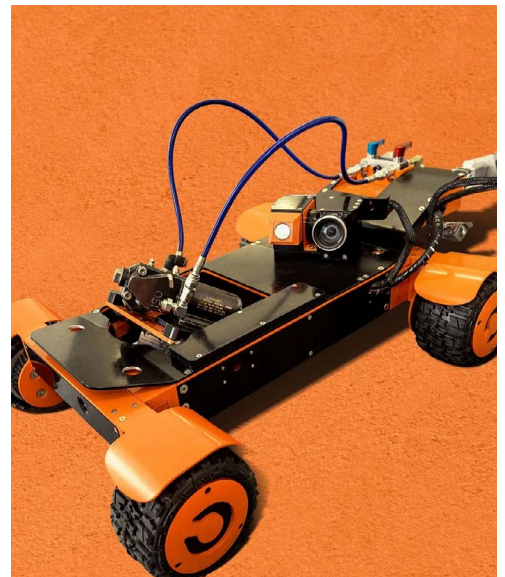


# Annual Report and Accounts

For the year ended 31 December 2022





NetScientific plc (AIM: NSCI) is an investment and commercialisation group with an international portfolio of innovative life science, sustainability and technology companies.

NetScientific identifies, invests in, and builds high growth companies in the UK and internationally. The company adds value through the proactive management of its portfolio, progressing to key value inflection points, and delivering investment returns through partial or full liquidity events.

NetScientific differentiates itself by employing a capital-light investment approach, making judicious use of its balance sheet and syndicating investments through its wholly owned VC subsidiary, EMV Capital. The group secures a mixture of direct equity stakes and carried interest stakes in its portfolio of companies, creating a lean structure that can support a large portfolio.

NetScientific is headquartered in London, United Kingdom, and is admitted to trading on AIM, a market operated by the London Stock Exchange.



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# Chair's Statement

I joined the business in December 2022, as Non-Executive Director and Chair of the Audit & Risk Committee. I then became interim Non-Executive Chair in early 2023, during a transitional phase and in order to lead the Board during our search for a new Chair.

At the time of my joining, the company had completed significant parts of its 2020 turnaround plan and was ready to execute its growth strategy. I am delighted to report that this is well underway, with NetScientific and EMV Capital now operating together to provide 'capital light' funding and value creation services to the portfolio. NetScientific and EMV Capital also engage closely together in transactions with potential new portfolio companies, utilising minimal balance sheet commitment. Since late 2022, the Group has also assisted our subsidiaries ProAxis and Glycotest to become financially independent portfolio companies by accessing external finance, thus reducing overall demand on the Group's finances.

In 2022, we witnessed high market volatility due to geopolitical events and decreased liquidity, marking the end of a number of years of relatively easily available capital. The venture capital industry experienced noteworthy changes, with declining valuations and failed companies becoming more common. Despite this challenging environment, NetScientific and its portfolio performed well, improving its performance in key areas. The company's turnaround strategy, which in 2022 included syndicated investments in core portfolio companies, and the ability to seize good opportunities, contributed to its resilience.

Our diversified portfolio meant that some companies were positioned to overcome challenges while others benefited from increased market focus on sustainability and energy security.

We evolved our Board to align with the company's strategy and growth ambitions, emphasising transaction and industry experience. As well as my own appointment, Ed Hooper joined our board as an Executive Director and has been a significant addition to the team. In January 2023, I assumed the role of Interim Non-Executive Chair until we recruited a new Chair. We are therefore very pleased to announce Charles Spicer as our new Non-Executive Chair. We eagerly anticipate working with Charles for many reasons, including his substantial board and specialist experience in the life sciences and deeptech sectors. As planned, I will soon transition from Interim Chair to Non-Executive Director, maintaining my close involvement with the company.

On behalf of the Board, I extend gratitude to the hard-working employees of NetScientific and EMV Capital, as well as our portfolio companies and shareholders, for their valued support.

**Dr. Jonathan Robinson**

*Interim Non-Executive Chair*

31 May 2023





# Chief Executive Officer's Statement

## Overview

Our goal is to become a leading deeptech venture capital (VC) investor in the life sciences, sustainability, and industrials sectors in the UK and internationally. We believe the global VC industry is at the end of a cycle and is now shifting away from traditional investment models focused on software, internet, and digital-only ventures<sup>1</sup>. We anticipate that the next stage of the VC industry's focus will revolve around deeptech opportunities in our target sectors, driven by advancements in artificial intelligence, robotics, semiconductors, materials science, 'in silico' design and breakthroughs in life sciences.

These developments present a compelling investment theme that requires a different VC approach, encompassing skillsets, engagement models, expertise, and capital deployment strategies tailored to deeptech investments. After 10 years of operational VC experience in this field, we continue to refine our investment and portfolio development strategy, which has been designed around the challenges of investing in deeptech – often involving hardware or hardware/software models. Our core multi-disciplinary team possesses an appropriate skillset mix, and has built the right processes, 'playbooks' and portfolio support structures apt for the unique challenges of investing and scaling businesses in deeptech.

Early success and validation of our strategy are evident in our 2022 performance. Despite market volatility, we achieved a remarkable 35% increase in Fair Value to £41.8 million, representing a 4x growth since implementing the new strategy nearly three years ago. This increase in valuations is not a passive or accidental outcome. It was in large measure driven by our team's hard work, and implementation of our model including: hands-on management; value creation efforts with select portfolio companies; capturing synergies between companies; and taking new or deeper stakes on advantageous terms,

avoiding overvaluation. While exits through Initial Public Offerings or trade sales to corporations may remain challenging and at lower valuations, we have demonstrated modest profitable divestments through secondaries.

