

REGISTERED NUMBER: 08026888 (England and Wales)

NETSCIENTIFIC PLC

ANNUAL REPORT

AND

ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

Overview

We are pleased to present the NetScientific Plc ("NetScientific", the "Group" or the "Company") annual report and accounts for 2021. As the results show, this was a year of excellent progress for the company.

NetScientific Plc is an active holding company, that invests in, develops, commercialises and aims to realise significant increases in capital returns from healthcare/life sciences, sustainability and technology companies. The Group builds and leverages trans-Atlantic relationships and global opportunities to optimise shareholder value from its investments.

The Group has continued its implementation of the new growth strategy agreed in 2020 (ref: Annual Report 2020), and delivered a step change in 2021, both strategically and tactically. Highlights include:

- practical completion of the planned turnaround of NetScientific and its subsidiary companies;
- a successful over-subscribed placing, raising additional funds of £7.7 million (£7.3 million net of costs);
- accelerated implementation of the agreed growth strategy;
- further expanded the well-balanced portfolio from 17 to 22 companies in targeted sectors and high-tech clusters in Cambridge, UK and Leuven, Belgium;
- using our "capital light" in a number of transactions, including further investments in the portfolio, deeper involvement in selected companies, which offer the potential for greater returns;
- applying our proactive management approach to support and drive the portfolio companies, utilising group synergies and with the requisite commercial focus to deliver significant returns;
- strengthening our balance sheet, with encouraging increases of 46% in "fair value" and 51% in "capital under advisory" (exemplified in the KPIs below);
- progressing the "trans-atlantic bridges" programme, which is particularly appropriate in the current global situation; and
- building the holding company platform, with the necessary resources and infrastructure, to develop, expand and drive business growth through appropriate key value inflection points and ultimately delivery of profitable liquidity events and exits.

The Group was able to take advantage of a range of investment opportunities particularly in the latter part of 2021, in both existing and new portfolio companies, totalling some £4.5m of direct investment.

As a result of the noted progress above, the company is ahead of where previously anticipated.

This is despite the difficult external environment, primarily caused by the pandemic, tech markets weakness and the more recent conflict in Ukraine. Reflecting this situation, the last few months have seen significant turmoil in the public markets in the UK and globally. Consequently, as with other biotech and tech focused stocks, our share price has been adversely impacted, which is disappointing for shareholders. However, having completed the turnaround and transformed the business, the Group is now in a strong position.

The Board will closely monitor events and maintain a flexible approach to new opportunities, both for investment and generating returns from our investments. NetScientific's portfolio is focused on fundamentally good businesses, with high growth prospects. These will generate returns through increased value of direct company holdings and a carry fee on "capital under advisory". We will build on this now established business model and operating template, to drive significant growth and realise shareholder value.

The Group also continues to be well positioned in the environmental, social and corporate governance ("ESG") and the impact investment space, with long-standing investments in sustainability and healthcare impact areas (such as chronic and infectious diseases) for both therapeutics and diagnostics.

In summary, the Group is focused on sustainable value creation and forming a strong base. We continue to build key processes and infrastructure to enable increased transactional, portfolio management and investment realisation capacity. We finished 2021 with strong momentum, a rebuilt balance sheet and made further progress towards the realisation of key value inflection points.

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT continued

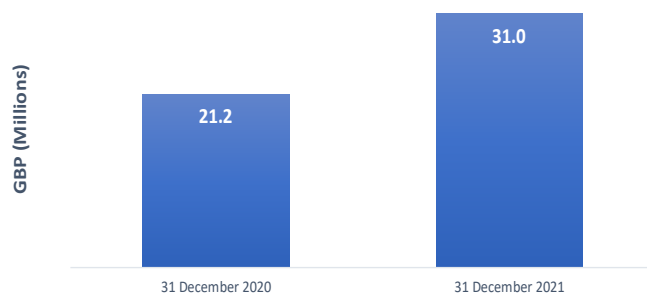
FOR THE YEAR ENDED 31 DECEMBER 2021

Highlights and KPIs of the year

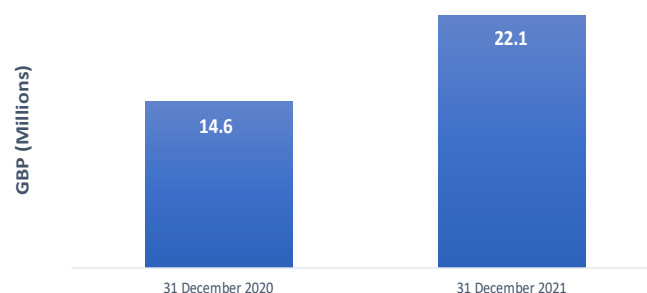
During 2021, the company continued to perform successfully against the stated objectives and milestones as follows.

- The "fair value" (unaudited Directors' estimated value based on BVCA valuation principles) of direct owned stakes increased by c. 46% from £21.2m to £31.0m, with further growth anticipated.
- The value of "capital under advisory" increased by c. 51% from £14.6m to £22.1m.
- "Capital under advisory" is associated with carried interest or profit share agreements, typically between 15% and 20% of the profit on advised funds above a minimum return hurdle rate of up to 10%. While it is difficult to value or estimate the current value of these stakes, for illustrative purposes an average 2x return on the portfolio of £22.1m investments could result in carry returns to EMV Capital of £3.3m to £4.4m (2020: £2.2m to £2.9m) depending on the specific carry arrangements.
- Increased total Group portfolio from 17 to 22 companies (including EMVC).
- The share price increased on average by 63% from the 2020 average point of 55.3p to a 2021 average of 90.4p. Current share price is 80.0p as of 27 April 2022. The high share price for the year was 180.0p on 8 June 2021 and the low point was 43.0p on 6 January 2021. Analysts continue to value the Group at well above the current share price.
- Loss for the year increased slightly by 22% on increased activity, R&D, and infrastructure spend, from the previous year's loss of £2.3 million, to £2.9 million in 2021.
- As a result of the actions taken in 2021, the company ends the year with a stronger balance sheet.
 - Cash on the balance sheet £2.7 million (2020: £1.6 million) a 69% increase.
 - Total assets £20.7 million (2020: £8.1 million) a 156% increase.
 - Net assets £18.5 million (2020: £6.9 million) a 168% increase.
 - Working Capital percentage 270% (2020: 289%).
 - Debt to Equity percentage 12% (2020: 17%).
- Increased deal execution and revenues.

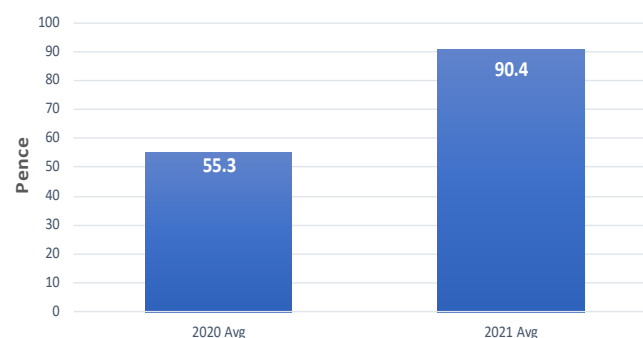
"Fair Value" Unaudited Directors' Estimated Value



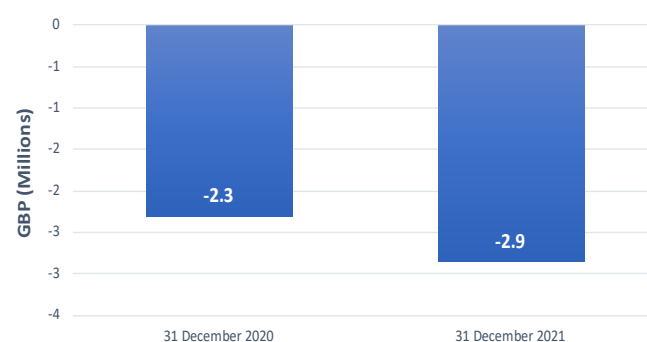
Capital Under Advisory (At Cost)



NetScientific Share Price



Loss for the Year



CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Portfolio Summary

In addition to the portfolio at the start of the year, the Group's base has been broadened and strengthened, through the successful acquisition of Cetromed (life sciences) and its related companies and the investment in Martlet Capital, Cambridge (Deeptech focus). This reinforces our position in sectors which are well positioned for significant growth. Our approach is to assess, facilitate and support each company to be a successful independent business, while always looking to realise the potential and deliver optimal shareholder returns.

Our broader and stronger portfolio is well-balanced, facilitates risk management and provides synergistic benefits, through coordinated management action across the Group. The portfolio includes: subsidiaries, direct balance sheet investments and capital under advisory, in companies which range from start-up private companies to publicly listed equities, as summarised in the Table below.

Portfolio companies	Country	Sector	Sector	Stage of Development	Group Interest %**	Unaudited Directors' Estimated Value		Capital Under Advisory (At Cost to Third Party)	
						31 Dec 20	31 Dec 21	31 Dec 20	31 Dec 21
Subsidiaries									
EMV Capital Ltd	UK	Venture Capital	Financial Services	Sales	100% Equity	£3.5m	£3.5m	-	-
ProAxis Ltd	UK	Respiratory diagnostics	Life Sciences	Sales	100% Equity	£3.5m	£3.5m	-	-
Glycotest, Inc.	US	Liver cancer diagnostics	Life Sciences	Late stage clinical	62% Equity	£11.0m	£11.0m	-	-
Cetromed Ltd	UK	Life Sciences	Investment	Holding Co	75% Equity	-	-	-	-
Sub Total						£18.0m	£18.0m	-	-
Direct/Advised									
PDS Biotechnology Corporation	US	Immuno-oncology	Life Sciences	Phase II clinical	4.7% Equity	£2.0m	£8.0m	-	-
Q-Bot Ltd	UK	Robotics	Technology	Sales	18.3% Equity + 12.3% Advised	-	£1.0m + £0.3m CLA	£2.3m	£2.3m
SageTech Medical Equipment Ltd	UK	Waste anaesthetic capture/recycle	Healthcare	Commercial stage	5.1% Equity + 21.0% Advised	-	£0.9m	£1.1m	£3.5m
Epibone, Inc.	US	Regenerative medicine	Life Sciences	Early stage clinical	0.8% Equity	£0.3m	£0.3m + £0.5m CLA	-	£0.2m CLA
CytoVale, Inc	US	Medical biomarker	Life Sciences	Late stage clinical	1.0% Equity	£0.4m	£0.4m	-	-
G - Tech Medical, Inc.	US	Wearable gut monitor	Life Sciences	Early stage clinical	3.8% Equity	£0.4m	£0.4m	-	-
Martlet Capital Ltd	UK	Venture Capital - Deeptech	Investment	N/A	1.5% Equity + £75k CLN + 10.3% Advised	-	£0.3m	-	£1.3m
Fox Biosystems *	BEL	Research Equipment	Life Sciences	Sales	5.1% Equity	-	£0.3m	-	-
Sofant Technologies Ltd	UK	Semiconductors Satellite Coms	Technology	Pre sales	25.7% Advised	-	£0.3m CLA	£2.3m	£3.0m
PointGrab, Inc.	IL	Smart building automation	Technology	Sales	0.5% Equity + 20.8% Advised	-	£0.1m	£3.6m	£4.1m
Dname-iT *	BEL	Lab technology	Life Sciences	Pre sales	61.5% Equity	-	£0.1m	-	-
QuantalX Neuroscience	IL	Medical diagnostics	Life Sciences	Late stage clinical	0.4% Equity	£0.1m	£0.1m	-	-
Oncocidia *	BEL	Cancer therapeutics	Life Sciences	Early stage clinical	41.3% Equity	-	-	-	-
Longevity Biotech, Inc.	US	Neurology therapeutics	Life Sciences	Early stage clinical	\$250k CLN	-	-	-	-
Sub Total						£3.2m	£13.0m	£9.3m	£14.4m
Advised									
Vortex Biosciences, Inc.	UK/US	Liquid biopsy oncology	Life Sciences	Sales	95.0% Advised	-	-	£2.4m	£3.9m
Wanda Health, Inc.	UK/US	Digital health monitoring	Healthcare	Sales	74.7% Advised	-	-	£1.3m	£2.2m
Insight Photonic Solutions, Inc.	US	Semiconductors Akinetic laser	Technology	Sales	\$1.25m Warrants	-	-	£0.9m	£0.9m
Nanotech Industrial Solutions, Inc.	US	Material science	Technology	Sales	\$1.0m CLN	-	-	£0.7m	£0.7m
Sub Total						-	-	£5.3m	£7.7m
TOTAL						£21.2m	£31.0m	£14.6m	£22.1m

On the Consolidated Statement of Financial Position, the owned portfolio is shown as Equity investments classified as fair value through other comprehensive income "FVTOCI" and Financial assets classified as fair value through profit and loss "FVTPL".

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Finance

NetScientific is not a trading company. It invests in opportunities to realise capital returns, but seeks to realise revenues, and offset costs where possible. For the year, the Group made a loss of £2.9 million (2020: £2.3 million), all from continuing operations. The loss reflects the loss making of the subsidiaries, primarily due to continued expensed investment in R&D at Glycotest and ProAxis, delayed sales at ProAxis due to COVID disruption, and further expensed infrastructure and resource buildout at NetScientific and EMV Capital.

Total comprehensive profit for the year £3.1 million (2020: loss of £2.4 million) after taking into account increases in fair value of equity investments classified as fair value through other comprehensive income.

Direct investments made during 2021 were as follows:

Date	Company	Country	Type of Investment	Amount £'000s
March	SageTech Medical Equipment	UK	Equity	201
April	PointGrab	IL	Equity	58
April	Sofant	UK	Convertible Loan Note	100
June	PDS Biotechnology	US	Equity	363
August	SageTech Medical Equipment	UK	Equity	266
September	Sofant	UK	Convertible Loan Note	200
September	Martlet Capital	UK	Equity	175
September	Martlet Capital	UK	Convertible Loan Note	75
October	Q-Bot	UK	Convertible Loan Note	300
October - December	Q-Bot	UK	Equity	1,025
November	Epibone, Inc.	US	Convertible Loan Note	531
November	PointGrab	IL	Equity	5
December	Cetromed	BEL	Equity	192
December	Cetromed	BEL	Debenture	200
December	SageTech Medical Equipment	UK	Equity	100
Sub total				3,791
Subsidiary investments				
	EMV Capital			259
	ProAxis			200
	Glycotest			293
Sub total				752
Total Investments made during 2021				4,543

As a result of the actions taken in 2021, the company ends the year with a stronger balance sheet as shown below:

- Cash on the balance sheet £2.7 million (2020: £1.6 million) a 66% increase.
- Total assets £20.7 million (2020: £8.1 million) a 157% increase.
- Net assets £18.5 million (2020: £6.9 million) a 168% increase.
- Working Capital percentage 270% (2020: 289%).
- Debt to Equity percentage 12% (2020: 17%).

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Cash

Cash on the balance sheet as at 31 December 2021 was £2.7 million (2020: £1.6 million), of which £2.1 million (2020: £0.9 million) is held in the parent company.

Cash used in operations in 2021, was £3.5 million (2020: £2.8 million), the increase mainly due to investment in infrastructure, further investments, and additional management resources as build out proactive management team and continued research and development work.

The cash held within the subsidiary Glycotest, of which £0.4m (2020: £0.6m) is not freely available for use within the wider group as it would need the consent of a minority shareholder.

Going Concern

Having made substantial investments in 2021 and recognising the market conditions, various alternative scenarios were examined, prior to determining the appropriate base budgets. These were reviewed and assessed by the Board at their meeting on 1st of February 2022, before approval.

The review included the key budget assumptions, sensitivities, and contingency plans to cover eventualities, including the associated cash flow projections. The review has also taken into consideration the potential impact of changing market conditions and other risks. Having made substantial progress and as shown on the balance sheet, the Group is now in a much stronger position compared to previous years. The Board will closely monitor events and maintain a flexible approach to new opportunities, both for investment and realising returns/financing. Also, there may be additional opportunities to generate new revenue streams, further ensuring the Group has options and cash to mid-2023 and beyond. The financial statements have therefore been prepared on a going concern basis.

COVID

The Group continues to monitor the pandemic and follow Government advice. It generally has been able to manage the negative impact on the Group. The consequences have varied across the portfolio, opening up new opportunities and the individual companies have adjusted accordingly. Group companies have received minimal amounts of Government Covid-19 business support. The approach has been to respond proactively to the operating environment, particularly to minimise downside risks and concentrate on upside opportunities. For example, as a leading respiratory diagnostics company, ProAxis has focused on research and commercial development, winning substantial grants (mainly Covid related), which is expected to result in five new products, new revenue streams and further capital gains coming online during 2022.

Given the core focus of the Group, the Board believes that in the aftermath of the COVID pandemic there is increased potential across several of its portfolio companies, and the Group's model overall.

Global Environment

The Group is operating in an increasingly uncertain macroeconomic environment. Capital markets saw significant volatility and uncertainty so far in 2022. Geopolitical concerns, most notably Russia's recent invasion of Ukraine, are causing additional global market volatility and uncertainty.

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Summary and Outlook

NetScientific has transformed from the inherited situation in 2020 and ended 2021 in a strong position; with a clear, planned route and growth strategy to optimise shareholder value from its investments. We have achieved this transformation by:

- Proactive management, with commercial discipline and effective risk management, focused on delivering results, increased revenue and added value, in the portfolio companies.
- Applying the "capital light" investment approach, which leverages NetScientific's balance sheet and Plc status to bring in syndicated funding across each portfolio company's life cycle, earning fees and capturing value through "capital under advisory".
- Judicious direct and syndicated investments to produce enhanced returns.
- Building the NetScientific platform for robust evaluation, quantified decisions and managed expansion to capitalise on the multiple prospects and potential for substantial returns, and drive strategy.
- Exploiting the transatlantic and global opportunities and harnessing the Group synergies, which is particularly appropriate in the current international and economic environment.
- Realigning the market capitalisation, with both the underlying asset value and future potential with clear and focused investor relations.
- Further developing and implementing performance driven plans, incorporating ESG criteria, with clearly defined milestones and KPIs to scale the business and maximising the profitable capital growth of the portfolio.
- Targeted deeper investment involvement and influence in selected portfolio companies, which have the potential to realise £50m-100m+ in value which would enable NetScientific to achieve a £5m-10m+ return on liquidity events.
- Structured evaluation and projections of value inflection points, plus exit opportunities and liquidity events, with the increased focus on realising shareholder returns.

The Board believes that the extended portfolio holds great potential; and remains assured in the Company's long-term prospects, despite the short-term market challenges. Management is committed to implementing and delivering the agreed strategy, and the Board is focused on realising optimal shareholder returns.

John Clarkson
Executive Chairman
11 May 2022

Ilian Iliev
Chief Executive Officer
11 May 2022

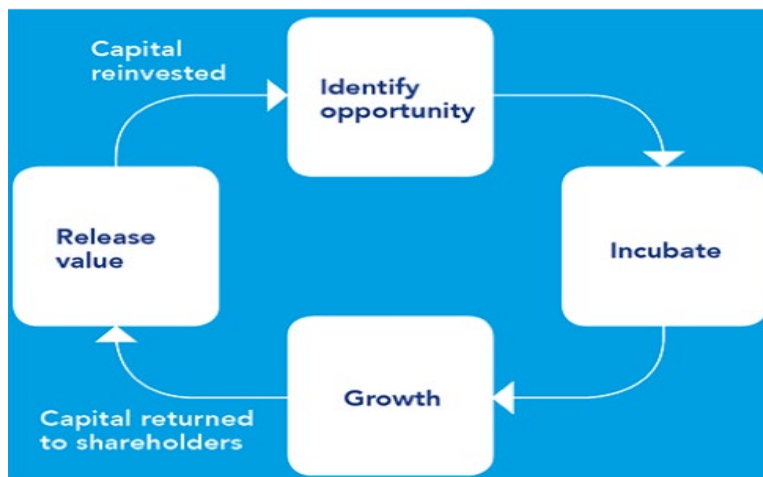
STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Strategic Report and Portfolio Review

Strategy Summary

The Company's strategy seeks to maximise shareholder value from the portfolio companies and selected new opportunities. The Group carefully evaluates the evolving opportunities and judiciously invests in, develops, commercialises, and aims to realise returns from healthcare/life sciences, sustainability and technology companies, which offer significant growth potential. The following diagram exemplifies this approach.



NetScientific's 2020 strategy review included an in-depth analysis of each portfolio company's position, target market, commercial development options, intellectual property, risk profile, core funding needs, grants and other "soft" finance available, investment opportunities, value inflection points, exit and liquidity potential, and the actions and resources likely to be needed to achieve these. With the turnaround essentially complete and the strategic approach now proven, NetScientific stands in a strong position for future growth.

The updated 2021 strategy was built on:

- proactive management of the portfolio and individual companies;
- investment to protect or enhance NetScientific's position in existing companies;
- identification of the business plans, timelines or milestones, associated funding needs, value inflection points and potential for each portfolio company;
- applying a "capital light" approach, using the power of the PLC brand, and the NetScientific balance sheet to anchor future investments and achieve a multiplier effect by attracting 3rd party investment;
- ensuring the team and resources were appropriate for the new strategy; and
- realigning NetScientific's market capitalisation with both the underlying asset value and future potential.

The NetScientific Group proactively manages and supports its portfolio companies through key value inflection points, such as clinical trials, regulatory approvals, industry pilots, funding arrangements, attracting third party investments, corporate collaborations, joint ventures, first revenues, commercialisation and follow-on growth.

Investment and realisation strategy: NetScientific's investment model seeks investment returns through both direct holdings in companies (through balance sheet investments) and capital under advisory with carried interest (through the activities of EMV Capital). The strategic plans focus on the business potential, funding requirements, value inflection points, resource needs, and drive towards realising the added value through exits and liquidity points for the portfolio companies. These criteria now form part of the Board's regular performance measurements, with selected companies for targeted deeper involvement and enhanced returns

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Proactive portfolio management: The proactive management approach is applied with the appropriate commercial disciplines for the particular company and its operating environment. The objective is to build strong individual businesses to deliver profitability and increased capital values, with a focus on realising shareholder returns. Also we have an early focus on corporate governance in the portfolio companies. We aim for industry standard governance and checks and balances between the interests of the shareholders, management, employees and the company. A major part of our investment strategy is to ensure that companies' plans are realistic and executable. For instance, we work with the portfolio company management teams to: develop 100 Day Plans post-investment, ensure business, financial and cash flow planning and help identify executives of the requisite calibre to implement adequate corporate governance and good financial management.

Key Performance Indicators (KPIs): The Board considers that there are both important financial and non-financial KPIs, which relate to the progress of the portfolio companies and the growth in shareholder value, which are identified in the business model. The key performance indicators are as follows:

- Size and quality of the portfolio: from 17 to 22 (including EMV Capital).
- Increase in fair value (unaudited Directors' estimated value) of direct owned stakes in subsidiaries and portfolio companies: increased by 46% from £21.2m to £31.0m.
- "Capital under advisory" (at cost): increased by 51% from £14.6m to £22.1m.
- P&L: increased loss for the year of £2.9m (2020: loss £2.3m) reflecting substantial expensed R&D investment and continued building of the platform, with the appropriate infrastructure and resources at NetScientific and EMV Capital.

Market Sectors

NetScientific is well placed to take advantage of attractive market developments being at the intersection of several high impact and high growth sectors, e.g., healthcare, life sciences, sustainability and technology.

Healthcare: NetScientific's focus is on opportunities to address major problems faced by the healthcare systems, with a focus on diagnostics, therapeutics and digital health. Our portfolio companies span high-impact fields including immuno-therapy, oncology, respiratory diagnostics, telehealth, regenerative medicine and other high-priority areas of healthcare. The Group's dual access to the US and UK/European healthcare markets and research systems provides a unique positioning for either side of the Atlantic and thus contribute to maximizing portfolio companies' growth opportunities.

Technology and Sustainability

NetScientific (through its acquisition of EMV Capital) has experience in Industrials, Robotics & AI, and has witnessed the technology shockwave that is affecting every area of individuals lives. By advising, supporting and creating opportunities, we accompany our portfolio companies along the road to developing latest state-of-the art technologies in this sphere. There is huge potential for innovation as a driving force behind the transition to a circular economy. Across all sectors, a focus on resource efficiency and implementing circular economy business models will not only lead to a large sustainability impact but will also increase the efficiency of production and provide supply-chain benefits through intelligent waste management.

ESG

Following the COP 26 Summit on Climate Change in Glasgow in October 2021, more than 130 Nations committed to reaching net zero carbon emissions by 2050 or earlier. Reaching these goals opens further opportunities for the investment in solutions and technologies in a range of areas including renewables, energy efficiency, building and infrastructure, waste management and recycling. The Group sees significant potential for innovation and investment returns in this space.

NetScientific, together with its subsidiary, EMV Capital, has a strong entry point into the ESG space with a critical mass portfolio, deal flow and partnerships that can help the Group to take advantage of this new impetus across global markets.

Some of the Portfolio companies have won several awards for innovation since starting out. Examples include:

Q-Bot Limited: This portfolio company uses robotics, AI and digital tools to revolutionise the application of retrofit underfloor insulation to old homes and buildings in the UK, with a particular focus on social housing, and leading to significant energy and CO2 savings.

SageTech Medical Equipment: A medical equipment company commercialising a platform technology for the capture, extraction, and purification of volatile inhalational anaesthetic gases in hospitals, which have significant Greenhouse Gas impact. This solution reduces both the financial and the environmental cost of anaesthesia. Capturing all these emissions would curb the equivalent of 3 million tonnes of CO2 entering the atmosphere every year.

Trans-Atlantic Bridges

A fundamental objective for NetScientific has always been to build on and leverage trans-Atlantic relationships and global opportunities. Hence a key part of the Group strategy is to exploit and further develop this international strength, and harnessing the Group's synergies. The logic of this has been reinforced in the current geo-political environment.

Work is now well advanced to lease a NetScientific managed, cost effective hub, providing laboratories, offices and sales and marketing base, with related facilities and services. This will be based on the East Coast, USA, and will take advantage of state and local financial incentives and support. The immediate occupiers are expected to be:

- Glycotest: lab and services for commercial roll-out.
- ProAxis: US lab, manufacturing and sales capability to expand market access, supply chain optimisation.
- Vortex: US sales, lab and service centre as part of proposed facilities.

Then expanding to provide:

- A landing in US and base for international expansion and commercial roll-out, for portfolio and new companies.
- Expanding footprint and relationships.
- Growing links with US investors, corporates and access to US capital markets.
- Increased synergies and economies of scale between portfolio companies.
- Manufacturing and sales capability as well as supply chain optimisation.

We also target synergies and value added for our US portfolio companies, seeking entry in the UK and Europe, such as:

- Utilise existing Group facilities and capabilities for US company expansions into UK/Europe.
- ProAxis as "Bridgehead": enhanced base, facilities, presence.
- UK R&D partner, supply chain, funding and sales.
- Vortex: delivered setup of UK operations.
- UK/EU partnerships to provide US companies access to UK/EU.

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Review of Portfolio

As a holding company, NetScientific has a mixture of subsidiaries and minority stakes in its extended portfolio and carried interest participation, across the Healthcare, Sustainability and Technology sectors in the UK, US, EU and Israel. The Group has 22 portfolio companies (together the “total portfolio”), of which there are 4 subsidiaries (2 majority and 2 full control) and 14 companies where it has a direct minority stake (together the “owned portfolio”); and a further 4 companies where it only has carried interest arrangements through EMV Capital (together the “advised portfolio”).

The Group’s total portfolio companies span different levels of development, ranging from research, clinical trials, product launch commercialisation and sales/revenue growth and publicly listed. A large proportion of the portfolio are already generating commercial revenues, with several attracting joint development agreements/corporate co-investment and corporate collaborations. The fair value (unaudited Directors’ estimated value) of NetScientific’s direct owned portfolio is £31.0m (2020: £21.2m).

