RNS Number : 0884B
Tern PLC
31 May 2023

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Tern Plc

("Tern" or the "Company")

Results for the year ended 31 December 2022

Tern Plc (AIM: TERN), the company focused on value creation from Internet of Things ("IoT") technology businesses, announces its audited results for the year ended 31 December 2022.

Highlights

- Net assets of the Company at 31 December 2022 of £24.9m (31 December 2021: £32.4m). The net asset value per ordinary share as at 31 December 2022 decreased to 6.4p (31 December 2021: 9.2p)

- The reduction in net assets of the Company as at 31 December 2022 principally due to movements in investments held at fair value through the profit or loss and a reduction in the cash balance

- The unaudited aggregated annual recurring revenue ("ARR") of our portfolio[1] increased by 97% from 2021 to 2022 and the year-on- year growth in aggregated revenue grew by 5%. A key focus for our portfolio is on recurring revenue as it is a primary driver of valuation growth

- The aggregated employee numbers of our portfolio increased by 66% from 2021 to 2022 (35% from 2020 to 2021), and this increase was balanced by an associated increase in ARR such that ARR per employee increased by 19% from 2021 to 2022

1. Our 'portfolio companies and holdings' being portfolio companies: Device Authority Limited, InVMA Limited (trading as Konektio), FVRVS Limited (Trading as FundamentalVR) and Talking Medicines Limited, and holdings: Wyld Networks AB, or collectively 'our portfolio': as further described in the section headed 'Portfolio Companies and Holdings below and as detailed in note 3.

Commenting on the results, Tern's CEO, Al Sisto said:

"Whilst it is disappointing to report a reduction in the unrealised fair value of a number of our companies, a large part of the fair value decrease at the year end, is a reflection of the dramatic decrease in valuation metrics and models in the technology sector rather than the underlying prospects of our companies. Despite short-term challenges posed by macroeconomic factors and geopolitical conflicts, we remain confident in the long-term potential of our portfolio and the IoT markets in which we operate.

"As hands-on managers, we are committed to continuing to work closely with our companies, providing them with the benefit of our expertise and resources to help them navigate the road ahead. The IoT technology markets, which remain a core focus for us, continue to offer long-term growth potential and we are excited to see what the future holds.

"At the heart of our investment strategy is a focus on ARR growth, which we believe is the key driver of valuations for start-ups. However, we understand the importance of our portfolio balancing their growth with achieving profitability to drive efficient growth, and we are dedicated to supporting our portfolio as they chart their path to success.

"We believe that our portfolio remain well positioned for successful exits at the right time. While uncertainty may persist in the shorter term, we are heartened by the indicators we are seeing in the market that point to a return to improvements in valuations."

Notice of AGM

The annual report for the year ended 31 December 2022, which contains a notice of the Annual General Meeting ("AGM"), will shortly be available from the Company's website https://www.ternplc.com/investors and will shortly be posted to shareholders.

The Company's AGM will be held at 9.00am on Thursday 29 June 2023 at the offices of Reed Smith, The Broadgate Tower, 20 Primrose Street, London, EC2A 2RS.

Investor Presentation and Q&A Session

The Company's Chairman, Ian Ritchie, and CEO, Al Sisto, will conduct a live question and answer session for investors on 12 June 2023 at 5:30 pm BST. The session is open to all existing and potential shareholders.

Those who wish to attend should register via the following link where they will be provided with access details:

https://us02web.zoom.us/webinar/register/WN_YYea-W2XQgeqJ7WUDPHnuQ

Participants will have the opportunity to submit questions during the session, but questions are welcomed in advance and may be submitted to: tern@investor-focus.co.uk.

Enquiries

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Chairman's Statement

I am pleased to report another year of progress for the Company in what has been a difficult climate. All of our portfolio have increased bookings and won new customers during the year; the aggregate year-on-year growth of annual recurring revenue ("ARR") of our portfolio, a key indicator of progress, has increased by 97%, and our portfolio increased employee numbers by 66% and ARR per employee of 19%.