It is worth noting, as other market commentators have also done, that our current market cap is at a substantial discount to our Fair Value. Though operational challenges persist, we are confident in our position for the next phase of developments as we build our business.

## Financial and Operational Highlights:

- Directors' valuation of the Company's portfolio has increased by c.35% to £41.8 million (2021: £31.0 million), driven by valuation increases across several companies.<sup>2</sup>
- Portfolio increased to 24 companies, through 2 additions during the year.
- EMV Capital was profitable on increased revenues of £1.2 million, providing valuable infrastructure and services to the Group and its portfolio companies.
- Group Loss for the year increased to £3.7 million (2021: £2.9 million), of which £1.5 million was attributable to the 'core' of NetScientific PLC and EMV Capital, with the balance of £2.2 million consolidated from the subsidiary portfolio companies ProAxis and Glycotest due to further commercialisation and development expenditure.
- ProAxis drive towards external fund-raise to fund next stage of growth, including planned launch of Point of Care diagnostic for COPD, and driving sales to pharma clients. Post-balance sheet £500k funding package from family office.

<sup>1</sup> A 2021 report by Boston Consulting Group "The Deeptech Investment Paradox" notes "VC funds are structurally unfit (lifetime, size, incentives) to invest in deep tech, relying on the **traditional blueprints of ICT** (high market risk, low technology risk) and Pharma/biotech (high technology risk, low market risk) and they often lack the expertise needed to understand advanced science, engineering risks and to support ventures" p.3

<sup>2</sup> 'Fair Value' is unaudited Directors' estimated value of the directly owned stakes, based on the BVCA valuation method.

- Glycotest progress towards completing clinical sample collection, raised \$500k from Fosun (in addition to NetScientific support). Post-balance sheet announcement of a \$2 million investment package, combining private investment of \$1 million and funding of \$1 million by Fosun.
- The company ends the year with a stronger balance sheet, with total assets of £29.0 million (2021: £20.7 million, a c. 40% increase), and net assets of £25.2 million (2021: £18.5 million, a c.36% increase).
- Cash on the balance sheet was £0.9 million (2021: £2.7 million), with a further c.£9.3 million held as readily realisable quoted securities as at 26 May 2023.
- The Group's 'capital light' investment model enabled NetScientific to continue to support its portfolio companies with a very selective use of its balance sheet: direct balance sheet investments of c.£3.2 million, together with £5.3 million of third party syndicated investments led by EMV Capital – while the portfolio overall raised c.£70 million in equity and venture debt
- *Capital under advisory* now stands at £23.5 million (2021: £22.1 million)<sup>3</sup>.
- Realisations of £0.5 million from a growing portfolio company, locking in a £0.3 million profit on that stake.
- Raised £1.5 million in June 2022 PLC placing, strengthening the Company's balance sheet and with strong participation from the investor network of EMV Capital.

## Portfolio highlights

In 2022, our portfolio experienced a successful year of value growth and fundraisings despite challenging markets. A total of £70 million was raised through equity and venture debt by 18 companies at various stages of investment. We selectively participated in 10 of these investments through both direct and syndicated means, aligning with our 'capital light' model. With two new additions, our portfolio now consists of 24 companies, including EMV Capital. More details on the individual companies' developments are given in the Portfolio Update section later in the statement.

In terms of new investments, we introduced two companies to our portfolio:

- Ventive Limited, in which we hold a 16% direct stake, received a £2.5 million financing package that included equity and debt matched funding. This unlocked a c.£1.5 million BEIS grant, and the company's business lines include passive air ventilation systems and modular heat pumps.
- Deeptech Recycling Technologies Limited, in which we hold a 30% direct stake, acquired the majority of assets from Recycling Technologies, a well known developer of plastic waste recycling technologies. Our Value Creation team is working on relaunching this business in the rapidly growing plastics waste management sector.

In addition, we restructured our participation in Vortex from capital under advisory into a direct 30% stake.

## EMV Capital Ltd ("EMVC")

EMVC is a wholly-owned subsidiary and the corporate finance and venture capital arm of NetScientific. It was acquired in August 2020, and was founded and owned by our CEO Dr. Ilian Iliev. It follows an investment model where it syndicates investments from its extensive network of private, institutional VC, and corporate investors in pre-Series A and Series A stages. It actively engages with portfolio companies to focus on venture capital returns.

EMVC plays a vital role in the Group's strategy by generating revenues, enabling a 'capital light' investment model, and providing specialised support and value creation services to portfolio companies. Additionally, it offers potential additional investment returns to the Group through its the Capital Under Advisory.

Key developments in 2022 for EMVC included syndicating £5.3 million, reaching now a total advisory capital of £23.5 million (only slightly higher than 2021 due to the subtraction of £3.9 million Vortex Biosciences restructuring).

<sup>3</sup> This includes the subtraction of £3.9 million in respect of Vortex Biosciences, where the company restructured its carried interest and acquired a 30% direct interest. "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 10 per cent.

## Chief Executive Officer's Statement continued

Revenues increased by 15% to £1.2 million from corporate finance and value creation activities, resulting in a net profit of £85,000. EMVC successfully integrated its portfolio into NetScientific's Group strategy, facilitating advantageous acquisitions of stakes in Vortex, Ventive, and Deeptech Recycling. Furthermore, EMVC raised significant capital for portfolio companies including Q-Bot, SageTech, Sofant, DName-iT, Vortex, Wanda, Deeptech Recycling, Ventive, and FOx Biosystems.

