

Chairman

4 June 2025

# Corporate Governance Statement

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As Chairman, I am committed to promoting and embedding robust corporate governance standards throughout the organisation. Our Board collectively upholds the responsibility of defining clear expectations regarding the Company's culture, values, and behaviors while actively endorsing sound governance practices. We recognise the vital role of transparency, accountability, and ethical conduct in every aspect of our operations. By adhering to these core principles, we aim to earn and maintain the trust of our stakeholders, including our portfolio companies, shareholders, employees, and the broader community.

The Company's shares are quoted on AIM, making it subject to the UK City Code on Takeovers and Mergers. The Board prioritises maintaining high standards of corporate governance, following the Corporate Governance Code issued by the Quoted Companies Alliance (QCA). This report, alongside the Report on Directors' Remuneration, outlines how the Company applies key principles of strong governance.

For a detailed and up-to-date assessment of the Company's adherence to the QCA's ten principles of corporate governance, please refer to the AIM Rule 26 section of our website ([ternplc.com](http://ternplc.com)). We remain committed to aligning our governance practices with best practices while continuously assessing and adapting to the evolving expectations of our stakeholders.

The Board recognises that a corporate culture rooted in ethical values and behaviors is fundamental to fostering a positive work environment that supports individual and organisational growth. We firmly believe that this approach enhances shareholder value. As part of this commitment, the Company enforces a zero-tolerance policy on bribery and corruption, reinforced by a comprehensive anti-bribery framework.

## Role of the Board

The Board is accountable to both shareholders and broader stakeholders for the overall performance of the Company. Our primary responsibility is to provide strategic direction and drive the Company's long-term, sustainable success while creating value for shareholders and making a positive societal impact. Recognising the importance of effective governance and prudent risk management, we are committed to implementing robust controls that enable us to assess and mitigate risks responsibly.

We strive to balance calculated risk-taking with strong risk management practices, ensuring that our decisions align with our corporate values and strategic objectives. Through our actions, we are dedicated to maintaining the trust and confidence of our stakeholders while upholding our commitment to sustainable growth and responsible business conduct.

The Board operates under a defined schedule of matters reserved for its consideration and approval, supported by a structured framework of operating principles. These matters include:

- Approval of the budget and any material amendments;
- Oversight of the Company's operations, including the internal control environment;
- Changes to the Company's capital structure;
- Approval of financial results;
- Authorisation of cash injections into the portfolio;
- Approval of regulatory news releases; and
- Changes to Board structure or composition.

By adhering to these governance principles, the Board ensures effective oversight and strategic leadership, reinforcing the Company's resilience and long-term success.

## Board Meetings

The Board formally convened on 7 occasions throughout the year. In addition, supplementary Board and Committee meetings were held on an ad-hoc basis as necessary to address specific corporate matters, including the approval of statutory financial reports and oversight of director benefits. Directors are expected to attend all scheduled Board and Committee meetings relevant to their roles, ensuring active participation and effective governance.

The attendance of individual directors at scheduled Board and Committee meetings is detailed in the table below:

	Board Meetings	Audit Committee (out of 2)	Remuneration Committee (out of 1)	Total attendance
Ian Ritchie	6	2	1	9 (out of 9)
Sarah Payne	6	2 <sup>1</sup>	1	9 (out of 9)
Alan Howarth	6	2	1	9 (out of 9)
Iain Ross	1	0	0	1 (out of 1)
Jane McCracken	1	0	0	1 (out of 1)

Note 1: Attendance by invitation.

The dates of resignation and appointment of directors are detailed in the table below under the heading "Roles and Responsibilities of the Board".

Other meetings, not listed in the table above, were conducted intermittently throughout the year to address various matters. These included discussions on equity placings and investment activities across the portfolio.

## Roles and Responsibilities of the Board

### Composition

The board structure comprises of three independent non-executive directors. During the year, the following changes to the composition of the board occurred:

	Resigned as non-executive director	Appointed as non-executive director
Sarah Payne	29 October 2024	–
Alan Howarth	29 October 2024	–
Iain Ross	–	29 October 2024
Jane McCracken	–	29 October 2024

As at 31 December 2024, the board comprised of no executive directors and three non-executive directors.

Each Board member is carefully selected based on their diverse skills and experience, ensuring alignment with the Company's business needs and strategic objectives. Recognising both their individual roles and collective responsibility, Board members are dedicated to driving the Company's long-term success.

The Board upholds a well-balanced distribution of responsibilities, mitigating any undue concentration of power or reliance on a single individual. A Board comprised solely of independent directors reinforces strong governance practices while fostering diversity of thought and inclusivity within the Board.

To support ongoing professional development, tailored training is provided as needed, covering key areas such as regulatory compliance, corporate governance, and technical expertise, ensuring Board members remain well-equipped to navigate the evolving business landscape.

# Corporate Governance Statement

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continued

## Company Secretary

All Board Directors have access to the expertise and support of the Company Secretary to assist them in fulfilling their responsibilities and navigating governance matters. The current Company Secretary, MSP Corporate Services Limited, a professional firm specialising in company secretarial services, was appointed in September 2023.

The Board operates within a structured framework of policies, procedures, and resources designed to ensure its effective and efficient functioning. The Company diligently maintains accurate records of all Board and Committee meetings, ensuring timely documentation and resolution of any concerns raised by Directors. Notably, no concerns were recorded during 2024.

## Chair

Ian Ritchie has served as Chair of the Board at Tern since his appointment in 2017. In this role, he provides strategic leadership, ensuring the Board operates effectively and collaboratively. He fosters an environment that encourages open dialogue and constructive debate among both the senior management and non-executive directors. Additionally, he plays a key role in facilitating meaningful engagement with shareholders and other stakeholders while setting the agenda for Board meetings to ensure discussions remain focused and impactful.

## Chief Executive Officer

Albert Sisto was appointed Chief Executive Officer (CEO) of Tern in 2016. He served as a Board member until June 29, 2023, and has continued in a non-board role since. As CEO, he is responsible for developing the Company's strategy, subject to Board approval, and providing guidance on its execution and investment policy to ensure alignment with organisational objectives.

In addition to implementing Board and Committee decisions, he oversees the Company's day-to-day operations, ensuring efficiency and fostering a culture consistent with the Board's vision.

For detailed information on all Board members, please refer to pages 14-15.

## Independence of the Board

The Board's commitment to the recommended criteria outlined in the QCA Code has upheld its overall independence. Each non-executive director's independence has been evaluated against the specific criteria set forth in the QCA Code. The Board confirms that none of these criteria apply, thereby affirming the independence of all non-executive directors in both character and judgment.

Additionally, the Board asserts the independence of the non-executive Chairman and non-executive directors from management, ensuring they remain free from any relationships that could compromise their impartiality.

The shareholdings of the non-executive directors at 31 December 2024 are as follows:

Ian Ritchie (Chairman) – 2,276,887

Iain Ross – 1,100,000

Jane McCracken – nil

Additionally, the share options held by the non-executive directors are disclosed on page 35.

Despite these holdings, the Board is confident that neither the Chairman's nor the non-executive director's share ownership positions or option grants are not of a material amount and do not compromise their ability to act in the best interests of the Company and its stakeholders.

## Appointment of Directors

The Board is responsible for all matters related to director appointments, including defining the necessary qualifications and attributes, identifying suitable candidates, and selecting appointees. As a result, the Company has not established a separate Nominations Committee.

The Remuneration Committee oversees the development of the executive framework and remuneration policy, ensuring alignment with the Company's strategy, objectives, and values.

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Under the Articles of Association, each director must seek re-election at least every three years. Accordingly, the Board considers fixed-term appointments for non-executive directors, as recommended by the Code, to be unnecessary. Instead, the Board evaluates each non-executive director's performance and determines their re-election or replacement as needed, ensuring a dynamic and effective leadership structure.

## Board Evaluation

The Board recognises the importance of regularly assessing its performance and conducts an annual review to evaluate its overall effectiveness. This assessment follows the QCA's Guidance on Board Effectiveness and considers key factors such as Board composition, diversity, skills, and overall performance. Any areas identified for improvement are promptly addressed, with appropriate actions implemented to enhance effectiveness.

Led by the Chairman, the Board oversees the annual evaluation process.

As a small but growing company, we maintain an ongoing approach to monitoring and assessing individual director performance through regular reviews and discussions at each Board meeting. While we do not currently have a formal director evaluation process, we set and review individual Key Performance Indicators (KPIs) annually. Additionally, we conduct continuous reviews of the effectiveness of our Board and Committees to ensure our evaluation processes evolve with our needs. Any concerns or issues related to Board or individual director performance are promptly addressed through timely discussions and appropriate corrective actions.

## Board committees

The Board has entrusted specific responsibilities to the Audit, Remuneration, and Environmental, Social, and Governance (ESG) Committees.

### Audit Committee

Established in November 2016, the Audit Committee is chaired by Ian Ritchie.

The Audit Committee plays a critical role in overseeing and ensuring the accuracy, transparency, and compliance of the Company's financial reporting process with legal and regulatory standards. Comprised of independent non-executive directors with expertise in accounting and financial reporting, the Committee is responsible for several key functions:

- **External Auditor Oversight:** Supervising the appointment, reappointment, and removal of the external auditor, assessing the effectiveness of their work, approving their remuneration and terms of engagement, and ensuring their independence and objectivity.
- **Financial Statement Review:** Examining the Company's financial statements to ensure they accurately reflect its financial performance and position. All financial information published by the Company requires the Audit Committee's approval.
- **Regulatory Compliance:** Ensuring the Company's financial reporting practices align with legal and regulatory requirements, including accounting standards and disclosure obligations.
- **Ethical and Compliance Assessments:** Evaluating the Company's adherence to ethical standards and policies, particularly regarding conflicts of interest and financial fraud.
- **Board Reporting and Recommendations:** Providing the Board of Directors with oversight reports and recommendations for improvements when necessary.