Our portfolio companies are all early-stage businesses with exciting breakthrough technologies and should be recognised for their growth, performance and potential for exit at an excellent return at the appropriate time. It is always difficult to determine the real underlying value of a portfolio, but we follow the established investment practice of taking the last valuation of a round of investment, tempered by any adjustments based on current market performance and the value of comparable businesses, as the value of our holdings. Of course, we all expect such businesses to be worth far more when we finally realise their return at an exit, but in the meantime we must take a very prudent approach to their valuation.

In this context, it is important to regard Tern shares as a long-term investment. The real value of the Company will not emerge in the short-term, it will only be fully realised when we can, in the medium to long-term, obtain good exits for our various investments. Meanwhile the Tern team will continue to work tirelessly to ensure that our various companies are maximising their opportunities to grow and become a source of disruption in their respective markets in such a way that they can become extraordinarily valuable to a potential acquiring business.

Our portfolio has been working well, evidenced by the ability of every one of them to either achieve a listing on a stock market (Wyld Networks on NASDAQ First North Growth Market), or to raise later stage investment from new third-party investors (Device Authority, FundamentalVR, Talking Medicines and Konektio). These all indicate that our confidence in the excellent potential of our companies is shared by other sources of risk capital.

Of course, it is not possible for our companies to avoid the impact of recent global economic events; interest rates have increased sharply, and technology businesses have had to quickly adapt to a new world of ensuring that customer acquisition and revenue generation is paramount. The extensive experience of our directors over many decades of past technology cycles has enabled us to help our companies effectively to manage their way through such turbulence.

The downturn in the global technology sector and in particular the collapse of Silicon Valley Bank has affected the technology business climate, but previous downturns have demonstrated that such market conditions can have a relatively short-term effect on early-stage innovative companies with breakthrough technologies. Their potential remains to be realised.

Our particular positioning and skillset remains very strong, especially our valuable intimate links with the US technology marketplace, and our ability to introduce highly effective management, marketing and technology skills and our extensive experience over many years of ensuring effective operations in growth businesses.

Our specialisation in IoT technology, along with the novel application of innovative artificial intelligence ("AI"), and the effective analysis of very large data sources, are the fields most prized in today's technology markets. We have also identified a particular focus on life sciences and medical applications which are among today's key growth areas.

We have also been making excellent progress in the development of ESG (environmental, social and governance) policies throughout our portfolio.

I would like to take the opportunity to recognise the outstanding performance during this year of Al Sisto, our CEO, and our executive directors Bruce Leith, Sarah Payne and Matthew Scherba, in carefully monitoring and adding value to the various companies under their charge. We are very much a 'hands-on' team who actively participate in the strategy and development of our various portfolio companies.

I would also like to thank my fellow non-executive director, Alan Howarth, for his excellent judgment and advice based on his extensive financial and business experience.

What we do well is provide an ability for our shareholders to participate in the development of a portfolio of attractive high-potential businesses, not otherwise available to private investors, whose growth, with our guidance, will undoubtedly provide long-term capital gains.

I look forward, in the coming months and years, to the further development of our excellent portfolio of exciting high-growth companies, and to achieving an excellent return for you, our shareholders.

Ian Ritchie CBE, FREng, FRSE

Chairman

CEO's Statement

Overview

I am pleased to report that our portfolio has shown remarkable resilience and growth during 2022. With our dedicated support and guidance, they have executed skilfully, resulting in continued progress and contribution to our key performance indicators ("KPIs"). Even in the face of unprecedented market challenges, our investee companies have shown impressive strength and further development, a true testament to their leadership and our support. Despite the intense downward pressure on valuations that we witnessed in 2022, our companies have demonstrated admirable determination and grit, and we couldn't be prouder of their accomplishments.

In last year's annual report, I described 2021 as a remarkable year for Tern and UK technology companies. However, 2022 has presented unprecedented challenges, unlike any we have seen in recent history. The year can be divided into two distinct halves, with the first continuing the positive momentum from the previous year as technology companies, investors, and customers maintained their course post-pandemic. However, the emergence of inflationary concerns and the subsequent interest rate hikes created a significant shift in the traditional investing metrics for the technology industry. This has led to challenges for technology companies globally and here in the UK, both in public and private markets. The downward pressure on public technology company shares eventually trickled down to the private technology sector in the second half of 2022, resulting in declining valuations that have persisted into 2023. Despite our best efforts, Tern has not been immune to these dynamics and I am disappointed to report an £8.4m reduction in the unrealised fair value of our portfolio during the year.