To support growth at its portfolio companies, EMVC offers value creation services through its in-house operational team, venture partners, and suppliers, encompassing investment readiness, IP strategy, corporate collaborations, financial functions, and senior executive placements. It has retained contracts with several of its portfolio companies, helping them accelerate development, and execute strategy pivots.

The fair value of NetScientific's stake in EMVC remains unchanged at £3.5 million since its acquisition in 2020. While its value is believed to be higher, as it is not seeking external finance, revaluation is not possible due to BVCA rules. However, growth projections indicate significant potential for upside, driven by expanding capital under advisory, proprietary deal flow, and recurring income from management and board fees.

## Strategy update

As highlighted above, NetScientific's acquisition of EMV Capital in August 2020 has transformed our company from a standstill into a scalable VC business. In just over two years, many of the objectives of this turnaround have been successfully achieved:

- Directors' Valuation of the Company's portfolio has increased almost fourfold, from £11.8 million at the end of 2019 to over £41.8 million by the end of 2022.
- Capital under advisory more than doubled, from £9.6 million in early 2020 to £23.5 million in 2022.
- Integrated portfolios of EMV Capital and NetScientific, growing from eight companies in early 2020 to 24 in 2022, with increased direct stakes and influence.

- Shifted from solely relying on the balance sheet for funding portfolio companies to incorporating third-party funding through the 'capital light' investment approach.
- Proactive investment approach with investor director representation in 13 companies and value creation or fundraising programs with 10 companies.
- Expanded team and infrastructure offering corporate finance and value creation services, primarily covered through fees charged to portfolio companies.
- Notable success stories include NASDAQ-listed PDS Biotech, rapidly growing companies Q-Bot (robotics) and Sofant (semi-conductors), and regenerative medicine company EpiBone.
- Several additional companies in the portfolio show potential for value appreciation and growth as they are currently held at relatively low (or nil) valuations, and their valuation is expected to crystallise as they access external finance (e.g. Vortex, ProAxis, Deeptech Recycling, Ventive, DName-iT).
- Co-led the restructuring and acquired a valuable position in Cambridge-based early-stage VC Martlet Capital (itself with positions in 49 deeptech companies), now providing high-quality deal flow access from the Cambridge high-tech cluster.
- Diversified portfolio across deeptech sectors to mitigate risk and increase return opportunities.
- Assisting portfolio companies in collaborating with leading corporations globally for joint development agreements, corporate VC investments, licensing opportunities, and pre-purchase commitments.
- Leveraging portfolio synergies and internationalisation efforts through collaborations and partnerships.
- Identifying key value inflection points for profitable liquidity events and exits for many companies.

To continue to drive shareholder value and investment returns, we will employ and scale our differentiated investment and portfolio growth model, focusing on:

- 'Capital light' investment strategy.
- Proactive investment approach.
- Value creation services.

Our portfolio strategy entails:

- Concentrating on a cohort of eight to ten companies at a time for growth and investment realisations through fundraising support and value creation services.
- Making selective new investments that align with our model, offer good value, and can benefit from value creation services to drive growth.
- Growing a funds practice to expand capital deployment capabilities and portfolio coverage.

## Summary and Outlook

We now possess a robust investment model with ample room for growth and development, offering the potential for substantial investment returns from a maturing portfolio. Our early advantage in the deeptech sector positions us to become a key player in the next phase of the VC industry.

Our focus for 2023 will be to progress our sustainable business model through the generation of more fees from EMV Capital, selective divestments, external funding for subsidiaries and by expanding our funds practice. We aim to increase the net asset value and fair value of your business by progressing cohort companies through value creation stages, obtaining third party investment rounds, and proactive portfolio management.

We plan to generate investment returns through profitable exits of select portfolio companies and targeted growth of a curated portfolio, by focusing on value creation services and accelerate routes to exit and by scaling up our 'capital light' investment model we can move towards a more evergreen investment model. We have a powerful investment model with potential for significant investment returns in the deeptech space and we are excited about the future prospects of our company.

Finally, I would like to express my gratitude to Jonathan Robinson for his interim leadership as Chair, supporting the final stages of our turnaround project. His measured and practical approach has greatly contributed to the execution of our strategy, and we eagerly anticipate his ongoing support. We are also excited to welcome Charles Spicer as our new Non-Executive Chair and look forward to working with him.

**Dr. Ilian Iliev**

CEO

31 May 2023





# Portfolio Update Report

## Portfolio Performance

NetScientific's Directors' valuation of its direct owned portfolio is £41.8 million (£31.0 million in 2021). An additional £23.5 million of capital under advisory (£22.1 million in 2021) offers potential future returns through carried interest.

NetScientific's portfolio consists of 24 companies in the Healthcare, Sustainability, and Technology sectors across the UK, US, EU, and Israel. These companies vary in their development stages, with a significant portion generating commercial revenues or engaging in joint development agreements and corporate collaborations. Some are in earlier stages (pre-Series A) or turnaround projects, balancing higher risks with potential investment returns. Note in the table below that EMV Capital is a core operational unit of the Group, rather than a portfolio company held for sale or further investment.