Portfolio companies	Country	Sector	Sector	Stage of Development	Group Interest %**	Unaudited Directors' Estimated Value		Capital Under Advisory (At Cost to Third Party)	
						31 Dec 20	31 Dec 21	31 Dec 20	31 Dec 21
Subsidiaries									
EMV Capital Ltd	UK	Venture Capital	Financial Services	Sales	100% Equity	£3.5m	£3.5m	-	-
ProAxis Ltd	UK	Respiratory diagnostics	Life Sciences	Sales	100% Equity	£3.5m	£3.5m	-	-
Glycotest, Inc.	US	Liver cancer diagnostics	Life Sciences	Late stage clinical	62% Equity	£11.0m	£11.0m	-	-
Cetromed Ltd	UK	Life Sciences	Investment	Holding Co	75% Equity	-	-	-	-
Sub Total						£18.0m	£18.0m	-	-
Direct/Advised									
PDS Biotechnology Corporation	US	Immuno-oncology	Life Sciences	Phase II clinical	4.7% Equity	£2.0m	£8.0m	-	-
Q-Bot Ltd	UK	Robotics	Technology	Sales	18.3% Equity + 12.3% Advised	-	£1.0m + £0.3m CLA	£2.3m	£2.3m
SageTech Medical Equipment Ltd	UK	Waste anaesthetic capture/recycle	Healthcare	Commercial stage	5.1% Equity + 21.0% Advised	-	£0.9m	£1.1m	£3.5m
Epibone, Inc.	US	Regenerative medicine	Life Sciences	Early stage clinical	0.8% Equity	£0.3m	£0.3m + £0.5m CLA	-	£0.2m CLA
CytoVale, Inc	US	Medical biomarker	Life Sciences	Late stage clinical	1.0% Equity	£0.4m	£0.4m	-	-
G - Tech Medical, Inc.	US	Wearable gut monitor	Life Sciences	Early stage clinical	3.8% Equity	£0.4m	£0.4m	-	-
Martlet Capital Ltd	UK	Venture Capital - Deeptech	Investment	N/A	1.5% Equity + £75k CLN + 10.3% Advised	-	£0.3m	-	£1.3m
Fox Biosystems *	BEL	Research Equipment	Life Sciences	Sales	5.1% Equity	-	£0.3m	-	-
Sofant Technologies Ltd	UK	Semiconductors Satellite Coms	Technology	Pre sales	25.7% Advised	-	£0.3m CLA	£2.3m	£3.0m
PointGrab, Inc.	IL	Smart building automation	Technology	Sales	0.5% Equity + 20.8% Advised	-	£0.1m	£3.6m	£4.1m
Dname-iT *	BEL	Lab technology	Life Sciences	Pre sales	61.5% Equity	-	£0.1m	-	-
QuantalX Neuroscience	IL	Medical diagnostics	Life Sciences	Late stage clinical	0.4% Equity	£0.1m	£0.1m	-	-
Oncocidia *	BEL	Cancer therapeutics	Life Sciences	Early stage clinical	41.3% Equity	-	-	-	-
Longevity Biotech, Inc.	US	Neurology therapeutics	Life Sciences	Early stage clinical	\$250k CLN	-	-	-	-
Sub Total						£3.2m	£13.0m	£9.3m	£14.4m
Advised									
Vortex Biosciences, Inc.	UK/US	Liquid biopsy oncology	Life Sciences	Sales	95.0% Advised	-	-	£2.4m	£3.9m
Wanda Health, Inc.	UK/US	Digital health monitoring	Healthcare	Sales	74.7% Advised	-	-	£1.3m	£2.2m
Insight Photonic Solutions, Inc.	US	Semiconductors Akinetic laser	Technology	Sales	\$1.25m Warrants	-	-	£0.9m	£0.9m
Nanotech Industrial Solutions, Inc.	US	Material science	Technology	Sales	\$1.0m CLN	-	-	£0.7m	£0.7m
Sub Total						-	-	£5.3m	£7.7m
TOTAL						£21.2m	£31.0m	£14.6m	£22.1m

On the Consolidated Statement of Financial Position, the owned portfolio is shown as Equity investments classified as fair value through other comprehensive income “FVTOCI” and Financial assets classified as fair value through profit and loss “FVTPL”.

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

NetScientific invests directly while its subsidiary, EMV Capital is structured to have a carried interest for “capital under advisory”, with no balance sheet investment. The Group’s interest may therefore combine direct holdings and carried interest holdings. NetScientific may take a direct stake through judicious investment decisions, using either its balance sheet, shares, or warrants or a combination of these. The Group has Board and Advisor seats in a majority of the portfolio companies, typically where its holding (direct or advised) is larger. It also has management services and corporate finance arrangements with several of the companies.

The amounts under “capital under advisory” are associated with carried interest or profit share agreements, typically between 15% and 20% of profits earned for investors above a minimum return hurdle rate of up to 10%. While it is difficult to value or estimate the current value of these stakes, for demonstration purposes an average 2x return on the portfolio of £22.1m investments could result in carry returns to EMV Capital of £3.3m to £4.4m (2020: £2.2m to £2.9m) depending on the specific carry arrangements. The “capital under advisory” is expected to continue to grow through further syndicated investments into current portfolio and new companies.

Subsidiaries and Core Focus Companies

EMV Capital Ltd (“EMVC”) (<https://emvcapital.com/>) – 100% Subsidiary

EMV Capital (www.emvcapital.com) was acquired by NetScientific in August 2020, and is a wholly owned, integrated subsidiary, which acts as the corporate finance and venture capital arm of the Group¹. The company now forms a core part of NetScientific’s Group strategy, delivering revenues, providing a specialised capability to the Group, strategic support to portfolio companies, enabling the application of the capital light investment model. It also has the potential for an investment return multiplier through the “capital under advisory” model.

The investment model is to syndicate investments between financial and corporate investors in pre-Series A and Series A stages of investment, and to take a hands-on role post-investment in these portfolio companies with a focus on venture capital-type returns. Investments are syndicated from its network of private investors, family offices, wealth managers and institutional and corporate venture capital funds. The syndicated investments contribute to “capital under advisory” with a carry fee model, whereby on investment realisation EMV Capital retains a 15-20% carried interest on realised profits.

As part of the NetScientific Group, EMV Capital’s focus and model are to:

- Generate revenues from the core corporate finance and advisory activities.
- Build “capital under advisory” to generate investment returns through carried interest.
- Support the funding needs and investment strategies of the Group’s total portfolio, providing access to the right type of funding for different stages of company development.
- Provide NetScientific Group with opportunities to diversify and deepen investments in selected opportunities.
- Build and maintain pipeline of new investment opportunities in the Group’s areas of interest.
- Enable the “capital light” investment model, leveraging NetScientific’s balance sheet and PLC brand backing where appropriate.
- Provide incubation and management support services to portfolio companies.
- Provide the Group with access to an interdisciplinary specialist team for Group projects.
- Active Board participation, typically with a Board or Advisor seat in the portfolio companies, protecting investor interests, and working with the management team to help reach value inflection points.
- Management and commercialisation support, around financial management, IP strategy, technology licensing, go to market strategy, business planning and other areas through its in-house team, venture partners and advisors.

¹ Prior to its acquisition by NetScientific in 2020, the company was founded and managed by NetScientific’s current CEO Dr. Ilian Iliev.

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

EMVC Key Developments 2021

EMV Capital's post-acquisition transition has positioned the company well as the in-house Corporate Finance and VC solution for NetScientific and several of its portfolio companies. This has provided the group with additional revenues and "capital under advisory", team resources, and expanded opportunities set.

Key developments during the year include:

- **"Capital under advisory" increased by 51.4%** from 2020 (£14.6m) to end of 2021 (£22.1m).
- **Revenues increased to £968k** from corporate finance and advisory activities (2020: £507k), with a net profit of £175k.
- **Integration of EMVC's portfolio into Group strategy:** EMVC facilitated the acquisition by the Group of direct interest on advantageous terms in stakes into Q-Bot, SageTech, PointGrab, Sofant.
- **Advised on multiple portfolio company transactions** raising significant capital:
 - **SageTech** syndicated a total of £2.42m to drive progress to commercialisation.
 - **PointGrab** restructuring of cap table and company alongside a \$750k syndicated investment.
 - **Q-Bot** restructuring and CLA framework of £1.5m and £1.4m of secondary sales.
 - **Sofant:** Bridge equity and CLA totalling £580k with British Business Bank match funding on top.
 - **EpiBone:** Followed NSCI anchor with a further £200k of syndicated investment.
- **Martlet Capital:** EMVC advised, structured and co-led a first close of a £12.0m investment into Martlet Capital, alongside leading private office Saranac Partners, enabling an acquisition of a portfolio of over 50 minority investments of Marshall of Cambridge Limited and the continuation of its investment programme as a leading Cambridge high-tech cluster early-stage investor. EMVC syndicated £1.4m to its network of private investors and retained as £250k stake at NSCI level.
- **Q-Bot:** EMV Capital led a CLA £1.5m framework and secondary acquisition opportunity, through which NetScientific took a 19.5% stake on advantageous conditions.
- **Cetromed:** EMV Capital advised on NetScientific's acquisition of Cetromed, and the related further investment in Fox Biosystems.
- **Management Services and Commercialisation Support** to Vortex, Wanda, Q-Bot and SageTech, helping the companies accelerate development and positioning for growth and further investment in 2022.

Fair Value: The fair value of NetScientific's stake in EMVC is at £3.5m, reflecting the valuation at the time of NetScientific's 2020 acquisition. Growth projections show significant potential for upside, driven by the potential for future profits through a growing "capital under advisory" and proprietary deal flow for corporate finance activities.

ProAxis Ltd ("ProAxis") (<https://proaxis.com/>) – 100% Subsidiary

ProAxis is a commercial Health and Life Sciences company with a focus on respiratory diagnostics. A spin-out of Queen's University Belfast, it has a growing base of clients in the pharma industry and broader market. Despite some delays caused by the Covid pandemic, ProAxis has made significant progress in 2021 with accelerated investments in its planned growth programmes.

ProAxis is a fully-owned subsidiary of NetScientific, with the core technology fully assigned to ProAxis, following the acquisition of the minority interests in 2020. The company has good financial and commercial management, makes timely decisions, targeted investments and upgrades, has a drive for commercialisation and is making a progressive systematic expansion.

The company's updated strategy is aimed at increased revenues, profitability and capital gain growth. Wider use of the core and new product lines will provide a stronger product offering to the market. Sales growth is targeted through the broader product range and expanding sales with the current pharma client base and gaining new clients through direct sales efforts, international distributorships and partnerships. The company's product portfolio is being expanded through in-house R&D and in-licensing diagnostics from other parties. To deliver this planned growth the company is building the team, establishing the necessary infrastructure, with new management systems, lab facilities and equipment, utilising capital investments and non-dilutive grant opportunities. Several projects have progressed from research to the commercial development of products for sale, hence these development costs have been capitalised in accordance with the existing accounting policy.

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

The refreshed approach comes at a time of growing global focus on diagnostics and monitoring tools for respiratory diseases, now also including the COVID-19 virus. These respiratory diseases are leading causes of death and disability globally. ProAxis uses its proprietary ProteaseTag® technology to develop laboratory-based assays for the measurement of active protease biomarkers associated with chronic respiratory diseases such as Chronic Obstructive Pulmonary Disease (COPD), cystic fibrosis and bronchiectasis. A 1,000+ patient pan-European trial in bronchiectasis patients showed that using NEATstik® enables the identification of those patients at highest risk of suffering pulmonary exacerbations over the subsequent 12 months (European Respiratory Journal, 2019).

Due to the impact of the coronavirus pandemic on respiratory research and delayed clinical trials during 2020 and 2021, ProAxis has experienced postponement in sales revenues, but in part this has been balanced by grant income and R&D activity. The company won a further grant during 2021 and continued to deliver on the 5 separate grants won during 2020, with a total project value of over £1 million. These grant-supported projects have supported an accelerated product development programme, both enhancing the existing offering and developing new products, with encouraging prospects for the future revenue streams, including COVID response.

During 2021 ProAxis made significant progress in various areas of expertise and has accelerated its R&D programme. The company has enhanced its existing product portfolio and has developed new revenue streams for 2022 and beyond. Of notable interest during 2021 were the following announcements:

- In February 2021, ProAxis entered into a global licensing agreement with the University of Geneva and the University Hospital of Geneva, to develop new assays against fractures and other metabolic bone diseases. This partnership led to the creation of a highly novel and patented bone-specific enzyme-linked immunoassay (ELISA) for the detection of serum K-POSTN, a fragment produced from the digestion of periostin (a type of protein that in humans is encoded by the POSTN gene) by cathepsin K which has localised activity in bone and has been shown to predict incident fractures independently of BMD and FRAX in post-menopausal women. In October 2021 ProAxis then received approval of a key US patent for the underlying technology associated with this brand-new K-POSTN Assay, which it intends to launch shortly.
- In June, ProAxis entered into an exclusive licensing agreement with the global biopharmaceutical company AstraZeneca. ProAxis took responsibility for completing the validation and global commercialisation of a SARS-CoV-2 (the virus associated with COVID-19) serology ELISA (enzyme-linked immunosorbent assay) developed by an internal research team at AstraZeneca. This has been subject to detailed internal development and independent testing with encouraging progress, with the objective of boosting the clinical trials work.
- Other developments include a 2-plex protease multiplex panel, which enables simultaneous measurement of two key proteases (neutrophil elastase and proteinase-3), which have been associated with COVID-19 symptom severity.

NetScientific's shareholding in ProAxis is 100% (2020: 100%) (fully diluted 95.0% (2020: 95.0%) and as of 31 December 2021, the Group has invested £2.8 million (2020: £2.6 million). The fair value of NetScientific's stake in ProAxis is £3.5m on basis of last investment round. Growth trajectory and projections demonstrate a substantial potential for upside.

John Clarkson is Chairman and Prof. Stephen Smith is a Board member of ProAxis.

Glycotest, Inc. ("Glycotest") (<https://www.glycotest.com/>) – 62.5% Subsidiary

Glycotest is a US-based diagnostics company commercializing tests for patients with life-threatening liver diseases, targeted at early-stage diagnosis to reduce mortality and increase survival for this large and growing patient population. The company's HCC panel employs unique non-invasive blood tests based on proprietary serum biomarkers, biomarker panels and algorithms, and assay technology that exploit novel sugar-based disease signal chemistry.

NetScientific backed Glycotest in 2012, based on technology that originated at the Blumberg Institute and Drexel University College of Medicine in Philadelphia. In 2019, NetScientific negotiated a \$10m investment and licensing deal with Shanghai Fosun Pharmaceutical Co., Ltd. ("Fosun Pharma"), whereby Fosun Pharma received a minority stake in Glycotest and the rights to develop and commercialise the HCC Panel in China, for which Glycotest Inc. will receive a royalty, with Glycotest Inc. retaining rights to ex-China markets.

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

2021 has been a mixed year for Glycotest, with continued progress on some fronts and frustrating challenges in other areas. A detailed project management plan was established for the HCC Panel clinical validation study. Despite some Covid disruptions, the clinical trials progressed well with completion of the enrolment only marginally delayed. Two additional clinical sites were opened to compensate for enrolment closure due to Covid at two original sites. Enrolment of the training set was completed in February and ensuing strong enrolment has continued toward follow-on validation set objectives.

Initial assays of the training set revealed an analytical interference in the clinical samples. This interference had not been encountered previously in preliminary clinical studies and prevented the Glycotest's novel assays from discriminating patients with and without liver cancer. After a thorough investigation, the Company believes it has found a solution to enable completion of the training set assays. The required modification to the novel assays is underway and re-assay of the training set samples is currently the Company's highest priority. During the investigation, a key standard liver biomarker (AFP) that forms part of the HCC Panel test was observed to exhibit significantly different levels in the training set relative to earlier preliminary clinical studies. Whether this indicates that the target patient population for the HCC Panel test has changed in recent years is being monitored by Glycotest as clinical study enrolment progresses. Such challenges are not unusual in such processes.

In anticipation of successful completion of the clinical study and the expected drive toward commercialization of the HCC Panel as a clinical lab testing service product in the US in 2023, a preliminary route to market study was undertaken in collaboration with an industry-experienced consultant. An overview of tactical options was developed that will be elaborated into a full commercialisation action plan with additional external expert input. Additional progress toward HCC Panel commercialisation outside the US (and ex-China) focused on the potential advantage of offering the HCC Panel as a test kit for use by clinical laboratories. The Company completed several feasibility studies for kit development at a CRO. These studies form an important basis for further development work that will be required to make commercial HCC Panel test kits available for sale. Beyond the HCC Panel, a clinical feasibility study for the liver fibrosis pipeline test was substantially completed with data analysis expected to get underway later in 2022. Finally, further progress was realized in obtaining patent protection for the Company's tests, with new European, Canadian and Hong Kong patents granted. A total of 20 US and international patents have now issued.

Liver cancer is a growing global problem, with estimates of up to 36 million US patients and 938 million patients globally who could benefit from regular testing for liver cancers and fibrosis–cirrhosis. Another 100 million US patients and 1.5 billion patients globally are at risk, because they have fatty liver disease that can transition to NASH. The use of the tests is expected to significantly improve care and treatment for patients at risk due to viral hepatitis (chronic hepatitis B and C infections) as well as the rapidly growing population with non-viral hepatitis due to obesity and metabolic disease (NASH).

In the **US market** Glycotest will be offering the hepatocellular carcinoma surveillance test (HCC Panel) as a clinical testing service, a market estimated at \$800m+. **In China**, where serious liver disease, especially hepatitis B, affects over one-fifth of the population and led to liver cancer incidence of >500,000 and liver cancer deaths of >400,000 in 2017, there is a potential multi-billion-dollar market opportunity for Glycotest's products. These are being developed in partnership with Fosun Pharma. Beyond the US and China, Glycotest is evaluating options to harness the best return on its investment. There has been a good relationship with Fosun Pharma, who in the past year have shown their commitment, by making two further part tranche payments of \$500,000 each, (total \$1m) to recognise the work done to date during 2021.

NSCI Interest: Company shareholding in Glycotest is 62.5% (2020: 65.6%), fully diluted being 51.5% (2020: 51.5%). As of 31 December 2021, the Group had invested £3.9 million (2020: £3.9 million). Based on Fosun's investment round in 2019, NetScientific's stake Glycotest is worth £11.0m.

Prof. Stephen Smith is Chairman, Dr Ilian Iliev and John Clarkson are Board members.

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Cetromed Group

On 20 December 2021 NetScientific acquired 75% of the issued share capital of Cetromed Limited ("Cetromed"), a life sciences holding company with several portfolio companies spun out of the University of Leuven, Belgium. Cetromed was a holding company owned by the Azima Trust (through Zahra Holdings Ltd), the family trust of Farad Azima, the founder and ex-CEO of NetScientific (who passed away in 2020). The portfolio was formed around several life sciences investments commercialised out of the Belgium-based K.U. Leuven, a leading European research institution with strengths in Medical Technologies, Bio-Sciences and Environment, and others.

The acquisition of the majority stake in Cetromed has resulted in control and significant stake in several new attractive opportunities, the further internationalisation of NetScientific's portfolio, and establishment of commercial relationships with K.U. Leuven and other players in this key European high-tech cluster. Consistent with the Group's capital light strategy, the transaction of £192k was funded through £150k of NetScientific PLC new ordinary shares at £1.02, and the issue of £42k worth of warrants at a strike price of £1.30 per share.

Post-transaction, NetScientific's Dr Ilian Iliev, John Clarkson and Professor Stephen Smith joined the Board.

Cetromed's core assets include:

- **FOx Biosystems (5.1% stake)** (<https://foxbiosystems.com/>) which provides real-time, label-free analysis technology based on an innovative fibre-optic-based surface plasmon resonance biosensor, enabling users to generate high quality biomolecular data such as affinity data, kinetic data and concentration measurements. The company was formed as a spin-out following a sponsored research agreement with K.U. Leuven that saw Cetromed invest €537k. The Cetromed stake was valued at around €400k at the last investment round of €7.91m in 2020. The company is backed by Belgian high-tech investors LRM, Heran Partners, K.U. Leuven's Gemma Frisius Fund, and Leuven University. Cetromed participated with £150k into a £2.5m CLA led by the current investors, funded by NSCI through a shareholder loan to Cetromed.
- **DName-iT (61.5% stake)** (<http://www.dnameit.com/>) which is developing biological barcodes to provide improved quality assurance through the entire genetic testing process in laboratories. This technology offers a new level of traceability and quality control to the workflow of genetic tests based on Next Generation Sequencing (NGS), PCR testing and other applications. The previous funding round was £1.3m of which Cetromed invested £0.8m for its stake in 2015.
- **Oncocidia (41.3% stake)** (<http://www.oncocidia.com/>) which is developing a targeted radiopharmaceutical cancer treatment, which involves extending the already successful use of Iodine-131 in treating thyroid cancer, to treat solid cancers elsewhere in the body. Cetromed invested £0.2m for its stake in 2015.

The Board is formulating detailed development plans for both the overall Cetromed portfolio, as well as the individual entities, to drive the businesses forward and realise shareholder value.

NSCI Interest: The fair value of the investment in Cetromed is £228k (2020: £Nil), with significant growth potential.

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Owned and Advised Portfolio**PDS Biotechnology Corporation (PDSB: NASDAQ) (<https://www.pdsbiotech.com/>)**

PDS Biotech is a clinical-stage immunotherapy company with a pipeline of cancer immunotherapies and infectious disease vaccines based on the Company's proprietary Versamune® T-cell activating technology platform. Versamune® effectively delivers disease-specific antigens for in vivo uptake and processing, while also activating the critical type 1 interferon immunological pathway, resulting in production of potent disease-specific killer T-cells as well as neutralizing antibodies. PDS Biotech has engineered multiple therapies, based on combinations of Versamune® and disease-specific antigens, designed to train the immune system to better recognize disease cells and effectively attack and destroy them. The company has four Phase 2 trials, in partnership with Merck, National Cancer Institute, MD Anderson and Mayo Clinic, and an infectious disease (including COVID) vaccine programme.

Key Developments 2021: In 2021, PDS Biotechnology made significant progress in its various R&D oncology trials and infectious disease vaccines. Of notable interest is the successful achievement of objectives for the Versatile-002 Phase 2 trial of PDS0101 in combination with Merck's anti-PD-1 therapy KEYTRUDA® (pembrolizumab) study for the treatment of advanced human papillomavirus (HPV)-associated head and neck cancer trial. This trial is now progressing to the full enrolment of 54 patients in this group of checkpoint inhibitor (CPI) naïve patients.

The company's IP portfolio was further strengthened, including through a licensing agreement with the National Cancer Institute (NCI) for intellectual property related to the NCI's proprietary T-cell receptor gamma alternate reading frame protein (TARP) tumour antigen for use in the company's PDS0102; and the granting in January 2022 of a US patent for its Novel HPV 16 immunotherapy.

PDS Biotechnology has made further progress in its Vaccine platform development. The company is developing a new generation of flu vaccines with the potential to provide long-lasting, and broad protection against multiple strains of the virus, and has entered into an agreement to license COBRA (Computationally Optimized Broadly Reactive Antigen) antigens from the University of Georgia for use in the development of this specific vaccine. In its COVID vaccine development programme, PDS Biotechnology received a funding commitment of around \$60m from the Brazilian Government for the clinical development and commercialisation of the PDS Consortium's novel Versamune®-based, second generation COVID-19 vaccine. This consortium is jointly run by PDS and consists of Farmacore Biotechnology and Blanver Farmoquímica.

In August 2021 NetScientific invested a total of \$510k as part of a \$52m placement by Cantor Fitzgerald at a share price of \$8.50 per share. This follows two previous investments by NSCI in 2020 of a total of \$1m at \$1.30 and \$2.75, as part of \$12m and \$19m placements in February and August 2020 respectively. During most of 2021, company stock performed well on the back of the company's launch of several Phase 2 trials, preliminary data reported at ASCO conference in June 2021, and growing analyst coverage and market following. Price per share reached a high of \$15m and approximately \$600m market cap. As with other biotech stocks, PDS's price experienced a significant decline in the context of a downturn in the biotech market.

NSCI Interest: NetScientific currently owns 4.72% of the undiluted share capital (2020: 5.75%). The current value of NetScientific's stake as of 27 April 2022 at a share price of \$5.19 per share is worth £5.6m, with a company market capitalisation of \$147m. The company expects to make further announcements on its Phase 2 trials, which would have a significant upside potential if positive.

Dr Ilian Iliev is on the Board of PDS Biotech Inc.

Q-Bot, London (<https://q-bot.co/>) Q-Bot is a London-based award-winning robotics and AI company that has pioneered cutting edge technology and digital solutions for the inspection, maintenance, insulation and upgrade of buildings and homes. Q-Bot has already brought to market a unique retrofit solution, using a robotic device to apply insulation under suspended floors of existing homes. The solution is cheaper, performs better, and has none of the disruption of more traditional methods. Through its work with local councils and housing authorities, for whom it is increasingly becoming the de facto standard, the Q-Bot solution has been proven to reduce fuel poverty by improving the energy efficiency of homes, whilst reducing their carbon footprint-cementing the company's strong ESG credentials. Q-Bot has also grown to work with private customers, to reduce household bills, and eliminate the discomfort caused by cold draughts coming up through floorboards. The solution is TrustMark certified and fully accredited by the BBA.

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Key Developments in 2021:

A strategy review initiated in Q3 2021 resulted in a stronger focus on revenue growth and scaling the current offering through partnerships, a focus on profitability and scalability, internationalisation, and identifying other growth applications for Q-Bot's various technologies. The increased focus on commercial growth contributed to a near-doubling in commercial sales to £2m+ in the FY ended March 22, with a strong pipeline for 2022 and beyond.

In December 2021, NetScientific completed a convertible loan investment and secondary share acquisition, totalling approximately £1.3m in the company. This was part of a £2.8m transaction advised by EMV Capital, which included a first close of a £1.5m Convertible Loan Facility and the purchase from early Q-Bot investors and a departing founder, of shares in Q-Bot for a consideration of £1.3m

Dr Ilian Iliev is a Non-Executive Board member.

NSCI Interest: Direct equity holding of 18.3% at a cost of around £1m (from nil in 2020), CLA holding of £0.3m, and "capital under advisory" from syndicated investors representing 12.3%.

SageTech Medical Equipment, Paignton, Devon (<http://www.sagetechnical.com/>): SageTech's flexible, low-capex, modular system allows hospitals to capture waste anaesthetic gas exhaled by patients in absorbent, reusable canisters in the operating theatre suites. The captured waste anaesthetic is extracted from these canisters and this gas will be purified, separated and recycled as a green product, with commercial sales initially in the veterinary market.

Waste anaesthetic gases are a substantial and broadly unaddressed cause of air pollution. The anaesthetic gas used by a midsized hospital has the same environmental impact as 1,200 cars each year. The NHS produces 5.4% of all the greenhouse gases in the UK, as more than 95% of all the anaesthetic gas used is disposed of into the atmosphere.

The technology is a full circular economy business model, with obvious substantial environmental benefits. It also allows hospitals to use anaesthetic gas in areas that do not have access to fixed Anaesthetic Gas Scavenging Systems, the current solution used by hospitals to collect these gases. These systems are built into a hospital's infrastructure when it is constructed, meaning that hospitals have not been able to expand operating theatre and intensive care capacity easily during the Covid-19 pandemic. SageTech systems can allow for 'temporary' operating theatres to be used.

John Clarkson is a Non-Executive Board member.

Key Developments 2021: The company continued to make progress on its commercialisation strategy throughout. In late 2021 it completed a £1m fundraise (including £100k participation by NetScientific and investors advised by EMV Capital). This will support further development and launch of the anaesthetic gas capturing and recycling system in its target sectors.

NSCI Interest: NetScientific has a direct equity investment of 5.1% with a fair value of £887k (2020: £Nil) on basis of last third party investment round and an indirect interest in "capital under advisory" of 21.0%.

EpiBone, Inc. ("EpiBone") (<https://www.epibone.com/>)

EpiBone is a clinical-stage regenerative medicine company focused on the \$32bn bone and joint reconstruction market. Sitting at the intersection of biology and engineering, the company harnesses the power of cells to create living solutions that can become a seamless part of a patient's body. It is currently developing a pipeline of bone, cartilage, and compound (bone and cartilage) products. This is ground-breaking research that transforms skeletal repair by remodelling stem cells into a personalized bone graft ready for implantation. Backed by Peter Thiel's Breakout Labs and NetScientific in 2014, the company's mission is to transform patients' lives through personalized skeletal reconstruction, precision design, and stem cell technology.

The company's proprietary bioreactor technology is the product of 20 years of fundamental research and experience with orthopaedic tissue engineering, resulting in a three-step process to regenerate human bone. Its lead bone product (EB-CMF), a potential treatment for ramus continuity defects in the mandible, is now in Phase 1 human trials. The first step involves a CT scan to determine the exact 3D size and shape of the bone needed for the defect being treated, together with extraction of adult stem cells. The second stage involves the creation of a precise, personalized scaffold of the required bone, and the design and construction of a custom bioreactor that will incubate the new bone as it grows. The final stage involves infusion of the stem cells into the scaffold, and growth inside the bioreactor where they are remodelled into a personalized bone graft ready for implantation.

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

NetScientific invested \$734k in the convertible loan note and attracted a further \$266k of “capital under advisory” investment. The investment is in line with NetScientific’s Trans-Atlantic strategy, supporting its portfolio companies to build a presence and links on both sides of the Atlantic.

Key Developments 2021: The company has three key offerings: bone reconstruction, cartilage replacement and a liquid cartilage joint treatment. EpiBone has progressed its 1st clinical trial providing autologous bone graft for patients with craniomaxillofacial deformity, with a total addressable market of 75k patients annually. Work progressed for other programmes in tissue replacement and tissue repair, including a pivotal equine study and a proof-of-concept canine study. A total \$11m convertible note was closed.

NSCI Interest: The fair value of NSCI’s direct investment in EpiBone is £824k (2020: £286k) on basis of last third party investment round, with additional CLA of \$734k by NetScientific and \$266k by EMV Capital advised investors.

CytoVale, Inc. (“CytoVale”)

CytoVale applies machine learning, high-speed imaging and microfluidics to detect disease in real time. Interrogating thousands of cells per second, it can rapidly build multi-dimensional representations of the host immune state to identify disease signatures indicative of sepsis. Within less than ten minutes, the system will provide clinicians with actionable information to aid in diagnosis and inform treatment.