The objective of venture-backed businesses has always been to pursue rapid, high-growth opportunities, and this remains true today. As investors, we at Tern are dedicated to supporting talented entrepreneurs by providing the necessary capital and support to build innovative, category-creating businesses, which we believe we have successfully done. However, as the cost of capital increases and market conditions change, we are encouraging our portfolio to focus on a different narrative. This involves prioritising a compelling and sustainable opportunity for potential investors, rather than relying solely on seeking market dominance. We are striving for our portfolio to strike a balance between growth and seeking profitability, in order to responsibly reduce burn rates and drive efficient value-creating growth. As our reported KPIs demonstrate, our portfolio is still experiencing strong growth, high levels of customer satisfaction, and our exit goals remain grounded, despite being impacted by the recent turbulence in valuation metrics.

Strategy and Market Focus

In 2022, UK M&A activity took a hit and dropped from the record-setting levels seen in 2021 to pre-pandemic levels. The year-on-year decline of 16% was, we believe, a result of economic headwinds affecting the volume of deals completed.

At Tern, we recognise the importance of being agile and having multiple exit strategies in place to navigate the current market conditions and we firmly believe that more favourable market conditions are on the horizon in the second half of 2023.

We remain committed to creating lasting value for our shareholders through our focus on IoT technology companies that deploy artificial intelligence ("AI"), machine learning ("ML"), augmented reality/virtual reality ("AR/VR"), natural language processing ("NLP"), security and communications products and services. Despite these unexpected events, our portfolio has demonstrated impressive resilience, which is reflected in their growth in ARR. We have been encouraging our companies to embrace Software as a service ("SaaS") revenue models, and it has had a positive impact.

At Tern, our objective is to sell our interests in our portfolio companies when shareholder value is maximised. We will not sell when valuations are low or hold indefinitely. We continuously evaluate the optimal timing for liquidity events, recognising that external events significantly influence market sentiment. And while we may hold some companies longer to maximise value for Tern shareholders, a "defined time horizon" would be inappropriate in rapidly evolving markets. It could be seriously value destructive if potential buyers knew Tern was obligated to sell by a certain date.

We are confident in the long-term potential of our investment thesis and our targeting of the double-digit compound annual growth rate ("CAGR") in healthcare/life sciences and industrial segments. Our approach varies for each company, but we remain committed to creating value for our shareholders while reducing dependence on Tern for future funding. Talking Medicines is a prime example of the success of our investment strategy, and we were proud to report in 2021 that the valuation of our holding in their equity had increased by 62% on the November 2020 valuation. Liquidity events are a top priority and we believe that Tern is in a favourable position to sell when the right time arises.

Financial Performance, Investments and Realisations

Tern's portfolio's fair value as of December 31, 2022, was £23.9m, reflecting a decline of £6.7m or 22% from the previous year. This decline was primarily due to a fair value reduction of £8.4m, offset by additional investment of £1.7m. Additionally, £3.1m (gross) was raised through three equity raises in August, October and December 2022 and £42,300 realised from sales of Tern's holding in Wyld Networks.

As previously referenced, a large part of the fair value decrease at the year end is a reflection of the dramatic decrease in valuation metrics and models in the technology sector rather than the underlying prospects of our companies. For example, FundamentalVR in May 2022 announced a Series B fund raising round, securing £7m in new equity investment from existing investors and a new institutional investor, at a valuation uplift of 77% from the previous book valuation of Tern's holding. The recent follow-on investment from the last round's investors in April 2023, which was priced at a discount to the previous round and resulted in a reversal of the previous uplift, in part reflecting the change in sentiment regarding valuation metrics. This downwards adjustment to the valuation metrics also impacted the rest of the portfolio including reductions for Device Authority (£3.2m), Konektio (£1.9m) and Wyld Networks (£3.2m).