NetScientific invests directly from its balance sheet, while its subsidiary EMV Capital syndicates investments as capital under advisory with a carried interest arrangement with investors. The Group's interest can combine both direct and carried interest

holdings, providing increased returns and influence in the companies. The Group holds board seats and advisory roles in many portfolio companies, particularly those where its direct or advised holdings are larger. Its fee-based advisory roles encompass value creation services and corporate finance arrangements, generating fees for the Group and aiding businesses in reaching value inflection points.

Carried interest or profit share agreements are associated with the model, typically entailing 15% to 20% of profits earned for investors above a minimum return hurdle rate of 10%. Capital under advisory is expected to grow through further syndicated investments in existing and new portfolio companies. There is ongoing work for the potential launch of a new VC fund practice under EMV Capital, which (if successful) would further scale the capital under advisory. The Consolidated Statement of Financial Position reflects the owned portfolio as equity investments classified as fair value through other comprehensive income (FVTOCI) and financial assets classified as fair value through profit and loss (FVTPL), adhering to the British Venture Capital Association guidelines widely accepted in the VC community.





Portfolio Company	Country	Sector	Stage	Group Stake (%)	CAU (%)	Fair Value (m)		CAU (m)	
						2022	2021	2022	2021
EMV Capital	UK	Venture capital	Sales	100%	—	£3.5	£3.5	—	—
PDS Biotechnology -Nasdaq Listed	US	Immuno-oncology	Phase II clinical	4.4%	—	£14.7	£8.0	—	—
Glycotest	US	Liver cancer diagnostics	Late clinical	62.5%	—	£11.0	£11.0	—	—
Q-Bot	UK	Robotics	Sales	17.6%	30.9%	£3.8	£1.3	£4.4	£2.3
ProAxis	UK	Respiratory diagnostics	Sales	100%	—	£3.5	£3.5	—	—
EpiBone	US	Regenerative medicine	Early clinical	1.3%	0.3%	£1.2	£0.8	£0.2	£0.2
SageTech Medical Equipment	UK	Waste anaesthetic	Commercial	5.5%	25.5%	£0.9	£0.9	£3.8	£3.5
Vortex Biotech Holdings Ltd	UK/US	Liquid biopsy oncology	Sales	30%	—	£0.7	—	£0.7	£3.9
FOx Biosystems	BEL	Research equipment	Sales	3.9%	—	£0.6	£0.3	—	—
Sofant Technologies	UK	Semiconductors satellite coms	Early sales	1.5%	22.9%	£0.4	£0.3	£4.3	£3.0
CytoVale	US	Medical biomarker	Late clinical	1.0%	—	£0.4	£0.4	—	—
G - Tech Medical	US	Wearable gut monitor	Early clinical	3.8%	—	£0.4	£0.4	—	—
Martlet Capital	UK	Venture capital	Sales	1%	5.9%	£0.3	£0.3	£1.3	£1.3
DName-iT	BEL	Lab technology	Pre sales	61.5%	—	£0.1	£0.1	£0.1	—
PointGrab	IL	Smart building automation	Sales	0.5%	20.8%	£0.1	£0.1	£4.1	£4.1
QuantaIX Neuroscience	IL	Medical diagnostics	Late clinical	0.4%	—	£0.1	£0.1	—	—
Ventive	UK	Heat pumps and passive ventilation	Sales	15.9%	35.3%	£0.1	—	£0.1	—
Deeptech Recycling Limited	UK	Recycling	Industrial	30%	—	—	—	£0.5	—
CetroMed	UK	Holding company	Holding company	75%	—	—	—	—	—
Oncocidia	BEL	Cancer therapeutics	Early clinical	41.3%	—	—	—	—	—
Longevity Biotech	US	Neurology therapeutics	Early clinical	—	—	—	—	—	—
Wanda Health	UK/US	Digital health monitoring	Sales	—	74.7%	—	—	£3.2	£2.2
Nanotech Industrial Solutions	US	Material science	Sales	—	—	—	—	£0.8	£0.7
Insight Photonic Solutions	US	Semiconductors akinetic laser	Sales	—	—	—	—	—	£0.9
<b>Total</b>	—	—	—	—	—	<b>£41.8</b>	<b>£31.0</b>	<b>£23.5</b>	<b>£22.1</b>

Core Portfolio Companies<sup>1</sup>

## PDS Biotechnology Corporation ("PDS")

(www.pdsbiotech.com)