Key developments 2021: Data published in the peer-reviewed journal PLOS ONE demonstrated CytoVale’s investigational IntelliSep test has the potential to rapidly risk-stratify patients independent of pathogen type

NSCI Interest: The fair value of the direct investment in CytoVale Inc. is £371k (2020: £367k) on basis of last third party investment round.

G-Tech Medical, Inc. (“G-Tech”) (<http://www.gtechmedical.com/>)

G-Tech is developing a wearable medical technology that will be used to measure gastrointestinal motility. The G-Tech system consists of a wireless, wearable electrode patch that reads electrical signals at the skin surface, a smartphone app that collects the raw data from the patches via Bluetooth LE and sends it to a cloud server, and data analysis algorithms that process and quantify the motor activity of the digestive organs. Originally backed by Breakthrough Ventures, the company received a \$6.7m investment led by DigiTx Partners in 2020.

Key developments in 2021: Submitted a 510k clearance to the FDA and launched a 2nd generation patch with substantial improvements over the prototype that has been used in over 600 tests, including more than double the wearable lifetime and improved wearability. Work has started on manufacturing ramp-up and on improved data processing algorithms. They are in the process of lining up multiple sites for a major new set of clinical studies in the post-op recovery indication and have been in discussions with leading motility experts for studies involving ambulatory patient conditions.

NSCI Interest: The fair value of the direct investment in G-Tech Medical is £395k (2020: £390k) on basis of last third party investment round.

Martlet Capital, Cambridge, UK (<https://martletcap.com/>)

Martlet Capital is a Cambridge-based early-stage VC specialising in deep tech, with a portfolio of over 50 minority investments. The investments include companies in life science, healthcare, cleantech, sustainability, industrials and semi-conductors (the “portfolio companies”), many with co-investments by some of the leading Cambridge and UK investment groups. Following a £12m 1st close investment co-led by EMV Capital and SARANAC Partners, Martlet Capital acquired a portfolio of 50+ minority investments of Marshall of Cambridge Limited, the “Martlet Capital” trading name and the team managing the investments. The investments include companies in life science, healthcare, cleantech, sustainability, industrials and semi-conductors (the “portfolio companies”), many with co-investments by some of the leading Cambridge and UK investment groups.

Since the September 2021 investment, Martlet Capital has completed the transfer of most of the assets from Marshall Group, continued to support Marshall Group’s existing portfolio, and made several new investments, and realised some early exits. Example investments:

- Techspert.io (AI driven expert network connections platform): £200,000 in September 2021 as part of an £8.5m round;

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

- Spotta (smart insect and pest detection and monitoring systems): £128,000 in October 2021 as part of a round of over £2.2m;
- Dogtooth Technologies (intelligent fruit picking robots): £125k in December 2021 as part of a £7m round; and
- IPO on AIM of Libertine Holdings PLC in December 2021, in which Martlet owns an interest.

As a result of its investment in Martlet, the Group, together with SARANAC Partners and Martlet, intends to establish a follow-on funding vehicle Cambridge Marquity Investments Limited ("Marquity"), which is expected to be 40% owned by the Group in return for a £100,000 investment. The Group expects to make future judicious investments through Marquity, targeting the more advanced portfolio companies, which show the requisite strong performance to add shareholder value and realise returns. Finally, the Group intends to provide a line of credit to Marquity, enabling it to operate quickly and decisively, and capitalise on emerging opportunities from Martlet Capital.

Dr Ilian Iliev is on the Board of Martlet Capital.

NSCI Interest: The fair value of the direct investment in Martlet Capital is £250k (2020: £Nil). Total syndicated amount as "capital under advisory" by EMV Capital is £1.47m. The total direct and syndicated total of £1.72m, representing 11.2% of the Martlet Capital's issued share capital (1.5% direct holding and 9.7% advised), and £0.52m of Convertible Loan Notes (£0.075m direct holding and £0.445m advised).

Sofant Technologies, Edinburgh (<http://www.sofant.com/>): a satellite and 5G antenna developer spun-out of Edinburgh University. Sofant Technologies is a leading-edge radio technology company based in Edinburgh. The company is applying its proprietary RF MEMS technology to develop an extremely low power, low-cost platform which solves power consumption and heat problems in 5G and satellite communications antenna systems. Sofant employs a fabless semiconductor business model which enables it to leverage long established high-volume, low-cost production methods. This positions Sofant to offer its customers game-changing performance with guaranteed scalability and low cost. For its satellite communications application, Sofant's MEMS-based solid state phased array satellite antenna technology will provide access to low-latency, super-fast satellite broadband networks, such those provided by Starlink, Amazon, OneWeb and other providers.

Key Developments 2021: The company continued its progress in developing a solid-state phase antenna for low-orbit satellite applications. There is increasing industry interest in the application on the back of growing satellite-based internet services by the likes of Elon Musk's Starlink, Amazon, OneWeb and others. As satellite-based broadband connectivity increases, the demand for next generation satellite antennas is expected to grow.

EMV Capital advised on a £843k fundraise, made up of £300k direct investment from NetScientific, £343k from private clients and £200k matched funding from the British Business Bank through the Future Fund initiative.

In November 2021 the company then signed a €7.3M contract with the UK Space Agency ("UKSA") and the European Space Agency ("ESA") to support the commercialisation of its low-cost low-power satellite communications platform, of which 50% can be claimed as non-dilutive grant funding, with the balance coming from Sofant. This funding will support Sofant Technologies to complete the commercialisation of a satellite communication terminal. The company has ongoing discussions and relationships with several leading corporations in the industry, targeting a technology demonstrator later in 2022.

Dr. Ilian Iliev is Board member at Sofant

NSCI Interest: Convertible Loan of £300k and "capital under advisory" representing 25.7% of the cap table at current value of c.£3m.

PointGrab, Israel (<https://www.pointgrab.com/>)

PointGrab is a leading machine learning and computer vision PropTech company that provides smart sensing solutions to the building automation and facilities management industry. The company applies its superior deep-learning technology to the building automation ecosystem, where opportunities to gather data are abundant, but efficient, real-time analytics are lacking. Its investors include EMV Capital, ABB Ventures, Signify, and various family offices.

Critically, PointGrab's AI system is focused on maintaining privacy and data security for the tenants in the offices where the system is deployed. The company has deployed 10,000+ sensors globally in 40 countries and used by 45 of the Fortune 500 companies. PointGrab's offering enables the transformation of the workplace to adapt to COVID-19, such as through monitoring workplace density and social distancing.

Dr Ilian Iliev is a Non-Executive Board member.

Key Developments in 2021: Despite slow-down in the PropTech market due to COVID, demand for smart space solutions increased, as large-scale facility managers moved to convert commercial offices to flexible working solutions. PointGrab saw a further increase in sales of its SaaS sensory solution, while the company rolled out various new digital and product features to facilitate growth internationally.

In May 2021, EMV Capital advised and led a £3.4m syndicate investment, for the acceleration of rollout of PointGrab's product suit. The transaction included a restructuring and simplification of the company's cap structure, facilitating future investments.

QuantalX Neuroscience, Israel ("QuantalX") (<https://quantalx.com/>)

QuantalX is developing DELPHI MD, a simple, precise and objective evaluation of functional brain status to enable early prevention of brain degeneration that provides physicians with the first objective, direct, real time and early diagnosis of vascular dementia, stroke and Alzheimer's disease. Modern medicine lacks the ability to successfully cope with brain disorders, yet 35% of all disease burden is attributed to brain disorders. QuantalX's DELPHI™ is the first patient-independent active cerebral function imaging system that delivers a visual map of brain network health.

Key developments: In early 2022 the FDA Granted Delphi the Designation of a Breakthrough Medical Device. QuantalX expects to reach commercialisation in 2023 and has launched in four US sites for trials in early 2022.

NSCI Interest: The fair value of the direct investment in QuantalX is c. £100k (2020: minimal) on basis of last third party investment round.

Longevity Biotech, Inc. ("Longevity") (<https://www.longevitybiotech.com/>)

Longevity is developing a new class of therapeutic candidates, called Hybridtides®, to tackle the most challenging aspects of medicine today, by providing critical enhancements over previous peptide development efforts. To date, it has applied the Hybridtide® scaffold primarily to the class B-GPCR family of drug targets, it has multiple preclinical programs in development for neurological disorders such as Parkinson's, Alzheimer's and diabetes.

Key developments: Work continues in the framework of a DOD grant and with Michael J Fox Foundation support.

NSCI Interest: The convertible loan to Longevity is fully impaired.

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Advised Portfolio

Vortex Biosciences, San Francisco, US and Cambridge, UK (<https://vortexbiosciences.com/>) is an innovative Trans-Atlantic company operating commercially at the junction of the rapidly growing liquid biopsy, cell analytics and oncology markets. Vortex's mission is to be the innovation leader in Circulating Tumour Cell ("CTC") capture – providing researchers and clinicians access to critical insights from whole cancer cells that underpin one of the main causes of metastasis, treatment resistance and disease recurrence. A spin-out from UCLA, Vortex is now based in Cambridge, UK and the Bay Area, US, with a growing international customer base using its automated VTX-1 instrument, generating recurring revenues from disposable cartridges. Vortex has an innovative "no touch" microfluidic chip technology, differentiated because it quickly captures viable, intact CTCs from blood with high yields.

Dr Ilian Iliev is Executive Chairman.

Key Developments 2021: Following NetScientific's trans-Atlantic model, Vortex established a new footprint in the UK with a new CEO based near Cambridge and launch of field service support services in the UK and Europe to support a growing European client base, while also expanding the California team. The company initiated multiple and significant research and development projects in 2021, including several prestigious collaborations with Key Opinion Leaders in the US and UK/EU. The company placed instruments with several leading laboratories in the USA, in Europe and in the UK (as outright sales or leases). Vortex's in-house research team successfully developed a novel method for the enumeration of CTCs from liquid biopsy with exceptional speed and sensitivity. Another project is improving the cost and performance of the consumable cartridges, improving the manufacturing process making it more scalable, enabling Vortex to meet growing demand, whilst also enhancing performance. EMV Capital's incubation support team provided scale-up support in several areas of development.

NSCI Interest: "capital under advisory" of a 95% investors' stake, which is a related party due to common substantial shareholders.

Post balance sheet on 6 May 2022, NetScientific Plc announced the conditional acquisition of a 30% stake in Vortex Biotech Holdings Ltd.

Wanda Health, US and UK (<https://www.wandahealth.com/>) is a UCLA-spin-out focused on intelligent remote monitoring of physiological data, patient engagement and healthcare analytics for post-acute care, chronic disease patients and population health. Wanda's platform enables the control and reduction of hospitalisation and readmission rates through a Remote Patient Monitoring System that collects data from patients' homes or community settings and provides it to clinicians, highlighting high risks cohorts. Wanda also uses its comprehensive multi-modality patient engagement tools to ensure that adherence to treatment protocols increases, improving patient outcomes. This patient centric approach to care model delivery, combined with secure computing and revolutionary data mining and analytics provides actionable insights to the care provider to improve patient outcomes, whilst reducing cost of care of chronic conditions.

Key Developments 2021: Following NetScientific's trans-Atlantic model, Wanda has now recruited an ex-IBM UK based CEO with international experience to capitalise on the rapidly expanding telehealth markets in the US and Europe. The COVID pandemic contributed to high growth in the telehealth market. In response, Wanda increased its commercial and operational capabilities on both sides of the Atlantic to capitalise on growing market opportunities. Wanda has also further strengthened its market position with continued development in disease specific, artificial intelligence algorithms for congestive heart failure and is preparing for an FDA 510k clearance. Wanda is exploring pilot projects for the delivery of Virtual Wards and Population Health Management for Integrated Care Systems in the NHS and continued to build on its US client base throughout 2021 with delivery of Remote Patient Monitoring services against enhanced reimbursement models for Medicare.

Virtual care has dramatically accelerated since COVID-19 out of necessity to remove many of its previous barriers to widespread adoption. But telehealth adoption remains high, and this is attributed to the increased willingness of both patients and providers to use technology in the care delivery model, as well as regulatory changes toward expanded access and insurance coverage.

Dr Ilian Iliev is Executive Chairman.

NSCI Interest: “capital under advisory” of a 75% investors’ stake, which is a related party due to common substantial shareholders.

Nanotech Industrial Solutions, New Jersey, US (<https://nisusacorp.com/>) is a developer and manufacturer of nanomaterials for the petrochemical and applied materials industry. Its award-winning technology enables the commercial production of nanoparticles made of tungsten disulphide. When added to lubricants, the particles significantly reduce both friction and wear under conditions of extreme pressure and temperature. The company has JDA partnerships with major corporations, including an investment by leading global chemicals specialist Evonik Industries. No board representation.

NSCI interest: “capital under advisory” of \$1m convertible loan agreement.

Insight Photonics, Colorado, US (<https://www.sweptlaser.com/>) has developed an Akinetic, all semiconductor laser: a platform technology with a step-change in performance for multiple applications including industrial maintenance and process monitoring for resource efficiency, Light Detection and Ranging (LiDAR), and Medical Imaging. Insight’s first market application is within Ophthalmological imaging using Optical Coherence Tomography to scan the retina at higher resolution than currently available. It has attracted in the past investments from Zeiss. No board representation.

NSCI interest: “capital under advisory” of \$1.25m of warrants.

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FOR THE YEAR ENDED 31 DECEMBER 2021

Section 172 Statement

This section serves as our section 172 statement and should be read in conjunction with the Strategic report on pages 6 to 26. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain how the Board engages with stakeholders in this annual report and below:

- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. The Board have reflected on how the Company engages with its stakeholders and opportunities for enhancement in the future. Senior Legal Counsel and the Company Secretary will provide support to the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)-(f).
- The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves.
- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.
- The Board continues to enhance its methods of engagement with employees and the workforce.
- We aim to work responsibly with our stakeholders including suppliers ensuring they are treated fairly and paid in good time.

The key Board decisions made in the year are set out below:

Significant event/decisions	Key s172 matters affected	Actions and impact
Review of strategic direction and Performance of investments	Shareholders	<ul style="list-style-type: none"> • Shareholder consultations, shareholder meeting in 2021 related to proposed changes in relation to the Company's revised strategy, explained in Shareholder Circular. • Reached near unanimous approval on 28 June 2021.
Acquisition of stake in Martlet Capital Limited	Business relationships with suppliers, customers and others	<ul style="list-style-type: none"> • New relationship and fostering the development of a new business model for long term lead generation. • Expansion of our agreed strategy and development of synergies within the Group. • Working with the best and maintaining our reputation for high standards.
Acquisition of Cetromed Limited	Business relationships with suppliers, customers and others	<ul style="list-style-type: none"> • Expansion of our agreed strategy and development of synergies within the Group. • Building new relationships in Europe and working to solve real health issues as faced out in the community.

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Risks and Uncertainties

The Directors review the principal risks faced by the Company, their possible consequences and risk mitigation measures, as part of the internal controls process. These are illustrated in the table below.

Risk	Possible Consequence	How the Board guards against risk
Poor performance of Investments	<p>Many of the Group's investments are in early-stage companies who are still in R&D or early growth and loss-making mode. Therefore, it is possible that milestones are missed, there are overspends on budgets, and that the companies run out of cash ahead of value inflection points.</p> <p>Where there are no additional investors alongside NetScientific, this may lead to cash calls, which can put pressure on the Group's finances.</p> <p>Poor performance in the short-term could impact the ability of the Group to secure later rounds of funding or achieve the required rate of growth to make significant returns for investors.</p>	<p>The Group is committed to actively managing the risk inherent within its business model, as well as minimising it, to the extent possible, through the following measures:</p> <ul style="list-style-type: none"> • Manage technology/science risk, e.g., investing in the post-seed phase, staging investments. • Portfolio approach to investment, spreading the risk across the companies. • Co-investment with other investors, providing more sources of investment. • Careful budgeting and cash planning. • Detailed project planning and monitoring. • Utilising soft-funding, e.g., government grants, strategic partnerships and Joint Development Agreements. • Fundraising with adequate contingency cash reserves and funding options. • Willingness to restructure, turnaround and if necessary, ultimately write-off.
Clinical development risk	<p>Potential clinical trials for the Group's subsidiaries' products may not begin on time, may not be completed on schedule, or at all, or may not be sufficient for registration of the products or result in products that can receive necessary clearances or approvals.</p> <p>Numerous unforeseen events during, or as a result of, clinical testing could delay or prevent commercialisation of such products.</p>	<p>The Group mitigates this risk by continuously monitoring progress, working with key opinion leaders "KOLs", drawing on KOL and experts to have inputs on clinical trials design, understanding the operational details of budgets, having breakpoints in contract research organisation "CRO" contracts, and proactive monitoring and management of the progress and cost of each trial. Willingness to take necessary action as required.</p>
Board influence at portfolio companies	<p>Where the Group has a minority stake and a Board seat, there are limits to the influence of an Investment Director on management – especially in times when things are not going to plan</p>	<p>Clarity ahead of an investment, and whenever a follow-on investment is made about management's financial and operational milestones.</p> <p>Working collaboratively with other Board members to build and implement risk management strategies.</p>

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Risk	Possible Consequence	How the Board guards against risk
Regulatory risk	Potential regulatory approvals and clearances of the Group's portfolio companies may not be achieved on schedule, or at all. Failure to achieve regulatory approval or clearances could delay or prevent commercialisation of such products.	The Group mitigates this risk by working with portfolio companies to ensure adequate expertise and resources are available, seeking advice from regulatory advisors, and holding consultations with appropriate regulatory bodies at an early stage and following progress closely to measured milestones.
Intellectual property risk	<p>The commercial success of the Group's portfolio companies depends on their ability to obtain and retain adequate patent and other IP protection for their discoveries and for technology licensed from universities and research institutes. The intellectual property ("IP") licensed to the portfolio companies is protected by patent, trademark, copyright, as well as confidentiality procedures. These laws, procedures and restrictions provide only limited protection and any such intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated.</p> <p>In particular, patents might not contain claims that are sufficiently broad to prevent others from utilising the covered IP. Third parties may independently develop similar or superior IP that does not infringe any protection afforded to the IP licensed to the Group's portfolio companies. There can be no assurance that unauthorised use, disclosure or reverse engineering of the IP licensed to the Group's portfolio companies will not take place.</p>	<p>The Group will undertake adequate IP due diligence, while post-investment, the Group will encourage portfolio companies to actively manage IP risks by, for instance:</p> <ul style="list-style-type: none"> • Maintaining an up-to-date IP strategy. • Using external patent attorneys to review patent protection. • Periodic review of new inventions coming out of the companies' R&D, to evaluate whether to patent. • Willingness to defend against IP infringement. • Careful considerations of licensing arrangements with Universities, Corporate partners and others.

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Risk	Possible Consequence	How the Board guards against risk
Competition risk	<p>With the globalisation of innovation, access to scientific and IP information, and aggressive state backing for national innovation globally, the world of innovation has never been more competitive.</p> <p>There is intense global competition in our focus sectors by new entrants and incumbent corporations. It is normal during due diligence to identify multiple competing approaches to the same problem in the US, EU, China and beyond. Competitors' products or services could potentially be more effective and / or cost-effective than the products offered by the Group's portfolio companies, or even if less effective, may end up getting bigger investment backing – allowing them to leapfrog our portfolio companies.</p> <p>There is also no assurance that other intellectual property may not be developed in other research institutions or corporate players which could render the Group's portfolio products non-competitive, 2nd best or at worst obsolete.</p>	<p>The Group mitigates these risks at Group level by:</p> <ul style="list-style-type: none"> • strategic portfolio diversification, to avoid overdependence on any one portfolio company; • performing our own competitor scans; and • being realistic about expectations from individual portfolio assets. <p>Most of the risks can be mitigated by the portfolio companies' management, therefore we will encourage portfolio companies to:</p> <ul style="list-style-type: none"> • Conduct periodic competitor scans. • Benchmark their products against competitors'. • Where possible, identify changes needed to stay ahead. • Monitoring of key competitors' IP for infringement potential and early signs of changing strategy. • Focus on speed of development to ensure products get to market fast.
Dependence on key executives and personnel	<p>A significant part of the Group's value lies with the executive and operational team at NetScientific itself, and the founders, management, scientists and engineers who work in the portfolio companies. Retention of key executives and personnel, and the maintenance of such a qualified workforce, is a high priority for the Group. Moreover, as the companies develop, it is important to attract the right calibre of executives appropriate for the next stages of development.</p> <p>However, it is not possible to guarantee retention of the services of key personnel at NetScientific and its portfolio companies, and a failure to attract or retain key executives could have an adverse effect on the Group's business.</p>	<p>The Group mitigates this risk by a balanced compensation package consisting of salary, benefits, performance-related bonuses and equity incentive schemes. The equity incentive schemes are implemented at a Group level for NetScientific staff and in specific schemes for subsidiary employees. Leadership continuity plans are being developed to ensure there is no overdependence on any key individual.</p> <p>At portfolio level, we work with the Boards of the portfolio companies to implement sensible staff retention and compensation policies, through the early implementation of Remuneration Committee and Nominations Committee type arrangements; benchmarking packages to the market; and ensuring alignment with shareholder interests.</p>

STRATEGIC REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Risk	Possible Consequence	How the Board guards against risk
Cyber-attack/Loss of data	As cyber threats have grown in scope and impact the protection of intellectual property and the safeguarding of group assets has grown more important as failure to comply places the Group's operations and reputation at risk as can face increasingly stringent fines and prosecution.	Monitoring of Systems and ensuring all data is regularly backed up by multiple ways and processes reviewed to ensure compliance with policies ensure that the Group and portfolio companies are staying up to date with latest technology advances.
Post-Brexit development	While BREXIT has now occurred, there remains significant political and economic uncertainty and risk, for instance around access by UK companies to EU innovation, regulatory divergence, access to funding by EU institutional sources and others.	<p>Monitor risks and opportunities emerging from Brexit.</p> <p>Maintaining an international outlook to operations, including collaborations with EU-based experts, clients, investors and stakeholders.</p> <p>Trans-Atlantic bridges initiative giving access to the US market.</p>
COVID-19	Even as the impact in the UK subsides and life returns to pre COVID-19 conditions, some uncertainty remains, what new working patterns will be, an expectation of continued disruption to markets, operations and travel. While mitigated, the risks around Covid-19 are continuing to affecting stock markets, logistics, investor sentiment, and the prospects of specific companies.	<p>The Group is following the latest health authority and government advice and reviewing contingency plans regularly to reduce risk and make sure staff and customers are safe.</p> <p>Reflecting fund-raising and operational uncertainty, we continue a strong focus on cash flow management, clarity on timings for fund-raising, encouraging portfolio companies to plan for fund-raising early and to take in contingency funding where possible.</p> <p>Where relevant, increased focus on supply-chain management and near-shoring to minimise supply chain disruption in case of lockdowns.</p>
Geopolitical and market risk	There are heightened geopolitical tensions around the world, most recently with the war in Ukraine which in turn are affecting stock markets, supply chains, prices, investor sentiment, and future prospects of growth and stability.	<p>We continue to focus on prudent cash flow management, clarity on timings for fund-raising, encouraging portfolio companies to plan for fund-raising early and to take in contingency funding where possible.</p> <p>Focus on trans-Atlantic bridges, building links into the US, likely to be characterised by greater stability.</p>

Business Review

The business review has been covered in the Chairman's and Chief Executive Officer's Statement on pages 1 to 6 and in the Financial Review on pages 29 to 32.

The Strategic Report was approved by the Board of Directors and signed on its behalf by:

John Clarkson
Executive Chairman
11 May 2022

FINANCIAL REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2021

Financial Review

The Financial Review should be read in conjunction with the Consolidated Financial Statements of the Company and its subsidiaries (together the 'Group') and the notes thereto on pages 59 to 110. The Consolidated Financial Statements are presented under International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements of the Company continue to be prepared in accordance with UK Generally Accepted Accounting Practice and are set out on pages 111 to 124.

Consolidated Income Statement and Other Comprehensive Income

Overall, the Group recorded an increased loss for the year of £2,862k (2020: £2,338k). A summary of the Group's financial performance is provided below.

Continuing Operations

Revenue, comprising sales made by the subsidiary companies, increased for the year to £1,107k (2020: £394k). The increase is mainly due to the full year of trading by EMV Capital (2020: 4 months). EMVC has contributed revenue of £941k to the Group's result during 2021 (2020: £200k).

Other income decreased to £153k (2020: £599k). The decrease is mainly attributable to the non-repeating in 2021 of fair value movements in the prior year on derivative financial assets and the release of the impairment provisions on conversion of EpiBone, Inc., and G-Tech Medical, Inc., and convertible loan notes amounting to £316k. The Group took advantage and received government furlough cash of only £2k (2020: £13k).

Research and development costs increased to £1,322k (2020: £1,227k). The increase in Glycotest's costs was due to continued development work on continued clinical trials. Delays in algorithm training have led to additional work and spend. ProAxis's spend has been on new and upgraded products. ProAxis development costs of £585k (2020: £337k) have been capitalised during the year, in line with the accounting policy, as certain projects now meet all the criteria for development costs to be recognised as an asset, and it is probable that future economic value will flow to the Group.

Administrative costs increased slightly to £2,573k (2020: £1,988k) consistent with the increased investment in infrastructure, processes and resources as look drive commercialisation and delivery of value inflection points. In addition to general and administrative costs this also include portfolio companies' management staff costs, sales and marketing and other operating expenses.

Other costs of £207k (2020: £195k) represent merger and acquisition costs (see note 7) of £55k (2020: £179k), estimated credit losses on trade receivables of £11k (2020: £37k), and charges for share-based payments of £141k (2020: £53k).

Cetromed has contributed an operating loss of £3k and a gain on purchase of £36k since being acquired on the 21 December 2021.

EMVC has contributed increased profits of £173k (2020: £20k) during the year.

The Group has a controlling stake at the end of financial year in four of its portfolio companies (namely EMVC, ProAxis, Glycotest and Cetromed) and consolidates their results.

Consolidated

The average headcount across the Group increased during the year with the further investment in infrastructure and resources, also EMV Capital is included for a full year and Cetromed from 20 December 2021. Headcount (excluding non-executive directors) in 2021 was 25 (2020: 13).

With most of the Group's activities in the US and the exchange rate strengthening against the US at 31 December 2021 to £1: \$1.3477 (2020: £1: \$1.3649) the translation of foreign operations resulted in an exchange loss of £29k (2020: £3k).

FINANCIAL REVIEW continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Statement of Financial Position and Cash Flows

The Group ended the year with net assets of £18,509k (2020: £6,896k), representing an increase of £11,613k or 168% from the position on 1 January 2021. The increase in net assets resulted from the successful placement net of costs of £7,309k and issue of paper and warrants of £200k and £42k. This was added to by the £3,138k total comprehensive income movement in the year and increase in subsidiary shareholding of £814k. The share-based payments movement during the year was £141k (2020: £53k).

The balance sheet is significantly stronger than it was in 2020 as follows:

- Cash on the balance sheet £2.7 million (2020: £1.6 million), a 69% increase.
- Total assets £20.7 million (2020: £8.1 million), a 156% increase.
- Net assets £18.5 million (2020: £6.9 million), a 168% increase.
- Working Capital percentage 270% (2020: 289%).
- Debt to Equity percentage 12% (2020: 17%).

Property, plant and equipment slightly increased to £136k (2020: £128k).

Right-of-use assets of £158k (2020: £189k) moved by the depreciation charge in the period of £31k (2020: £32k).

Intangible assets of £3,045k (2020: £2,623k), ProAxis capitalised a further £585k (2020: £337k) of development costs, as it is now probable that future economic value will flow to the Group from several R&D projects. All the recognition criteria continue to be met. During the prior year NetScientific acquired 75% of Cetromed for £192k.

Equity investments classified as fair value through other comprehensive income (FVTOCI) of £11,516k (2020: £2,970k) have increased by £8,546k. The share price of PDS Biotechnology at year end was \$8.10 (2020: \$2.14) per share accounting for the £5,679k increase in fair value taken to the equity investment reserve. NetScientific invested \$510k via a placement for a further 60k shares at \$8.50 per share in June 2021. The PDS share price on 27 April 2022 was \$5.19 valuing the stake at £5,558k. The equity investment reserve balance at end of 2021 stands at credit of £4,504k (2020: debit £1,505k). In March and August 2021 NetScientific purchased secondary shares at a 35% discount costing £467k and via a placement during December 2021 at a 10% uplift of £65.00 per share, at a cost of £100k, taking our overall direct stake to 5.89% and a fair value of £887k. In September 2021, NetScientific took a 1.5% stake in Martlet Capital for £175k, the Cambridge technology cluster of 53 investments which proved the capital light investment model, attracted a further 10% of advised business and earned the Group additional fees. During December 2021 NetScientific took a 18.3% strategic interest in Q-Bot Limited for a total cost of £1,025k.

Financial assets classified as FVTPL During the year NetScientific made a number of investments in convertible loan notes and debentures totalling £1,462k. EpiBone £531k, 6% coupon converting at a 15% discount for 1 year duration. Invested £300k in Sofant in two tranches, 10% coupon, at a 20% discount for up to 36-month duration. Invested £300k in Q-Bot, 10% coupon, at a 20% discount for up to 24-month duration. Invested £75k in Martlet Capital a 5% loan note. The fair value is £1,462k (2020: £78k).