Despite short-term challenges, we remain confident in the long-term potential of our portfolio and the IoT markets in which we operate. We have maintained ongoing engagement with and have a clear understanding of our portfolio companies' cash needs. Our cash and available liquid assets form part of the important reserve that exists, that can be deployed as cash needs. Our cash and available liquid assets form part of the important reserve that exists, that can be deployed as appropriate, but we remain mindful of the importance of preserving capital.

As a quoted company, we are constantly reviewing our expenses to ensure we operate with maximum efficiency.

ESG

We at Tern are not just another investment firm ticking off boxes on an ESG checklist. Rather we believe that investing with purpose is our duty, and that our ultimate goal is to create better outcomes for society, the environment, and the people that we call our portfolio family.

Our commitment to ESG is the guiding principle that runs through everything we do, from our investment decisions to our day-to-day operations. To ensure that we stay true to our values, we have created a portfolio-wide committee dedicated to providing guidance and support on ESG matters.

Through regular meetings and the sharing of tools and resources amongst our companies, our ESG committee has helped the entire portfolio develop their own ESG strategies tailored to their respective markets. As employee, customer, and investor expectations continue to rise, we understand that ESG is no longer an option, but a must-have for any successful and responsible business.

As part of our commitment to environmental transparency, we have taken the additional step of disclosing Tern's carbon usage with the help of a leading environmental disclosure platform. We truly believe that accountability is key to driving change, and that transparency is the first step towards creating a more sustainable future for all.

Outlook and Summary

Despite the challenges posed by macroeconomic factors and geopolitical conflicts, our portfolio operates in thriving IoT markets and remain well positioned for successful exits at the right time. While uncertainty may persist in the short term, we are heartened by the indicators we are seeing in the market that point to a return to improvements in valuations.

As hands-on managers, we are committed to continuing to work closely with our portfolio companies, providing them with the benefit of our expertise and resources to help them navigate the road ahead. The IoT technology markets, which remain a core focus for us, continue to offer long-term growth potential and we are excited to see what the future holds.

At the heart of our investment strategy is a focus on ARR growth, which we believe is the key driver of valuations for start-ups. We understand the importance of balancing growth and achieving profitability to drive efficient growth, and we are dedicated to supporting our portfolio as they chart their path to success.

We are confident that our portfolio will continue to make important technological advancements that will solve critical business and social problems, shaping the future of work and the world we live in.

In closing, we want to express our gratitude to the Tern team, our portfolio CEOs and employees, and our shareholders for their commitment and patience during what has been a challenging period. Thank you for your trust in our vision and for joining us on this exciting journey.

Albert Sisto
CEO

Financial Review

All sectors, excluding energy, saw a decline in venture investing and valuations during 2022 from higher valuations and catch-up investing post Covid in 2021. This valuation adjustment flowed through to some of our portfolio companies and holdings. However, our portfolio continued to focus on their fundamentals, showing growth through the period with a focus on maximising growth of annual recurring revenue.

Statement of Financial Position

Net assets at 31 December 2022 were £24.9m, a reduction of £7.5m from the net assets of £32.4m at 31 December 2021. This is principally due to movements in investments held at fair value through the profit or loss ("FVTPL") and a reduction in the Company's cash balance. Investments made in our portfolio, and the net positive impact of foreign exchange movements at Device Authority and Wyld Networks have been offset by decreases in the fair value of the portfolio leading to an overall decrease in our investments of £6.7m. Our cash balance is £1.0m lower at 31 December 2022 compared to 31 December 2021. There is no debt on the Statement of Financial Position.

Investments held at FVTPL of £23.9m relate to our portfolio of high-growth technology companies. During the year, the fair value of this portfolio decreased by £6.7m, resulting from investments made of £1.7m and a negative movement in the fair value of investments held at FVTPL of £8.4m.

Income Statement and Statement of Comprehensive Income

The total comprehensive loss for the year was £10.4m (2021: profit of £4.6m), primarily due to a net negative movement in the fair value of investments held at FVTPL of £8.4m: a negative fair value movement of £9.5m offset by a positive foreign exchange movement of £1.1m.

The Company does not charge high board fees to ensure capital is not deducted at source and is instead reinvested in the portfolio to drive value creation.