(Stock symbol PDSB: NASDAQ) – 4.4% stake

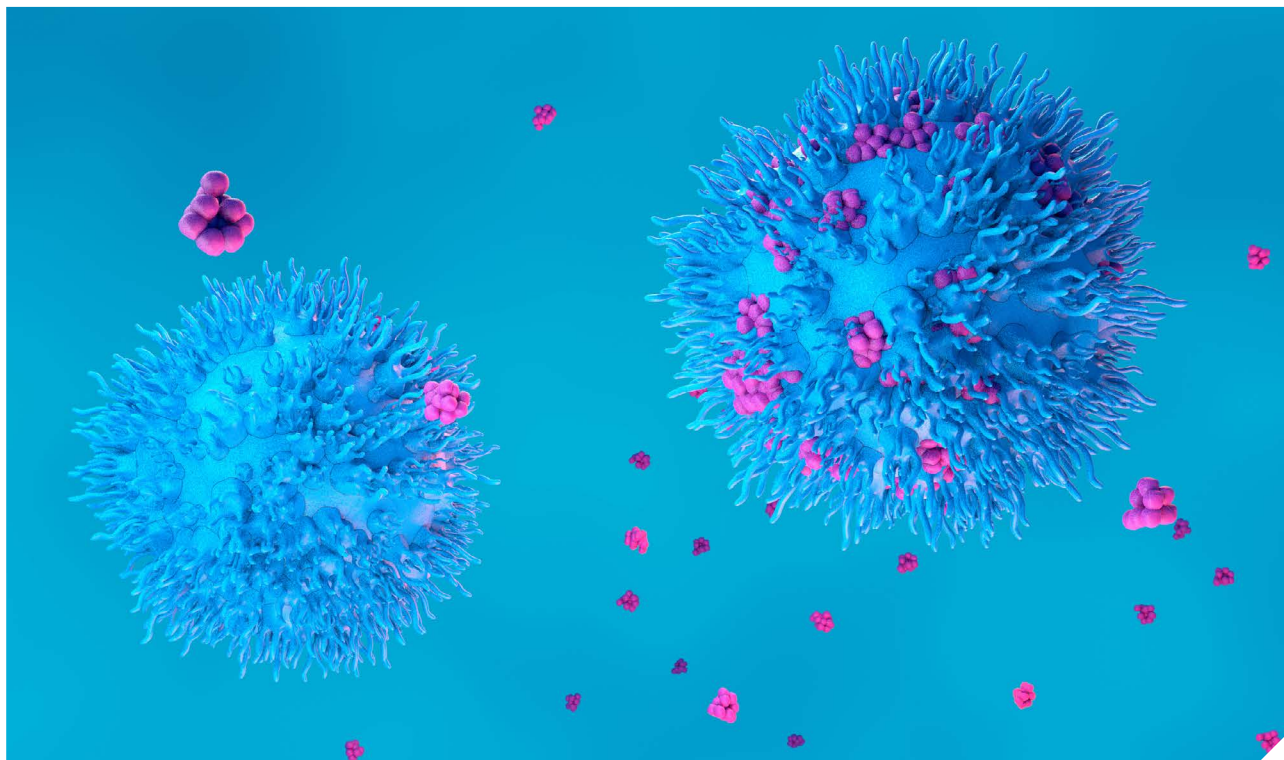


PDS Biotech is a clinical-stage immunotherapy company focusing on cancer and infectious diseases. Using their Versamune® technology, they develop therapies and vaccines that activate T-cells and enhance immune responses. Their primary focus is on HPV-related head and neck cancers. PDS Biotech has four Phase 2 trials with partners such as Merck, the National Cancer Institute, MD Anderson, and Mayo Clinic, and an infectious disease vaccine program. The company also plans to launch a Phase 3 clinical trial for one of its programmes.

**Key developments 2022:** The company made significant clinical progress in its Phase 2 trials and secured a \$35 million venture debt facility from Horizon amidst market turbulence. Its IP portfolio was strengthened through a licensing agreement with the NCI and a US patent for its Novel HPV 16 immunotherapy. Recent achievements include a licensing deal with Merck KgaA, plans for a Phase 3 trial, and promising data presented at the 2022 ASCO Annual Meeting. The combination of PDS0101 and KEYTRUDA® showed a 41% response rate and an 87% survival rate at nine months for HPV16-positive HNSCC patients. The combination was well-tolerated with no severe adverse events reported. The FDA granted Fast Track designation for this combination, on the back of which the company is preparing for a Phase 3 clinical trial.

**NSCI Interest:** NetScientific backed PDS as the first institutional investor in 2014, and has continued its support over the years, including by anchoring a NASDAQ placement in 2020, and supporting a subsequent placement in 2021. NetScientific currently owns 4.44% of the undiluted share capital (2021: 4.72%). The current value of NetScientific's stake as of 26 May 2023 at a share price of \$8.56 per share is worth £9.3m, with a company market capitalization of \$264m.

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



<sup>1</sup> The companies are listed in the order of Fair Value size of NetScientific direct stake.



## Glycotest, Inc. ("Glycotest")

([www.glycotest.com](http://www.glycotest.com))

62.5% Subsidiary



Glycotest is a liver disease diagnostics company commercialising new and unique blood tests for life threatening liver cancers and fibrosis-cirrhosis. The company has exclusive, world-wide rights to over 50 patent-protected serum protein biomarkers, assay technology, and biomarker panels and algorithms that exploit novel sugar-based disease signals. Fosun Pharma, a leading global pharmaceutical company, is a co-investor in the business, and has a license for the distribution of the product in China.

Glycotest's lead product is its HCC Panel—a biomarker panel, driven by a proprietary algorithm, for curable early-stage hepatocellular carcinoma (HCC), the most common form of primary liver cancer. Glycotest is close to completing its HCC Panel clinical trial with 20 leading medical sites (hospitals and liver treatment centres) across the US and Israel. The clinical trial blood sample collection is now determined to be substantively complete, enabling progress toward HCC Panel test validation. The early Glycotest clinical studies gave encouraging results, despite a particular problem identified in the assays' calibration at a subcontractor laboratory, requiring some remedial fine-tuning action and consideration of alternative approaches. A leading contract research organisation was engaged to provide an independent perspective of the problem encountered. Potential solutions were identified, and further work will now be conducted to revise assays, carry out the test validation, and evaluate next development options.

There is a large and growing global need for liver disease diagnostics. Liver cancer is a growing global problem, with estimates of over 90million US patients and over 2 billion patients worldwide who could benefit from regular testing for liver cancers and fibrosis-cirrhosis. Future potential market growth will come from the fatty liver disease and NASH pandemic. The US and China represent major initial market entry points with existing go-to-market channels for Glycotest. The initial target markets are the USA (market estimated to be over \$800 million) and China (through a licensing arrangement with Fosun Pharma).