The Committee is also responsible for establishing and maintaining a robust internal control system to safeguard shareholders' investments and protect Company assets. This system is designed to manage, rather than eliminate, risks associated with achieving business objectives. While the Committee strives to implement effective controls, it acknowledges that no system can entirely eliminate the risk of material misstatement or loss, offering only reasonable assurance that risks are appropriately managed.

# Corporate Governance Statement

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continued

To enhance the effectiveness of internal controls, the Committee regularly reviews and evaluates their design, implementation, and operation, identifying and addressing any weaknesses through appropriate corrective measures.

Overall, the Audit Committee plays a vital role in upholding the integrity of the Company's financial reporting, maintaining investor confidence, mitigating operational risks, and fostering transparency and accountability.

In 2024, the Audit Committee convened one meeting, attended by all members.

The Company has adopted an audit rotation policy designed to preserve the independence and objectivity of the external auditor. In accordance with regulatory requirements, the lead audit partner is rotated at least every five years and is subject to a mandatory cooling-off period of six years before potential re-engagement. The Audit Committee also conducts periodic reviews of the external auditor's performance and independence, and considers audit firm rotation when appropriate. This policy promotes transparency, enhances audit quality, and reinforces investor confidence in the integrity of the Company's financial reporting.

S&W Partners Audit Limited (formerly CLA Evelyn Partners Limited) was appointed as the Company's external auditor in 2019 and has held the role for five years. The Committee is satisfied that the auditor continues to demonstrate independence and objectivity in its work. Accordingly, the Committee recommends the re-appointment of S&W Partners Audit Limited as the Company's external auditor at the 2025 AGM.

## Remuneration Committee

The Remuneration Committee, chaired by Ian Ritchie, was established in November 2016. A detailed Remuneration Report is available on pages 34-35.

In 2024, the Committee held 1 meeting, with full attendance from all members.

While the Audit and Remuneration Committees do not produce formal reports, they communicate all recommendations directly to the Board. Given the Company's size and the Board's deep understanding of its operations, formal reports are considered unnecessary.

## External Advisors

Throughout the year, the Board actively seeks advice and guidance from its trusted partners and advisors to ensure the smooth operation of the Company. To this end, it regularly consults with its AIM Nominated Adviser, Allenby Capital, corporate lawyers from Reed Smith, and auditors from S&W Partners Audit Limited (previously CLA Evelyn Partners). Additionally, the Board engages external experts as needed to provide specialised support in areas such as human resources, corporate policies, and financial PR.

## Conflicts of Interest

The Board takes a proactive approach to identifying and addressing potential conflicts of interest among its directors. When such situations arise, a thorough review is conducted, and recommendations are made regarding whether the Director's involvement should be authorised, along with any necessary conditions.

Under the Companies Act 2006, each director has a legal duty to avoid direct or indirect conflicts of interest with the Company. To uphold this obligation, at the start of every Board meeting, Directors must disclose any potential conflicts related to the agenda items.

In compliance with Rule 21 of the AIM Rules, the Company has implemented a comprehensive share dealing policy, which applies to all employees, including new joiners. Additionally, anti-bribery and whistleblowing policies, as outlined in the Company handbook, are clearly communicated to all employees. These policies foster an open and inclusive culture, encouraging employees to voice concerns without fear of retaliation and promoting ethical behavior at all levels of the organisation.

According to the Company's Articles of Association, if a director's conflict of interest arises from a permissible cause, such as a contractual agreement or employment relationship, they may participate in discussions, vote,

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and count toward the quorum. This ensures that the decision-making process remains fair and transparent while upholding the Company's integrity and values.

At its core, the Company recognises that its stakeholders are integral to its success as it strives to become the UK's leading investment company specialising in IoT and life sciences. Key stakeholders include the Company's portfolio, employees, shareholders, suppliers, and the broader community in which it operates.

## Share dealing, anti-bribery and whistleblowing

In accordance with Rule 21 of the AIM Rules for Companies, the Company has implemented a comprehensive share dealing policy, requiring all employees, including new hires, to adhere to its provisions. Additionally, the Company has established robust anti-bribery and whistleblowing policies, which are outlined in the Company handbook and distributed to all employees.

Committed to fostering an open and inclusive culture, the Company actively encourages employees to raise concerns without fear of retaliation. These policies are designed to promote ethical conduct among all Directors and employees, ensuring that any issues warranting attention are promptly reported.

## Our Key Stakeholders

At our core, we recognise that our stakeholders are essential to our mission of becoming the UK's leading investment company specialising in IoT and life sciences. Our key stakeholders include our portfolio companies, employees, shareholders, suppliers, and the broader community in which we operate.

## Internal controls

The Board holds ultimate responsibility for establishing, overseeing, and assessing the effectiveness of the Company's internal control systems. Recognising the critical role of a strong internal control environment in the Company's success, the Board places significant emphasis on maintaining robust governance. However, it acknowledges that while these systems provide reasonable assurance, they cannot completely eliminate the risk of material misstatement or loss.

The key elements of the Company's internal control framework include:

- Close oversight of day-to-day operations by the senior leadership team;
- An annual budgeting process approved by the Board, with performance reviewed at every Board meeting;
- Robust financial controls, ensuring no single individual can authorise payments exceeding £2,000; and
- Monthly management reporting to the Board against agreed key performance indicators (KPIs).

## Our portfolio companies and holdings

Each company in our portfolio benefits from the dedicated support of a Tern-nominated advisor, who works closely with them throughout the year. These advisors can provide strategic guidance, maintain regular engagement, and attend board meetings to offer formal oversight.

Device Authority, Talking Medicines and FVRVS submit monthly reports and SVV2 submits quarterly updates to the Tern Board. Wyld Networks publish quarterly reports on their website. These reports and updates enable the Board to monitor progress, address emerging challenges, and provide targeted support where needed.

The active involvement of our Directors is a cornerstone of our investment strategy, ensuring close alignment with each company's objectives. By fostering strong relationships, we drive long-term value creation and support the sustained success of our portfolio companies.

# Corporate Governance Statement

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continued

## **Our employees**

Our employees are the driving force behind our success. We are dedicated to delivering exceptional service to our portfolio companies by fostering a workplace where our team is fully engaged and actively contributes to executing the Company's strategy.

As a growing enterprise with a close-knit team, our employees maintain regular communication with the CEO and other directors. We prioritise open dialogue, encourage feedback, and cultivate a collaborative and transparent culture that empowers our people to thrive.

## **Our shareholders**

We highly value our shareholders and their vested interest in our Company's strategy, performance, and governance. Their insights are invaluable, and we are committed to maintaining regular, transparent engagement to keep them well-informed.

To facilitate this dialogue, we host regular online investor presentations, providing updates on our progress and offering shareholders the opportunity to ask questions and share feedback. This ongoing communication ensures alignment and strengthens our relationship with our investor community.

## **Annual General Meeting (AGM)**

The AGM is a key event for our Company, providing shareholders—especially private investors—with a valuable opportunity to engage directly with our Board. During the meeting, we actively encourage shareholders to ask questions and share feedback on our operations, strategy, and performance.

Following the formal proceedings, our directors and senior leadership team remain available for informal discussions, offering shareholders an additional opportunity to exchange views and strengthen dialogue.

## **Shareholder Presentations**

To ensure regular and transparent communication with our shareholders, we host at least two shareholder presentations each year. These sessions provide shareholders with a direct platform to ask questions, share feedback, and engage with the Board. Additionally, CEOs from our portfolio companies frequently participate, offering deeper insights and enriching the discussions.

## **Annual Report**

Each year, we publish an annual report and accounts, providing a detailed review of the Company's performance and outlining our strategic direction for the year ahead. To ensure accessibility for all stakeholders, the report is available in both digital and print formats.

## **Regulatory and non-regulatory announcements**

To ensure timely and accurate communication with our stakeholders, we issue regulatory announcements as required, along with non-regulatory updates highlighting key developments within our portfolio. These announcements provide clear context on their significance and implications.

In addition to regulatory news, we periodically commission analyst reports from Progressive Research. These reports offer in-depth analysis, complementing our announcements and providing stakeholders with deeper insights into our operations and strategic initiatives.

## **Website**

The Company's website, [ternplc.com](http://ternplc.com), serves as a central resource for shareholders and other stakeholders, providing timely and comprehensive updates. To streamline inquiries, a dedicated email address ([info@ternplc.com](mailto:info@ternplc.com)) is managed by the Company's financial public relations advisors. While the Company exercises discretion in responding, all shared information remains publicly available.

The Board receives regular insights through a monthly summary of inquiries, with any significant matters promptly escalated for review. Additionally, the website features a dedicated investor section, offering access to financial results, analyst coverage, corporate governance details, Board information, constitutional and admission documents, and a direct link to regulatory announcements.

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## Our suppliers

Our company highly values its relationships with suppliers, recognising the importance of continuous engagement. These close partnerships provide valuable feedback on our performance, helping us refine our operations and enhance service delivery.