The Group's current liabilities increased by £900k to £11,620k (2020: £720k). This was mainly due to increased accruals, payables and deferred income. Trade and other payables increased by £868k to £1,529k (2020: £661k).

The Group's non-current liabilities increased by £113k to £563k (2020: £450k). This was mainly due to a subsidiary taking out a further bank coronavirus business interruption loan of £200k repayable over six years and interest free for the first year.

FINANCIAL REVIEW continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Cash, cash equivalents and short-term deposits

At 31 December 2021, the Group's cash totalled £2,710k, an increase of £1,082k from a total of £1,628k at 31 December 2020. The cash outflow from continued judicious investment, development and operating expenses in the subsidiaries was mitigated by proceeds received from a placement in the summer of £7,309k net of costs.

At 31 December 2021, the Group has a total of £379k (2020: £699k) held in US\$ to meet the short-term requirements of its US operations. It remains the Group's policy to hedge its US\$ position whilst most of the portfolio companies are US based.

The cash held within the subsidiary Glycotest, Inc., of £360k (2020: £594k) is not freely available for use within the wider group as it would need the consent of a minority shareholder.

Capital Structure and Funding

The Group is primarily funded by equity capital, reflecting the fact that its portfolio companies are just reaching commercialisation after a period of investment in development. The Group considers its capital to be its total equity before amounts attributable to minority shareholders, which at 31 December 2021 amounted to £18.5 million (2020: £6.8 million). The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to equity holders of the Company and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages this objective through tight control of its cash resources.

Net funds held by the Group at 31 December 2021 amounted to £2.1 million (2020: £1.1 million) and comprised cash and cash equivalents as well as loans and borrowings as shown below:

	31 December	
	2021	2020
	£000's	£000's
Cash and cash equivalents (note 22)	2,710	1,628
Lease liabilities (note 24)	(163)	(194)
Loans and borrowings (note 25)	(491)	(315)
Net funds	2,056	1,119

Value of Portfolio

The “fair value” (unaudited Directors’ estimated value) of direct stakes is as follows:

- The fair value of NetScientific’s direct owned stake in portfolio companies by NetScientific has increased from £21.2m to £31.0m, a 46.2% increase.
- Valuation framework: The fair value numbers for the NSCI on balance sheet investments are based on:
 - EMV Capital value is unchanged from acquisition date.
 - Cetromed fair value is as at acquisition date and based on the underlying value of the investments, namely FOx Biosystems last external share issue round at a share price of €75.51 in January 2019. PDS (Nasdaq listed) \$8.10 price per share on 31 December 2021. Based on the PDS price of \$5.19 per share as of 27 April 2022, the fair value would be £5.6m.
 - Most recent investment with 3rd party for other portfolio companies.
- Where relevant, there may be repricing as next third party investment rounds take place.

The “capital under advisory” is as follows:

- As is common in the venture capital industry, EMV Capital has a carried interest arrangement with investors it has introduced into its portfolio companies. Under these arrangements, EMV Capital is entitled, on realisation of the investments, to a share of profits (or carried interest) for capital amounts under advisory. The carried interests range between 10 per cent. and 20 per cent. of profits above a minimum return hurdle rate of up to 10 per cent.
- EMV Capital’s “capital under advisory” ‘at cost’ (i.e., measured at the ‘entry point’ valuation) increased from £14.6m to £22.1m at the end of 2021, an increase of 51.44% in the last 12 months.
- For comparison purposes, for the full year EMV Capital’s “capital under advisory” grew by 52.1%, from £9.6m during 2020.

John Clarkson
Executive Chairman
11 May 2022

SUSTAINABILITY REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Sustainability report**Background:**

NetScientific group is uniquely positioned to play a major role in the Environment, Social and Corporate Governance (“ESG”) and Impact investment space. NetScientific itself has been traditionally an investor in the big challenge areas in healthcare around major chronic diseases for both therapeutics and diagnostics. With the acquisition of EMV Capital, the Group now also has capability and coverage of the sustainability area.

The Board of NetScientific is now working towards embedding ESG considerations into our business, with meaningful steps taken during the year in our operations, investment activities and portfolio companies.

ESG Criteria in investment activities and portfolio:

ESG and impact principles are a part of our investment selection and investment management activities. We focus on principles rather than a specific sub-set of measures, as a ‘one size fits all’ metrics may be inappropriate given the diversity of our investments. We also participate actively in the ESG investor community. For instance, EMV Capital is a ‘founding investment manager’ of **Impact Agora** (<https://www.impactagora.com/>), and ESG-focused Investment Platform, backed by Barclays. Impact Agora is focusing on the impact investing ecosystem enabling the sharing of ESG-linked investment deals between asset managers, investor networks, corporates, family offices and Foundations that subscribe to ESG criteria.

Many of our portfolio companies have an impact across several ESG aspects by, for instance, addressing high social priority and chronic diseases through therapeutics and diagnostics, and addressing sustainability challenges through innovative use of technology. A few examples:

PointGrab: Privacy-focused AI-based smart sensing for a COVID-secure workplace

PointGrab has put privacy and security at the centre of the design of their award-winning Smart Building facility management AI-driven sensing solution for workplace optimization. Their adaptation of the system for a safe post-COVID workplace has received coverage by CNN and others.

SageTech Medical Equipment: Reducing Hospital emissions through the capture of anaesthetic gases

Inhalational anaesthetics are HFCs which are highly potent greenhouse gases. Capturing these can significantly reduce Hospitals’ CO2 equivalent emissions. SageTech’s patented waste management and recycling platform provides a solution in human and veterinary healthcare by capturing anaesthetic gases, storing these, and in due course recycling for further use. SageTech’s system also allows hospitals to increase hospital ICU and operating theatre capacity, while giving hospitals a more efficient solution to allow the delivery of anaesthetic gas to more patients.

PDS Biotech: Access to COVID vaccines for emerging economies

PDS is using their Versimune immunocology platform to both develop therapeutics for rare cancers (such as neck and face cancers), and a platform for vaccines for infectious diseases, with a specific focus on developing economies. Having started with a focus on TB and influenza, the company launched a COVID-19 focused vaccine drive, which most recently resulted in a \$60m funding by the Brazilian government for a PDS-led consortium with Brazilian pharma companies.

Q-Bot: Robotic Underfloor insulation to improve social housing energy efficiency and comfort

Floor insulation can account for significant energy savings per year for households, which also translates to higher efficiency and reduced energy consumption. Q-Bot’s robotic system has been used to provide insulation and increased comfort in 1,000s of homes in social housing – helping to reduce the burden of fuel poverty through lower heating costs and increase comfort by reducing draughts and temperature stratification for tenants.

Human Capital

Human capital is at the core of a knowledge-intensive business such as NetScientific and its portfolio companies. To support a people-centric productive environment and long-term staff commitment, we taken various steps through the year. We hired a dedicated Human Resources Manager and continue to offer free from bias, competitive remuneration and benefits packages to all our personnel. Various policies are in place within the Group designed to protect and empower personnel, including Anti-bribery and corruption, Whistleblowing and Health and Safety, all of which are reviewed annually and, where relevant, amended or supplemented to accommodate the evolving risk profile of the business.

The company is committed to creating a safe and inclusive environment, free from unlawful discrimination. We encourage equality, diversity and inclusion and the contributions of all employees are recognised and valued. The Group seeks to provide space and resources to enable continuing learning and individual development and adopt a structured approach to identifying the training and development needs of individuals. For the year ahead, we will continue to encourage the culture of equal opportunities and engage further with our community of entrepreneurs and portfolio companies in the UK and internationally.

Governance

Good corporate governance, risk management and cyber resilience are essential; both to our operations, and to the performance of our portfolio companies. As a publicly traded entity subscribed to the Quoted Companies Alliance (QCA) Corporate Governance Code, we are the subject of robust risk management and governance arrangements and continue to monitor and review our internal control systems and processes to ensure are effective in the current changing environment. Complementing the technological changes, the Group has been building policies and systems designed to protect our data and redouble our commitment to minimising compliance risk and preventing bribery and corruption. We have also made aspects of our practices and contractors available to some of our portfolio companies, to enable a cost-effective implementation of enterprise grade IT and cybersecurity practices.

Responsibility for governance within the Group ultimately sits with the Board. However, there are training activities, mentoring and internal processes designed to ensure observance of good governance at every stage of investment. Remuneration policies are reviewed by the Board's Remuneration & Nominations Committees and are designed to ensure that all reward and recognition structures are aligned with the broader goals of the Company's stakeholders by dissuading risk-taking practices that are inconsistent with the goals and parameters established by the Board.

BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2021

Board changes

There were no Board changes during the year (2020: 3).

The Board has an Advisory Group giving the Company access to broader experience and expertise.

John Clarkson, Executive Chairman.

John is an experienced business professional and qualified accountant, who had a successful early career working in various financial, audit and management positions in the UK and overseas. John then completed a full time MBA at Cranfield University, before moving into management consultancy with Deloitte Haskins + Sells. There he provided a range of business and consultancy services to various public & private sectors organisations and blue-chip clients. He established a management strategy/performance improvement service and founded a construction, real estate and project management group. John was partner in charge of the developing services consultancy division in Coopers Deloitte (now PWC).

He left the firm to create a private hotel group in North America, but then took on the role of vice chairman of Laura Ashley Inc. based out of Boston, USA, with a worldwide remit for restructuring, cost reduction and business turnaround. John brings many years of commercial expertise in leadership roles, including that of CEO, Chairman and Non-Executive Director. He has been a member of a number of business and professional groups and has written articles and undertaken speaking engagements in both the UK and Europe. John is a Fellow of the Association of Chartered Certified Accountants, a qualified Public Finance Accountant, a Fellow of the Institute of Consulting and Chartered Manager. He is an active investor in start-ups, high-tech and growing businesses, where he has been involved in strategy development, fundraising, contract negotiations, remuneration and corporate governance arrangements.

Dr Ilian Iliev, Chief Executive Officer.

Ilian founded EMV Capital (EMVC), a corporate finance and VC investment firm acquired by NetScientific in August 2020. In 2018 Ilian spun-out EMV Capital out of EcoMachines Ventures, which he co-founded in 2013. Prior to that he co-founded and was CEO of CambridgeIP Ltd (2006-2012), which he built into a leading IP and patent strategy and data analytics provider in the UK and internationally. Previously he co-founded a business in industrial electric engineering in Southern Africa. He is a Board member at a number of NetScientific and EMVC portfolio companies, including PDS Biotechnology Inc., Glycotest Inc., Sofant Technologies, PointGrab, Q-Bot, Martlet Capital, Cetromed, Wanda Health, and also serves as Executive Chairman at Vortex Biosciences Inc.

Ilian holds a PhD from Cambridge University's Judge Business School with a focus on Venture Capital, and is a former Associate Fellow at Chatham House. He has authored numerous academic, policy and industry reports.

BOARD OF DIRECTORS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Professor Stephen Smith, Non-Executive Director and Chair of the Remuneration and Nominations Committees.

Stephen joined the Board in February 2016 and has held senior leadership roles in the NHS and academia. He has had a long and distinguished career as a clinician scientist, Head of Department, Dean and CEO with the University of Cambridge, Imperial College, London and Imperial College Healthcare NHS Trust.

He was responsible for creating the first Academic Health Science Centre in the United Kingdom, that involved the largest merger at the time in the NHS of three famous hospitals, St Marys Hospital, Charing Cross Hospital and the Hammersmith Hospital with Imperial College London, creating Imperial College Healthcare NHS Trust. He was the inaugural CEO of the Trust whilst retaining his position as Principal of the Faculty of Medicine. During his career he has been a keen advocate of the commercialisation of ideas in Life Sciences and Healthcare and actively pursued this strategy in Cambridge and Imperial College. He “spun-out” two companies from the University of Cambridge, Metris Therapeutics and GNI Group Ltd, the latter now being a successful Mid Cap, Sino-Japanese company, having completed its IPO on the Tokyo Stock Exchange in 2007 and on whose public board he served for four years in Tokyo.

Stephen has extensive non-executive experience serving on the Boards of the National Healthcare Group Singapore which developed integrated care through nine polyclinics. In Australia, he was on the Board of the Royal Melbourne Hospital and the Victorian Comprehensive Cancer Centre, a \$1.5billion project to create a fully integrated cancer care facility that brings together an integrated research, service and education offering to four million patients in Victoria.

Clive Sparrow, Non-Executive Director and Chair of the Audit & Risk Committee.

Clive joined the NetScientific Board in December 2020. He is also a Non-Executive Director serving on the board of the largest community healthcare NHS Trust in London. He has a proven track record in strategy development, transformational change, risk management and performance improvement. His sector specialities are government; the NHS; and regulation.

He had a successful career as a management consultant with two professional services firms: Grant Thornton and PricewaterhouseCoopers (PwC). For three years, he worked as a Director in HM Treasury, driving the successful delivery of Europe’s largest change programme. He has also set up and led two profitable start-up companies.

Clive is a Fellow of the Association of Chartered Certified Accountants, a Chartered Public Finance Accountant and a member of the Healthcare Financial Management Association. He holds a degree in Economics from the University of Nottingham.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report with the audited financial statements of NetScientific plc ("NetScientific") and its subsidiaries ("the Group") for the year ended 31 December 2021.

Research and development

The Group incurred research and development expenditure on the continuing operations of ProAxis and Glycotest of £1,322k in the year (2020 £1,227k). Commentary on the major activities is given in the Financial Review on pages 29 to 32.

Dividend

The Directors do not propose the payment of a dividend (2020: £Nil).

Future developments

A review of anticipated future developments is included in the Chairman's and Chief Executive Officer's Statement on page 5.

Directors

The Directors shown below have held office during the period from 1 January 2021 to the date of this report:

John Clarkson
Dr Ilian Iliev
Professor Stephen Smith
Clive Sparrow

Directors' shareholdings and other interests

	No. of shares as at 31 December 2021	No. of shares as at 31 December 2020
Dr Ilian Iliev	3,598,403	3,598,403
John Clarkson	136,066	-
Professor Stephen Smith	2,857	2,857
Clive Sparrow	7,692	-
Sir Richard Sykes	-	9,345

Between 31 December 2021 and the date of this report there has been no change in the interests of Directors in shares or share options as disclosed in this report.

The shareholding of Dr Ilian Iliev is held by Futura Messis Group Limited and is held by nominees. Part of the shareholdings of John Clarkson are held by nominees and by Development Financial and Management Services Limited.

Directors' remuneration and share options

Details of the Directors' remuneration and share options are given in the Directors' Remuneration Report on pages 45 to 48.

Directors' and officers' liability insurance

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Financial risk management

The Group's use of financial instruments is discussed in note 28 to the financial statements.

REPORT OF THE DIRECTORS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Substantial holdings

At 27 April 2022, the Directors were aware of the following interests of 3 per cent or more in the issued ordinary share capital of the Company and have not been notified, pursuant to the provisions of the Companies Act 2006, of any further such interests.

Name	No. of shares	Per cent. Of voting rights
Futura Messis Group Limited	3,598,403	17.15%
AB Group Limited	3,278,014	16.25%
Hargreaves Lansdown Asset Management Nominees	2,888,924	13.68%
Zedra Trust Company (Jersey) Limited	1,085,494	5.14%
Canaccord Genuity Group Inc.	1,030,000	4.88%

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with UK adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs for the Group and company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the group and company financial statements have been prepared in accordance with UK adopted international accounting standards and FRS 102 respectively, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

REPORT OF THE DIRECTORS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Going Concern

NetScientific's financial position is positively transformed from the start of the previous year. The overall loss in the financial year of £2.9m (2020: £2.3m) includes investment in R&D, establishing the business infrastructure and platform for further expansion, as well as the ongoing management and development of portfolio companies. The successful £7.7m placement in June 2021 enabled NetScientific to accelerate its investment and growth strategy in the second half of the year. In this context, the Directors have prepared and reviewed budget cashflows which were approved by the Board of Directors in the Board meeting of 1 February 2022.

As a result, NetScientific is now in a fundamentally stronger position; with assets up from £8m to £18m, with an extended, increasingly valuable portfolio, and in addition to cash-in-bank, holding liquid assets of some £6m. In this context, the Directors have prepared and reviewed budget cashflows which were approved by the Board of Directors in the Board meeting of 1 February 2022.

NetScientific has reviewed the major budgeted assumptions and sensitivities in light of recovery from the impacts of COVID-19 and the broader economic environment. It has the option of cash preservation plans across the Group and delayed expenditure when appropriate. The review has also taken into consideration the potential impact of changing market conditions and other risks. Having made substantial progress, NetScientific is now in a secure position. The Board will closely monitor events and maintain a flexible approach to new opportunities, both for investment and realising returns/financing.

With this approach, NetScientific will carefully manage its cash flow to maintain going concern status through to June 2023 and beyond. Over this period, the Group requires a minimum of approximately £1.6m to maintain going concern status. This finance can be covered through several options, either on their own or in combination. These options include: driving revenue, price increases, appropriate financing at both subsidiary and Group level, pursuit of further grant income, soft and non-dilutive finance, delaying of expenditures, deferring projects, revised investments, partial sell-downs of stakes or full disposal, closely managing receipts and payments from third parties and achieving planned cost savings amongst others. Naturally NetScientific complies with accounting standards and regulatory guidance, which are reflected in the board's approach and commentary. As exemplified above, going forward NetScientific now has financial strength and an excellent range of options and financing alternatives which are yet to be finalised. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Recognising the various factors, there will be vigilant management of events and implementation of necessary actions to ensure NetScientific's ability to continue as a going concern. The proactive management approach is not only applied to the portfolio companies, but throughout the organisation. This is reflected in both strategic planning and tactical decisions. Hence having evaluated potential risks and the range of scenarios, NetScientific looks forward to a very positive future.

The financial statements do not include any adjustments that would be necessary if NetScientific was unable to continue as a going concern. Based on the success in the implementation of the new strategy since 2020, the Directors are confident that NetScientific remains a going concern, and it is appropriate to prepare the financial statements on this basis.

Post balance sheet events

On 6 May 2022, NetScientific Plc announced the conditional acquisition of a 30% stake in Vortex Biotech Holdings Ltd. The Acquisition is conditional upon the receipt by Deeptech Disruptive Growth Investments Ltd of a customary HMRC tax clearance. Upon completion, immediately before the Acquisition, of the proposed restructuring, Vortex Biotech Holdings will be the owner of c.95% of Vortex BioSciences, Inc. and 100% of Vortex Liquid Biopsy Solutions Ltd. The capture and enrichment of CTCs is becoming a critical element of cancer research, complementing general tests for cancers based on circulating tumour DNA (ctDNA). The consideration for the Acquisition is satisfied on completion by the transfer of Group invoices totalling £300k in relation to past services. This is a related party transaction due to common substantial shareholders of NetScientific in accordance with the AIM Rules for Companies. This excellent transaction, which captures both significant value and substantial upside potential in Vortex, which has over recent years significantly strengthened, made significant commercial and operational progress and de-risked its business proposition. The 30% stake in Vortex fulfils our criteria for deeper involvement in selected portfolio companies, focused on delivering enhanced shareholder returns. The Board is accordingly delighted for the Group to be in a position to re-acquire an interest in Vortex.

REPORT OF THE DIRECTORS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Auditors

The Directors believe they have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

The auditors, BDO LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD:

Stephen Crowe
Company Secretary
11 May 2022

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Board of Directors Meetings

The posts of Chairman and Chief Executive Officer are held by different Directors. The Board is balanced by there being an appropriate number of non-executives with at least two of the Directors at all times during the year being non-executive directors.

The Board meets regularly throughout the year, quarterly for major milestones and KPI reviews, and more frequently for ongoing business matters and investment decisions. Arrangements are made to enable information in a form and of a quality to be supplied to Directors on a timely basis to enable them to discharge their duties. Additionally, special meetings take place or other arrangements are made when Board decisions are required in advance of regular meetings. Certain matters are reserved for consideration by the Board (with other matters delegated to Board committees). The Board is responsible for leading and controlling the Group and in particular, setting the Group's strategy, its investment policy and approving its budget and major items of expenditure, acquisitions and disposals.

The Board of Directors has a procedure through which the Directors are able to take independent advice in the furtherance of their responsibilities. The Directors have access to the advice and services of the Company Secretary.

During the year ended 31 December 2021, the Board met 17 times, with each member attending as follows.

Director	Number of meetings held whilst a Board Member	Number of meetings attended
John Clarkson	17	17
Dr Ilian Iliev	17	17
Professor Stephen Smith	17	16
Clive Sparrow	17	15

Corporate Governance

The Board of Directors of the Company (the "Board") and the Chairman are responsible for the governance of the Company, governance being the systems and procedures by which the Company is directed and controlled. High standards of Corporate Governance are a key priority of the Board and the Directors believe that they govern the Company in the best interests of the shareholders.

The Board considers it appropriate to adopt the principles of the Quoted Companies Alliance Corporate Governance Code ("the QCA Code") published in April 2018, which is the standard deemed appropriate by independent bodies for small and mid-size quoted companies in the UK.

The corporate governance framework which NetScientific Plc operates under, including board leadership, effectiveness, remuneration and internal control, are based upon practices which the Board believes are proportionate to the risks inherent to the size and complexity of NetScientific's operations and are taken very seriously by the Board.

The extent of compliance with the ten principles that comprise the QCA Code, together with an explanation of any areas of non-compliance, and any steps taken or intended to move towards full compliance, are set out in full on the Company's website at (<https://netscientific.net/corporate-governance/>).

CORPORATE GOVERNANCE REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Board Committees

As appropriate, the Board has delegated certain responsibilities to Board committees.

Audit & Risk Committee terms of reference

The Audit & Risk Committee is chaired by Clive Sparrow. Its other member is Professor Stephen Smith. The Audit & Risk Committee has responsibility for considering all matters relating to financial controls, reporting and external audits, the scope and results of the audits, the independence and objectivity of the auditors and keeping under review the effectiveness of the Group's internal controls and risk management. The committee monitors the scope, results and cost-effectiveness of the audit. It has unrestricted access to the Group's auditors. In certain circumstances, it is permitted by the Board for the auditors to supply non-audit services (in the provision of tax advice, or non-specific projects where they can add value). The committee has approved and monitored the application of this policy in order to safeguard auditor objectivity and independence.

During the year ended 31 December 2021 the Audit & Risk Committee met 3 times with each member attending as follows.

Director	Number of meetings held whilst a Board member	Number of meetings attended
Clive Sparrow	3	3
Professor Stephen Smith	3	3

Remuneration Committee

The Remuneration Committee is chaired by Professor Stephen Smith. Its other members are John Clarkson and Clive B Sparrow. The Directors consider that the composition of this committee is appropriate given the Company's size and circumstances.

The committee meets at least twice a year. The Remuneration Committee has responsibility, within its terms of reference approved by the Board on 9 May 2013, which were reviewed and updated on 17th February 2021, for making recommendations to the Board on the Company's policy for remuneration of senior executives, for reviewing the performance of executive Directors and senior management and for determining, within agreed terms of reference, specific remuneration packages for each of the executive Directors and members of senior management, including pension rights, any compensation payments and the implementation of executive incentive schemes. The committee administers the Company's share option scheme and approves grants under the scheme. The Committee is responsible for all senior appointments that are made within the Group. The Chairman and the executive Directors are responsible for setting the level of non-executive remuneration.

During the year ended 31 December 2021 the Remuneration Committee met 3 times with each member attending as follows.

Director	Number of meetings held whilst a Board member	Number of meetings attended
Professor Stephen Smith	3	3
John Clarkson	3	3
Clive Sparrow	3	3

CORPORATE GOVERNANCE REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Nomination Committee

On the 17 February 2021 Professor Stephen Smith took over as the Chair from John Clarkson. Its other members are John Clarkson and Clive Sparrow. The Directors consider that the composition of this committee is appropriate given the Company's size and circumstances.

The Committee meets at least once a year. The Nominations Committee has responsibility, within its terms of reference which were reviewed and updated on 17th February 2021, for identifying and nominating, for the approval of the Board, candidates to fill Group Board vacancies as and when they arise, save those appointments as Chairman or Chief Executive are matters for the full Board. The Committee is responsible for all senior appointments that are made within the Group. During the year ended 31 December 2021, the Nomination Committee met once formally.

Director	Number of meetings held whilst a Board member	Number of meetings attended
Professor Stephen Smith	1	1
John Clarkson	1	1
Clive Sparrow	1	1

Investor relations

The Directors seek to build a mutual understanding of objectives between the Company and its shareholders by meeting with major institutional investors as required throughout the year and after the Company's preliminary announcement of its year end results and its interim results in order to provide dialogue and transparency. The Company maintains investor relations pages on its website (www.netscientific.net) to increase the amount of information available to investors in line with AIM Listing Rule 26. The management team also presents at a variety of investor forums.

There is an opportunity at the Annual General Meeting for individual shareholders to question the Chairman, and the Chairs of the Audit & Risk, Remuneration and Nomination Committees.

Internal control

The Board are responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

The main features of the internal control system are as follows:

- A control environment exists through close management of the business by the executive Directors. The Group has a defined organisation structure with delineated approval limits. Controls are implemented and monitored by personnel with the necessary qualifications and experience.
- A system of internal checks and independent approvals.
- Monitoring and promoting a healthy corporate culture based on high ethical and moral standards.
- A list of matters reserved for Board approval.
- Regular financial and management reporting and analysis of variances.
- Standard financial controls operate to ensure that the assets of the Group are safeguarded and that proper accounting records are maintained.

BY ORDER OF THE BOARD:

Stephen Crowe
Company Secretary
11 May 2022

DIRECTORS' REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Remuneration Committee

The Company's remuneration policy is the responsibility of the Remuneration Committee (the "Committee") which was established in March 2013 and reviewed on 17 February 2021. The terms of reference and its membership are summarised in the Corporate Governance Report on pages 41 to 44.

The Committee, which is required to meet at least twice in the year, met three times during the year ended 31 December 2021.

Remuneration policy

The objective of the remuneration policy is to ensure the compensation packages are adequate to attract, retain and motivate people of high quality and experience, align their incentives with those of shareholders, and achievement of the company's strategic objectives in line with industry practice.

The remuneration for the Chief Executive and Executive Directors consists of an annual salary, pension contribution, performance-related bonuses, long term incentive plans "LTIPs", and private health cover. In addition, the Executive Directors may receive grants from the Company's share option scheme.

The Committee believes that the base salary and benefits for the Executive Directors should represent a fair return for employment but that the maximum total potential remuneration may only be achieved in circumstances where the Executive has met challenging personal objectives that contribute to the Group's overall performance.

The basic salaries of the Chief Executive Officer and the Executive Directors are reviewed annually and take effect from 1 January each year. The basic salary is determined by reference to relevant market data and the individual's experience, responsibilities and performance.

Non-executive Directors' remuneration

Professor Stephen Smith received a fixed fee of £30,000 for his non-executive directors' role and a further £42,000 for providing general and scientific advice across the Group taking total remuneration to £72,000 (2020: £24,500). Clive Sparrow received a fixed fee of £30,000 (2020: £2,500). Clive started 1 December 2020. The fixed fee covers preparation for and attendance at meetings of the full Board and committees thereof. The Chairman and the executive Directors are responsible for setting the level of non-executive remuneration. The non-executive Directors are also reimbursed for all reasonable expenses incurred in attending meetings. Professor Stephen Smith was granted options in June 2016 and on 30 November 2020. Clive Sparrow was granted options on 30 November 2020.

Equity based incentive schemes

The committee believes that equity-based incentive schemes increase the focus of employees in improving the Group's performance, whilst at the same time providing a strong incentive for retaining and attracting individuals of high calibre.

The NetScientific Plc Share Option Scheme (the "Scheme") was established on 9 May 2013 and is administered by the Remuneration Committee. The Committee decides to whom of the employees to grant options, the number, the exercise dates and the performance conditions. The option price is the greater of the average of the closing or middle market price over the five dealing days before the date the option is granted, or the amount specified by the Remuneration Committee to be the option price. Generally, options cannot be exercised unless the participant has been in employment with the Company for three years since the date of grant, the vesting timing for which is detailed in the paragraph below. The Scheme limit is 10% of the number of Ordinary Shares in issue prior to such a grant. The Remuneration Committee intends to review and update as necessary the Group's equity-based incentive scheme.

DIRECTORS' REMUNERATION REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Directors' interests in share options

The interests of Directors in The NetScientific Share Option Scheme over Ordinary Shares during the year were as follows.

	Option Price pre share re- organisation	Option Price post the share re- organisation	Options as at 31 December 2021	Options as at 31 December 2020
2021				
John Clarkson	-	£1.24	183,191	-
Dr Ilian Iliev	-	£1.24	183,191	-
2020				
John Clarkson	-	45.5p	382,465	382,465
Dr Ilian Iliev	-	65.0p	382,465	382,465
Professor Stephen Smith	-	45.5p	46,155	46,155
Clive Sparrow	-	45.5p	46,155	46,155
Pre-2020				
Professor Stephen Smith	79.7p	£7.97	3,000	3,000

On 24 August 2020, a share capital re-organisation took place. This had the effect of consolidating each ten existing options into one new option. The effect of the share capital re-organisation was that the exercise price of the options issued in the past was also multiplied by ten to be fair and equitable. The total number of options in the Company post the share capital re-organisation was 385,598.