Administration costs increased to £1.8m in 2022 (2021: £1.6m). This consisted of a £0.1m decrease in directors' fees compared to 2021 and small increases elsewhere, including travel, professional fees and interest. Other expenses of £0.4m (2021: £0.1m) include costs relating to the proposed acquisition of Pires Investments Plc, which ultimately did not complete (£0.3m).

Statement of Cashflows

During the year, £2.0m was used in the Company's operations, £1.8m deployed within our existing portfolio, via equity and debt; £1.7m into investments and £0.1m as repayable debt. A net £2.8m was raised through three equity raises in August 2022, October 2022 and December 2022. A £0.4m short term loan was provided to the Company during the year and repaid from the December 2022 fund raise proceeds. The loan included an option over Wyld Networks shares which has now been cancelled.

Events after the end of the reporting period impacting 2022 results

InVMA Limited, which trades as Konektio, completed a £0.3m equity fundraise in April 2023. Tern invested £0.1m, with the remainder provided by Konektio's other institutional investors Mercia and Foresight. Tern and other investors also converted £0.5m of convertible loan notes in Konektio.

Key performance indicators

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

The return on investments

Unrealised fair value:

- Wyld Networks: £6.0m valuation (31 December 2021: £8.7m): The equity valuation has decreased due to a reduction in market capitalisation of £3.0m (reduction in share price) plus an exchange rate loss of £0.2m, offset by additional funding of £0.5m provided to exercise warrants in Wyld Networks;

- Device Authority: £11.9m valuation (31 December 2021: £14.7m): The valuation has decreased due to a net fair value reduction of £3.2m, including a foreign exchange rate gain of £1.3m, which is considered to be a reflection of the dramatic decrease in valuation metrics and models in the technology sector, offset by additional funding provided to the company by Tern of £0.4m via a CLN. £0.1m of short term loans are also outstanding (and held in trade and other receivables);

- Konektio: £0.5m valuation (31 December 2021: £2.2m): The equity value of Konektio reduced due to a fair value reduction of £1.9m with the pricing of the most recent equity fundraise in April 2023 taken into account, including £0.2m of additional funding provided via a CLN to the company;

- FundamentalVR: £3.6m valuation (31 December 2021: £3.6m): The valuation increased due the conversion of an outstanding CLN of £0.6m and a fair value uplift based on the Series B funding in May 2022, this fair value increase was then reversed with the most recent equity fundraise in April 2023 (at a 25% discount) taken into account;

- Talking Medicines: £1.8m valuation (31 December 2021: £1.4m): The valuation has increased due to additional funding provided to the company of £0.4m. The equity value remains unchanged taking into account the price of the equity fundraise in January 2022;

- Diffusiondata (previously Push Technology): £0.02m valuation (31 December 2021: £0.02m): The investment is valued at fair value with the price of the most recent valuation taken into account; and

- SVVUK: £0.1m valuation: The investment is valued at fair value at the value provided by the SVVUK fund.

The companies in our portfolio are early-stage businesses in evolving markets where there is a lack of comparative businesses available on which to provide a comparable valuation and therefore value has been based on an assessment of numerous factors which includes the multiples achieved in comparable markets on recent transactions, and an assessment by the Board on the strength of our companies' sales pipelines and achievability of their 2023 sales forecast. Wyld Networks is measured as a Level 1 company under IFRS and as such the value is determined by reference to the appropriate quoted market price at the reporting date. The 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, and this in particular is a driver of the reduction in the fair value of our holding in Device Authority.

Further details in respect of fair value measurement can be found in note 2 below.

The net assets of the Company at 31 December 2022 showed a reduction to £24.9m (31 December 2021: £32.4m). The net asset value per ordinary share as at 31 December 2021 decreased to 6.4p (31 December 2021: 9.2p).

The year-on-year unaudited ARR of our portfolio increased by 97% from 2021 to 2022 and the year-over-year growth in aggregated revenue grew by 5% (47% from 2020 to 2021). The key focus for our portfolio is on recurring revenue as it is a primary driver of valuation growth. As a result, it will be that growth that we will monitor and report going forward.