In addition, our AIM-nominated adviser, brokers, and PR agency play integral roles in guiding and strengthening our external communications, fostering deeper engagement with our broader stakeholder community. Their insights are not only instrumental in daily operations but also contribute meaningfully to our annual Board Evaluation process.

## Our Community

We recognise the vital role of environmental, social, and governance (ESG) factors in our business and are committed to driving positive change within our community. As responsible investors, we actively engage with our portfolio companies, encouraging them to prioritise sustainability and social responsibility.

Our portfolio companies frequently implement initiatives to address ESG challenges, focusing on improving efficiency and minimising waste. In line with our 2023 sustainability commitment, we have worked closely with them to ensure they meet their ESG obligations and make meaningful progress toward environmental and community betterment.

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**Ian Ritchie**

Chairman

# Strategic Report

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**Effective business management and the achievement of the Company's strategic goals involve various risks, which the Board continuously monitors. As the ultimate authority overseeing the risk framework, the Board identifies the following key risks as critical factors that could impede the successful execution of the Company's strategic objectives.**

The Group's principal risks and uncertainties are documented in the Company's risk register, which evaluates each risk based on its likelihood, potential impact, and the mitigating actions in place. This register undergoes a comprehensive review by the Board at least quarterly, ensuring that risk management strategies remain effective. The net risk score, determined by the strength of mitigating measures, also highlights any additional actions required. Additionally, this review assesses the overall effectiveness of the Company's risk management framework and internal controls.

The senior management team meets at least weekly to monitor trading performance across the portfolio, reviewing budgets, forecasts, emerging opportunities, and any new risks arising from ongoing operations. While no system can completely eliminate risk, a strong understanding of operational risks remains central to the Company's management approach.

Identifying, assessing, and mitigating key risks and uncertainties is a fundamental aspect of the Company's operations. In the current trading environment, market and economic conditions are recognised as significant risks. To address this, we closely track trading conditions and portfolio performance, ensuring proactive risk management.

An internal audit function is in place to evaluate and strengthen controls across the portfolio. Any identified risks are promptly reported to the Audit Committee, which escalates and communicates them to the Board. However, some risks remain beyond the Company's direct control, as they are influenced by broader macroeconomic and legislative factors.

To provide shareholders with clear insight, the Company has identified key operational risks, including:

- Challenges in securing subsequent funding rounds at critical development stages.
- Difficulties in sourcing and retaining skilled and experienced personnel.
- Risks arising from competing technologies or delays in commercial success, leading to cash flow constraints.
- Technological uncertainties, potential IP infringements, cybersecurity threats, and compliance-related risks.
- Fluctuations in the macroeconomic environment or valuation shifts in the technology sector, which may impact the fair value of the portfolio and overall company valuation.

Lastly, the Company confirms that it has no direct operations in Ukraine or Russia and remains unaffected by the ongoing political conflict in those regions.

## Principal Risks and Uncertainties

### Assessment of business risk

The Board regularly reviews operational, financial, and strategic risks with support from its committees, ensuring effective oversight. The Company has implemented structured operating procedures that facilitate a comprehensive system for reporting both financial and non-financial information to the Board. This includes:

- Management reports presented at each Board meeting, providing business updates, highlighting key decisions, and identifying emerging risks.
- Performance reviews of the portfolio.
- Quarterly assessments of the risk register.
- Consideration of governance and compliance matters.

- 
- Reports from sub-committees following their meetings.
  - Analysis of reports prepared by third-party entities.

These measures help maintain transparency, accountability, and informed decision-making at the highest level.

## Ability to maximise value from the portfolio

### Risk

The Company's ability to maximise value from its portfolio may be constrained by uncertainties surrounding the timing of disposals, resulting in unpredictable cash returns. This risk is further heightened by potential fluctuations in valuations within the technology sector, which can amplify volatility across the portfolio.

### Potential Impact

Delays in syndicated investment rounds may lead to additional funding needs for portfolio companies, surpassing the amounts forecasted in the Company's cash flow projections. As a result, the fair value of the portfolio may decline, adversely affecting overall performance.

### Mitigation Strategy

To manage and mitigate these risks, the Company has implemented the following measures:

- **Maintaining Adequate Liquidity:** Seeking to ensure sufficient cash reserves are available to meet ongoing operational needs and capital commitments.
- **Frequent Operational Oversight:** Conducting weekly operational reviews led by senior management, with performance updates discussed regularly.
- **Board-Level Financial Monitoring:** Prioritising financial performance at every Board meeting to identify and address emerging risks in a timely manner.
- **Engagement with Portfolio Leadership:** Holding regular meetings with portfolio company CEOs to assess operational progress and align on strategic priorities.

## Dominance of a single company in the portfolio

### Risk

The portfolio is heavily concentrated in one or two dominant companies, leading to a high exposure to their individual performance.

### Potential Impact

A material decline in the fair value or operational failure of a dominant company could disproportionately affect the overall portfolio, potentially resulting in significant adverse impacts on the Company's financial position.

### Mitigation Strategy

The Company actively pursues portfolio diversification to reduce dependency on any single investment. By broadening exposure across companies and sectors, the Company aims to mitigate concentration risk and enhance resilience to underperformance in specific holdings.

## Inherent risk of building a portfolio of early-stage companies

### Risk

The portfolio's returns and cash proceeds from potential exits or dividends may fall short of expectations. A significant portion of the portfolio comprises early-stage businesses, which inherently carry heightened technical and commercial risks. These companies are often engaged in the development of new technologies or are attempting to disrupt existing markets—frequently within emerging sectors.

# Strategic Report

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continued

Key risks include:

- Inability of portfolio companies to secure follow-on funding at critical development milestones.
- Difficulty in sourcing or retaining skilled and experienced personnel.
- Delays in achieving commercial traction, often due to unforeseen market dynamics or competing technologies, which can place significant pressure on working capital.
- Exposure to unproven or emerging technologies, creating a higher risk of technical failure.
- Intellectual property (IP) risks, including infringement, theft, or ineffective protection.
- Increased vulnerability to cybercrime.
- Potential exposure to unforeseen administrative, tax, or compliance challenges.

Additionally, the Board has noted heightened volatility in global public markets, which continues to impact valuations across the sector.

## Potential Impact

These risks may lead to negative fair value movements across the portfolio or losses on the disposal of investments. In severe cases, the operational failure of a company could result in a total write-down of its value.

## Mitigation Strategy

The Company employs a multi-faceted approach to mitigate these risks:

- **Rigorous Due Diligence:** Each new investment is subject to a thorough assessment, including technical, financial, and market evaluations.
- **Strategic Involvement:** The Company takes an active and influential role in shaping the strategic direction of portfolio companies and closely monitors their performance.
- **Experienced Management Team:** The Company benefits from a management team with a proven track record of value creation in early-stage technology investments.
- **Collaborative Ecosystem:** Efforts are made to foster synergies between portfolio companies, encouraging knowledge sharing and network support.
- **Risk-Aware Investment Strategy:** While risk cannot be entirely eliminated—particularly given current macroeconomic uncertainty—the Company's proactive strategy and continuous oversight aim to reduce the likelihood and impact of failure.

## Retain and attract successful staff

### Risk

The Company may be unable to retain key personnel or attract experienced, skilled, and high-performing staff.

### Potential Impact

The Company's success is heavily reliant on the expertise, judgement, and continuity of its team—particularly in sourcing, evaluating, and supporting portfolio companies. The loss of key individuals could disrupt operations, weaken strategic execution, and adversely affect investment performance. Additionally, the onboarding of new staff may lead to short-term disruption as they acclimate to the Company's strategy, culture, and processes.

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**Mitigation Strategy**

The Company is committed to attracting and retaining top talent through a balanced and competitive remuneration framework, overseen by the Remuneration Committee. This includes:

- Performance-related bonuses and long-term incentives such as share options.
- Market-aligned salary structures and benefits.
- A strong emphasis on professional development and career progression.

These measures aim to ensure continuity, minimise disruption, and align the interests of key individuals with the long-term success of the Company.

**Cyber security breaches****Risk**

Cyber security incidents may adversely impact the operations, data integrity, and reputation of both the Company and its portfolio companies.

**Potential Impact**

A significant cyber security breach could lead to financial loss, legal liabilities, reputational harm, operational disruption, and the compromise of business-critical or commercially sensitive information. Such incidents may also erode stakeholder trust and affect the Company's ability to effectively manage or support its portfolio.

**Mitigation Strategy**

To enhance operational resilience and reduce the likelihood and impact of cyber security threats, the Company has implemented the following measures:

- Deployment of robust and regularly updated software and hardware solutions.
- Active use of enterprise-grade anti-virus and threat detection systems.
- Regular data backups and secure storage protocols to protect critical information.
- Ongoing monitoring and assessment of cyber security practices across the Company's operations.

These measures are designed to strengthen the Company's cyber defences and ensure swift recovery in the event of an incident.

**Maintain required level of capital to operate at an optimum level****Risk**

The Company may be unable to raise new capital due to reduced investor confidence or restricted access to funding or a lack authority to issue new ordinary shares. Additionally, the timing of realisations from portfolio companies is inherently uncertain, resulting in unpredictable cash inflows. If the Company lacks sufficient capital to participate in follow-on funding rounds, this could negatively influence its ownership position and portfolio valuations, especially if other investors pursue more aggressive strategies.