Options were first granted on 16 September 2013, the date of the Company's Admission to AIM. In the case of the Chairman and non-executive Directors any Ordinary Shares issued as a result of the exercise of their options must be held for three years from the date of vesting of the relevant options. Options were awarded to Professor Stephen Smith on 24 June 2016 and 30 November 2020 and the first lot vested on 17 February 2019. Options were awarded to Dr Ilian Iliev on 25 September 2020 and 28 September 2021. To John Clarkson on 30 November 2020 and 28 September 2021 and to Clive Sparrow on 30 November 2020.

Audited information

The following section (Directors' remuneration) contains the disclosures required by Schedule 5 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the financial statements for the year ended 31 December 2021 and has been audited by the Company's auditor, BDO LLP.

DIRECTORS' REMUNERATION REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Directors' remuneration

The aggregate remuneration received by Directors who served during the year ended 31 December 2021 is set out below.

Year ended 31 December 2021	Salaries and fees £000's	Bonus £000's	Benefits £000's	Pension £000's	Total £000's
Executive Directors					
John Clarkson	220	10	2	18	250
Dr Ilian Iliev	250	30	2	20	302
Non-Executive Directors					
Professor Stephen Smith	72	-	-	-	72
Clive Sparrow	30	-	-	-	30
Total	572	40	4	38	654

Year ended 31 December 2020	Salaries and fees £000's	Bonus £000's	Benefits £000's	Pension £000's	Total £000's
Executive Directors					
John Clarkson	47	-	-	2	49
Dr Ilian Iliev	134	-	2	10	146
Ian Postlethwaite (handed 6 months notice on 15 January 2020)	118	-	2	9	129
Non-Executive Directors					
Sir Richard Sykes (resigned 31 March 2020)	9	-	-	-	9
Professor Stephen Smith	25	-	-	-	25
Clive Sparrow (appointed 2 December 2020)	3	-	-	-	3
Total	336	-	4	21	361

In the prior year for the period 1 January 2020 to 30 April 2020 (prior to Dr Ilian Iliev's appointment as CEO), London Innovation Partners Limited, a company owned by Dr Ilian Iliev received £70k, pursuant to a consultancy agreement between himself and the Company. The balance outstanding at 31 December 2021 is £Nil (2020: £Nil).

In the prior year John Clarkson controlled Development, Financial and Management Services Limited, which received £220k, pursuant to a consultancy agreement with the Company for the period 1 January 2020 to 30 November 2020. The balance outstanding at 31 December 2021 is £Nil (2020: £80k) as described and approved in the shareholders' circular published on the 7 August 2020.

DIRECTORS' REMUNERATION REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

In addition to the amounts shown above, the share-based payment charge for the year was:

	Year ended 31 December 2021 £000's	Year ended 31 December 2020 £000's
Executive Directors		
John Clarkson	60	21
Dr Ilian Iliev	63	33
Ian Postlethwaite	-	(14)
Non-Executive Directors		
Professor Stephen Smith	3	3
Clive Sparrow	3	3
Total	129	46

BY ORDER OF THE BOARD:

Professor Stephen Smith
Chairman of Remuneration Committee
11 May 2022

DIRECTORS' AUDIT & RISK COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Audit & Risk Committee

The Audit & Risk Committee has responsibility for considering all matters relating to financial controls, reporting and external audits, the scope and results of the audits, the independence and objectivity of the auditors and keeping under review the effectiveness of the Group's internal controls and risk management.

The Committee, which is required to meet at least twice in the year, met three times during the year ended 31 December 2021.

The Committee monitors the scope, results and cost-effectiveness of the audit. It has unrestricted access to the Group's auditors. In certain circumstances, it is permitted by the Board for the auditors to supply non-audit services (in the provision of tax advice, or non-specific projects where they can add value). The Committee has approved and monitored the application of this policy in order to safeguard auditor objectivity and independence.

The Committee is authorised to seek any information that it requires from any employee of the Company in order to perform its duties.

Membership

All members of the Committee will be non-executive directors who are independent of management and free from any business or other relationships which could interfere with the exercise of their independent judgement. At least one of the members of the Committee will have recent and relevant financial experience.

Financial Reporting

The Committee has reviewed, and challenged where necessary, the actions and judgements of management, in relation to the Company's financial statements, operating and financial review, interim reports, preliminary announcements and related formal statements before submission to, and approval by, the Board, and before clearance by the auditor. Particular attention is paid to:

- key accounting policies and practices, and any changes in them;
- decisions requiring a significant element of judgement and in particular revenue recognition and the capitalisation of R&D expenditure;
- the going concern assumption;
- the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
- the clarity of disclosures;
- significant adjustments resulting from the audit;
- compliance with accounting standards; and
- compliance with AIM rules and other legal requirements.

Internal control and risk management

The Committee reviews procedures for detecting fraud and whistle blowing, ensuring that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters.

The Group's system of internal control comprises entity-wide high-level controls, controls over business processes and centre level controls. Policies and procedures are clearly defined. Levels of delegated authority have been communicated across the Group and management has identified the key operational and financial processes which exist within the business and implemented internal controls over these processes, in addition to the higher-level review and authorisation-based controls. Policies cover defined lines of accountability and delegation of authority; financial reporting procedures; and preparation of monthly management accounts; these facilitate the accuracy and reliability of financial reporting and govern the preparation of financial statements.

In reviewing the effectiveness of the system of internal controls, the Audit and Risk Committee found no significant failings or weaknesses were identified during the past year.

DIRECTORS' AUDIT & RISK COMMITTEE REPORT continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Internal audit

The Group does not have an internal audit function. The Audit and Risk Committee reviews the need for an internal audit function and considers it is not required currently given the Group's size.

External audit

The Audit and Risk Committee is responsible for overseeing the Group's relationship with its external auditors, BDO LLP (BDO). This includes the ongoing assessment of the auditors' independence and the effectiveness of the external audit process, by regular meetings. The results of this inform the Committee's recommendation to the Board as to the auditors' appointment (subject to shareholder approval) or otherwise.

Appointment and tenure

BDO was first appointed as the external auditors of the Group in December 2013. This is the second year in place of the current lead audit partner, Arbinder Chatwal. Regulations require the rotation of the lead audit partner every five years for a listed client. Therefore, we expect a new lead audit partner to be selected for the 2025 audit. In accordance with UK legislation, the Committee intends to put the external audit out to tender at least every ten years.

Non-audit services

The engagement of the external audit firm to provide non-audit services to the Group can affect the independence assessment, and the Group has adopted a policy of not engaging BDO to provide non-audit services which conforms to the Revised Ethical Standard.

Whistleblowing

The Group has adopted procedures where employees may, in confidence, raise concerns relating to possible improprieties in matters of financial reporting, financial control or any other matter. The whistleblowing policy applies to all Group employees. The Audit and Risk Committee is responsible for monitoring the Group's whistleblowing arrangements.

BY ORDER OF THE BOARD:

Clive Sparrow
Chairman of Audit & Risk Committee
11 May 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETSCIENTIFIC PLC

FOR THE YEAR ENDED 31 DECEMBER 2021

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of NetScientific Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Parent Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Parent Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and notes to the Consolidated and Parent Company financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent 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.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements, which indicates the Directors' considerations over going concern. The going concern of the Group and Parent Company is dependent on additional funding being raised which is not yet secured. As stated in note 2, these events or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

We considered the ability of the Group and the Parent Company to continue as a going concern to be a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETSCIENTIFIC PLC continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- Reviewing the Directors' method for assessing going concern including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and where relevant consistent with each other
- Reviewing the cash flow forecasts prepared by Directors to assess whether the group has adequate financial resources to continue as a going concern for at least 12 months from the date of this report. Our work included agreeing opening forecast cash balances to third party evidence, testing that the assumptions adopted in the cashflows were in line with our knowledge of the business, and incorporated Directors' cash saving initiatives as well as the progress of their funding options and future plans. The key assumptions included forecast revenue and costs growth rates, and forecast investments future selling prices which we assessed by considering the accuracy of the Directors forecasting by comparing previous forecasts to actual results and current forecasts to the latest management accounts including the latest share prices for the investments.
- Reviewing the Directors' stress testing forecasts to the extent of reasonable worst-case scenarios, which included modelling revenue slippage in the delivery of contracts. We have assessed these assumptions against past performance and the Group's results for the financial year to date.
- Performing sensitivity testing on the cashflow projections prepared by Directors and considering the effects on going concern.
- Considering the going concern status throughout the normal course of the audit through testing of recoverability of investments, impairment of assets, and existence of cash balances.
- Obtaining and reviewing the latest board minutes available for any potential events that might indicate a going concern issue.
- Reviewing publicly available information for any negative publicity or potential issues that may identify a post balance sheet event that could affect going concern.

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

Overview

Coverage	<i>100% (2020: 100%) of Group loss before tax</i> <i>100% (2020: 100%) of Group revenue</i> <i>100% (2020: 100%) of Group total assets</i>		
Key audit matters		2021	2020
	Going concern	✓	✓
	Acquisition accounting (Purchase of Cetromed Group (2020: Purchase of EMV Capital))	✓	✓
Materiality	<i>Group financial statements as a whole</i> £166,000 (2020: £173,000) based on 5% (2020: 5%) of 3-year average of loss before tax		

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETSCIENTIFIC PLC continued

FOR THE YEAR ENDED 31 DECEMBER 2021

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We identified a total of six components, four in the UK and two in the USA. Three components (two in the UK and one in the USA) were considered significant and were subject to full scope audits performed by the group engagement team for the UK components and a separate engagement team within BDO LLP for the US component. The financial information of the non-significant components were subject to analytical review and specific procedures on certain financial statements areas by the group audit team. This included specific procedures over revenue which contributed to the overall revenue coverage obtained.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient, appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Issuing detailed group reporting instructions, including group reporting schedules and a delivery timetable.
- Holding initial planning meetings to discuss identified risks and the scope of the component auditors work including that related to key audit matters, fraud and going concern.
- Regularly communicating with the component team, including attending their meetings, with key areas of communication being on supervision and direction for the completion of the audit in accordance with the UK auditing standards.
- Reviewing the work done by the component auditors on the areas of identified risk, to determine whether sufficient and appropriate audit evidence was obtained.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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 described in the Material uncertainty related to going concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
Acquisition accounting (Purchase of Cetromed Group) As detailed in note 11 of the annual report.	The Group undertook an acquisition during the financial year. The acquisition resulted in the recognition of intangible assets at fair value of £Nil and gain on purchase of £36k.	For the acquisition accounting, our procedures included the following; <ul style="list-style-type: none"> • We recalculated the purchase consideration by: <ul style="list-style-type: none"> - Obtaining the Sale and Purchase agreement and identifying the different elements of the purchase consideration (being consideration shares and warrants)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETSCIENTIFIC PLC continued

FOR THE YEAR ENDED 31 DECEMBER 2021

	<p>As part of the acquisition, the group identified separate intangibles which required to be fair valued at the date of the acquisition. The valuation was done using a replacement cost method with various assumptions subject to estimation and judgement.</p> <p>In addition, the purchase consideration included issued share warrants, the valuation of which is also subject to estimation and judgement.</p> <p>As a result of the significant judgements required to be made by management in the acquisition accounting, this was considered to be a key audit matter.</p>	<ul style="list-style-type: none"> - Recalculating the purchase consideration by multiplying the number of shares issued by the quoted share price on acquisition date - With the assistance of our internal valuations experts, we tested the valuation of the warrants by recalculating the valuation of the warrants through agreeing share prices, volatility, risk free rate, expected life and exercise price, to supporting documentation. • With reference to the fair value of the assets and liabilities acquired, and the fair value of the purchase consideration, we recalculated the gain on bargain purchase. • For the acquisition date balance sheet and fair values of the acquired assets and liabilities, we compared the book values of the assets and liabilities at acquisition date to the latest management accounts. Intercompany balances were confirmed with the respective group companies. • We reviewed the valuation and completeness of separately identifiable intangible assets by reference to the requirements of applicable accounting standards. This included review of management's considerations of all potential intangible assets acquired and the valuation methodology adopted as required by the financial reporting framework. • The key input to the valuation of the separately identifiable intangible asset was royalty fees for use of the asset acquired. To determine the appropriateness of the fees, we compared management's estimate to the average of such fees for similar assets already in the market. This was done with the assistance of our internal valuation experts. • We assessed the appropriateness of the expected useful lives of the identifiable intangible assets by comparing these to the average useful lives for similar assets which we obtained from the industry by
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETSCIENTIFIC PLC continued

FOR THE YEAR ENDED 31 DECEMBER 2021

		<p>reviewing that of comparable companies.</p> <ul style="list-style-type: none"> We assessed the appropriateness of the acquisition accounting disclosures in the annual report with reference to the requirements of the applicable financial reporting framework. <p>Key observations: Based on the audit work performed, we consider that the acquisition of Cetromed Group has been accounted for appropriately in the financial statements.</p>
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £	2020 £	2021 £	2020 £
Materiality	166,000	173,000	130,000	153,000
Basis for determining materiality	5% of three-year average loss before tax			
Rationale for the benchmark applied	Loss before tax is considered to be of most importance to the users of the financial statements. We have used a 3-year average of loss before tax because the group and parent company have been making reduced losses.			
Performance materiality	124,000	129,000	97,000	114,000
Basis for determining performance materiality	75% of materiality based on a low expected total value of known and likely misstatements.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 24% and 78% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £40,000 to £130,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETSCIENTIFIC PLC continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £6,000 (2020: £7,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual report and Accounts other than the financial statements and our auditor's report thereon. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> 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. <p>In the light of the knowledge and understanding of the Group and Parent 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.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company 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 section of the Report of the Directors, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETSCIENTIFIC PLC continued

FOR THE YEAR ENDED 31 DECEMBER 2021

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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 by reviewing a list of all applicable laws and regulations as provided by management and considered this based on our understanding of the entity and the industry in which it operates. From the list, we identified the Companies Act 2006, QCA Code, AIM Listing Rules, UK adopted international accounting standards and the UK Generally Accepted Accounting Practice as significant. Through inquiry of management we obtained an understanding of the process regarding identification of non-compliance with applicable laws and regulations.

We considered how the group is complying with this framework through performing the following procedures:

- Discussions with management and those charged with governance regarding known or suspected instances of non-compliance with laws and regulations.
- Obtaining an understanding of controls designed to prevent and detect irregularities.
- Review of board minutes and legal expense general ledger accounts for any evidence of non-compliance with laws and regulations.

We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. The main areas we believed fraud could occur were through posting of unauthorised manual journals, as well as management bias in estimates and judgements. Our procedures in this regard included:

- Assessment of journal entries (manual and automated) with specific criteria and to specific accounts that we considered as at a greater risk of fraud as part of our planned audit approach. We reviewed whether the journals were appropriately authorised and whether there is a commercial reason for the entries and we agreed the journals to supporting documentation;
- Review of management's estimates and judgements for management bias by corroborating these to external evidence, stress-testing models and referring to the requirements of the applicable accounting framework. This has been detailed in the key audit matter section of our report.;
- We focussed on the judgements and estimates inherent in the key audit matters and exercised professional scepticism in considering the impact of those estimates and judgements on the reported results;
- Obtaining an understanding of management incentives, including the extent to which remuneration is influenced by reported results, and opportunities for fraudulent manipulation of the financial statements such as management override;
- Obtaining an understanding of how cash can be fraudulently taken out of the group, and how other assets (including stock) can be misappropriated;
- Discussions with management and those charged with governance regarding known, alleged or suspected instances of fraud;
- Review of board meeting minutes for any evidence of fraud; and
- Making the audit team aware of relevant laws and regulations and fraud risks through regular team discussions on audit areas susceptible to fraud risks and applicable laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETSCIENTIFIC PLC continued

FOR THE YEAR ENDED 31 DECEMBER 2021

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Arbinder Chatwal (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom
11 May 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021 £000's	2020 £000's
Continuing Operations	Notes		
Total Income		1,260	1,103
Revenue	5	1,107	394
Cost of sales		(118)	(46)
Gross profit		989	348
Other operating income		153	599
Research and development costs		(1,322)	(1,227)
General and administrative costs		(2,573)	(1,988)
Other costs	7	(207)	(195)
Loss from continuing operations	8	(2,960)	(2,463)
Finance income	9	23	110
Finance expense	10	(22)	(28)
Gain on purchase	11	36	-
Loss before taxation		(2,923)	(2,381)
Income tax credit	12	61	43
Total Loss for the year all from continuing operations		(2,862)	(2,338)
Owners of the parent		(2,385)	(1,611)
Non-controlling interests		(477)	(727)
		(2,862)	(2,338)
Basic and diluted loss per share from continuing and discontinued operations attributable to owners of the parent during the year:	13		
Continuing operations		(13.2p)	(2.9p)
From loss for the year		(13.2p)	(2.9p)

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £000's	2020 £000's
Loss for the year	(2,862)	(2,338)
Other comprehensive income/(loss):		
Exchange differences on translation of foreign operations	(99)	(3)
Change in fair value of equity investments classified as FVTOCI	6,009	(97)
Total comprehensive profit/(loss) for the year	3,138	(2,438)
Attributable to:		
Owners of the parent	3,624	(1,724)
Non-controlling interests	(486)	(714)
	3,138	(2,438)

The notes form part of these financial statements

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £000's	2020 £000's
Assets			
Non-current assets			
Property, plant and equipment	14	136	128
Right-of-use assets	15	158	189
Intangible assets	17	3,045	2,623
Equity investments classified as FVTOCI*	18	11,516	2,970
Financial assets classified as FVTPL**	19	1,462	78
Total non-current assets		16,317	5,988
Current assets			
Inventory	20	67	74
Trade and other receivables	21	1,598	376
Cash and cash equivalents	22	2,710	1,628
Total current assets		4,375	2,078
Total assets		20,692	8,066
Liabilities			
Current liabilities			
Trade and other payables	23	(1,529)	(661)
Lease liabilities	24	(32)	(31)
Loans and borrowings	25	(59)	(28)
Total current liabilities		(1,620)	(720)
Non-current liabilities			
Lease liabilities	24	(131)	(163)
Loans and borrowings	25	(432)	(287)
Total non-current liabilities		(563)	(450)
Total liabilities		(2,183)	(1,170)
Net assets		18,509	6,896

*Fair value through other comprehensive income

**Fair value through profit and loss

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued

AS AT 31 DECEMBER 2021

	Notes	2021 £000's	2020 £000's
Issued capital and reserves			
Attributable to the parent			
Called up share capital	26	1,056	746
Warrants	27	42	-
Share premium account	27	72,792	65,594
Capital reserve account	27	237	237
Equity investment reserve	27	4,504	(1,505)
Foreign exchange reserve	27	1,368	1,368
Accumulated losses	27	(61,499)	(59,702)
Equity attributable to the owners of the parent		18,500	6,738
Non-controlling interests	16	9	158
Total equity		18,509	6,896

The financial statements on pages 59 to 110 were approved and authorised for issue by the Board of Directors on 11 May 2022 and were signed on its behalf by:

John Clarkson
Executive Chairman

Dr Ilian Iliev
Chief Executive Officer

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Shareholders' equity							Total £000's	Non- controlling interests £000's	Total equity £000's
	Share capital £000's	Warrants £000's	Share premium £000's	Capital reserve £000's	Equity investment reserve £000's	Accumul- ated losses £000's	Foreign exchange and capital reserve £000's			
1 January 2020	3,928	-	58,006	237	(1,408)	(56,681)	1,384	5,466	(361)	5,105
Loss for the period	-	-	-	-	-	(1,611)	-	(1,611)	(727)	(2,338)
Other comprehensive loss/income –										
Foreign exchange differences	-	-	-	-	-	-	(16)	(16)	13	(3)
Change in fair value of equity investments classified as FVTOCI	-	-	-	-	(97)	-	-	(97)	-	(97)
Total comprehensive loss	-	-	-	-	(97)	(1,611)	(16)	(1,724)	(714)	(2,438)
Share re-organisation	(3,535)	-	3,535	-	-	-	-	-	-	-
Issue of share capital	353	-	4,236	-	-	-	-	4,589	-	4,589
Cost of share issue	-	-	(183)	-	-	-	-	(183)	-	(183)
Increase/decrease in subsidiary shareholding	-	-	-	-	-	(1,463)	-	(1,463)	1,233	(230)
Share-based payments	-	-	-	-	-	53	-	53	-	53
31 December 2020	746	-	65,594	237	(1,505)	(59,702)	1,368	6,738	158	6,896
Loss for the period	-	-	-	-	-	(2,385)	-	(2,385)	(477)	(2,862)
Other comprehensive loss/income –										
Foreign exchange differences	-	-	-	-	-	-	-	-	(9)	(9)
Change in fair value of equity investments classified as FVTOCI	-	-	-	-	6,009	-	-	6,009	-	6,009
Total comprehensive profit/(loss)	-	-	-	-	6,009	(2,385)	-	3,624	(486)	3,138
Issue of share capital	310	-	7,635	-	-	-	-	7,945	-	7,945
Cost of share issue	-	-	(437)	-	-	-	-	(437)	-	(437)
Issue of warrants	-	42	-	-	-	-	-	42	-	42
Decrease in subsidiary shareholding	-	-	-	-	-	447	-	447	337	784
Share-based payments	-	-	-	-	-	141	-	141	-	141
31 December 2021	1,056	42	72,792	237	4,504	(61,499)	1,368	18,500	9	18,509

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000's	2020 £000's
Cash flows from operating activities			
Loss after income tax including discontinued operations		(2,862)	(2,338)
Adjustments for:			
Depreciation of property, plant and equipment	14	54	44
Depreciation of right-of-use assets		31	32
Amortisation of intangibles		163	77
Estimated credit losses on trade receivables	21	2	(37)
Bad debt expense		9	-
Gain on purchase of subsidiary	11	(36)	-
Fair value movement during the year on convertible debt		(28)	(120)
Release of loan provision		-	(224)
Capitalisation of development costs		(585)	(337)
Share-based payments	31	141	53
R&D tax credit		(81)	-
Foreign exchange movement		2	1
Finance income	9	(23)	(110)
Finance costs		10	14
Tax credit	12	(61)	(43)
		(3,264)	(2,988)
Changes in working capital			
Decrease/(increase) in inventory		7	(44)
(Increase)/decrease in trade and other receivables		(1,148)	325
Increase/(decrease) in trade and other payables		864	(172)
Cash used in operations		(3,541)	(2,879)
Income tax received		78	88
Income tax paid		(12)	-
Net cash (used) in operating activities		(3,475)	(2,791)
Cash flows from investing activities			
Acquisition of subsidiary, net cash acquired	11	3	128
Purchase of property, plant and equipment	14	(62)	(39)
Purchase of available for sale investments		(2,192)	(999)
Purchase of derivative financial assets		(1,207)	-
Purchase of intangibles		-	(50)
Interest received		-	1
Interest paid		(5)	-
Net cash (used in) investing activities		(3,463)	(959)

CONSOLIDATED STATEMENT OF CASH FLOWS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000's	2020 £000's
Cash flows from financing activities			
Proceeds paid on change in stake in subsidiary		-	(230)
Proceeds received on change in stake in subsidiary		700	-
Lease payments		(38)	(38)
Repayment of loans and borrowings		(502)	(200)
Proceeds from loans and borrowings		550	245
Proceeds from share issue		7,746	2,300
Share issue costs		(437)	(183)
Net cash from financing activities		8,019	1,894
Increase/(decrease) in cash and cash equivalents		1,081	(1,856)
Cash and cash equivalents at beginning of year		1,628	3,453
Exchange differences on cash and cash equivalents		1	31
Cash and cash equivalents at end of year	22	2,710	1,628

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

The Company is a public limited company incorporated on 12 April 2012 and domiciled in England with registered number 08026888 and its shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange. The address of the registered office is C/o Azets, Burnham Yard, London End, Beaconsfield, Buckinghamshire HP9 2JH.

2. ACCOUNTING POLICIES

Basis of preparation

The Group financial statements have been prepared in accordance with UK adopted international accounting standards as they apply to the financial statements of the Group for the year ended 31 December 2021.

The consolidated financial statements are presented in GBP, which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in compliance with UK adopted international accounting standards requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries made up to the reporting date. Investees are classified as subsidiaries where the Company has control, which is achieved where the Company has the power to govern the financial and operating policies of an investee entity, exposure to variable returns from the investee and the ability to use its power to affect those variable returns. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Consolidated Financial Statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets and liabilities are initially recognised at their fair values at acquisition date. The results of acquired entities are included in the consolidated statement of comprehensive income from the date at which control is obtained until the date control ceases.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interest in proportion to their relative ownership interests.

The consolidated financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial instruments – fair value through other comprehensive income.
- Financial instruments – fair value through profit or loss.

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement.

Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES continued**Business Combinations**

The Group recognises identifiable assets acquired and liabilities assumed in a business combination, regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: a) fair value of consideration transferred; b) the recognised amount of any non-controlling interest in the acquiree; and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e., gain on a bargain purchase) is recognised in profit or loss immediately.

Going concern

NetScientific's financial position is positively transformed from the start of the previous year. The overall loss in the financial year of £2.9m (2020: £2.3m) includes investment in R&D, establishing the business infrastructure and platform for further expansion, as well as the ongoing management and development of portfolio companies. The successful £7.7m placement in June 2021 enabled NetScientific to accelerate its investment and growth strategy in the second half of the year. In this context, the Directors have prepared and reviewed budget cashflows which were approved by the Board of Directors in the Board meeting of 1 February 2022.

As a result, NetScientific is now in a fundamentally stronger position; with assets up from £8m to £18m, with an extended, increasingly valuable portfolio, and in addition to cash-in-bank, holding liquid assets of some £6m. In this context, the Directors have prepared and reviewed budget cashflows which were approved by the Board of Directors in the Board meeting of 1 February 2022.

NetScientific has reviewed the major budgeted assumptions and sensitivities in light of recovery from the impacts of COVID-19 and the broader economic environment. It has the option of cash preservation plans across the Group and delayed expenditure when appropriate. The review has also taken into consideration the potential impact of changing market conditions and other risks. Having made substantial progress, NetScientific is now in a secure position. The Board will closely monitor events and maintain a flexible approach to new opportunities, both for investment and realising returns/financing.

With this approach, NetScientific will carefully manage its cash flow to maintain going concern status through to June 2023 and beyond. Over this period, the Group requires a minimum of approximately £1.6m to maintain going concern status. This finance can be covered through several options, either on their own or in combination. These options include: driving revenue, price increases, appropriate financing at both subsidiary and Group level, pursuit of further grant income, soft and non-dilutive finance, delaying of expenditures, deferring projects, revised investments, partial sell-downs of stakes or full disposal, closely managing receipts and payments from third parties and achieving planned cost savings amongst others. Naturally NetScientific complies with accounting standards and regulatory guidance, which are reflected in the board's approach and commentary. As exemplified above, going forward NetScientific now has financial strength and an excellent range of options and financing alternatives which are yet to be finalised. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Recognising the various factors, there will be vigilant management of events and implementation of necessary actions to ensure NetScientific's ability to continue as a going concern. The proactive management approach is not only applied to the portfolio companies, but throughout the organisation. This is reflected in both strategic planning and tactical decisions. Hence having evaluated potential risks and the range of scenarios, NetScientific looks forward to a very positive future.

The financial statements do not include any adjustments that would be necessary if NetScientific was unable to continue as a going concern. Based on the success in the implementation of the new strategy since 2020, the Directors are confident that NetScientific remains a going concern, and it is appropriate to prepare the financial statements on this basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES continued**Discontinued operations / non-current assets held for sale**

A discontinued operation is a component of the Group's business that represents a separate major line of business or area of operation that has been disposed of or is held for sale at balance sheet date. The results of operations disposed of during the year or are held for sale (management has a committed plan to sell and that it is available for immediate sale, also the sale needs to be highly probable) are included in the consolidated income statement a single line which comprises the post-tax profit or loss of the discontinued operations along with the post-tax gain or loss recognised on disposal of the operations. When a disposal group is classified as held for sale from the point it meets the conditions, comparatives are not restated.

Revenue

Revenue represents amounts receivable for goods or services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. Revenue from the supply of products is recognised when the Group has transferred control of goods to customers, and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Revenue from services is recognised in full on completion of those services.

Grants

Grants for research and development activities are recognised as income over the periods in which the relevant research and development costs are to be incurred and expensed to the income statement. Grants for future research and development costs are recorded as deferred income. Grant income is included in other operating income. Grants where the Group purchase, construct or otherwise acquire capital expenditure are recognised as deferred revenue in the consolidated statements of financial position and credited to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Research and development

The criteria for development costs to be recognised as an asset, have now been met as it is probable that future economic benefit will flow to the Group. The Group currently has such qualifying expenditure. Property, plant and equipment used for research and development is capitalised and depreciated in accordance with the Group's policy. Refer to property, plant and machinery, furniture, fittings and equipment for more information.