NetScientific setup 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 \$10 million milestone-based 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 and pipeline liver disease tests in China, for which Glycotest Inc. will receive a royalty, with Glycotest Inc. retaining rights to ex-China markets. Fosun has already invested \$7m, with a further \$3 million remaining against milestones. Supporting its investment, Glycotest also closed a \$1.46 million convertible loan funding round with \$500k from Fosun alongside NetScientific investment in December 2022. Post-balance sheet, on 2nd May 2023 EMV Capital setup a \$1 million Convertible Loan syndicated from private investors to provide additional working capital to the company, as it prepares for a larger external round later in 2023 to support commercialisation.

**NSCI Interest:** Company shareholding in Glycotest is 62.5% (2021: 62.5%). As of 31 December 2022, the Group has invested £3.9 million (2021: £3.9 million). Based on the equity investment price by Fosun's milestone-based investments, fair value of NetScientific's stake is £11.0m.

Dr. Ilian Iliev is Chair, John Clarkson and Ed Hooper are Board members. Charles Swindell is COO.



## Q-Bot Ltd ("Q-Bot")

([www.q-bot.co](http://www.q-bot.co))

Direct Equity Holding 17.6%, Capital Under Advisory 30.9%



Q-Bot is an award-winning robotics developer for construction retrofit. Their AI-powered robotic tools are used to inspect, monitor, and retrofit insulation for residential buildings. Specifically, Q-Bot is focused on the unmet market need for underfloor insulation, helping to reduce fuel poverty in social housing, improve energy efficiency, and align with new regulations around decarbonisation. As a market leader, Q-Bot is now scaling and seeking to capture a significant share of this market in the UK and internationally.

**Key developments 2022:** After a successful strategy review in 2021, Q-Bot has seen impressive growth. The energy market's volatility has fuelled demand for their retrofit offering, resulting in record-breaking monthly installations by major partners. Commercial sales nearly doubled to over £2 million in FY2022, with an expected 80% revenue increase in FY2023. So far over 3,500 homes have been insulated, with continued growth in the installation rate through partners and direct installs. The company is actively working on expanding internationally in the EU and US through partnerships, including operations now in France and the Netherlands. EMV Capital's value creation services team has supported the Board of Q-Bot since late 2021 in various growth acceleration and fund-raising projects. It has also led a £2.5 million in EIS equity investment and debt facility raised in the company throughout 2022.

**NSCI Interest:** Direct equity holding of 17.6% (2021: 18.3%), and capital under advisory from syndicated investors representing 30.9% (2021: 12.3%). After a May 2022 conversion of loan note of c.£500k into equity, NetScientific total cost is £1.5m. Following a Q4 22 investment round, our stake has a fair value of £3,728 (2021: £1,025), indicating a c.2.5x valuation uplift within an 18-month period. During 2022, a £140k working capital loan was extended to Q-Bot, carrying interest at 10% p.a.

On 30 December 2022, £48k was repaid, including interest and an arrangement fee.

Dr. Ilian Iliev is on the Board of Q-Bot Ltd.

## ProAxis Ltd ("ProAxis")

([www.proaxis.com](http://www.proaxis.com))

100% Subsidiary



ProAxis is a commercial medtech company, with a focus on respiratory diagnostics, a growing global burden exacerbated in the aftermath of Covid. ProAxis uses its proprietary ProteaseTag® technology to develop laboratory-based assays and rapid point-of-care tests for the measurement of active protease biomarkers associated with chronic respiratory diseases such as Chronic Obstructive Pulmonary Disease (COPD), cystic fibrosis and bronchiectasis. The company is a spin-out of Queens University Belfast.

The company has refined its product portfolio alongside a quality laboratory, enabling commercialisation of its technology through clinical services to pharma industry clients, and via direct kit sales to both Pharma and University researchers. Development projects include a unique combination of its CE Marked Lateral Flow Test (NEATstick) in respiratory disease patients with a robust market-ready Virtual Care Platform, as well as enhancing its offering for ongoing patient monitoring at point-of-care.

**Key developments 2022:** The company won further pharma services contracts and entered into key R&D collaborations. A number of companies have published data detailing their utility of the ProAxis technology, including Insmed (US), Chiesi (EU) and Mereo (UK). ProAxis was announced as the NI Small Business of the Year at the Belfast Telegraph Awards. The company has secured further grant awards of some £420K, to support the ongoing development programme.

In February 2023, the company secured a £500K funding facility from AB Group, to facilitate growth and prepare the company for a fund-raise in 2023. ProAxis has also started a collaboration with Wanda Health (another NetScientific portfolio company) to deliver a digitally enabled COPD diagnostic platform.

**NSCI Interest:** 100% owned subsidiary (95% fully diluted). The fair value of NetScientific's stake in ProAxis is £3.5 million on basis of last investment round. As of 31 December 2022, the Group has invested £3.7 million (2021: £2.8 million).

John Clarkson is Chair and Dr. Ilian Iliev is a Board member of ProAxis.





## EpiBone, Inc. ("EpiBone")

([www.epibone.com](http://www.epibone.com))

Direct Equity Holding 1.3%, Capital Under Advisory 0.3%



EpiBone's bone reconstruction technology allows patients to "grow their own bone" by utilizing a scan of the patient's bone defect and their own stem cells to construct a defect-specific autologous-like bone graft. The company focuses on the \$32bn bone and joint reconstruction market and offers bone reconstruction, cartilage replacement, and liquid cartilage joint treatment. EpiBone's proprietary bioreactor technology is a result of 20 years of research and experience with orthopaedic tissue engineering. It follows a three-step process to regenerate human bone.