**Potential Impact**

Limited access to capital could hinder the Company's ability to support the growth of portfolio companies or maintain its existing equity positions. This may also restrict the Company's capacity to meet its own operational funding requirements. In scenarios where the Company is unable to participate in subsequent investment rounds, other investors may acquire disproportionate influence or ownership, potentially diluting the Company's strategic position.

# Strategic Report

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continued

## **Mitigation Strategy**

The Company adopts a proactive approach to liquidity management by:

- Seeking to maintain a prudent cash reserve to cover operational and investment commitments.
- Ensuring regular reviews of working capital and cash flow forecasts.
- Monitoring financial performance as a standing agenda item at Board meetings to support early identification of funding risks and to inform capital planning decisions.

These measures aim to safeguard the Company's financial flexibility and ability to respond to funding opportunities or challenges in a timely manner.

## **Foreign exchange risk**

### **Risk**

Asset valuations may be adversely affected by fluctuations in foreign exchange rates.

### **Potential Impact**

Currency movements could lead to a decline in the reported value of the Company's assets, particularly where holdings are denominated in foreign currencies. This may impact overall portfolio performance and net asset value.

### **Mitigation Strategy**

The Company actively monitors foreign exchange exposure as part of its regular asset valuation reviews and seeks external advice where appropriate.

While the Company does not currently employ hedging arrangements, it maintains relationships with established foreign exchange service providers to enable the swift implementation of currency risk mitigation strategies should the Board deem it necessary.

## **Competition risk**

### **Risk**

As the Internet of Things (IoT) sector matures, it is likely to attract increased interest from other investors and market participants, intensifying competition for high-quality investment opportunities.

### **Potential Impact**

Greater competition may limit the Company's ability to secure new investments at attractive valuations. The Company could miss out on promising opportunities or be required to accept less favourable terms to compete. Additionally, if it cannot match terms offered by others, the relative valuation of its existing portfolio may be adversely affected.

### **Mitigation Strategy**

To mitigate this risk, the Company maintains a broad and actively managed pipeline of potential investment opportunities across the IoT and adjacent sectors.

The Company's management team brings a strong track record in identifying, scaling, and supporting growth-stage companies, which enhances its appeal to founders and early-stage businesses seeking strategic investment partners.

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## Macroeconomic issues

### Risk

Broader macroeconomic challenges—including high inflation, rising interest rates, and global geopolitical tensions—may adversely impact both the Company and its portfolio companies. Specific risks include:

- Increased operational costs due to inflation and higher borrowing costs.
- Reduced international trade activity stemming from U.S. tariffs and other trade barriers.
- Talent shortages caused by high employment levels, limiting access to qualified staff.
- Ongoing geopolitical instability, particularly the conflict between Russia and Ukraine, which could disrupt markets and specific business operations.

### Potential Impact

Rising inflation and interest rates may increase the Company's cost base and place liquidity pressure on portfolio companies, potentially weakening short-term financial performance.

While direct exposure to U.S. tariffs is limited, a broader decline in global trade could impact demand and investor sentiment.

Portfolio companies with any exposure to affected regions, such as Russia or Ukraine, may experience operational disruptions or reduced performance.

### Mitigation Strategy

The Company actively monitors its working capital to seek to ensure sufficient liquidity is maintained during periods of economic uncertainty.

Portfolio companies are led by experienced management teams with disciplined cost control practices.

The Board closely monitors macroeconomic developments and geopolitical risks, including the ongoing conflict in Ukraine, to anticipate and respond to any potential impacts on the Company's operations or investment strategy.

## Reputational risk

### Risk

As a publicly listed company on AIM, the Company's shares are freely tradeable, which means any party can acquire a shareholding.

### Potential Impact

Shareholder actions are outside the direct control of the Company, yet their behaviour, public statements, or reputational standing may affect the Company by association. This could lead to market volatility, reputational risk, or distraction from strategic priorities.

### Mitigation Strategy

The Board maintains regular and transparent communication with shareholders and other stakeholders, promoting a clear understanding of the Company's culture, values, and long-term strategy. Through consistent engagement, the Company aims to build a supportive and aligned shareholder base.

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Ian Ritchie 2736449...

Chairman

# Director's Remuneration

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**I am pleased to present the Remuneration Committee Report for the year ending 31 December 2024. This report outlines the Committee's activities, details the remuneration policy, provides insights into directors' remuneration packages, and summarises all remuneration disbursed throughout the year.**

The members of the Remuneration Committee (the "Committee") are Ian Ritchie (Chair of the Committee) Iain Ross and Jane McCracken, whom are independent non-executive directors of the Company.

The Remuneration Committee is responsible for establishing the framework and policies for directors' and senior management's remuneration. It determines Board remuneration, finalises employment terms; including those upon cessation, and ensures equitable payments for both employees and the Company. The Committee regularly reviews remuneration policies, considering internal conditions, industry benchmarks (such as AIM companies), and compliance with disclosure requirements.

In 2024, the Committee held 1 meeting, with no external advice sought on significant matters. Its primary focus was remuneration, including approving directors' pay.

Following the Board reorganisation in 2023 and 2024, total director remuneration decreased by 85% compared to 2023.

## Remuneration Policy

The Remuneration Committee's policy is to design competitive remuneration packages that attract, motivate, and retain high-calibre directors while aligning rewards with shareholder value and company performance. To achieve this, the Committee sets remuneration levels that reflect directors' responsibilities and contributions, benchmarking against the midpoint of peer group compensation while ensuring financial sustainability for the Company.

Directors' remuneration consists of two key elements: a basic annual salary and participation in the Company's share option plan.

## Executive directors' service contracts

During 2024, there were no executive directors.

## Non-executive directors

Each non-executive director is appointed under a letter of appointment with the Company for an initial three-year term, subject to shareholder reappointment. Their appointments may be terminated by either party with three months' notice. The Board determines the fees for non-executive directors.

## The Company Share Option Plan

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

Options become exercisable on the third anniversary of the grant date, based on the increase in share price. If the share price doubles (100% increase) before the third anniversary, all options vest immediately. If there is no increase by the third anniversary, no options vest. Between these points, vesting occurs on a straight-line basis.

As of 31 December 2024, share options issued in prior years are fully vested, however share options that were granted in 2024 have not yet vested and will continue to vest (on a pro-rated basis) over a three year period from the date of grant. Further details on Company share options can be found on page 60.

## Performance Related Bonus

The bonus plan is designed to align the interests of selected senior executives with those of the Company's shareholders. Participation in the plan is at the Board's discretion, allowing eligible executives to share in a portion of the value generated from the Company's investments over time, based on successful performance against Board-set KPIs.

The annual bonus for executive directors is evaluated against financial KPIs, with rigorous targets in place. However, specific performance targets are not disclosed due to commercial sensitivity.

No performance-related bonuses were awarded in 2024, and no executives received a bonus in 2024.

## Director's Remuneration

The remuneration of each director, excluding share options awards, during the year ended 31 December 2024 as detailed in the table below:

	Basic Salary £000	Pension Contributions £000	Bonus £000	Other Benefits £000	2024 £000	2023 £000
<b>EXECUTIVE DIRECTORS</b>						
Albert Sisto (director until 29 June 2023)	-	-	-	-	-	101.4
Sarah Payne (executive director until 15 September 2023)	-	-	-	-	-	116.7
Bruce Leith (director until 9 August 2023)	-	-	-	-	-	107.2
Matthew Scherba (director until 9 August 2023)	-	-	-	-	-	155.4
<b>NON-EXECUTIVE DIRECTORS</b>						
Ian Ritchie	32.0	-	-	-	32.0	42.6
Alan Howarth (resigned 29 October 2024)	22.1	-	-	-	22.1	35.7
Sarah Payne (resigned 29 October 2024)	22.1	-	-	-	22.1	10.3
Iain Ross (appointed 29 October 2024)	5.3	-	-	-	5.3	-
Jane McCracken (appointed 29 October 2024)	5.3	-	-	-	5.3	-
	<b>86.8</b>	-	-	-	<b>86.8</b>	569.3
Share based payment charge					<b>3.0</b>	-
<b>Total remuneration</b>	<b>86.8</b>	-	-	-	<b>89.8</b>	569.3

The directors did not receive any other emoluments, compensation or cash or non-cash benefits other than that disclosed above.

## Director's Share Options

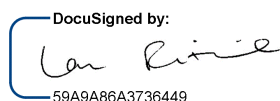
The director's outstanding share options as at 31 December 2024 are shown in the table below:

	2023	Granted	Exercised	Expired	2024	Option price	Expiry date
<b>NON-EXECUTIVE DIRECTORS</b>							
Ian Ritchie	-	-	-	-	-		
Alan Howarth (resigned 29 October 2024)	-	-	-	-	-	13p	22 Feb 2023
Sarah Payne (resigned 29 October 2024)	2,500,000	-	(2,500,000)	-	-	8.5p	15 Mar 2024
Iain Ross (appointed 29 October 2024)	-	1,200,000			<b>1,200,000</b>	2.45p	29 Oct 2034
Jane McCracken (appointed 29 October 2024)	-	1,200,000			<b>1,200,000</b>	2.45p	29 Oct 2034

The vesting criteria for the Company's share options can be found on page 59.

### Ian Ritchie

Chairman of the Remuneration Committee

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# Independent Auditor's Report to the members of Tern plc

to the Members of Tern Plc

## Opinion

We have audited the financial statements of Tern Plc (the 'company') for the year ended 31 December 2024 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 2024 and of its losses for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- 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.