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

Employees in our portfolio increased by 66% from 2021 to 2022 (35% from 2020 to 2021), and this increase was balanced by an associated increase in ARR such that ARR per employee also increased by 19% from 2021 to 2022.

Sarah Payne

CFO

Portfolio Companies and Holdings as at 31 December 2022

Wyld Networks AB (publ) ("Wyld Networks" or "Wyld")
Valuation: £6.0m
Holding: 41.2%

Wyld Networks, quoted on the NASDAQ First North Growth Market in Stockholm, enables affordable connectivity across the globe in areas where wireless coverage is unavailable. The company specialises in providing wireless connectivity between IoT sensors and Low-Earth-Orbit ("LEO") satellites with its Wyld Connect solution for governments and businesses.

Wyld Networks CEO, Alastair Williamson said:"As we continue to evolve and expand, we are grateful for the insights and guidance that Tern provides, helping us navigate the challenges and capitalise on the opportunities that lie ahead."

Device Authority Limited ("DA" or "Device Authority")
Valuation: £11.9m
Equity ownership: 53.8%, plus convertible loan of £0.4m and cashflow loan of £0.1m

Device Authority is a global leader in securing machine identities and enabling 'zero trust' security policies for the IoT. Zero Trust is a security framework requiring all users, whether in or outside the organisation's network, to be authenticated, authorised, and continuously validated for security configuration and posture before being granted or keeping access to applications and data. Device Authority's KeyScaler® software security platform is believed to be the only platform that can automate and manage machine identities throughout their lifecycle, delivering automated device provisioning, authentication, credential management, policy-based end-to-end data security/encryption and secure updates and providing complete device, data and operational trust.

Device Authority CEO, Darron Antill said:"Team Tern continues to support the company in many ways, developing fundraising *plans, leveraging its network and contacts, and actively supporting customer, channel and partner-based activities."*

InVMA Limited (trading as "Konektio")
Valuation: £0.5m

Equity ownership: 36.8%, plus convertible loan of £0.2m

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

Konektio CEO, Peter Stephens said: "We're in an exciting growth phase where we are experiencing acceleration in customer demand for AssetMinder solutions at greater scale. We are seeing this from both existing customers taking more of our portfolio solutions and new customers working with us for the first time in existing and expansion markets. We are very excited to have the support of Tern as we go into this accelerated growth stage."

FVRVS Limited ("FundamentalVR")
Valuation: £3.6m

Equity ownership: 16.6%

FundamentalVR delivers virtual reality haptic 'flight simulators' for surgery creating a safe, measurable and repeatable space to refine skills. FundamentalVR's goal is to transform the way surgeons prepare, practice and refine their skills. It has built an immersive, surgical simulation application platform, Fundamental Surgery, to provide medical professionals with the opportunity to rehearse, practise, and test themselves within a safe, controllable space that is as close to real-life as possible.

FundamentalVR CEO, Richard Vincent said:"Throughout our journey, Tern has been an invaluable partner, offering unwavering support and expertise. As we strive to achieve new heights and increase our commercial traction, their wealth of experience and guidance have proven to be invaluable."

Talking Medicines Limited ("Talking Medicines")
Valuation: £1.8m

Equity ownership: 23.8%

Talking Medicines is revolutionising the pharmaceutical industry with its cutting-edge social intelligence platform, PatientMetRx. By harnessing the power of artificial intelligence (AI) and natural language processing (NLP), the platform provides pharmaceutical companies with unparalleled insights into patient and healthcare providers (HCPs) experience and preferences using social data. This allows companies to deliver a greater return on investment for marketing and ultimately improve health outcomes for patients. With PatientMetRx, pharmaceutical companies have access to a level of scale and depth of patient insights that was previously impossible, enabling them to make data-driven decisions that drive success.

Talking Medicines CEO, Jo Halliday said: "Tern are a committed investor who add significant value to scaling our operation through their strategic involvement particularly around expansion to US and product led growth."

Diffusiondata (previously Push Technology)
Valuation: £0.02m

Equity ownership: <1%

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

Sure Valley Ventures UK Software Technology Fund ("SVVUK")
Valuation: £0.1m

Equity ownership: 5.9%

SVVUK is a new UK venture capital fund, investing in cutting-edge software companies that are at the forefront of immersive technology and metaverse innovation. With a focus on augmented and virtual reality, artificial intelligence, the IoT and security, SVVUK's portfolio companies are poised to transform the digital landscape.