Property, plant and machinery, furniture, fittings and equipment

Property, plant and machinery, furniture, fittings and equipment are stated at cost net of depreciation and provision for impairment. Depreciation is provided at the following annual rates in order to write off the cost of each asset, less its estimated residual value, over its estimated useful life.

The principal depreciation rates are:

	Straight line basis	Reducing balance basis
Furniture, fittings and equipment	20% or 33.3%	33.3%
Plant and machinery	20%	33.3%
Leasehold improvements	10%	

The carrying values of property, plant and machinery, furniture, fittings and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES continued**Goodwill**

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceed the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed 1 year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Intangible assets

Certain previously unrecognised assets acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values, e.g., brand names, customer contracts and lists. All finite-lived intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described below. Customer contracts are amortised on a straight-line basis over their useful economic lives, typically the duration of the underlying contracts. The following useful economic lives are applied:

Goodwill:	10 years
Carry interest arrangements:	10 years
Patents:	9 years

Impairment

For the purposes of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash inflows ("cash generating units" or "CGU"). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the consolidated statement of total comprehensive income for the amount by which the assets or cash generating units carrying amount exceeds its recoverable amount that is the higher of fair value less costs to sell and value-in-use. To determine value-in-use, management estimates expected future cash flows over 5 years from each cash-generating unit and determine a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profile as assessed by management. Impairment losses for cash generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro-rata to the other assets in the cash-generating unit with the exception of goodwill, and all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating units recoverable amount exceeds its carrying amount.

Inventory

Inventory is initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprised all cost of purchase, cost of conversion and other costs (materials and consumables) incurred in bringing the inventories to their present condition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES continued**Cash and cash equivalents**

The consolidated statements of cash flows and financial position, cash and cash equivalents include cash in hand, deposits at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g., trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Impairment provisions for current trade receivables are recognised based on the simplified approach using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted).
- Level 2: Observable direct or indirect inputs other than Level 1 inputs.
- Level 3: Unobservable inputs (i.e., not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES continued**Financial Instruments continued***Fair value through other comprehensive income*

The Group has two strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any change in fair value of equity investments classified as FVTOCI is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Derivative financial instruments – Warrants

These are carried in the statement of financial position at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Fair value through profit or loss

The Group has a number of strategic seed investments in unlisted entities by way of convertible loan notes, which are not accounted for as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised in profit or loss during the year and accumulated in retained earnings.

Financial liabilities

The Group classifies its financial liabilities as financial liabilities held at amortised cost. Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES continued

Taxation

Income tax is recognised or provided at amounts expected to be recovered or to be paid using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the reporting date except for differences arising on:

- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference could not reverse in the foreseeable future; and
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities / (assets) are settled / (recovered).

Recognition of deferred tax assets is restricted to those instances where it is probable that a taxable profit will be available against which the temporary difference can be utilised. Deferred tax balances are not discounted.

R&D tax credit is recognised when it is considered probable that it will be recoverable based on experience of previous claims, and such credit has been recognised as a tax credit within tax expense in the income statement. Research and development tax credits are included as an income tax credit under current assets.

Leases

IFRS 16 is effective for periods beginning on or after 1 January 2019.

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the incremental borrowing rate on commencement of the lease.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The Group does not have any finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES continued**Foreign currencies**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities are denominated in foreign currencies at the Statement of Financial Position date are translated at the foreign exchange rate ruling at that date.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Share-based payment

For all grants of share options, the fair value as at the date of the grant is calculated using an appropriate option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are likely to vest, except for options with market-based conditions where the likelihood of vesting is factored into the fair value attributed to those options. The expense is recognised over the vesting period of the option. The credit for any charge is taken to equity.

Changes in accounting policies

a) New standards, interpretations and amendments adopted from 1 January 2021

One new standard impacting the Group that has been adopted in the annual financial statements for the year ended 31 December 2021:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16).

Interest Rate Benchmark Reform – IBOR ‘phase 2’ (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2021, however, the Group adopted them early from the previous reporting period. The amendments provide relief to Group in respect of certain loans (note 28) whose contractual terms are affected by interest benchmark reform. See the applicable notes for further details on how the amendments affected the Group.

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES continued

Changes in accounting policies continued

a) New standards, interpretations and amendments adopted from 1 January 2021 (continued)

COVID-19-Related Rent Concessions (Amendments to IFRS 16) (continued)

In the annual financial statements for the year ended 31 December 2020, the Group had elected to utilise the practical expedient for all rent concessions that meet the criteria.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

On 31 March 2021, the IASB issued another amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the above practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. This amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment is to be applied mandatorily by those entities that have elected to apply the previous amendment COVID-19-Related Rent Concessions. Accordingly, the Group has applied the amendment Covid-19-Related Rent Concessions beyond 30 June 2021 in the current annual financial statements.

The Group had negotiated several rent concessions with lessors that affected payments originally due after 30 June 2021 but before 30 June 2022. In the annual financial statements for the year ended 31 December 2020, these ineligible rent concessions were accounted as lease modifications, as they were not eligible for the application of the practical expedient.

The ineligible rent concessions now qualify for application of the practical expedient due to the amendment issued in March 2021.

The transition provisions of the extension to the practical expedient require retrospective application, with the cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. Accordingly, the Group has reversed the lease modification accounting applied to the previously ineligible rent concessions reflected in the financial statements for the year ended 31 December 2020, with the effect being recognised as an adjustment to the opening balance of retained earnings as at 1 January 2021.

The effect of reversal of lease modification accounting and adjustment to the opening balance of retained earnings is disclosed in consolidated statement of changes in equity.

During the year ended 31 December 2021, the Group has entered into additional rent concessions that satisfy the criteria for the application of the extended practical expedient. The Group has applied the practical expedient to these rent concessions.

The effect of applying the practical expedient is disclosed in note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES continued**Changes in accounting policies continued****b) New standards, interpretations and amendments not yet effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretations Committee (IFRIC) issued a Tentative Agenda Decision, analysing the applicability of the amendments to three scenarios. However, given the comments received and concerns raised on some aspects of the amendments, in April 2021, IFRIC decided not to finalise the agenda decision and referred the matter to the IASB. In its June 2021 meeting, the IASB tentatively decided to amend the requirements of IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group will assess the impact of the final amendments to IAS 1 on classification of its liabilities once the those are issued by the IASB. The Group does not believe that the amendments to IAS 1, in their present form, will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

- Impairment of goodwill – Estimate of future cash flows and determination of the discount rate (see note 17).
- The valuation of intangibles (see note 17).
- The capitalisation of development costs (see note 17).
- The valuation of equity investments classified as (FVTOCI) (see note 18).
- The valuation of derivative financial assets classified as (FVTPL) (see note 19).
- The determination of the incremental borrowing rate used to measure lease liabilities (see note 24).
- The valuation of share options awarded (see note 31).

Valuation of equity investments classified as (FVTOCI)

The fair value of unlisted securities is established using International Private Equity and Venture Capital Valuation Guidelines (IPEVCVG). Given the nature of the Group's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts.

The Group considers that fair value estimates that are based entirely on observable market data will be of greater reliability than those based on assumptions and accordingly where there has been any recent investment by third parties, the price of that investment will generally provide a basis of the valuation. Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data.

As an example, SageTech Medical Equipment Limited is not quoted on an active market at year end and fair value has been established initially using inputs from other than quoted prices that are observable, i.e., the price of recent investments by third parties during December 2021. SageTech raised £1.1m all at the same valuation of £65.00 per share from EIS investors. At the time this was is the only observable valuation on which to value SageTech.

If the fair value of unquoted equity investments was to decrease by 50%, the net assets figure would decrease by £1,263k with a corresponding increase if the inputs were to increase by 50% (see note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SEGMENTAL REPORTING

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, for which separate financial information is available and whose operating results are evaluated by the Chief Operating Decision Maker to assess performance and determine the allocation of resources. The Chief Operating Decision Maker has been identified as the Board of Directors.

The Board of Directors assess the performance of the operating segment using financial information which is measured and presented in a manner consistent with that in the financial statements.

Revenue from contracts with customers by segment

31 December 2021	Delivered Goods £000s	Service Fees £000s	Total £000s
EMV Capital	-	940	940
ProAxis	122	45	167
	122	985	1,107
31 December 2020	Delivered Goods £000s	Service Fees £000s	Total £000s
EMV Capital	-	200	200
ProAxis	108	86	194
	108	286	394

Total profit/(loss) by operating unit for the period by segment

	2021 £000s	2020 £000s
Cetromed	33	-
EMV Capital	173	20
Glycotest	(1,329)	(1,575)
ProAxis	(8)	(166)
NetScientific	(1,731)	(617)
	(2,862)	(2,338)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

5. REVENUE

Revenue from contracts with customers

31 December 2021	Delivered Goods £000's	Service Fees £000's	Total £000's
United Kingdom	122	985	1,107
	122	985	1,107
31 December 2020	Delivered Goods £000's	Service Fees £000's	Total £000's
United Kingdom	108	286	394
	108	286	394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

6. EMPLOYEES AND DIRECTORS

The average number of persons (including executive Directors) employed by the Group during the year was:

	2021	2020
	Number	Number
Central Group functions *	7	2
Research and development and Engineering	10	6
Sales and other	8	5
	25	13

* Central Group functions comprise general management, investment, finance, human resources and marketing.

Their aggregate remuneration (excluding non-executive Directors) comprised:

	2021	2020
	£000's	£000's
Wages and salaries	1,759	1,233
Social security costs	198	115
Share-based payment charge	135	53
Pension costs	65	36
	2,157	1,437

The Group makes pension contributions for certain employees into money purchase schemes. The total expense relating to these plans in current year was £65k (2020: £36k). There were outstanding contributions at the end of the financial year of £11k (2020: £7k).

The aggregate remuneration of key management comprised:

	2021	2020
	£000's	£000's
Wages and salaries	630	328
Social security costs	83	41
Share-based payment charge	126	43
Pension costs	47	24
Benefits in kind	4	4
	890	440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

7. OTHER COSTS

	2021 £000's	2020 £000's
Estimated credit losses on trade receivables	11	(37)
Merger and acquisition costs	55	179
Share-based payments (note 31)	141	53
	207	195

During the year, the Group incurred transaction fees of £55k (2020: £179k) payable to lawyers and brokers for exploring potential merger and acquisition and disposal opportunities.

8. LOSS FROM CONTINUING OPERATIONS

The loss before income tax is stated after charging/(crediting):

	2021 £000's	2020 £000's
Depreciation of property, plant and equipment (see note 14)	54	44
Amortisation of right-of-use assets (see note 15)	31	32
Amortisation of intangibles (see note 17)	163	77
Fair value movement during the year on convertible debts (see note 19)	28	128
Estimated credit losses on trade receivables	11	(37)
Short-term and low value leases:		
- land and buildings	29	28
Net foreign exchange losses	29	4
Fees payable to the Company's auditor for the audit of the Company's financial statements	8	8
Audit of the Company's subsidiaries pursuant to legislation	40	33
Fees payable to the Company's auditors for other services:		
- Audit related services	13	13

9. FINANCE INCOME

	2021 £000's	2020 £000's
Interest income arising from:		
Cash and cash equivalents	-	1
Loan notes	23	109
	23	110

10. FINANCE EXPENSE

	2021 £000's	2020 £000's
Interest expense on:		
Loans	15	20
Lease liabilities	7	8
	22	28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

11. BUSINESS COMBINATIONS ACQUIRED DURING THE PERIOD**Cetromed acquisition**

On 20 December 2021, NetScientific Plc acquired 75% of the voting equity of Cetromed Limited a life science holding company with several portfolio companies spun out of the university of Leuven, Belgium. Cetromed was a holding company owned by the Azima Trust (through Zahra Holdings Ltd), the family trust of Farad Azima, the founder and ex-CEO of NetScientific (who passed away in 2020). The portfolio was formed around several life sciences investments commercialised out of the Belgium-based K.U. Leuven, a leading European research institution with strengths in Medical Technologies, Bio-Sciences and Environment, and others. Its core assets include:

- FOx Biosystems (5.059% stake) which provides real-time, label-free analysis technology based on an innovative fibre-optic-based surface plasmon resonance biosensor, enabling users to generate high quality biomolecular data such as affinity data, kinetic data and concentration measurements. The stake was valued at c. €400k at the last investment round of €7.91m in 2020. The company was formed as a spin-out following a sponsored research agreement with K.U. Leuven that saw Cetromed invest €537k. The company is backed by LRM, Heran Partners, K.U. Leuven's Gemma Frisius Fund, and Leuven University.
- DName-iT (61.54% stake) which is developing biological barcodes to provide improved quality assurance through the entire genetic testing process. This technology offers a new level of traceability and quality control to the workflow of genetic tests based on Next Generation Sequencing (NGS) and beyond. The previous funding round was £1.3m of which Cetromed invested £0.8m for its stake in 2015.
- Oncocidia (41.27% stake) which is developing a targeted radiopharmaceutical cancer treatment, which involves extending the already successful use of Iodine-131 in treating thyroid cancer, to treat solid cancers elsewhere in the body. Cetromed invested £0.2m for its stake in 2015.

Details of the fair value of identifiable assets and liabilities acquired purchase consideration and goodwill are as follows:

	Book Value £000's	Adjustments £000's	Fair Value £000's
Assets			
Intangible assets	427	(427)	-
Equity Investments classified as FVTOCI	342	-	342
Financial assets classified as FVTPL	129	-	129
Bank	3	-	3
Prepayments	2	-	2
Other Debtors	5	-	5
Total assets	908	(427)	481
Liabilities			
Trade Payables	(13)	-	(13)
Accruals	(118)	82	(36)
Loan	(128)	-	(128)
Total liabilities	(259)	82	(177)
Net assets	649	(345)	304
Minority interest	25%		(76)
Net Assets Acquired	75%		228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

11. BUSINESS COMBINATIONS ACQUIRED DURING THE PERIOD continued

Fair value of consideration paid is as follows:

	2021 £000's
Issue of 146,542 NetScientific Plc 5p ordinary shares	150
Issue of 146,542 NetScientific Plc warrants at a strike price of £1.30 per share exercisable within five years	42
Total Consideration Paid	192
No separately identified intangibles	-
Gain on purchase	36
Total net assets acquired	228

Acquisition costs of £15k arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

Zahra Holdings Limited has agreed to lock-in provisions, for a 12-month period following completion of the acquisition, relating to the Consideration Shares and the existing 938,952 NetScientific shares held by Zedra Trust Company (Jersey) Limited. Zahra Holdings Limited and Zedra Trust Company (Jersey) Limited are Azima Trust companies.

Since the acquisition date, Cetromed has contributed operating losses of £3k to Group. If the acquisition had occurred on 1 January 2021, the acquisition would have increased the overall Group loss by £83k net of minority interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

11. BUSINESS COMBINATIONS ACQUIRED DURING THE PRIOR PERIOD continued**EMVC Acquisition**

In the prior year on 25 August 2020, the Group acquired 100% of the voting equity of EMV Capital Limited from Futura Messis Group Limited, a company owned and managed by Dr Ilian Iliev. The principal activity is venture capital and corporate finance with interests in the industrials, energy and healthcare sectors. Key reasons for the acquisition were to add scale, operational and investment capabilities, team and additional revenue channels that NetScientific did not have in-house. Taken in combination, the acquisition continues to unlock additional value creation opportunities for NetScientific shareholders.

Details of the fair value of identifiable assets and liabilities acquired purchase consideration and goodwill are as follows:

	Book Value £000's	Adjustments £000's	Fair Value £000's
Assets			
Property, plant and equipment	6	-	6
Intangible assets	17	-	17
Bank	139	-	139
Trade Receivables	34	-	34
Prepayments	4	-	4
Accrued Income	76	(11)	65
Other Debtors	1	-	1
Total assets	277	(11)	266
Liabilities			
Trade Payables	(59)	-	(59)
Accruals	(93)	-	(93)
Other Creditors	(39)	-	(39)
Corporation Tax	(32)	-	(32)
Bank loan	(50)	-	(50)
Total liabilities	(273)	-	(273)
Net assets/liabilities	4	(11)	(7)

Fair value of consideration paid is as follows:

	2020 £000's
Issue of NetScientific Plc 5p ordinary shares	2,289
Total Consideration Paid	2,289
Separately identifiable intangible assets	
Carry interest arrangements (Capital Gain Based Value)	1,627
Investment acquisition costs	17
Goodwill (see note 17)	669
Total intangibles acquired	2,313

11. BUSINESS COMBINATIONS ACQUIRED DURING THE PRIOR PERIOD continued

Acquisition costs of £179k arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

The consideration settled in shares is subject to a number of warranties over a three-year period following the date of acquisition.

The main factors leading to the recognition of goodwill are:

- The presence of certain intangible assets, such as the assembled workforce of the acquired entity, EIS practice, infrastructure, thought leadership, brand, deal flow and investor network and relationships, which do not qualify for separate recognition.
- Economies of scale which result in the Group being prepared to pay a premium.
- Carry interest arrangements and profit share are a material identifiable class of asset that has been recognised separately.

The goodwill recognised will not be deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

12. TAXATION

Analysis of tax credit	2021 £000's	2020 £000's
Current tax:		
UK research and development tax credit	41	43
Income tax credit on current year loss	41	43
Income tax credit on prior year	20	-
Total income tax credit in the Consolidated Income Statement	61	43

Factors affecting the tax expenses

The tax credit on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the losses of the consolidated entities as follows:

	2021 £000's	2020 £000's
Loss before taxation from continuing operations	(2,922)	(2,381)
Tax at domestic rates applicable to losses in the respective countries 18.60% (2020: 20.32%)	543	484
Effects of:		
Expenses not deductible for tax purposes	(81)	(84)
Additional deduction for R&D expenditure	-	54
Capitalisation and amortisation of R&D – Timing difference	(150)	(173)
Loan provision – Timing difference	-	47
Movement on other – Timing difference	32	76
Share based payments	-	(1)
Surrender of tax losses for R&D tax credit refund	32	16
Unutilised tax losses arising in the period	(141)	(182)
Rate change on deferred tax	-	130
Deferred tax not recognised	-	(324)
Utilisation of unrecognised tax losses	(174)	-
Income tax credit	61	43
Total income tax credit in the Consolidated Income Statement	61	43

Tax effects relating to effects of other comprehensive income

There are tax losses available to carry forward against future trading profits from continuing operations of approximately £18,201k (2020: £17,483k). A deferred tax asset in respect of these losses of approximately £3,458k (2020: £3,322k) has not been recognised in the accounts, as the utilisation of these losses in the foreseeable future is uncertain. Deferred tax assets relating to R&D costs capitalised for tax purposes and accrued loan interest respectively have not been recognised in the accounts as the utilisation of these assets in the foreseeable future is uncertain. The R&D capitalised cost will transfer to unutilised tax losses over a period of 15 years and the loan interest will transfer to unutilised tax losses upon settlement of the accrued interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

13. LOSS PER SHARE

The basic and diluted loss per share is calculated by dividing the loss for the financial year by the weighted average number of ordinary shares in issue during the year. Potential ordinary shares from outstanding options at 31 December 2021 of 1,064,498 (2020: 656,729) (see note 31) are not treated as dilutive as the entity is loss making.

	2021 £000's	2020 £000's
Loss attributable to equity holders of the Company		
Continuing operations	2,385	1,611
Total	2,385	1,611
Number of shares		
Weighted average number of ordinary shares in issue	18,050,724	56,129,350

In the prior year on 24 August 2020, a share capital re-organisation took place. This had the effect of consolidating each ten existing options into one new option. The effect of the share capital re-organisation was that the exercise price of the options issued in the past was also multiplied by ten to be fair and equitable. The total number of options in the Company post the share capital re-organisation was 385,598.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement £000's	Furniture, fittings and equipment £000's	Plant and machinery £000's	Totals £000's
Cost				
At 1 January 2020	100	22	139	261
Additions	-	8	31	39
Acquired	-	6	-	6
Disposals	-	(1)	-	(1)
At 31 December 2020	100	35	170	305
Additions	-	20	42	62
At 31 December 2021	100	55	212	367
Depreciation				
At 1 January 2020	32	15	86	133
Acquired	-	1	-	1
Charge for the year	10	3	31	44
Disposals	-	(1)	-	(1)
At 31 December 2020	42	18	117	177
Charge for the year	10	11	33	54
At 31 December 2021	52	29	150	231
Net book value				
At 31 December 2021	48	26	62	136
At 31 December 2020	58	17	53	128

(i) Leasehold improvements of £100k are funded by a loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

15. RIGHT-OF-USE-ASSETS

	2021 £000's	2020 £000's
Cost		
At 1 January	253	253
At 31 December	253	253
Amortisation		
At 1 January	(64)	(32)
Charge for the year	(31)	(32)
At 31 December	(95)	(64)
Net book value		
At 31 December	158	189

There is one long term lease, the Group has decided it will apply the modified retrospective approach to IFRS 16, and therefore will only recognise leases on balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The rate applied was 3.5%.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset.

Short term leases still expensed as operating amount to £29k (2020: £28k) with a maturity of three to six months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

16. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

16(a) Subsidiaries

The Group had the following subsidiaries at 31 December 2021:

Name	Primary trading address	Country of incorporation or registration	Proportion of ownership interest at 31 December 2021	Proportion of ownership interest at 31 December 2020	Proportion of ownership interest held by non-controlling interests at 31 December 2021	Proportion of ownership interest held by non-controlling interests at 31 December 2020
NetScientific UK Limited	(a)	UK	100%	100%	-	-
EMV Capital Limited	(b)	UK	100%	100%	-	-
ProAxis Limited * (i)	(c)	UK	100%	100%	-	-
Cetromed Limited	(a)	UK	75%	-	25%	-
Frontier Biosciences Limited *	(a)	UK	75%	-	25%	-
Frontier Oncology Limited *	(a)	UK	75%	-	25%	-
NetScientific America, Inc.	(d)	USA	100%	100%	-	-
Glycotest, Inc. (i), (ii)	(e)	USA	62.5%	65.6%	37.5%	34.4%

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration.

* Held via an intermediate holding company.

All of the ownerships shown above relate to ordinary shareholdings.

- (i) Options have been issued by ProAxis Ltd and Glycotest, Inc. which if exercised would dilute the Company's shareholding by 5% and 66% respectively.
- (ii) Following issue of further shares during the prior year the Group's interest was reduced to 64.0% on the 30 March 2021 and then to 62.5% on 27 October 2021.

Registered office address:

- (a) Azets, Burnham Yard, London End, Beaconsfield, Buckinghamshire, HP9 2JH
- (b) Level 39, One Canada Square, Canary Wharf, London, E14 5AB
- (c) Unit 1B, Concourse Building, 3, Catalyst Inc, Titanic Quarter, 6 Queens Road, Belfast, BT3 9DT, Northern Ireland
- (d) 1650 Market Street, Suite 4900, Philadelphia, Pennsylvania, 19103-7300, United States of America
- (e) 613 Schiller Avenue, Merion, Philadelphia, Pennsylvania, PA 19066, United States of America

The addresses listed above are also the registered offices of the relevant entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

16. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS continued

16(b) Non-controlling interests

The total non-controlling interest at 31 December 2021 is credit £9k (2020: £158k), debit £65k (2020: £158k) is for Glycotest, Inc and credit £74k (2020: £Nil) is for Cetromed Limited.

Set out below is the summarised financial information for Cetromed and Glycotest, Inc. which have non-controlling interests that are material to the Group:

Summarised balance sheet

	Cetromed Ltd		Glycotest, Inc.	
	As at 31 December		As at 31 December	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Assets				
Non-current assets	337	-	2	3
Current assets	210	-	368	607
Total assets	547	-	370	610
Liabilities				
Current liabilities	(50)	--	(543)	(150)
Long term liabilities	(200)	--	-	-
Total liabilities	(250)	--	(543)	(150)
Net (liabilities)/assets	297	--	(173)	460
Non-controlling interests	74	-	(65)	158

Summarised statement of comprehensive income

	Cetromed Ltd		Glycotest, Inc.	
	For the year ended		For the year ended	
	31 December		31 December	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Revenue	-	-	-	-
Loss for the year before taxation	(3)	--	(1,329)	(1,570)
Total comprehensive loss for the year	(3)	--	(1,329)	(1,570)
Total comprehensive loss attributable to non-controlling interests	(1)	--	(476)	(539)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

16. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS continued

16(b) Non-controlling interests continued

Summarised cash flows

	31 December 2021 £000's	Cetromed Ltd 31 December 2020 £000's	31 December 2021 £000's	Glycotest, Inc. 31 December 2020 £000's
Net cash from/ (used in) operating activities	-	-	(958)	(1,554)
Net cash (used in) investing activities	--	--	--	(2)
Net cash inflows from/ (used in) financing activities	72	-	722	(119)
Net increase/(decrease) in cash and cash equivalents	72	-	(236)	(1,675)
Cash and cash equivalents at beginning of year	-	-	594	2,233
Exchange gains on cash and cash equivalents	-	-	2	36
Cash acquired	3	-	-	-
Cash and cash equivalents at end of year	75	-	360	594

The information above is the amount before inter-company eliminations.

Change in non-controlling interest "NCI"

A non-controlling interest acquired additional interests in Glycotest, Inc. Overall, the Groups ownership of Glycotest, Inc. decreased from 65.65% to 64.02% a movement of 1.63% and then a further 1.56% taking the Groups ownership to 62.46% at the end of the year. The carrying value of Glycotest, Inc. net assets in the Group's consolidated financial statements on the date of the acquisitions was £197k and net liabilities of £428k. Proceeds received from non-controlling interests amounted to £814k. This resulted in an increase in equity attributable to owners of the Company of £446k and a change in non-controlling interest of £368k.

In the prior year on 7 October 2020, a subsidiary acquired the remaining interest in ProAxis Limited from the founders and Queens University. Overall, the Groups ownership of ProAxis Ltd increased from 56.5% to 100% a movement of 43.5%. The carrying value of ProAxis Ltd net assets in the Group's consolidated financial statements on the date of the acquisition was £2,834k. The total consideration paid amounted to £229,683. This resulted in a decrease in equity attributable to owners of the Company of £1,463k and a change in non-controlling interest of £1,233k.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

17. INTANGIBLE ASSETS

	Goodwill £000's	Carry Interest Arrangements £000's	Development costs £000's	Investment Acquisition Costs £000's	Licenses and Patents £000's	Total £000's
Cost						
At 1 January 2020	-	-	-	-	-	-
Additions	-	-	337	-	50	387
Acquired through business combinations	669	1,627	-	17	-	2,313
At 31 December 2020	669	1,627	337	17	50	2,700
Additions	-	-	585	-	-	585
At 31 December 2021	669	1,627	922	17	50	3,285
Accumulated amortisation and impairment						
At 1 January 2020	-	-	-	-	-	-
Amortisation charge	-	76	-	-	1	77
At 31 December 2020	-	76	-	-	1	77
Amortisation charge	-	140	18	-	5	163
At 31 December 2021	-	216	18	-	6	240
Net book value						
At 31 December 2021	669	1,411	904	17	44	3,045
At 31 December 2020	669	1,551	337	17	49	2,623

Further ProAxis development costs of £585k (2020: £337k) have been capitalised during the year in line with the accounting policy as certain projects meet all the criteria for development costs to be recognised as an asset as it is probable that future economic value will flow to the Group.

In the prior year on 25 August 2020, the Group acquired 100% of the voting equity of EMV Capital Limited from Futura Messis Group Limited, a company owned and managed by Dr Ilhan Iliev. The acquisition has the potential to unlock additional value creation opportunities for NetScientific shareholders and reduce the risk of further value erosion. The consideration settled in shares is subject to a number of warranties over a three-year period following the date of acquisition. The Group acquired through business combinations total intangibles of £2,313k.

The main factors leading to the recognition of this intangible are:

- the presence of certain intangible assets, such as the assembled workforce of the acquired entity, EIS fund practice, infrastructure, thought leadership, brand, deal flow and investor network and relationships, which do not qualify for separate recognition;
- economies of scale which result in the Group being prepared to pay a premium; and
- carry interest arrangements and profit share that are a material identifiable class of asset that has been recognised separately.

In the prior year ProAxis acquired a key patent as part of the buyout of the founders and Queens University for £50k which will be amortised over the economic life of the patent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

18. EQUITY INVESTMENTS CLASSIFIED AS FVTOCI

Represent equity securities classified as FVTOCI

	2021 £000's	2020 £000's
At 1 January	2,970	1,468
Additions	2,192	999
Conversion of financial assets classified as FVTPL	-	645
Acquired through business combinations	342	-
Change in fair value during the year	6,012	(142)
At 31 December	11,516	2,970

Name	Country of incorporation	% of issued share capital	Currency denomination	£000's
PDS Biotechnology Corporation	USA	4.72%	US\$	8,047
CytoVale, Inc.	USA	1.00%	US\$	371
EpiBone, Inc.	USA	0.84%	US\$	290
G-Tech, Inc	USA	3.80%	US\$	317
PointGrab	Israel	0.49%	US\$	68
Fox Biosystems NV	Belgium	5.06%	EUR€	336
Q-Bot Limited	UK	18.28%	GBP£	1,025
SageTech Medical Equipment Limited	UK	5.89%	GBP£	887
Martlet Capital Limited	UK	1.51%	GBP£	175

Refer to note 3 Significant accounting estimates and judgements for more information on the valuation of equity investments as FVTOCI.