## Our approach to the audit

In designing our audit, we obtained an understanding of the Company and its environment, determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgements made by the directors in respect of the fair value of financial instruments and considered future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluation whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

## 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. In addition to the matter raised in material uncertainty related to going section of our report we identified the following key audit matter:

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 statement of financial position and the value is reliant on third party financial information and projections.	As part of our procedures, we conducted the following work:  For investments listed on a recognised exchange, we compared the valuation of investments held in the Statement of Financial Position to the valuation derived from the publicly available share price from the exchange as at 31 December 2024.

Key audit matter	Description of risk	How the matter was addressed in the audit
Valuation of investments <i>(continued)</i>	<p>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.</p> <p>The company’s accounting policy on investments is shown in note 1.7 to the financial statements, critical accounting judgements and estimates included in note 3 and related disclosures are included in note 11.</p>	<p>For investments where there was a third party fundraise or completed investment transaction in the year, we compared the valuation of investments held in the Statement of Financial Position to the valuation derived from the third party fundraise or the most recent bid price of the completed investment transaction.</p> <p>For all other investments, we received valuations prepared by management and challenged the valuation of investments by assessing the methodology used by management, corroborating the key inputs and assumptions as appropriate.</p> <p>For investments with total carrying value of approximately £5,750,000, we utilised our specialist valuations team to review the methodology, calculations, and underlying assumptions used to value the investments by management.</p> <p>We challenged management as to whether the difference between the estimated fair value of the investments and the market capitalisation of the business at year end suggested the underlying investments were not held at fair value. We assessed the reasonableness of responses from management, including analysis of other businesses in a comparable position. We tested the mathematical accuracy of the valuation</p>

## Our application of materiality

The materiality for the financial statements was set at £460,000. 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.

In determining materiality, we made the significant judgement that net assets is considered to be the most appropriate benchmark because the business is predominantly asset based and the benchmark aligns with the users of the financial statements which primarily focused on capital gains.

Financial statement materiality represents 4.3% of the company’s net assets as presented on the face of the Statement of Financial Position. We also applied a specific materiality for all balances other than those in relation to investments which was set £126,000 This is based on 10% of total expenditure in the year.

Performance materiality for the company’s financial statements was set at £345,000, being 75% of 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 75% was set due to the uncertainty of estimation in the investments balance.

Performance materiality, in respect of all balances other than those in relation to the investments balance, has been set at 75% of specific financial statements materiality, being £94,500 for a similar reason to the above.

# Independent Auditor's Report

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to the Members of Tern Plc  
continued

## Material uncertainty related to going concern

We draw attention to page 15 of the annual report and note 1.3 in the financial statements, which indicates that the Company's financial statements have been prepared on a going concern basis, with the Board assessing its cash flow, liquidity, and prospects and a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

The Directors acknowledge material uncertainty remains on the Company to continue as going concern, as continued operations depend on an appropriate mix of successful fundraising, asset realisations, and income from investments—factors that are partly beyond the Company's control.

Notwithstanding the above, 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:

- We challenged and reviewed management's sensitivity analysis in their forecasts, made up to June 2026, looking at cash generation and key assumptions such as receipt from future equity raises and proceeds generated from sale of investments and, where necessary, challenge their inputs;
- We reviewed and challenged the disclosures in the Annual Report and Accounts surrounding Going Concern;
- We reviewed bank statements to monitor the cash position of the company post year end, and obtained an understanding of significant expected cash outflows (such as repayment of short-term loan) in the forthcoming 12-month period; and
- We considered the company's funding position and requirements

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 Reports and Accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Reports and Accounts. 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.

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## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its 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.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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.

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. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

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 Senior Leadership Team updating operating procedures, manuals and internal controls as legal and regulatory requirements change;
- The Senior Leadership Teams' 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

# Independent Auditor's Report

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to the Members of Tern Plc  
continued

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 UK Companies Act 2006 and UK-adopted international accounting standards 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.

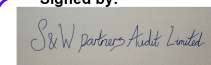
The senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities. In particular, both the senior statutory auditor and the audit manager have a number of years' experience in dealing with companies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

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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.

Signed by:



3CBPFA856AE1494  
**Mark Bishop** (Senior Statutory Auditor)

For and on behalf of S&W Partners Audit Limited

Statutory Auditor  
Chartered Accountants  
45 Gresham Street  
London EC2V 7BG

4 June 2025

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# Income Statement and Statement of Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 £	2023 £
Fee income		17,402	199,233
Movement in fair value of investments	11	(2,459,981)	(11,046,575)
Loss/profit on disposal		(13,374)	28,589
<b>Total investment loss</b>		<b>(2,455,953)</b>	<b>(10,818,753)</b>
Administration costs		(1,197,146)	(1,711,892)
Other expenses	6	(65,932)	(194,317)
Movement in fair value of Derivative Financial Instruments	18	(83,270)	35,749
<b>Operating loss</b>	7	<b>(3,802,301)</b>	<b>(12,689,213)</b>
Finance income	8	30,281	81,083
<b>Loss before tax</b>		<b>(3,772,020)</b>	<b>(12,608,130)</b>
Tax	9	-	-
<b>Loss and total comprehensive income for the period</b>		<b>(3,772,020)</b>	<b>(12,608,130)</b>
Since there is no other comprehensive income, the loss for the year is the same as the total comprehensive income for the year.			
<b>LOSS PER SHARE</b>			
Basic loss per share	10	<b>(0.86) pence</b>	(3.24) pence
Diluted loss per share	10	<b>(0.86) pence</b>	(3.24) pence

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

# Statement of Financial Position

As at 31 December 2024

	Notes	2024 £	2023 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments	11	<b>10,739,631</b>	12,778,617
<b>TOTAL NON-CURRENT ASSETS</b>		<b>10,739,631</b>	12,778,617
<b>CURRENT ASSETS</b>			
Trade and other receivables	12	<b>184,908</b>	73,533
Cash and cash equivalents	13	<b>382,213</b>	297,565
<b>TOTAL CURRENT ASSETS</b>		<b>567,121</b>	371,098
<b>TOTAL ASSETS</b>		<b>11,306,752</b>	13,149,715
<b>EQUITY AND LIABILITIES</b>			
Share capital	14	<b>1,406,566</b>	1,379,503
Share premium	14	<b>35,540,884</b>	33,390,997
Retained earnings		<b>(26,238,315)</b>	(22,469,224)
<b>TOTAL EQUITY</b>		<b>10,709,135</b>	12,301,276
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	<b>436,503</b>	325,379
Short Term Loan	17	<b>161,114</b>	418,205
Derivative Financial Instruments	18	<b>-</b>	104,855
<b>TOTAL CURRENT LIABILITIES</b>		<b>597,617</b>	848,439
<b>TOTAL LIABILITIES</b>		<b>597,617</b>	848,439
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,306,752</b>	13,149,715

The financial statements were approved and authorised for issue by the Board of Directors on 4 June 2025 and were signed on its behalf by:

DocuSigned by:



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**Ian Ritchie**

Chairman

Company number 05131386

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

# Statement of Changes in Equity

For the year ended 31 December 2024

	Share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 31 December 2022	1,379,282	33,341,218	(9,868,199)	24,852,301
<b>Total comprehensive income</b>	-	-	(12,608,130)	(12,608,130)
<b>TRANSACTIONS WITH OWNERS</b>				
Issue of share capital	221	49,779	-	50,000
Share issue costs	-	-	-	-
Share based payment charge (options)	-	-	7,105	7,105
<b>Balance at 31 December 2023</b>	<b>1,379,503</b>	<b>33,390,997</b>	<b>(22,469,224)</b>	<b>12,301,276</b>
<b>Total comprehensive income</b>	-	-	(3,772,020)	(3,772,020)
<b>TRANSACTIONS WITH OWNERS</b>				
Issue of share capital	27,063	2,260,587	-	2,287,650
Share issue costs	-	(110,700)	-	(110,700)
Share based payment charge (options)	-	-	2,929	2,929
<b>Balance at 31 December 2024</b>	<b>1,406,566</b>	<b>35,540,884</b>	<b>(26,238,315)</b>	<b>10,709,135</b>

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

# Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 £	2023 £
<b>OPERATING ACTIVITIES</b>			
Net cash used in operations	22	(1,068,970)	(1,372,647)
Purchase of investments		(656,815)	(1,382,994)
Cash received from sale of investments		250,429	1,534,913
Loans to portfolio companies		(95,000)	136,389
Interest received		26	18,600
<b>Net cash used in operating activities</b>		<b>(1,570,330)</b>	<b>(1,065,739)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds on issues of shares		2,099,524	–
Share issue expenses		(110,700)	–
Loan receipt		–	500,000
Loan repayment		(333,846)	(68,461)
<b>Net cash from financing activities</b>		<b>1,654,978</b>	<b>431,539</b>
(Decrease) in cash and cash equivalents		(84,648)	(634,200)
Cash and cash equivalents at beginning of year		297,565	931,765
<b>Cash and cash equivalents at end of year</b>		<b>382,213</b>	<b>297,565</b>

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

# Notes to the Financial Statements

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For the year ended 31 December 2024

## 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 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 4B 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 Company's financial statements have been prepared on a going concern basis, with the Board assessing its cash flow, liquidity, and prospects. The Directors believe this is appropriate based on four key factors: anticipated shareholder support for future equity raises, confidence in generating cash through asset sales (as demonstrated in 2024), potential access to additional debt funding, and expected dividend income from Sure Ventures plc.