Income Statement and Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 £	2021 £
Fee income	66,013	63,783
Movement in fair value of investments	(8,415,781)	6,240,095
Profit/(Loss) on disposal	11,208	(199,115)
Total investment income	(8,338,560)	6,104,763
Administration costs	(1,792,523)	(1,635,058)
Other expenses	(366,596)	(75,372)
Operating (loss)/profit	(10,497,679)	4,394,333
Finance income	50,915	183,988
(Loss)/Profit before tax	(10,446,764)	4,578,321
Tax	-	-
(Loss)/Profit and total comprehensive income for the period	(10,446,764)	4,578,321

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

(LOSS)/EARNINGS PER SHARE:

Basic (loss)/earnings per share	(2.92) pence	1.35 pence
Diluted (loss)/earnings per share	(2.92) pence	1.33 pence

Statement of Financial Position

As at 31 December 2022

	2022 £	2021 £
ASSETS		
NON--CURRENT ASSETS		
Investments	23,881,769	30,612,047
	23,881,769	30,612,047
CURRENT ASSETS		
Trade and other receivables	363,765	189,354
Cash and cash equivalents	931,765	1,957,203
	1,295,530	2,146,557
TOTAL ASSETS	25,177,299	32,758,604
EQUITY AND LIABILITIES		
Share capital	1,379,282	1,371,970
Share premium	33,341,218	30,546,569
Retained earnings	(9,868,199)	498,010
	24,852,301	32,416,549
CURRENT LIABILITIES		
Trade and other payables	342,998	342,055
TOTAL CURRENT LIABILITIES	342,998	324,055
TOTAL LIABILITIES	342,998	342,055
TOTAL EQUITY AND LIABILITIES	25,177,299	32,758,604

Statement of Changes in Equity
For the year ended 31 December 2022

	Share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 31 December 2020	1,367,635	26,740,789	(4,107,767)	24,000,657
Total comprehensive income	-	-	4,578,321	4,578,321
Transactions with owners				
Issue of share capital	4,335	4,031,665	-	4,036,000
Share issue costs	-	(225,885)	-	(225,885)
Share based payment charge	-	-	27,456	27,456
Balance at 31 December 2021	1,371,970	30,546,569	498,010	32,416,549
Total comprehensive income	-	-	(10,446,764)	(10,446,764)
Transactions with owners				
Issue of share capital	7,312	3,114,249	-	3,121,561
Share issue cost	-	(319,600)	-	(319,600)
Share based payment charge	-	-	80,555	80,555
Balance at 31 December 2022	1,379,282	33,341,218	(9,868,199)	25,852,301

Statement of Cash Flows
For the year ended 31 December 2022

	2022 £	2021 £
OPERATING ACTIVITIES		
Net cash used in operations	(2,055,814)	(1,535,722)
Purchase of investments	(1,670,194)	(2,504,185)
Cash received from sale of investments	42,346	-
Loans to portfolio companies	(144,757)	-
Interest received	1,020	56,829
Net cash used in operating activities	(3,827,399)	(3,983,078)
FINANCING ACTIVITIES		
Proceeds on issues of shares	3,121,561	4,000,000
Share issue expenses	(319,600)	(225,885)
Proceeds from exercise of options	-	36,000
Net cash from financing activities	2,801,961	3,810,115
(Decrease) in cash and cash equivalents	(1,025,438)	(172,963)
Cash and cash equivalents at beginning of year	1,957,203	2,130,166
Cash and cash equivalents at end of year	931,765	1,957,203

Notes

1. BASIS OF PREPARATION

The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 31 December 2022 or 2021. The financial information for the year ended 31 December 2021 is derived from the statutory accounts for that year, which were prepared under IFRSs in conformity with the requirements of the Companies Act 2006, and which have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

The financial information for the year ended 31 December 2022 is derived from the audited statutory accounts for the year ended 31 December 2022 on which the auditors have given an unqualified report, that did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006 and did not include references to any matters to which the auditors drew attention by way of emphasis. The statutory accounts will be delivered to the Registrar of Companies following the Company's annual general meeting.