The value of PDS Biotechnology Corporation at year end was based on the listed share price (Nasdaq under the ticker PDSB) of \$8.10 per share at 31 December 2021 (2020: \$2.14). On 15 June 2021, Netscientific subscribed for £363k for 60,000 shares of PDS common stock at a price of \$8.50 per share. In the prior year on 12 February 2020, Netscientific subscribed for £503k for 500,000 shares of PDS common stock at a price of \$1.30 per share. On 12 August 2020, NetScientific subscribed for £496k for 236,000 shares of PDS common stock at a price of \$2.75 per share as the Board did not wish to be unduly diluted if it did not participate. At 31 December 2021 Netscientific owns 1,338,833 shares of PDS' common stock (2020: 1,278,833 shares), representing approximately 4.72% of the undiluted share capital (2020: 5.75%). The current share price as of 27 April 2022 was \$5.19 giving a fair value of the PDS investment of £5,558k. It is the Company's intention to hold the shares and to make a decision on its position in due course. The Group's interest in PDS Biotechnology is non-controlling.

CytoVale Inc. remains privately held, and fair value has been established using the share price and company valuation from investments by third parties during December 2019. CytoVale raised \$15.0m all at the same price per share from a Venture Capital, private investor and government sources. At the time this was the only observable valuation on which to value CytoVale.

In the prior year on 23 January 2020, EpiBone, Inc., an early-stage investment announced a Series A funding round raising \$8 million. NetScientific's convertible loan note and accrued interest of £299k converted into Series A preferred shares. This last observable price has been used to value the EpiBone, Inc., equity investment at year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

18. EQUITY INVESTMENTS CLASSIFIED AS FVTOCI continued

In the prior year on 21 May 2020, G-Tech, Inc., an early-stage investment announced a Series A funding round raising \$6 million. NetScientific's fully impaired convertible loan note and accrued interest of £346k converted into Series A preferred shares. This last observable price has been used to value the G-Tech, Inc., equity investment at year end.

On 22 April 2021 NetScientific purchased 225,000 ordinary shares in PointGrab at 0.40c and a further 31,522 ordinary shares. At 31 December the last round price of 0.40c has been used to value the stake at £68k. The holding represents 0.49% of the overall share capital.

FOx Biosystems (5.06% stake) which provides real-time, label-free analysis technology based on an innovative fibre-optic-based surface plasmon resonance biosensor, enabling users to generate high quality biomolecular data such as affinity data, kinetic data and concentration measurements. The stake was valued at £336k at the last investment round share price of €75.51 per share, valuing 100% at €7.91m in 2020. The company was formed as a spin-out following a sponsored research agreement with K.U. Leuven that saw Cetromed invest €537k. The company is backed by LRM, Heran Partners, K.U. Leuven's Gemma Frisius Fund, and Leuven University. The Fox Biosystems stake of 5,297 ordinary shares was acquired on 20 December 2021 when acquired a controlling 75% of Cetromed Limited.

In December 2021 NetScientific purchased 5,370 Q-Bot Limited ordinary shares at £190.00 per share from various individuals. The buyout results in a significant direct equity holding of 18.28% (from Nil). At year end the fair value was unchanged and £190.00 per share was used to value the holding. The Board considers that these transactions will result in a broadening of the Group's portfolio, via its hands-on investment approach, and deepening its participation in a proven pioneering robotics and AI business with rapid scale-up potential.

On 31 March 2021 NetScientific purchased via the secondary market 5,215 SageTech Medical Equipment Ltd ordinary shares at a 35% discount to fair value for £200k. On 24 August 2021 a further 6,889 ordinary shares were purchased at a 35% discount via the secondary market. On 24 December 2021 1,539 SageTech ordinary shares were purchased at £65.00 per share for £100. At year end the last round of £65.00 per share was used to determine the fair value of the 5.59% stake at £887k an increase on cost of £320k during the period. SageTech's flexible, low-capex, modular system allows hospitals to capture waste anaesthetic gas exhaled by patients in absorbent, reusable canisters in the operating theatre. These canisters are emptied, the gas stored in bulk tanks and then collected by SageTech. The firm is currently developing technology which will allow this gas to be recycled, purified and sold commercially.

On 16 September 2021 NetScientific purchased 210,844 Martlet Capital Ltd ordinary shares, the Cambridge technology cluster of over 50 minority investments at 0.83p per share for £175k. At year end the last round of 0.83p was used to fair value the holding which remained unchanged. NetScientific's direct investment in Martlet is 1.51%, it retains a significant interest through its "capital under advisory".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

19. FINANCIAL ASSETS CLASSIFIED AS FVTPL

Warrants & Convertible Loans classified as FVTPL	2021 £000's	2020 £000's
Balance at 1 January	78	262
Additions	1,332	-
Additional accrued interest	24	109
Release of provision	-	224
Conversion to equity investments classified as FVTOCI	--	(645)
Change in fair value during the year	28	128
Balance at 31 December	1,462	78

On 30 April 2021, NetScientific Plc purchased a £100k, 10% pa coupon convertible loan note, with a 20% discount on conversion and a duration of up to 36 months in Sofant Technologies a leading UK SatCom operator and global semiconductor OEMs. It purchased a further £200k on 10 September 2021 at the same terms. Accrued interest during the period was £13k. The change in fair value during the period was £11k.

On 16 September 2021 NetScientific purchased £75k unsecured convertible loan note in Martlet Capital, the Cambridge technology cluster of over 50 minority investments. The convertible loan note carries interest at 5% p.a. and is repayable by the seventh anniversary from the grant date. NetScientific's direct investment in Martlet is 1.51%, it retains a significant interest through its "capital under advisory". Accrued interest during the period is £1k.

On 27 October 2021 NetScientific Plc purchased a £300k convertible loan note in Q-Bot. The convertible loan note carries interest at 10% p.a., a discount on conversion of 20% on the next investment round and is repayable within two years. Accrued interest during the period was £5k. The change in fair value during the period was £7k. Q-Bot is a London-based award-winning robotics and AI company that has pioneered cutting edge technology and digital solutions for the inspection, maintenance, insulation and upgrade of buildings and homes.

On the 26 November 2021, NetScientific Plc purchased a \$734k loan note in EpiBone Inc. The convertible loan note carries interest at 6% p.a., a discount on conversion of 15% on the next investment round and is repayable by 31 December 2022. The investment is in line with NetScientific's Trans-Atlantic strategy, supporting its portfolio companies to build a presence and links on both sides of the Atlantic. Post-investment, NetScientific is looking to support EpiBone in building a presence in the UK and Europe. Accrued interest during the period was £3k. The change in fair value during the period was £8k. The funding will take EpiBone through to a scale-up round expected in late 2022 and enables the company to accelerate development of its pipeline. In the prior year on 23 January 2020, EpiBone, Inc., an early-stage investment announced a Series A funding round raising \$8 million. NetScientific's convertible loan note and accrued interest of £299k converted into Series A preferred shares.

On 20 December 2021 NetScientific acquired via business combination a €150k loan note in FOx Biosystems, which provides real-time, label-free analysis technology based on an innovative fibre-optic-based surface plasmon resonance biosensor, enabling users to generate high quality biomolecular data such as affinity data, kinetic data and concentration measurements. The Loan note carries interest at 5% p.a., a discount on conversion of 25% on the next investment round and is repayable within three years of grant date. The change in fair value during the period was £2k.

In the prior year on 21 May 2020, G-Tech Medical, Inc., an early-stage investment announced a Series A funding round raising \$6 million. NetScientific's fully impaired convertible loan note and accrued interest of £424k converted into Series A preferred shares of £346k and common form convertibles of £78k which remain as financial assets classified as FVTPL.

The Neumitra, Inc., and Longevity Inc., convertible loan notes do not have a material value individually or collectively and have been fully impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

20. INVENTORY

	2021 £000's	2020 £000's
Finished products	67	74
	67	74

Inventories are held at net realisable value. Finished products constitute Neatstik and ProteaseTag active neutrophil elastase immunoassay kits.

During the year the impairment charge totalled £Nil (2020: £Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

21. TRADE AND OTHER RECEIVABLES

	2021 £000's	2020 £000's
Current:		
Trade receivables	140	28
Taxation	88	43
Other receivables	815	46
Prepayments	77	54
Accrued income	478	205
	1,598	376
Non-current: other receivables	-	-
Total Trade and Other Receivables	1,598	376

The carrying value of trade and other receivables classified at amortised cost approximates fair value. The Group does not hold any collateral as security against any trade and other receivables.

Other receivables include an amount of £750k which was used to underwrite the Martlet Capital transaction which is due back from custodians and at 31 December 2021 £540k was held in cash by a nominee company. The full amount has since been transferred back to the Group.

At 31 December 2021 a breakdown of the gross carrying amounts and the impairments charge is as follows:

	Current £000's	More than 30 days past due £000's	More than 60 days past due £000's	Total £000's
Gross carrying amount	115	14	32	161
Loss rate	0%	33%	50%	40%
Impairment provision	-	(5)	(16)	(21)
Trade Receivables	115	9	16	140

Based on good experience in 2021 the loss rate on more than 60 days past due gross carrying amounts has reduced from 100% to 50%.

At 31 December 2020 a breakdown of the gross carrying amounts and the impairments charge is as follows:

	Current £000's	More than 30 days past due £000's	More than 60 days past due £000's	Total £000's
Gross carrying amount	28	-	19	47
Loss rate	0%	33%	100%	40%
Impairment provision	-	-	(19)	(19)
Trade Receivables	28	-	-	28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

22. CASH AND CASH EQUIVALENTS

	2021 £000's	2020 £000's
Short term deposits	1,990	785
Cash and cash equivalents	720	843
	2,710	1,628

The cash held within subsidiary Glycotest, Inc., of £360k (2020: £594k) is not freely available for use within the wider group as it would need the consent of a 40% minority shareholder.

23. TRADE AND OTHER PAYABLES

	2021 £000's	2020 £000's
Current:		
Trade payables	219	173
Other payables	56	9
Corporation Tax	-	32
Accruals	931	447
Deferred Income	323	-
	1,529	661

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

24. LEASE LIABILITIES

Transition Method and Practical Expedients Utilised

On adoption of IFRS 16, on 1 January 2019, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019. The incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The rate applied was 3.5%.

	2021 £000's	2020 £000's
Lease Liability		
Balance at start of period	(194)	(224)
Add:		
Payments	38	38
Less:		
Interest charge during the period	(7)	(8)
Balance at end of period	<u>(163)</u>	<u>(194)</u>
Split as follows:		
Current Liability	(32)	(31)
Long Term Liability	<u>(131)</u>	<u>(163)</u>
	<u>(163)</u>	<u>(194)</u>

The judgement that the Group was reasonably certain to extend for the full term of the lease beyond the contractual breaks in the third, fifth and seventh years of the lease have made a material difference to the carrying value of the asset/liability. The impact of this judgement is to increase the initial asset/liability amounts by £216k, £181k and £114k respectively.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Group, occurred from March 2020 to June 2020 in the prior year.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs. All rent concessions were repaid during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

25. LOANS AND BORROWINGS

	2021 £000's	2020 £000's
Total falling due within one year	59	28
Total falling due after more than one year	432	287
Total	491	315
The maturity of the loans are as follows:		
Amounts falling due within one year on demand	59	28
Amounts falling due between one and two years	67	58
Amounts falling due between two and five years	282	184
Amounts falling due over five years	83	45

Loans and borrowings represent:

An unsecured loan note of £100k has been issued by a UK subsidiary, of which £60k is outstanding as at 31 December 2021 (2020: £70k). There is no interest charged and is payable in equal instalments of £10k. First instalment upon signing of document and then equally over nine years.

On 9 April 2020 Netscientific entered into an 18-month secured £700,000 line of credit with Beckman Group. The facility, which incurs interest of 10.0% p.a. on drawn amounts and 3.0% p.a. on undrawn amounts and has an arrangement fee of 1%, it can be extended by mutual agreement for an additional six months and is secured on the whole of NetScientific's interest in PDS.

On 12 August 2020 for prudent financial management, the Group made a £400k drawdown on the 18-month secured £700,000 line of credit facility with the Beckman Group. The line of credit and interest of £402k was repaid in full on the 28 August 2020. The funds were used to fund the purchase of additional PDS shares. The facility, which incurs interest of 10.0% p.a. on drawn amounts and 3.0% p.a. on undrawn amounts and has an arrangement fee of 1%, can be extended by mutual agreement for an additional six months and is secured on the whole of NetScientific's interest in PDS.

On 7 October 2020, an unsecured convertible loan note for £100k plus accrued interest of £50k was fully repaid by a UK subsidiary. The loan note carried an interest rate of 10% p.a., which is compounded annually. The loan note is able to be repaid at any time by the UK subsidiary and is repayable on demand by the noteholder. The loan note is convertible to equity upon certain events taking place at the election of the noteholder.

On 12 October 2020, a UK subsidiary entered into a secured HSBC coronavirus business interruption loan agreement "CBIL's" for £245k. The subsidiary had taken out a £50k bounce back loan that had to be repaid. The £245k CBIL's funds were drawn down on 18 November 2020. The CBIL's facility incurs interest of 3.99% p.a. above the Bank of England base rate. The first twelve months is interest free and the loan is repayable within six years with principal repayments starting after thirteen months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

26. CALLED UP SHARE CAPITAL

Authorised, issued and fully paid:	2020 £000's	2019 £000's
21,121,853 ordinary shares of 5p each (2020: 14,916,122 of 5p each)	1,056	746

On 20 December 2021 the Company issued 146,542 of 5p ordinary shares at 102.36p, based upon the average of the middle market quotation between 1 November 2021 and 5 November 2021 (inclusive) for the purchase of 75% of Cetromed Limited, a life sciences holding company with several portfolio companies spun out of the University of Leuven, Belgium.

On 29 June 2021 the Company issued 5,958,123 of 5p ordinary shares at 130p per share, raising gross funds of £7,746k and net funds of £7,309k.

On 25 January 2021 the Company issued 101,066 of 5p ordinary shares at 49.47p per share to Chairman John Clarkson, who has taken the payment in shares, rather than cash for fees owed to Development Financial and Management Services Ltd.

In the prior year on 24 August 2020, a share capital re-organisation took place. This had the effect of consolidating each ten existing ordinary shares into one new ordinary share. This was done to increase the market value of the Company's shares relative to the nominal value of the shares.

The effect of the share capital re-organisation was that:

1. The Existing Ordinary Shares of 5p each sub-divided into:
 - a) one Interim Ordinary Share, being an ordinary share in the capital of the Company with a nominal value of 0.5p; and
 - b) one Deferred Share being a deferred share in the capital of the Company with a nominal value of 4.5p each.
2. The resulting Interim Ordinary Shares then consolidated into New Ordinary Shares of 5p each (the "New Ordinary Shares") based on one New Ordinary Share for every 10 Interim Ordinary Shares.

Four additional existing 5p ordinary shares were issued to ensure that the ordinary shares were exactly divisible by ten. The nominal value of the new ordinary shares is 5p. The number of new ordinary shares of 5p once the share re-organisation became effective was 7,856,187.

The Deferred Shares will not be transferable. The holders of the Deferred Shares shall not, by virtue of or in respect of their holdings of Deferred Shares, have the right to receive notice of any general meeting of the Company or the right to attend, speak or vote at any such general meeting.

The rights attaching to the Deferred Shares will be minimal and such shares do not carry any dividend rights and will only be entitled to a payment on a return of capital (whether by winding up or otherwise) after an amount of £10,000,000 has been paid in respect of each New Ordinary Share (an extremely remote possibility). The Deferred Shares will not be listed or admitted to trading on AIM (nor any other stock market) and will not be transferable without the prior written consent of the Company.

The holders of the Deferred Shares shall be deemed to have conferred the irrevocable authority on the Company at any time to: (i) appoint any person, for and on behalf of such holder, to, inter alia, transfer some or all of the Deferred Shares (without making any payment therefore) to such person(s) as the Company may determine (including without limitation the Company itself); and (ii) repurchase or cancel such Deferred Shares without obtaining the consent of the holders thereof. In addition, the Company may repurchase all of the Deferred Shares, at a price not exceeding one pence in aggregate. The Articles have been amended to reflect the creation of the Deferred Shares and to set out the rights attaching to them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

26. CALLED UP SHARE CAPITAL continued

On 25 August 2020, the Company issued 3,521,480 of 5p ordinary shares at 65p per share to acquire 100% of the share capital in EMV Capital at a cost of £2,289k from Futura Messis Group Limited a related party owned by Dr. Ilian Iliev. On the same date the Company issued a further 3,538,455 of 5p ordinary shares via a placement at 65p per share respectively, raising net funds of £2,117k. The General Meeting on the 24 August 2020 duly passed all resolutions by 98% authorising the capital re-organisation which had the effect of consolidating ten existing shares into one new ordinary share; the issue of 3,535,455 new ordinary shares to Futura Messis Group Limited; and the adoption by the Company of new Articles of Association. Following the Acquisition, Placing and share capital re-organisation, its issued share capital will comprise 14,916,122 New Ordinary Shares upon Admission. All of these New Ordinary Shares have equal voting rights and none of the New Ordinary Shares are held in treasury. The total number of voting rights in the Company will therefore be 14,916,122 upon Admission.

Details of share options can be found in note 31. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

27. CAPITAL AND RESERVES*Share capital*

Share capital represents the nominal value of shares issued.

Warrants

The warrant account is used to record the aggregate amount of warrants issued in the Company's own shares recorded at fair value.

Share premium account

Share premium represents amounts subscribed for share capital in excess of nominal value less the related costs of shares issued.

Capital reserve account

Capital reserve represents the waiver of loan interest on conversion of the loans provided by the Group into ordinary shares.

Equity investment reserve account

Equity investment reserve is used to record the cumulative net gains and losses in fair value of equity securities classified as fair value through other comprehensive income under IFRS 9.

Foreign exchange reserve

The foreign exchange reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries of the Group.

Retained earnings

Retained earnings are in deficit and represent cumulative net gains and losses recognised in the consolidated statement of comprehensive income adjusted for cumulative share-based payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

28. FINANCIAL INSTRUMENTS

	2021 £000's	2020 £000's
Financial assets measured at amortised cost	1,433	279
Financial assets measured at fair value through other comprehensive income (note 18)	11,516	2,970
Financial assets measured at fair value through profit and loss (note 19)	1,434	78
Financial liabilities measured at amortised cost	(2,183)	(1,170)

Financial assets measured at amortised cost comprise trade receivables, other receivables and accrued income.

Financial assets measured at fair value through other comprehensive income comprises of equity investments classified as FVTOCI (note 18).

Financial assets measured at fair value through profit and loss include derivative financial assets and convertible loan notes (note 19).

Financial liabilities measured at amortised cost comprise trade payables, other payables, accruals and loans and borrowings.

The carrying values of the assets and liabilities detailed above are considered to represent a reasonable approximation of their fair value.

Currency risk

During the year under review, the Group was exposed to US dollar exposure as a significant amount of its research and development expenditure is denominated in this currency. The Group holds some of its cash in US dollars to reduce its exposure to movements in exchange rates.

The currency and interest rate exposure of the Group's borrowings is shown below.

	Total £000's	Floating borrowings £000's	Fixed borrowings £000's	Weighted average interest rate %
As at 31 December 2021				
Sterling loan	-	-	-	10%
Sterling loan	441	441	-	4%
Sterling lease liability	163	-	163	4%
Sterling loan	50	-	50	0%
	654	441	213	4%
As at 31 December 2020				
Sterling loan	-	-	-	10%
Sterling loan	245	245	-	4%
Sterling lease liability	194	-	194	4%
Sterling loan	70	-	70	0%
	509	245	264	3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

28. FINANCIAL INSTRUMENTS continued*Currency risk continued*

The interest rate is fixed for the duration of the loans.

Interest rate and currency of cash balances

Floating rate financial assets of £2,710k (2020: £1,628k) comprises sterling £2,331k (2020: £915k) and US dollar US\$511k (2020: US\$972k) cash deposits with the banks current accounts. Interest receivable for the year ended 31 December 2021 was £23k (2020: £110k).

Interest rate and currency of loans

The Group has total loan notes of £1,434k (2020: ££78k). There are sterling denominated loan notes of £675k (2020: £Nil), which have accrued interest of £19k (2020: £Nil). The interest rate on sterling denominated loan notes is fixed and range from 5% to 10%. There are Euro denominated loan notes of €150k (2020: €Nil), the interest rate is fixed at 5%, no interest has been accrued. There are US dollar loan notes and common form convertibles totalling US\$1,440k (2020: US\$706k) which have accrued interest of US\$105k (2020: US\$101k). The interest rate on loan notes totalling US\$1,334k is fixed at 6%. The loan notes are not part of Cash and Cash Equivalents and \$600k has been fully impaired.

Currency exposure

The exposures comprise the monetary assets and liabilities of the Group that are not denominated in the operating or 'functional' currency of the operating unit involved.

If GBP weakened by 10% against USD, with all other variables held constant, the following movements would be seen in balances:

	2021 £000's	2020 £000's
Cash balances	34	65
Trade payables	(8)	(3)
Accruals	(23)	(15)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

28. FINANCIAL INSTRUMENTS continued*Undrawn bank facilities*

On 16 June 2021, the Group made a £350k drawdown on the extended £700,000 line of credit facility with the Beckman Group. The line of credit and interest totalling £352k was repaid in full on the 30 June 2021. The funds were used to fund the purchase additional PDS shares. The facility incurs interest of 10.0% p.a. on drawn amounts and 3.0% p.a. on undrawn amounts and has an arrangement fee of 1% and is secured on the whole of NetScientific's interest in PDS Biotechnology Corp. At 31 December 2021 the line of credit facility with the Beckman Group was undrawn.

On 18 May 2021, NetScientific Plc and ProAxis Ltd both signed debentures with floating charges over the assets of both Companies to guarantee as security for a further £200k HSBC coronavirus business interruption loan for ProAxis Ltd. The proceeds have been used to continue development work in the business. The total amount borrowed is £445k (2020: £245k).

In the prior year on 12 August 2020 for prudent financial management, the Group made a £400k drawdown on the 18-month secured £700,000 line of credit facility with the Beckman Group. The line of credit and interest of £402k was repaid in full on the 28 August 2020. The funds were used to fund the purchase additional PDS shares. The facility, which incurs interest of 10.0% p.a. on drawn amounts and 3.0% p.a. on undrawn amounts and has an arrangement fee of 1%, can be extended by mutual agreement for an additional six months and is secured on the whole of NetScientific's interest in PDS.

On 12 and 21 October 2020, NetScientific Plc and ProAxis Ltd both signed debentures with floating charges over the assets of both Companies to guarantee as security for £245k HSBC coronavirus business interruption loan for ProAxis Ltd. The proceeds to be used to continue development work in the business during the pandemic.

On 13 November 2020, NetScientific Plc and EMV Capital both signed debentures with floating charges over the assets of both Companies to guarantee as security for £200k HSBC overdraft facility for EMV Capital. At 31 December 2020 the overdraft facility was undrawn.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

28. FINANCIAL INSTRUMENTS continued*Credit risk*

The Group follows a risk-averse policy of treasury management. Sterling and US dollar cash balances are held with reputable financial institutions to minimise credit risk. The Group's primary treasury objective is to minimise exposure to potential capital losses whilst at the same time securing prevailing market rates. Additionally, the Group has borrowings in Sterling. Credit risk attributable to trade and other receivables is detailed below. The carrying amount of these assets represents the maximum credit exposure:

	2021 £000's	2020 £000's
Trade receivables	161	28
Other receivables	815	46
	976	74

The derivative financial assets are all net settled; therefore, the maximum exposure to credit risk at the reporting date is the fair value of the derivative assets which are included in the consolidated statement of financial position.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

Each business establishes a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer.

The Risk Management Committee determines concentrations of credit risk by monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future credit sales are made only with approval of the Risk Management Committee, otherwise payment in advance is required.

Interest rate risk

The Group's cash held at bank is subject to the risk of fluctuating base rates. The interest rate on US dollar purchase loan notes is fixed. The Group has sterling fixed rate borrowings, see note 25 and below for profile of maturities.

Capital risk management

The Group is funded primarily by equity finance and has some short-term borrowings. Management regard the capital structure of the Company to consist of all elements of invested capital and non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

28. FINANCIAL INSTRUMENTS continued*Liquidity Risk*

The Group's policy is to maintain adequate cash resources to meet liabilities as they fall due. Cash balances are placed on deposit for varying periods with reputable banking institutions to ensure there is limited risk of capital loss. The Group does not maintain an overdraft facility. Cash flow forecasts are used to facilitate the management of cash resources. The following table shows the contractual maturities of the Group's financial liabilities, all of which are measured at amortised cost:

	2021 £000's	2020 £000's
1 year or less		
Trade payables	219	173
Other payables	56	9
Accruals	931	447
Deferred Income	323	-
Corporation Tax	-	32
Lease liabilities	32	31
Loans and borrowings	59	28
Total	1,620	720
1-2 years		
Lease liabilities	32	32
Loans and borrowings	67	58
Total	99	90
2-5 years		
Lease liabilities	99	103
Loans and borrowings	282	184
Total	381	287
Over 5 years		
Lease liabilities	-	28
Loans and borrowings	83	45
Total	83	73

29. CONTINGENT LIABILITIES

There are no contingent liabilities in the current and prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

30. COMMITMENTS**Short-term and low value lease commitments**

At 31 December 2021, the Group had the following future value of minimum lease payments due as set out below:

	Land and buildings	
	2021	2020
	£000's	£000's
Within one year	14	13
In the second to fifth years inclusive	-	-
In the sixth to tenth year inclusive	-	-

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application 1 January 2019, without restatement of comparative figures. The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

31. SHARE-BASED PAYMENTS

The Group operates an equity settled share option scheme for certain Directors and employees of the Group. Options are exercisable at a price defined by the individual option agreement. The vesting period varies according to the individual employment contract. If the options remain unexercised during the specified period from the date of grant, the options expire. Options are generally forfeited if the employee leaves the Group before the options vest, however, this is at the discretion of the Board.

Total options existing over 5p ordinary shares in the Company as of 31 December 2021 are summarised below:

Date of Grant	Number of shares at 1 January 2021	Granted during the year	Lapsed during the year	Number of shares as at 31 December 2021	Note	Exercise price	Date of expiry *
September 2013	237,363	-	-	237,363	1	£16.00	September 2023
November 2015	35,902	-	-	35,902	2	£11.95	November 2025
February 2016	20,000	-	-	20,000	3	£8.62	February 2026
June 2016	21,000	-	(18,000)	3,000	3	£7.97	June 2026
January 2017	33,000	-	(18,000)	15,000	3	£6.55	January 2027
June 2018	8,333	-	-	8,333	4	£4.55	June 2028
September 2020	382,465	-	-	382,465	5	£0.65	September 2030
November 2020	520,930	-	-	520,930	6	£0.455	November 2030
April 2021	-	61,536	-	61,536	7	£0.56	April 2031
September 2021	-	366,382	-	366,382	8	£0.40	September 2031
	1,258,993	427,918	(36,000)	1,650,911			

* All options lapse in full if they are not exercised by the date of expiry.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

31. SHARE-BASED PAYMENTS continued

- Options were granted on 16 September 2013, the date of the Company's Admission to AIM. The vesting terms were one third on date of grant, the next third on the first anniversary of the date of Admission and the final third on the second anniversary of the date of Admission.
- 5,000 options vested on 30 January 2018 and 35,902 options vested on 8 June 2018.
- Options vest in three years after the date of grant.
- Options vest in three years after the date of grant.
- Options were granted on 25 September 2020. The vesting terms were one third on date of grant, the next third on the first anniversary of the date of issue and the final third on the second anniversary of issue.
- Options were granted on 30 November 2020. The vesting terms were one third on date of grant, the next third on the first anniversary of the date of issue and the final third on the second anniversary of issue.
- Options were granted on 30 April 2021. The vesting terms were one third on date of grant, the next third on the first anniversary of the date of issue and the final third on the second anniversary of issue.
- Options were granted on 28 September 2021. The vesting terms were one third on date of grant, the next third on the first anniversary of the date of issue and the final third on the second anniversary of issue.