However, the Directors acknowledge material uncertainty remains, as continued operations depend on successful fundraising, asset realisations, income from investments, or a combination of all three —factors that are partly beyond the Company's control. If these efforts are unsuccessful, the Company may be forced to sell assets at reduced values or accept unfavourable loan terms. There is no certainty that such funding will be available and/or the terms of such funding. These conditions are necessarily considered to represent a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. Whilst acknowledging this uncertainty, the Directors remain confident that the Company will be able to generate sufficient cash flow within a reasonable time when required, therefore the Directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

A detailed explanation of the factors determining the appropriateness of the preparation of the financial statements on the going concern basis is detailed in the Directors Report on page 16-19.

# Notes to the Financial Statements

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continued

## 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 in the year but are not yet effective and are expected to relate to the Company:

- IFRS 7 Financial Instruments: Disclosures: amendments regarding the classification and measurement of financial instruments (issued in May 2024 and effective for annual reporting periods beginning on or after 1 January 2026).
- IFRS 9 Financial Instruments: amendments regarding the classification and measurement of financial instruments (issued in May 2024 and effective for annual reporting periods beginning on or after 1 January 2026).
- Annual Improvements IFRS Accounting Standards – Volume 11 (issued in July 2024 and effective for annual reporting periods on or after 1 January 2026).
- IFRS 18 Presentation and Disclosures in Financial Statements: original issue (issued in April 2024 and effective for annual reporting periods beginning on or after 1 January 2027).

## 1.5 Adoption of new and revised standards

Amendments have been made to IFRS 7 Financial Instruments: Disclosures, in relation to supplier finance arrangements. The amendment intended to help financial statement users evaluate the impact of these arrangements on an entity's liabilities, cash flows and liquidity risk exposure.

Amendments have been made to IFRS 16 Leases, in relation to how a seller-lessee subsequently measures sale and leaseback transactions which intended to clarify to financial statement users how a seller-lessee accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments are impacted, where the variability does not relate to an index or a rate.

Amendments have been made to IAS 1 Presentation of Financial Statements, in relation to the classification of debt with covenants. The amendment intends to clarify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current but require disclosure of these covenants in the notes to the financial statements.

Amendments have been made to IAS 1 Classification of Liabilities as Current or Non-Current which aims to enhance consistency in how companies apply the standard. The changes provide clearer guidance on how to determine whether debt and other liabilities with uncertain settlement dates should be classified as current (due or potentially due within one year) or non-current in the statement of financial position.

The Company has adopted all revised standards and there was no impact to the financial statements as a result.

## 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 a portfolio company or recharging legal advice to a portfolio company. For each contract with a portfolio 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 portfolio 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.

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## 1. Accounting policies (continued)

### 1.7 Investments

The investments consist of equity investments and convertible loan notes. The convertible loan notes are financial assets with multiple embedded derivatives. These financial assets are measured in their entirety at (FVTPL) fair value through profit or loss.

In accordance with IFRS 10, paragraph 46, 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.

### 1.8 Trade receivables

Trade receivables are classified as a financial asset and are valued at amortised cost in accordance with IFRS 9. A provision will be calculated based on the change in lifetime expected credit losses and recognised in the income statement, in accordance with IFRS 9.

### 1.9 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.

### 1.10 Trade payables

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

### 1.11 Equity instruments

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

### 1.12 Share based payments

The share-based payments in relation to options 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 options 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.

### 1.13 Loans to portfolio companies

#### **Convertible loans**

Convertible loans provided to portfolio companies are evaluated with reference to IFRS9. The convertible loan facility issued to Talking Medicines is a financial asset with multiple derivatives. IFRS 9 permits the entire contract for both loans to be designated at FVTPL.

#### **Other loans**

The loan facility issued to Talking Medicines is a financial asset designated at FVTPL. Assets measured at fair value at each reporting date, with any movement in fair value taken to profit and loss for the year.

# Notes to the Financial Statements

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continued

## 1.14 Warrants

Fair value is estimated using the Black-Scholes model as relevant for the terms and conditions of the warrants. At each Statement of Financial Position date, the Company revises its estimate of the fair value of the warrants with any changes taken to profit or loss.

## 2. Financial risk management

The Company uses a limited number of financial instruments; comprising cash, convertible loans, warrants as derivative instruments 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 portfolio 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 foreign exchange risk, 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 primarily invests in private companies, recognising that such holdings are typically illiquid in the short term. Nevertheless, the Company must generate sufficient cash to meet its ongoing working capital requirements, including those obligations associated with being an AIM-quoted entity.

To ensure financial flexibility, the Company aims to maintain adequate cash reserves to support portfolio companies if required or to participate in follow-on equity rounds. The financial performance and position of each portfolio company is regularly assessed to evaluate the need for further investment and its appropriateness within the Company's strategy. Cash generation is expected from a combination of sources, including realisations of portfolio investments, new equity issuance (subject to shareholder approval), and external loan funding.

As part of their ongoing risk management, the Directors actively consider threats to liquidity and solvency. There is no assurance that the necessary funding will be available or, if it is, what the terms of that funding might be. These circumstances represent a material uncertainty that cast significant doubt on the Company's ability to continue operating as a going concern. Despite this uncertainty, the Directors remain confident that the Company will be able to generate adequate cash flow within a reasonable timeframe when needed. As such, the Directors believe it is appropriate to prepare the financial statements on a going concern basis. These financial statements do not reflect any adjustments that would be required if the Company were unable to continue as a going concern.

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.

As at 31 December 2024, if market prices were 3% higher and all other variables were held constant, the Company's net loss would not be significantly different from that reported in the financial statements (2023: decrease by £0.1m). This is attributable to the Company's exposure to market price risk on its quoted investment.

The unquoted investments currently held are not liquid.

## 2. Financial risk management (continued)

### **Foreign exchange risk**

The Company primarily operates within the UK; however, some of its investments are valued in foreign currencies. Device Authority, its most significant investment, is valued in US dollars, while Wyld Networks is valued in Swedish Krona. As a result, their values fluctuate based on currency exchange movements. The Company does not hedge against exchange rate fluctuations that may impact the value of its foreign currency investments.

As at 31 December 2024, if foreign exchange rates were 5% higher and all other variables were held constant, the Company's net loss would increase by £0.2m (2023: £0.3m). This is attributable to the Company's exposure to foreign exchange risk on its investments held in Device Authority and Wyld Networks.

### **Credit risk**

The Company's primary credit risk arises from loans to its portfolio companies and trade receivables. It is also exposed to credit risk through financial instruments, primarily accounts receivable and derivative instruments, which carry the risk of counterparty default. To manage this, the Company monitors credit risk exposure across different financial instruments and assesses the creditworthiness of counterparties. While non-performance by counterparties is not anticipated, the Company generally requires security over the assets of these companies to mitigate credit risk.

The Company derives fee income from one of its investments. Fee income 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 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 capital management objectives are to ensure its ability to continue as a going concern, generate returns for shareholders, benefit other stakeholders, and maintain an optimal capital structure to minimise the cost of capital.

The Company monitors capital based on the total equity and debt as reported in the Statement of Financial Position. To maintain or adjust its capital structure, it may modify potential dividend payments, return capital to shareholders, issue new shares, or sell assets to reduce debt.

### **2.3 Fair value estimation**

Refer to note 19 for the fair value measurement accounting policy.

## 3. Critical accounting estimates and judgements

Estimates and judgments are continuously evaluated based on historical experience and other relevant factors, including reasonable expectations of future events.

The Company makes forward-looking estimates and assumptions, recognising that actual results may differ from these projections. The key areas of estimation uncertainty that could lead to material adjustments in the carrying amounts of assets and liabilities within the next financial year are outlined below.

### **Estimates**

#### **Fair value of financial instruments**

As outlined in Note 19, the Company holds unquoted investments valued at £10.7m, designated as held for trading upon initial recognition. The fair value of Level 2 financial instruments is determined using the most recent bid price from completed transactions within the last six months, whilst Level 3 financial instruments are determined using various techniques including discounted cash flow analysis which is supported by any most recent offer price for investments. The fair value of the investment in SVV2 is provided to us by the fund manager.

# Notes to the Financial Statements

continued

Given the early-stage nature of these investments, alternative valuation methods, such as discounted cash flow analysis, may not always be supported by independent market comparisons and, in many cases, may not be immediately realisable.

The Company also holds financial assets measured at fair value through profit or loss (FVTPL). The valuation of convertible loan notes is based on an assessment of the probability of various redemption or conversion scenarios, which are incorporated into the overall fair value estimation.

## Judgements

### *Investments held at FVTPL*

The critical judgment made is that the Company's investments should not be consolidated. This conclusion was reached after evaluating all the key conditions for an investment entity as defined under IFRS 10. The Company was determined to meet these conditions as follows:

- It raises funds from one or more investors to provide investment management services.
- Its business purpose is solely to invest funds for capital appreciation, investment income, or both.
- It measures and evaluates the performance of the majority of its investments on a fair value basis.

Additionally, the Company concluded that its investment-related activities do not constitute a separate substantial business activity or a significant independent source of income for the investment entity.

## 4. Segmental reporting

The Company's segment identification policy is based on internal management reporting, which is regularly reviewed by the chief operating decision maker—the Board of Directors.

Operating segments are generally aligned with the Company's service lines, representing its primary products and services. However, the directors have determined that the Company's continuing investment operations constitute a single segment. As a result, the figures presented in the Income Statement and Statement of Financial Position serve as the segmental information.