The financial statements of the Company have been prepared in accordance with UK-adopted international accounting standards. The financial statements have been prepared on the basis of the recognition and measurement principles of the IFRS that were applicable at 31 December 2022.The accounting policies are consistent with those applied in the preparation of the interim results for the period ended 30 June 2022. The accounting policies are also consistent with the statutory accounts for the year ended 31 December 2021.

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

In accordance with IFRS 10, para 4 the Directors consider the Company to be an investment company and has 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.

1.1 GOING CONCERN

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

The directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Company's financial statements. This has been assessed using detailed cash flow analysis so that the Board can conclude that the Company has sufficient working capital resources to continue for at least 12 months from the approval of the financial statements without any additional financing requirement. In the event that opportunities are presented such that additional funding was required, management are confident that they would be able to obtain additional funds from various sources. For example, the Company can exit part of its investment in listed equity securities with the risk that such transactions are determined by an inherent and undetermined market risk.

2. FAIR VALUE MEASUREMENT

For Level 3 investments, private company portfolio companies, the fair value assessment was made by the directors using the price of the shares in the most recent fundraise, where this was available, as well as an assessment of market valuations placed on comparable businesses, a review of the underlying asset values and a review of the sales pipeline and forecast to support any valuation applied. Convertible loans provided to portfolio companies are evaluated with reference to IFRS 9.

3. NON-CURRENT ASSETS

INVESTMENTS

	2022	2021

	2022	2021
	£	£
Fair value of investments brought forward	30,612,047	21,904,791
Interest accrued on convertible loan note	46,447	162,091
Additions	1,670,194	2,504,185
Disposals	(31,138)	(199,115)
Fair value of investments carried forward	32,297,550	24,371,952
Fair value adjustment to investments	(8,415,781)	6,240,095
Fair value of investments carried forward	23,881,769	30,612,047

	Cost	Valuation	Equity ownership
	£000	£000	%
Wyld Networks AB	2,299	5,985	41.2
Device Authority Limited	8,932	11,861	53.8
InVMA Limited (Konektio)	1,695	469	36.8
FVRVS Limited (FundamentalVR)	2,928	3,630	16.6
Talking Medicines Limited	1,260	1,792	23.8
Diffusiondata Limited	120	23	<1
Sure Valley Ventures UK Software Technology Fund	222	122	5.9
	17,456	23,882	

The convertible loan facility issued to Device Authority 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 2022, the principal of the convertible loan outstanding was £354,547 ($427,520) (2021: Nil). The unsecured cashflow loan issued to Device authority carries interest. The balance outstanding of the cashflow loan as at 31 December 2022 was £144,757 ($174,551) (2021: Nil).

The convertible loan facility issued to InVMA 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 2022, the principal of the convertible loan outstanding was £170,000 (2021: Nil).

The convertible loan facility issued to FVRVS was converted into equity during the year with any movements in fair value taken to profit or loss for the year.

4. (LOSS)/EARNINGS PER SHARE

	2020 £	2019 £
	2022	2021
(Loss)/Profit for the purposes of basic and fully diluted profit per share	£(10,446,764)	£4,578,321
	2022 Number	2021 Number
Weighted average number of ordinary shares:		
For calculation of basic earnings per share	357,424,413	339,559,205
For calculation of fully diluted earnings per share	357,424,413	342,975,205
	2022	2021
(Loss)/Earnings per share:		
Basic (loss)/earnings per share	(2.92) pence	1.35 pence
Diluted (loss)/earnings per share	(2.92) pence	1.33 pence

In 2022 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.

5. POSTING OF ANNUAL REPORT AND ANNUAL GENERAL MEETING

The annual report for the year ended 31 December 2022 will shortly be available from the Company's website (https://www.ternplc.com/investors) and will be posted to shareholders. The annual report contains a notice of the AGM which will be held at 9am on Thursday 29 June 2023 at the offices of Reed Smith, The Broadgate Tower, 20 Primrose Street, London, EC2A 2RS.