**Key developments 2022:** All six Phase I/IIa patients successfully implanted in the clinical trial. Significant progress in biphasic bone and cartilage graft development. Positive feedback on the injectable cartilage product from preclinical work. First close on \$22 million Series A fundraise.

**NSCI Interest:** NetScientific's direct investment in EpiBone is valued at £1.2 million based on the Series A round closed in December 2022.

## SageTech Medical Equipment Ltd ("SageTech")

([www.sagetechnical.com](http://www.sagetechnical.com))

Direct Equity Holding 5.5%, Capital Under Advisory 25.5%



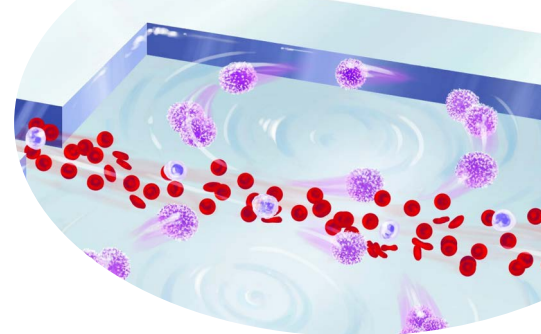
SageTech developed a flexible, affordable modular system to capture waste anaesthetic gas in hospital operating theatres. It uses reusable canisters to collect and recycle the gas, addressing the significant problem of unaddressed air pollution caused by these gases. The solution reduces the carbon footprint of a mid-sized hospital, equivalent to 1,200 cars per year. This innovative technology contributes to a circular economy and offers substantial environmental benefits.

The system enables hospitals without fixed Anaesthetic Gas Scavenging Systems to utilize anaesthetic gas in various areas. SageTech recently launched the SID-Dock waste volatile anaesthetic gas capture machine, which seamlessly integrates into hospital operating theatres without requiring modifications to existing equipment. It has obtained the UK Conformity Assessed (UKCA) marking and ISO 13485:2016 certification, ensuring compliance with UK medical sector requirements.

The solution is currently being evaluated at renowned UK NHS hospitals, including Guy & St. Thomas' and Cromwell Hospital, with initial sales anticipated. SageTech aims to commercialize the technology, starting with the NHS and expanding to private hospitals in the UK, international markets, and the veterinary industry.

**NSCI Interest:** NetScientific has a direct equity investment of 5.5% (2021: 5.1%) with a fair value of £887k (2021: £887k), and an advised stake of 25.5% (2021: 21.0%).

John Clarkson serves as a Non-Executive Board member of SageTech.



## Vortex Biotech Holdings Ltd ("Vortex") San Francisco/London ([www.vortexbiosciences.com](http://www.vortexbiosciences.com))

Direct Equity Holding 30.0%



Vortex's core technology allows for the capture and isolation of high-quality Circulating Tumour Cells ("CTCs") from blood samples. Its mission is to be the innovation leader in Circulating Tumour Cell (CTC) capture technology that improves therapeutic decisions and saves lives. This exciting area is providing critical information from research to the clinic, contributing to a major shift in how cancer can be treated and monitored. Vortex was formed on the back of research at UCLA.

Vortex is focused on developing its position in the multi-billion dollar oncology liquid biopsy market. The combination of targeted therapies and precise diagnostics is allowing for the era of personalized medicine to emerge. The capture and enrichment of circulating tumour cells is expected to be a critical element of targeted companion diagnostics. Vortex' growth strategy aims to develop it into an industry leading platform that will help accelerate the translation of research insights into the clinic and help deliver to an affordable population health agenda. This will be done through the development of laboratories that will act as centres of excellence for the use of CTCs, combining its proprietary "no touch" microfluidic chip technology, with various assays and workflow integrations.

Vortex' VTX-1 platform has been placed and used for KOL published research in leading University and Research centres in the US, UK and EU, including UCLA, UC Berkeley, Stanford University, Ghent University (Belgium), University of Maryland, and Ecole Polytechnique Federale de Lausanne. In addition, Vortex is now seeing growing interest from pharma and biotech clients in the service model it is launching. The company has developed several workflow integrations of the VTX-1 instrument with third party instruments, opening further commercialisation opportunities.

**Key Developments 2022:** In August 2022, NetScientific announced the completion of the acquisition of a 30% equity stake in Vortex Biotech Holdings Limited ("Vortex") for a non-cash consideration, in line with NetScientific's 'capital light' investment model. In support of its next phase of growth as a service provider, Vortex has recently opened a lab at The London Cancer Hub's Innovation Gateway, which is already home to The Institute of Cancer Research, London, and The Royal Marsden NHS Foundation Trust. This is in addition to their lab in San Francisco, providing the company with a trans-Atlantic coverage for its target Pharma customer base.

**NSCI Interest:** 30.0% Direct; £0.7 million advance assurance agreement, indirect (advised).

Dr. Ilian Iliev is Executive Chair, and Paul Jones is CEO.