## 5. Staff costs

### Staff costs for the company during the year, including directors

	2024 £	2023 £
Wages and salaries	429,017	773,835
Social security costs	48,345	84,926
Pension costs	34,163	57,915
Share based payment charge (options)	2,929	7,105
<b>Total staff costs</b>	<b>514,454</b>	<b>923,781</b>

### The average number of people (including non-executive directors) employed by the company during the year was:

	2024 No	2023 No
Directors	3	5
Employees	3	3
<b>Total</b>	<b>6</b>	<b>8</b>

## 5. Staff costs (continued)

### Directors' remuneration

Other than directors the Company had three employees as at 31 December 2024. Total remuneration paid to directors during the year was as follows:

	2024 £	2023 £
<b>Directors' remuneration</b>		
– Salaries and benefits	86,877	533,039
– Social security costs	8,955	59,414
– Pension costs	–	36,195
– Share based payment charge	2,929	–
<b>Total directors' remuneration</b>	<b>98,761</b>	<b>628,648</b>
<b>Total remuneration of the highest paid director was</b>	<b>34,965</b>	<b>174,021</b>

A summary of remuneration paid to each director, including pension payments, is included in the Report on Directors' Remuneration (pages 34-35).

### Key management personnel remuneration

Other than directors the Company recognised one employee as key management personnel as at 31 December 2024. Total remuneration paid to key personnel during the year was as follows:

	2024 £	2023 £
<b>Key management personnel remuneration</b>		
– Salaries and benefits	148,384	189,952
– Social security costs	13,075	15,572
– Pension costs	13,425	16,707
– Share based payment charge	–	–
<b>Total key management personnel remuneration</b>	<b>174,884</b>	<b>222,231</b>

## 6. Other expenses

	2024 £	2023 £
Share based payment (options)	2,929	7,105
One-off legal and professional costs	14,118	19,000
Recharged professional fees	–	10,941
Derivative Financial Instrument costs	–	140,604
Non-recurring – Origination of loan facility	33,333	16,667
Extension of loan facility	15,552	–
	<b>65,932</b>	<b>194,317</b>

# Notes to the Financial Statements

continued

## 7. Operating loss

	2024 £	2023 £
<b>Loss from operations has been arrived at after charging</b>		
Remuneration of directors	98,761	628,648
<b>Fees payable to the company's auditor for services provided to the company</b>		
– Audit services	63,000	67,000
– Tax compliance services	7,000	5,665
– Advisory services	1,760	2,160
– Audit related services	4,000	3,750

## 8. Finance income

	2024 £	2023 £
Bank interest received	26	827
Interest income on loan notes	2,288	13,518
Interest accrued on convertible loan notes	27,952	66,738
	<b>30,281</b>	<b>81,083</b>

## 9. Taxation

	2024 £	2023 £
<b>Loss before tax</b>	<b>(3,772,020)</b>	(12,608,130)
Tax at domestic income tax rate	<b>(716,684)</b>	(2,395,545)
Expenses not deductible for tax purposes	1,241	2,185
Fair value movement not taxable	467,396	2,105,642
Unutilised tax losses	248,047	287,718
<b>Tax</b>	<b>–</b>	<b>–</b>

The Company has unutilised losses of approximately £13.5m (2023: £12.1m) resulting in a deferred tax asset not recognised of approximately £2.0m (2023: £1.8m). 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. Loss per share

	2024 £	2023 £
<b>Loss for the purposes of basic and fully diluted Loss per share</b>	<b>(3,772,020)</b>	(12,608,130)
	<b>2024 Number</b>	<b>2023 Number</b>
<b>Weighted average number of ordinary shares</b>		
For calculation of basic earnings per share	<b>437,148,474</b>	389,182,934
For calculation of fully diluted earnings per share	<b>437,148,474</b>	389,182,934
	<b>2024</b>	<b>2023</b>
<b>Loss per share:</b>		
Basic loss per share	<b>(0.86) pence</b>	(3.24) pence
Diluted loss per share	<b>(0.86) pence</b>	(3.24) pence

In 2024, and 2023, the fully diluted loss per share is the same as the basic loss per share as the share options were underwater which would have an anti-dilutive effect on loss per share.

## 11. Non current assets

### Investments

	2024 £	2023 £
<b>Fair value of investments brought forward</b>	<b>12,778,617</b>	23,881,769
Interest accrued on convertible loan note	<b>27,952</b>	66,754
Additions	<b>656,846</b>	1,382,994
Disposals	<b>(263,803)</b>	(1,506,325)
<b>Fair value of investments before fair value adjustment</b>	<b>13,199,612</b>	23,825,192
Fair value adjustment to investments	<b>(2,459,981)</b>	(11,046,575)
<b>Fair value of investments carried forward</b>	<b>10,739,631</b>	12,778,617

The table below presents a breakdown of the cost, fair value, and percentage ownership for each company within the portfolio. For additional information on the fair value measurement of these investments, refer to Note 19 on page 56.

	Cost £000	Valuation £000	Equity ownership %
Device Authority Limited	9,305	4,276	25.3
FVRVS Limited (FundamentalVR)	2,928	3,630	10.3
Talking Medicines Limited	1,547	2,120	23.8
Sure Valley Ventures Enterprise Capital LP	996	688	6.1
Diffusiondata Limited	120	23	<1
Wyld Networks AB	2,332	3	<1
InVMA Limited (Konektio)	2,267	–	8.8
	19,495	10,740	

The convertible loan facility issued to Talking Medicines 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. As at 31 December 2024, the principal of the convertible loan outstanding was £287,500 (2023: 187,500).

# Notes to the Financial Statements

continued

## 12. Trade and other receivables

	2024 £	2023 £
Trade receivables	24,600	6,000
Prepayments	46,853	52,030
Loans to portfolio companies	95,000	–
Interest receivable on loan notes	2,288	–
Other receivables	16,167	15,503
<b>Total</b>	<b>184,908</b>	<b>73,533</b>

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

	2024 £	2023 £
<b>Cash at bank</b>	<b>382,213</b>	<b>297,565</b>

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 £
<b>Issued and fully paid</b>			
<b>At 31 December 2023</b>			
Ordinary shares of £0.0002	389,676,311	77,935	
Deferred shares of £29.999	42,247	1,267,368	
Deferred shares of £0.00099	34,545,072	34,200	
	424,263,630	1,379,503	33,390,997
Ordinary shares issued	135,316,751	27,063	2,260,587
Share issue expenses	–	–	(110,700)
	559,580,381	1,406,566	35,540,884
<b>At 31 December 2024</b>			
Ordinary shares of £0.0002	<b>524,993,062</b>	<b>104,998</b>	
Deferred shares of £29.999	<b>42,247</b>	<b>1,267,368</b>	
Deferred shares of £0.00099	<b>34,545,072</b>	<b>34,200</b>	
	<b>559,580,381</b>	<b>1,406,566</b>	<b>35,540,884</b>

### 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.

## 14. Issued share capital (continued)

The table below lists the ordinary shares issued in the year:

Date of issue	Shares issued No.	Price paid per share pence	Purpose of share issuance
30 January 2024	20,000,000	2.00	Placing
18 April 2024	17,500,000	2.40	Placing
22 May 2024	5,524,007	2.00	Exercise of warrants
24 September 2024	11,523,513	1.25	Allotment of open offer
21 October 2024	50,000,000	1.25	Placing
23 December 2024	30,769,231	1.30	Placing
	135,316,751		

### 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.

## 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 loss of the Company.

## 16. Trade and other payables

	2024 £	2023 £
Trade payables	182,462	170,025
Accruals and deferred income	81,627	72,055
Other taxes and social security	167,950	77,736
Other payables	4,464	5,563
<b>Total</b>	<b>436,503</b>	<b>325,379</b>

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

# Notes to the Financial Statements

continued

## 17. Short Term Loan

	2024 £	2023 £
Short term loan	<b>161,114</b>	418,205

During the year, the security condition of the short term loan facility was removed and the repayment period extended by 12 months. The short term loan is held at amortised cost with a market rate of interest of 12%. Following the amendment to the agreement, the loan will be fully repayable (principal plus interest) in September 2025.

The amendment to the loan agreement does not qualify as a substantial modification in accordance with IFRS 9.

## 18. Derivative Financial Instruments

	2024 £	2023 £
Fair value brought forward	<b>104,855</b>	140,604
Fair value movement of derivative financial instruments	<b>83,270</b>	(35,749)
Exercise of derivative financial instruments	<b>(188,125)</b>	–
<b>Fair value carried forward</b>	<b>–</b>	<b>104,855</b>

### Warrants

The Company granted 5,524,007 warrants in 2023 with an exercise price of 6.78855 pence per Ordinary Share. In the event that the Company prepays the Facility, in whole or in part, then the Warrants shall be repriced to the average of the daily VWAPs for the five trading days prior to the date of the prepayment, if such value is less than the existing exercise price of the Warrants. If the Company issues and allots new Ordinary Shares at an issue price that is below the exercise prices of the Warrants (other than pursuant to the Facility) within 18 months of each drawdown, the exercise prices of the relevant Warrants shall be amended to be equivalent to that issue price to the extent any Warrants remain unexercised.

The warrants were exercised in the year at the exercise price of 2.0p per share. On 22 May 2024, the Company issued 5,524,007 ordinary shares for a total cash consideration of £110,480. There were no warrants outstanding at 31 December 2024.