Movement in the number of share options outstanding are as follows:

	2021 Weighted average exercise price £	Restated 2021 Number	2020 Weighted average exercise price £	2020 Number
Outstanding at 1 January	4.21	1,258,993	1.30	3,855,984
Restated balance at 24 August 2020, date of share capital re-organisation	-	--	13.00	(3,470,386)
Granted during the year	0.42	427,918	0.54	903,395
Lapsed during the year	(7.26)	(36,000)	(6.46)	(30,000)
Outstanding at 31 December	3.17	1,650,911	4.21	1,258,993

	2021 Weighted average exercise price £	2021 Number	2020 Weighted average exercise price £	2020 Number
Amounts exercisable at 31 December	4.64	1,064,498	7.58	656,729

On 24 August 2020, a share capital re-organisation took place. This had the effect of consolidating each ten existing options into one new option. The effect of the share capital re-organisation was that the exercise price of the options issued in the past was also multiplied by ten to be fair and equitable. The total number of options in the Company post the share capital re-organisation was 385,598.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

31. SHARE-BASED PAYMENTS continued**Fair value charge**

The fair value charge for the share options have been based on the Black-Scholes model with the following key assumptions:

Date of Grant	Exercise price £	Share price at date of grant £	Risk free rate %	Assumed time to exercise Years	Assumed volatility %	Fair value per option £
2021						
30 April 2021	0.59	0.59	0.84	4	40%	0.20
28 September 2021	1.24	1.235	1.00	4	40%	0.40
2020						
25 September 2020	0.65	0.65	0.19	4	40%	0.18
30 November 2020	0.455	0.46	0.31	4	40%	0.15

No dividends are assumed. The risk-free rate is taken from the yield on zero coupon UK government bonds on a term consistent with the expected life. Assumed volatility is based on a review of comparators and analysis of movements to the share price since the Company's listing. The Group did not enter into any share-based payment transactions with parties other than Directors or employees during the current or the previous year.

The total charge for the year in respect of continuing operations share-based payments for share options granted to Directors and employees was £141k (2020: £53k) (see note 7). £Nil (2020: £5k) of this sum represents the share-based charge on options granted by subsidiary entities.

32. RELATED PARTY DISCLOSURES

Beckman Group and Melvin Lawson, who is interested in 16.25% (2020: 21.98%) of the issued share capital of NetScientific, is also considered and presumed to be acting in concert with Dr Ilian Iliev, as defined by the takeover code. Accordingly, the sale of subsidiaries Vortex Biosciences Inc. and Wanda Inc. in the prior year on 22 March 2021 represents a related party transaction in accordance with AIM rule 13.

On 16 June 2021, the Group made a £350k drawdown on the extended £700,000 line of credit facility with the Beckman Group. The line of credit and interest totalling £352k was repaid in full on the 30 June 2021. The funds were used to fund the purchase additional PDS shares. The facility incurs interest of 10.0% p.a. on drawn amounts and 3.0% p.a. on undrawn amounts and has an arrangement fee of 1% and is secured on the whole of NetScientific's interest in PDS Biotechnology Inc. At 31 December 2021 the undrawn line of credit facility with the Beckman Group was £700k (2020: £300k).

EMV Capital provides corporate finance, consulting and management services to Vortex Biosciences Inc. a related party by common substantial shareholders. During the period revenue was booked totalling £338k (2020: £39k). The balance outstanding at 31 December 2021 is £330k (2020: £45k).

EMV Capital also provided corporate finance, consulting and management services to Wanda Inc. a related party by common substantial shareholders. During the period revenue was booked totalling £99k (2020: £34k). The balance outstanding at 31 December 2021 is £68k (2020: £28k).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

32. RELATED PARTY DISCLOSURES continued

In the prior year:

For the period 1 January 2020 to 30 April 2020 (prior to Dr Ilian Iliev's appointment as CEO), London Innovation Partners Limited, a company owned by Dr Ilian Iliev received £70k, pursuant to a consultancy agreement between it and the Company. The balance outstanding at 31 December 2021 is £Nil (2020: £Nil).

John Clarkson controls Development, Financial and Management Services Limited, which received £220k, pursuant to a consultancy agreement with the Company for the period 1 January 2020 to 30 November 2020. The balance outstanding at 31 December 2021 is £Nil (2020: £80k) as described and approved in the shareholders circular published on the 7 August 2020.

On 7 April 2020 for prudent financial management, the Group entered into an 18-month secured £700,000 line of credit facility with the Beckman Group. The facility, incurs interest of 10.0% p.a. on drawn amounts and 3.0% p.a. on undrawn amounts and has an arrangement fee of 1%, can be extended by mutual agreement for an additional six months and is secured on the whole of NetScientific's interest in PDS.

On 12 August 2020 for prudent financial management, the Group made a £400k drawdown on the 18-month secured £700,000 line of credit facility with the Beckman Group. The line of credit and interest of £402k was repaid in full on the 28 August 2020. The funds were used to fund the purchase additional PDS shares. The facility, which incurs interest of 10.0% p.a. on drawn amounts and 3.0% p.a. on undrawn amounts and has an arrangement fee of 1%, can be extended by mutual agreement for an additional six months and is secured on the whole of NetScientific's interest in PDS Biotechnology Corp.

The Company utilised the £150k proceeds from the sale of Vortex Biosciences Inc. and Wanda Inc. towards its ongoing working capital requirements.

Except as noted above, there are no additional related party transactions that could have a material effect on the financial position or performance of the Group and of the Company during this financial period under review.

33. EVENTS AFTER THE REPORTING PERIOD

On 6 May 2022, NetScientific Plc announced the conditional acquisition of a 30% stake in Vortex Biotech Holdings Ltd. The Acquisition is conditional upon the receipt by Deeptech Disruptive Growth Investments Ltd of a customary HMRC tax clearance. Upon completion, immediately before the Acquisition, of the proposed restructuring, Vortex Biotech Holdings will be the owner of c.95% of Vortex BioSciences, Inc. and 100% of Vortex Liquid Biopsy Solutions Ltd. The capture and enrichment of CTCs is becoming a critical element of cancer research, complementing general tests for cancers based on circulating tumour DNA (ctDNA). The consideration for the Acquisition is satisfied on completion by the transfer of Group invoices totalling £300k in relation to past services. This is a related party transaction due to common substantial shareholders of NetScientific in accordance with the AIM Rules for Companies. This excellent transaction, which captures both significant value and substantial upside potential in Vortex, which has over recent years significantly strengthened, made significant commercial and operational progress and de-risked its business proposition. The 30% stake in Vortex fulfils our criteria for deeper involvement in selected portfolio companies, focused on delivering enhanced shareholder returns. The Board is accordingly delighted for the Group to be in a position to re-acquire an interest in Vortex.

34. ULTIMATE CONTROLLING PARTY

The Directors believe there to be no ultimate controlling party.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000's	2020 £000's
Fixed assets			
Tangible assets	7	9	3
Investments in subsidiary undertakings	8	6,309	6,117
Other investments	9	11,828	2,372
Loans to subsidiary undertakings	10	1,261	150
Total non-current assets		19,407	8,642
Current assets			
Debtors: amounts falling due within one year	11	823	101
Cash at bank		2,088	898
Total current assets		2,911	999
Creditors			
Amounts falling due within one year	12	(511)	(205)
Net current assets		2,400	794
Net assets		21,807	9,436
Capital and reserves			
Called up share capital	13	1,056	746
Warrants	14	42	-
Share premium account	14	72,773	65,594
Capital redemption account	14	237	237
Equity Investment account	14	4,504	(1,505)
Accumulated losses	14	(56,805)	(55,636)
Total equity		21,807	9,436

The notes on pages 113 to 124 are an integral part of these financial statements.

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The loss dealt with in the financial statements of the Parent Company for the year ended 31 December 2021 was £1,310k (2020: loss of £1,498k).

The financial statements on pages 111 to 124 were approved by the Board of Directors on 11 May 2022 and signed on its behalf by:

Dr Ilian Iliev
Chief Executive Officer

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £000's	Warrants	Share premium £000's	Capital redemption reserve £000's	Equity investment reserve £000's	Accumul- ated losses £000's	Total equity £000's
Balance at 1 January 2020	3,928	-	58,006	237	(1,408)	(54,186)	6,577
Share re-organisation	(3,535)	-	3,535	-	-	-	-
Issue of share capital	353	-	4,236	-	-	-	4,589
Cost of share issue	-	-	(183)	-	-	-	(183)
Loss and total comprehensive loss for the year	-	-	-	-	(97)	(1,498)	(1,595)
Share-based payments	-	-	-	-	-	48	48
Balance at 31 December 2020	746	-	65,594	237	(1,505)	(55,636)	9,436
Issue of share capital	310	-	7,635	-	-	-	7,945
Cost of share issue	-	-	(456)	-	-	-	(456)
Issue of warrants	-	42	-	-	-	-	42
Profit/(Loss) and total comprehensive	-	-	-	-	6,009	(1,310)	4,699
Profit/(loss) for the year	-	-	-	-	-	141	141
Share-based payments	-	-	-	-	-	141	141
Balance at 31 December 2021	1,056	42	72,773	237	4,504	(56,805)	21,807

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

NetScientific Plc is a public limited company incorporated in England and Wales. The address of the registered office is C/o Azets, Burnham Yard, London End, Beaconsfield, Buckinghamshire HP9 2JH.

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with the FRS 102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland".

Exemptions

The parent company has taken advantage of the following exemptions available under FRS 102:

- the exemption from preparing a statement of cash flows;
- the exemption from disclosing key management personnel compensation; and
- reduced disclosures for share-based payments (as equivalent disclosures have been given in the Consolidated Financial Statements presented alongside the parent company's own financial statements).

2. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's financial statements.

Going concern

NetScientific's financial position is positively transformed from the start of the previous year. The overall loss in the financial year of £2.9m (2020: £2.3m) includes investment in R&D, establishing the business infrastructure and platform for further expansion, as well as the ongoing management and development of portfolio companies. The successful £7.7m placement in June 2021 enabled NetScientific to accelerate its investment and growth strategy in the second half of the year. In this context, the Directors have prepared and reviewed budget cashflows which were approved by the Board of Directors in the Board meeting of 1 February 2022.

As a result, NetScientific is now in a fundamentally stronger position; with assets up from £8m to £18m, with an extended, increasingly valuable portfolio, and in addition to cash-in-bank, holding liquid assets of some £6m. In this context, the Directors have prepared and reviewed budget cashflows which were approved by the Board of Directors in the Board meeting of 1 February 2022.

NetScientific has reviewed the major budgeted assumptions and sensitivities in light of recovery from the impacts of COVID-19 and the broader economic environment. It has the option of cash preservation plans across the Group and delayed expenditure when appropriate. The review has also taken into consideration the potential impact of changing market conditions and other risks. Having made substantial progress, NetScientific is now in a secure position. The Board will closely monitor events and maintain a flexible approach to new opportunities, both for investment and realising returns/financing.

With this approach, NetScientific will carefully manage its cash flow to maintain going concern status through to June 2023 and beyond. Over this period, the Group requires a minimum of approximately £1.6m to maintain going concern status. This finance can be covered through several options, either on their own or in combination. These options include: driving revenue, price increases, appropriate financing at both subsidiary and Group level, pursuit of further grant income, soft and non-dilutive finance, delaying of expenditures, deferring projects, revised investments, partial sell-downs of stakes or full disposal, closely managing receipts and payments from third parties and achieving planned cost savings amongst others. Naturally NetScientific complies with accounting standards and regulatory guidance, which are reflected in the board's approach and commentary. As exemplified above, going forward NetScientific now has financial strength and an excellent range of options and financing alternatives which are yet to be finalised. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Recognising the various factors, there will be vigilant management of events and implementation of necessary actions to ensure NetScientific's ability to continue as a going concern. The proactive management approach is not only applied to the portfolio companies, but throughout the organisation. This is reflected in both strategic planning and tactical decisions. Hence having evaluated potential risks and the range of scenarios,

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES continued**Going concern continued**

NetScientific looks forward to a very positive future.

The financial statements do not include any adjustments that would be necessary if NetScientific was unable to continue as a going concern. Based on the success in the implementation of the new strategy since 2020, the Directors are confident that NetScientific remains a going concern, and it is appropriate to prepare the financial statements on this basis.

Investment in subsidiary undertakings

Investments in subsidiary undertakings where the Company has control are stated at cost less any provisions for impairment. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Provisions are based upon an assessment of events or changes in circumstances that indicate that an impairment has occurred such as the performance and/or prospects (including the financial prospects) of the investee company being significantly below the expectations on which the investment was based, a significant adverse change in the markets in which the investee company operates or a deterioration in general market conditions.

Intercompany loans

All intercompany loans are initially recognised at fair value and subsequently measured at amortised cost. Where intercompany loans are intended for use on a continuing basis in the Company's activities and there is no intention of their settlement in the foreseeable future, they are presented as fixed assets.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Fixtures, fitting and equipment	-	33.3% reducing balance
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Valuation of quoted and unquoted fair value equity investments "other investments"

Financial assets measured at fair value through profit and loss include the Companies unquoted equity investments not held for trading. The current portion relates to those assets the Company expects to sell within the next 12 months.

Investments in listed company shares, which have been classified as other investments as the Group intends to hold them on a continuing basis, are remeasured to fair value at each balance sheet date. Movements in fair value on remeasurement are recognised through profit and loss for the period. Investments in unlisted company shares, which have been classified as other investments as the Group intends to hold them on a continuing basis, are remeasured to fair value at each balance sheet date. Movements in fair value on remeasurement are recognised through profit and loss for the period.

The Company considers that fair value estimates that are based entirely on observable market data will be of greater reliability than those based on assumptions and accordingly where there have been any recent investments by third parties, the price of that investment will generally provide a basis of the valuation. Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data.

Share-based payments

For all grants of share options, the fair value as at the date of the grant is calculated using an appropriate option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are likely to vest, except for options with market-based conditions where the likelihood of vesting is factored into the fair value attributed to those options. The expense is recognised over the vesting period of the option. The credit for any charge is taken to equity. The details are disclosed in note 31 of the Consolidated Financial Statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES continued

Financial instruments

Basic financial assets, including other debtors, cash and bank balances and investments, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less.

The Company's investments in entities not qualifying as subsidiaries, associates or jointly controlled entities are carried at fair value with changes in fair value, recognised through profit and loss and accumulated in reserves. If there is a significant range of possible fair value estimates and the probabilities of the various estimates cannot be reliably measured, then the investments are measured at cost less accumulated impairment

Basic financial liabilities, including trade and other payables and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The most significant judgements related to the going concern assumption (see note 2).

The estimates and assumptions that have the most significant effects on the carrying value of the assets and liabilities in the financial statements are discussed below.

Valuation of unquoted fair value equity investments

The fair value of unlisted securities is established using International Private Equity and Venture Capital Valuation Guidelines (IPEVCVG). Given the nature of the Company's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts.

The Company considers that fair value estimates that are based entirely on observable market data will be of greater reliability than those based on assumptions and accordingly where there have been any recent investments by third parties, the price of that investment will generally provide a basis of the valuation. Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data.

SageTech Medical Equipment Limited is not quoted on an active market at year end and fair value has been established initially using inputs from other than quoted prices that are observable, i.e., the price of recent investments by third parties during December 2021. SageTech raised £1.1m in 2021 all at the same valuation of £65.00 per share from EIS investors. At the time this was the only observable valuation on which to value SageTech.

Valuation of investments in, and loans to subsidiary undertakings

The Company assesses at the end of each reporting period whether there is objective evidence that the investment in, and loans to, subsidiary undertakings are impaired. Given the pre-revenue nature of the investments the assessment is based on the carrying value of each subsidiary companies' assets and the progress of their scientific programmes. Management has stress tested its fundamental investment valuation models for each of the investee companies and management have reviewed that any changes to the fundamentals would give rise to a material impact to the Company financial statements. During the year, a provision of £Nil (2020: £Nil) was made against the investment in subsidiary undertakings and net £142k (2020: £142k) against loans to subsidiary undertakings. This has no impact to the Group financials.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

4. PROFIT OF THE PARENT COMPANY**Auditors' remuneration**

The remuneration of the auditors is disclosed in note 8 to the Consolidated Financial Statements.

Share-based payments

Full details of the Company's share-based payments are set out in note 31 of the Consolidated Financial Statements.

5. DIRECTORS' REMUNERATION

The remuneration of the Directors is disclosed in the Directors' Remuneration Report on pages 45 to 48 of the Consolidated Financial Statements.

6. EMPLOYEES AND DIRECTORS

The average number of persons (including executive Directors) employed by the Company during the year was:

	2021	2020
	Number	Number
Central Group functions *	5	2
	5	2

* Central Group functions comprise general management, investment, finance, human resources and marketing.

Their aggregate remuneration (excluding non-executive Directors) comprised:

	2021	2020
	£000's	£000's
Wages and salaries	885	370
Social security costs	118	46
Share-based payment charge	135	48
Pension costs	48	24
	1,186	488

The Company makes defined pension contributions for certain employees into money purchase schemes. The total expense relating to these plans in the current year was £48k (2020: £24k). There were outstanding contributions of £11k (2020: £7k) and no prepaid contributions (2020: £Nil) at the end of the financial year.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

7. TANGIBLE ASSETS

	Fixtures, fittings and equipment £000's
COST	
At 1 January 2020	9
Additions	1
At 31 December 2020	10
Additions	8
At 31 December 2021	18
DEPRECIATION	
At 1 January 2020	6
Charge for the year	1
At 31 December 2020	7
Charge for the year	2
At 31 December 2021	9
NET BOOK VALUE	
At 31 December 2021	9
At 31 December 2020	3

8. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2021 £000's	2020 £000's
At 1 January	6,117	3,828
Additions	192	2,289
At 31 December	6,309	6,117

Details of the Company's subsidiary undertakings at 31 December 2021 are included in note 16 to the Consolidated Financial Statements on page 88.

On 20 December 2021, 75% of Cetromed Limited was acquired at a cost of £192k with the issue of 146,542 NetScientific new ordinary shares ("Consideration Shares") valued at £150k based on an agreed price per share of £1.0236, based upon the average of the middle market quotations between 1 November 2021 and 5 November 2021 (inclusive); and the issue of warrants to subscribe for a further 146,542 NetScientific new ordinary shares at a strike price of £1.30 per share and exercisable within five years, valued at £42k.

In the prior year on 25 August 2020, 100% of EMV Capital was acquired at a cost of £2,289k with the issue of 3,521,480 NetScientific Plc 5p ordinary shares.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

9. OTHER INVESTMENTS

		2021 £000's	2020 £000's
At 1 January		2,372	1,472
Additions		3,421	999
Change in fair value during the year		6,035	(99)
At 31 December		11,828	2,372

Name	Country of incorporation	% of issued share capital	Currency denomination	Fair value £000's
PDS Biotechnology Corporation	USA	4.72%	US\$	8,047
CytoVale, Inc.	USA	1.00%	US\$	371
Epibone, Inc.	USA	CLN	US\$	543
PointGrab Limited	Israel	0.49%	US\$	68
Q-Bot Limited	UK	18.28%	GBP	1,025
Q-Bot Limited	UK	CLN	GBP	312
SageTech Medical Equipment Limited	UK	5.89%	GBP	887
Sofant	UK	CLN	GBP	324
Martlet Capital Limited	UK	1.70%	GBP	175
Martlet Capital Limited	UK	CLN	GBP	76
				11,828

The Company considers that fair value estimates that are based entirely on observable market data will be of greater reliability than those based on assumptions and accordingly where there have been any recent investments by third parties, the price of that investment will generally provide a basis of the valuation. Consequently, the most appropriate approach to determine fair value is a methodology that is based on market data.

The value of PDS Biotechnology Corporation at year end was based on the listed share price (Nasdaq under the ticker PDSB) of \$8.10 per share at 31 December 2021 (2020: \$2.14). On 15 June 2021, Netscientific subscribed for £363k for 60,000 shares of PDS common stock at a price of \$8.50 per share. In the prior year on 12 February 2020, Netscientific subscribed for £503k for 500,000 shares of PDS common stock at a price of \$1.30 per share. On 12 August 2020, NetScientific subscribed for £496k for 236,000 shares of PDS common stock at a price of \$2.75 per share as the Board did not wish to be unduly diluted if it did not participate. At 31 December 2021 Netscientific owns 1,338,833 shares of PDS' common stock (2020: 1,278,833 shares), representing approximately 4.72% of the undiluted share capital (2020: 5.75%). The current share price as of 27 April 2022 was \$5.19 giving a fair value of the PDS investment of £5,558k. It is the Company's intention to hold the shares and to make a decision on its position in due course. The Group's interest in PDS Biotechnology is non-controlling.

CytoVale Inc. remains privately held, and fair value has been established using the share price and company valuation from investments by third parties during December 2019. CytoVale raised \$15.0m all at the same price per share from a Venture Capital, private investor and government sources. At the time this was the only observable valuation on which to value CytoVale.

On the 26 November 2021, NetScientific Plc purchased a \$734k loan note in EpiBone Inc. The convertible loan note carries interest at 6% p.a., a discount on conversion of 15% on the next investment round and is repayable by 31 December 2022. The investment is in line with NetScientific's Trans-Atlantic strategy, supporting its portfolio companies to build a presence and links on both sides of the Atlantic. Post-investment, NetScientific is looking to support EpiBone in building a presence in the UK and Europe. Accrued interest during the period was £3k. The change in fair value during the period was £8k. The funding will take EpiBone through to a scale-up round expected in late 2022 and enables the company to accelerate development of its pipeline.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

9. OTHER INVESTMENTS continued

On 22 April 2021 NetScientific Plc purchased 225,000 ordinary shares in PointGrab at 0.40c per share and a further 31,522 ordinary shares at the same price per share. At 31 December the last round price of 0.40c has been used to value the stake at £68k. The holding represents 0.49% of the overall share capital.

On December 2021 NetScientific purchased 5,370 Q-Bot Limited ordinary shares at £190.00 per share from various individuals. The buyout results in a significant direct equity holding of 18.28% (from Nil). At year end the fair value was unchanged and £190.00 per share was used to value the holding. The Board considers that these transactions will result in a broadening of the Group's portfolio, via its hands-on investment approach, and deepening its participation in a proven pioneering robotics and AI business with rapid scale-up potential.

On 27 October 2021 NetScientific Plc purchased a £300k convertible loan note in Q-Bot. The convertible loan note carries interest at 10% p.a., a discount on conversion of 20% on the next investment round and is repayable within two years. Accrued interest during the period was £5k. Q-Bot is a London-based award-winning robotics and AI company that has pioneered cutting edge technology and digital solutions for the inspection, maintenance, insulation and upgrade of buildings and homes. The change in fair value during the period was £7k.

On 31 March 2021 purchased via the secondary market 5,215 SageTech Medical Equipment Ltd ordinary shares at a 35% discount to fair value for £200k. On 24 August 2021 a further 6,889 ordinary shares were purchased at a 35% discount via the secondary market. On 24 December 2021 1,539 SageTech ordinary shares were purchased at £65.00 per share for £100. At year end the last round of £65.00 per share was used to determine the fair value of the 5.59% stake at £887k an increase on cost of £320k during the period. SageTech's flexible, low-capex, modular system allows hospitals to capture waste anaesthetic gas exhaled by patients in absorbent, reusable canisters in the operating theatre. These canisters are emptied, the gas stored in bulk tanks and then collected by SageTech. The firm is currently developing technology which will allow this gas to be recycled, purified and sold commercially.

On 30 April 2021, NetScientific Plc purchased a £100k, 10% pa coupon convertible loan note, with a 20% discount on conversion and a duration of up to 36 months in Sofant Technologies a leading UK SatCom operator and global semiconductor OEMs. It purchased a further £200k on 10 September 2021 at the same terms. Accrued interest during the period was £13k. The change in fair value during the period was £11k

On 16 September 2021 NetScientific purchased 210,844 Martlet Capital Ltd ordinary shares, the Cambridge technology cluster of over 50 minority investments at 0.83p per share for £175k. At year end the last round of 0.83p was used to fair value the holding which remained unchanged. NetScientific's direct investment in Martlet is 1.51%, it retains a significant interest through its "capital under advisory".

On 16 September 2021 NetScientific purchased £75k unsecured convertible loan note in Martlet Capital, the Cambridge technology cluster of over 50 minority investments. The convertible loan note carries interest at 5% p.a. and is repayable by the seventh anniversary from the grant date. NetScientific's direct investment in Martlet is 1.51%, it retains a significant interest through its "capital under advisory". Accrued interest during the period is £1k.

For more information on other investments refer to note 18 to the Consolidated Financial Statements on page 92.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

10. LOANS TO SUBSIDIARY UNDERTAKINGS

	2021 £000's	2020 £000's
At 1 January	150	105
Additions	1,224	437
Repayments	(105)	(155)
Releases	(154)	375
Provisions	-	(233)
Exchange movement	146	(379)
At 31 December	1,261	150

The amounts due from subsidiary undertakings are unsecured and repayable on demand. Interest has been charged on certain loans. A release of provision was made for NetScientific UK Ltd £3k (2020: provision of £233k) and NetScientific America, Inc. of £151k (2020: £379k).

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £000's	2020 £000's
Other receivables	788	77
Prepayments	35	18
Other taxes and social security	-	6
	823	101

Financial assets measured at amortised costs comprise other receivables.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £000's	2020 £000's
Trade creditors	44	14
Other creditors	22	3
Accruals	445	188
	511	205

Financial liabilities measured at amortised costs comprise trade creditors and accruals.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

13. CALLED UP SHARE CAPITAL

	2021 £000's	2020 £000's
Issued and fully paid:		
21,121,853 ordinary shares of 5p each (2020: 14,916,122)	1,056	746

Current Year

On 25 January 2021 it was announced that NetScientific Plc had issued a total of 101,066 new ordinary shares of £0.05 each in the Company ("New Ordinary Shares") to Chairman John Clarkson, who has chosen to take the payment in shares, rather than cash for fees owed to Development Financial and Management Services Ltd, Mr Clarkson's consultancy firm, valued at £50k. The New Ordinary Shares are being issued at a price of 49.4726 pence per share being a volume weighted average price of shares traded on AIM over the 5 trading days immediately preceding the date of issue.

On 29 June 2021, the Company issued 5,958,123 of 5p ordinary shares via a placement at 130 pence per share respectively, raising gross funds of £7,746k and net funds of £7,290k after deducting fees of £456k.

On 20 December 2021, 75% of Cetromed Limited was acquired at a cost of £192k with the issue of 146,542 NetScientific new ordinary shares ("Consideration Shares") valued at £150k based on an agreed price per share of £1.0236, based upon the average of the middle market quotations between 1 November 2021 and 5 November 2021 (inclusive); and the issue of warrants to subscribe for a further 146,542 NetScientific new ordinary shares at a strike price of 130 pence per share and exercisable within five years, valued at £42k.

Prior Year

On 24 August 2020, a share re-organisation took place. This had the effect of consolidating each ten existing ordinary shares into one new ordinary share. Four additional existing 5p ordinary shares were issued to ensure that the ordinary shares were exactly divisible by ten. The nominal value of the new ordinary shares is 5p. The number of new ordinary shares of 5p once the share re-organisation became effective was 7,856,187.

On 25 August 2020, the Company issued 3,521,480 of 5p ordinary shares at 65p per share to acquire 100% of the share capital in EMV Capital at a cost of £2,289k. On the same date the Company issued a further 3,538,455 of 5p ordinary shares via a placement at 65p per share respectively, raising net funds of £2,117k.

Further details of new ordinary shares issued during the prior year are shown in note 26 of the Consolidated Financial Statements.

Share options

Details of outstanding share options over ordinary shares of 5p each at 31 December 2021 are shown in note 31 of the Consolidated Financial Statements.

14. RESERVES

A description of each reserve is set out below.

Warrants

The warrant account is used to record the aggregate amount warrants issued in the Company's own shares recorded at fair value.

Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

Capital redemption reserve

This reserve relates to the nominal value and share premium amounts for shares repurchased or cancelled, as required under the Companies Act 2006.

Equity investment reserve account

Equity investment reserve is used to record the cumulative net gains and losses in fair value of quoted and unquoted equity securities.

Retained earnings

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2021

15. RELATED PARTY TRANSACTIONS

The following balances are due to NetScientific plc from fellow non-wholly owned subsidiary undertakings:

	Amount due from as at 2021 £000's	Amount due (to)/from as at 2020 £000's
Glycotest, Inc.	267	(3)
EMV Capital Limited	243	40
Cetromed Limited	201	-
ProAxis Limited	550	232

The following management fees were charged by NetScientific plc to fellow non-wholly owned subsidiary undertakings:

	2021 £000's	2020 £000's
Glycotest, Inc.	188	111
EMV Capital	99	33
ProAxis Limited	238	68

Interest was charged by NetScientific plc to the following non-wholly owned subsidiary undertakings:

	2021 £000's	2020 £000's
Cetromed Limited	1	-
ProAxis Limited	-	1

Other related parties have been disclosed in note 32 to the Consolidated Financial Statements.

COMPANY INFORMATION

DIRECTORS:		J Clarkson I Iliev S Smith C Sparrow
SECRETARY:		S Crowe
REGISTERED OFFICE:		C/o Azets Burnham Yard London End Beaconsfield Buckinghamshire HP9 2JH
BUSINESS ADDRESS:		Level 39 One Canada Square Canary Wharf London E14 5AB
REGISTERED NUMBER:		08026888 (England and Wales)
AUDITORS:		BDO LLP Arcadia House Maritime Walk Ocean Village Southampton Hampshire SO14 3TL
SOLICITORS:	UK	Trowers & Hamlin LLP 3 Bunhill Row London EC1Y 8YZ
	US	Wilentz, Goldman & Spitzer PA 90 Woodbridge Center Drive Suite 900 Woodbridge New Jersey 07095-1146 USA
NOMINATED ADVISOR AND BROKER:		WH Ireland Ltd 24 Martin Lane London EC4R 0DR