The Black Scholes method was used to calculate the fair value of the warrants at the date of grant, at each reporting period end and at the date of the notice to exercise.

## 19. Fair value measurement

### Financial assets and financial liabilities for warrants

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 and liabilities 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 pages 11-12.

**Financial instruments at amortised cost**

Receivables that are held with the intention of collecting contractual cash flows are classified and measured at amortised cost. Gains and losses recognised in the Statement of Comprehensive Income when the receivables are derecognised or impaired, as well as through the amortisation process.

**Financial Liabilities**

Warrants are held at fair value using the Black Scholes method of valuation.

**The Company determines the fair value of its investments and liabilities 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 price of the most recent fundraise and alternative valuation techniques have been used to support the judgements made when calculating these investments.**

**The table below categorises the fair value of each investment into the hierarchy as at 31 December 2024:**

	Level 1 £	Level 2 £	Level 3 £
Device Authority Limited	–	4,276,694	–
FVRVS Limited	–	–	3,629,759
Talking Medicines Limited	–	–	2,119,523
Sure Valley Ventures Enterprise Capital LP	–	687,911	–
Diffusiondata Limited	–	22,652	–
Wyld Networks AB	3,092	–	–
	<b>3,092</b>	<b>4,987,257</b>	<b>5,749,282</b>

For Level 2 investments, the fair value assessment was made by the directors using the price of the shares in the most recent fundraise within the last six months. The fair value assessment of the investment in SVV2 was completed by the fund manager.

# Notes to the Financial Statements

continued

The sensitivity analysis presented below was applicable to Level 3 investments only for which no observable market data was available. The following unobservable inputs were used:

- Discount Factor
- Revenue Multiples

The sensitivity variable is the range of reasonable change in each of the unobservable inputs.

## Fair value sensitivity of Talking Medicines Limited

Fair value of Level 3 investments at 31 Dec 2024	Fair value of Level 3 investments at 31 Dec 2023	Unobservable input	Sensitivity variable	Range of inputs	£	Relationship of unobservable input sensitivity to fair value £
2,119,523	–					
		Discount Factor	10% sensitivity applied to the discount factor	13%	+10% (926,075)	-10% 88,056
		Revenue Multiples	30% sensitivity applied to the revenue multiple	20.36	+30% 210,316	-30% (864,994)

## Fair value sensitivity of FVRVS Limited

Fair value of Level 3 investment at 31 Dec 2024	Fair value of Level 3 investment at 31 Dec 2023	Unobservable input	Sensitivity variable	Range of inputs	£	Relationship of unobservable input sensitivity to fair value £
3,629,759	–					
		Discount Factor	10% sensitivity applied to the discount factor	9%	+10% (749,741)	-10% 1,208,927
		Revenue Multiples	40% sensitivity applied to the revenue multiple	7.40	+40% 1,451,904	-40% (1,451,904)

As at 31 December 2024, all level 2 investments were valued using publicly available market data, specifically the share price from the most recent fundraising round within the past six months.

Convertible loans provided to portfolio 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.

For Level 3 liabilities, the fair value assessment was made by directors using the Black Scholes model using the share price at inception and at year end, as well as an assessment of the discount rates applicable to comparable derivative financial instruments.

There were no Level 3 liabilities held at 31 December 2024.

Fair value at 31 Dec 2024	Fair value at 31 Dec 2023	Unobservable input	Sensitivity variable	Relationship of unobservable inputs to fair value
–	104,855	Strike price at exercise	41%	The fair value of the liability will be higher if the strike price at exercise is higher.

The sensitivity variable is the range of reasonable change in each of the unobservable inputs.

The following table shows the levels within the hierarchy of investments and liabilities measured at fair value on a recurring basis at 31 December 2023 and 31 December 2024:

	Level 1	Level 2	Level 3	Total
<b>31 December 2024</b>				
Investments held for trading	3,092	4,987,257	5,749,282	10,739,631
Financial Liabilities	–	–	–	–
<b>31 December 2023</b>				
Investments held for trading	2,438,787	10,339,830	–	12,778,617
Financial Liabilities	–	–	104,855	104,855

As at 31 December 2023, the investments previously classified as Level 3 have been reclassified to Level 2. This reclassification reflects the reassessment that the valuation techniques used more appropriately align with Level 2 inputs under the fair value measurement hierarchy.

See note 11 for more detail on investments held for trading and note 23 on financial liabilities.

## 20. 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 are 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.

### 20. Share based payments (continued)

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. As at the date the accounts were signed, all these options have subsequently lapsed.

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 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 £2,929 was recognised in 2024 (2023: £7,105) in respect of the options granted in 2024, of this £nil (2023: £7,105) related to equity settled options issued to employees.

The table below lists the inputs to the model used for the options granted in 2024 and 2020:

	2024 Employees	2020 Employees
Weighted average share price at date of grant	2.45 pence	8.15 pence
Weighted average exercise price	2.45 pence	8.15 pence
Expected volatility	100%	100%
Vesting period	3	3
Contractual life	10	10
Risk free rate	1.94%	1.94%

# Notes to the Financial Statements

continued

The share options held as at 31 December 2024 are set out in the table below:

	Outstanding at 31 December 2023	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2024	Option Price	Exercisable on or before
Directors	5,000,000	–	–	–	5,000,000	8.5p	18 May 2027
	2,500,000	–	–	(2,500,000)	–	9.15p	1 Dec 2029
	2,500,000	–	–	(2,500,000)	–	8.5p	15 Mar 2024
	–	2,400,000	–	–	2,400,000	2.45p	29 Oct 2034
<b>Total directors</b>	<b>10,000,000</b>	<b>2,400,000</b>	<b>–</b>	<b>–</b>	<b>7,400,000</b>		
Employees	500,000	–	–	–	500,000	8.15p	22 July 2030
Other	100,000	–	–	–	100,000	8.5p	18 May 2027
<b>Total Options</b>	<b>10,600,000</b>	<b>2,400,000</b>	<b>–</b>	<b>(5,000,000)</b>	<b>8,000,000</b>		

Note: A detailed breakdown of directors' options is set out in the Report on Directors' Remuneration on page 35.

## 21. 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

	2024 Revenue £	Investment £	2023 Revenue £	Investment £
Device Authority Limited	–	–	–	373,023
Wyld Networks AB	–	<b>33,146</b>	–	–
FVRVS Limited (FundamentalVR)	–	–	–	–
InVMA Limited (Konektio)	–	–	187,033	572,000
Talking Medicines Limited	<b>16,500</b>	<b>100,000</b>	12,200	187,500

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

### As at 31 December

	2024 £	2023 £
Talking Medicines Limited	<b>24,600</b>	6,000

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

### As at 31 December

	2024 £	2023 £
Talking Medicines Limited	<b>95,000</b>	–

Equity shareholdings are detailed in Note 11.

## 22. Cash flow from operations

	2024 £	2023 £
<b>Loss for the year</b>	<b>(3,772,020)</b>	(12,608,130)
<b>Adjustments for items not included in cash flow</b>		
Movement in fair value of investments	2,459,981	11,046,575
Loss/profit on disposal	13,374	(28,589)
Share based payment charge	2,929	7,105
Amortisation of loan implementation fee <sup>1</sup>	33,333	16,667
Derivative financial instrument costs	–	140,604
Movement in fair value of derivative financial instrument	83,270	(35,749)
Finance expense	43,407	20,000
Finance income	(30,281)	(81,083)
<b>Operating cash flows before movements in working capital</b>	<b>(1,166,007)</b>	(1,522,600)
<b>Adjustments for changes in working capital</b>		
(Increase)/decrease in trade and other receivables <sup>2</sup>	(14,087)	153,131
(Decrease) in trade and other payables	111,124	(3,178)
<b>Cash used in operations</b>	<b>(1,068,970)</b>	(1,372,647)

<sup>1</sup> Implementation fee was a non-cash transaction fee for the issuance of shares relating to the loan facility.

<sup>2</sup> Excludes cash loans and interest receivable from portfolio companies.

## 23. 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 assets included in the Statement of Financial Position, along with their respective headings, are set out below. All financial assets are classified as current.

	2024 £	2023 £
<b>Financial assets</b>		
Cash at bank	382,213	297,565
Trade receivables	24,600	6,000
Other receivables	16,167	15,503
Fair value through profit or loss (FVTPL)		
Investments	10,739,631	12,778,617

### Financial liabilities

The IFRS 9 categories of financial liabilities presented in the Statement of Financial Position, along with their respective headings, are outlined below. All financial liabilities are classified as current.

	2024 £	2023 £
<b>Financial liabilities</b>		
Trade Payables	182,462	170,025
Accruals	77,044	67,472
Financial Liabilities at amortised cost		
Short term loan	161,114	418,205
Fair value through profit or loss (FVTPL)		
Derivative financial instrument liabilities	–	104,855

# Notes to the Financial Statements

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continued

## 24. Events after the reporting period

On 2 January 2025, it was announced that the Company had invested £175,000 of cash in new ordinary shares in Sure Ventures plc.

On 26 February 2025, 19,230,769 new ordinary shares were issued at 1.15p per share for cash as the result of a private placing raising £221,154 before any share issue expenses.

On 8 May 2025, 34,013,989 new ordinary shares were issued at 1p per share for cash as a result of an underwritten Open Offer raising £340,140 before any share issue expenses.

## 25. Ultimate controlling party

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



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