## FOx Biosystems

([www.foxbiosystems.com](http://www.foxbiosystems.com))

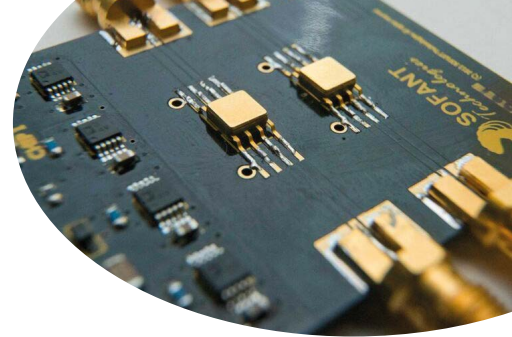
3.9% stake, NSCI effective stake 2.9%



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. Subsequently it saw investments by Belgian high-tech investors LRM, Heran Partners, K.U. Leuven's Gemma Frisius Fund.

**Key developments 2022:** FOx Biosystems received a €2.5 million European Innovation Council (EIC) grant to accelerate the market introduction of unique EV analysis and isolation application, as well as closing a €2.5 million investment round, providing the company with the funds to accelerate development.

**NSCI Interest:** December 2020 £150k convertible loan agreement (part of a £2.5 million convertible loan agreement led by the current investors) converted in November 2022. The NetScientific stake is valued at £495k.



## Sofant Technologies Ltd ("Sofant") Edinburgh

([www.sofant.com](http://www.sofant.com))

Direct Equity Holding 1.5%, Capital Under Advisory 22.9%



An Edinburgh University spin-out, the company is developing phased array antennas for satellite and terrestrial communications that has high energy efficiency and a modular scalable design. The antenna enables access to low-latency, super-fast low Earth orbit (LEO) satellite broadband networks. The company is executing a €7.3 million contract with the UK Space Agency and the European Space Agency.

**Key Developments 2022:** Signed with several corporations in the telecoms industry, including a Fortune Global 500 aerospace company. Post-balance sheet announcement of Joint Development Agreement with Inmarsat Government, focused on aircraft applications. EMV Capital led a £4.2 million investment round, in which NetScientific participated led by EMV Capital in 2022. EMV Capital closed a further £1 million of EIS funding into the company post-balance sheet.

**NSCI Interest:** Direct equity holding of 1.5% and "capital under advisory" of c.£4.3 million at cost representing 22.9% of the cap table. The NSCI Group through its direct and indirect holdings is the largest shareholder of Sofant.

Dr. Ilian Iliev is on the Board of Sofant Technologies Ltd.

## Martlet Capital Ltd ("Martlet") Cambridge

([www.martletcap.com](http://www.martletcap.com))

Direct Equity Holding 1.0%, Capital Under Advisory 5.9%



Cambridge-based early-stage VC specializing in deep tech and life sciences, with a focus on the Cambridge high-tech cluster. Formed in September 2021 as a spin-out from Marshall Group. Advised by EMV Capital and co-led initial funding round of £12m. The company has a portfolio of 49 investments companies in the life sciences, sustainability, and industrials sectors, primarily in the Cambridge region, and often with IP and links to Cambridge University. Key Investments include Paragraf, a producer of novel graphene-based semiconductors; Echion Technologies, Li-ion battery technology supplier using proprietary anode materials; and Dogtooth, a developer of robotic solutions for the agricultural sector.

**Key Developments 2022:** Completed second close of additional £9.6 million in 2022. The company saw early exit from the portfolio, including acquisitions and IPOs. The EMV Capital, Martlet Capital and SARANAC teams are working toward the establishment of a follow-on investment vehicle, which would be owned 40% by the Group. Focus on follow-on growth investment opportunities from Martlet Capital and the Cambridge innovation ecosystem.

**NSCI Interest:** Fair value of direct investment: £250k (2021: £250k). Total syndicated amount as capital under advisory by EMV Capital: £1.48 million. Total direct and syndicated amount represents 1.0% (2021: 11.2%) of issued share capital. Convertible Loan Notes: £520k (£75k direct holding and £445k advised).

Dr. Ilian Iliev is on the Board of Martlet Capital Ltd.

## Portfolio Update Report continued

## PointGrab, Israel

(www.pointgrab.com)

Direct Equity Holding 0.5%, Capital Under Advisory 20.8%



PointGrab provides IoT-based office workspace optimization solutions. Its AI-powered edge analytics sensing solution is used by Fortune 500 companies globally, helping them save up to 40% on real estate and facility management expenses. The solution offers features like occupancy data, energy saving, air quality monitoring, and smart facilities management. PointGrab's AI system prioritizes privacy and data security. The company has deployed 10,000+ sensors in 40 countries, serving 45 Fortune 500 companies. PointGrab's offering helps transform workplaces for COVID-19 adaptations, including workplace density monitoring and social distancing.

**Key Developments 2022:** Increased demand for real estate restructuring in major markets. Growing adoption of smart space solutions for flexible working. PointGrab expanded sales and introduced new digital features for international growth.

**NSCI Interest:** Direct equity holding: 0.5% (2021: 0.5%), Indirect capital under advisory: 20.8% (2021: 27.2%). Fair valued at the most recent investment round: £76k (2021: £68k).

Dr. Ilian Iliev is on the Board of PointGrab.

## CetroMed Group

## CETROMED

On 20 December 2021, NetScientific acquired 75% of the issued share capital of CetroMed Limited ("CetroMed") for a non-cash consideration. CetroMed is a life sciences holding company with several portfolio companies spun out of the University of Leuven, Belgium, a leading European research institution. CetroMed was previously owned by the Azima Trust (through Zahra Holdings Ltd), the family trust of Farad Azima, the founder and ex-CEO of NetScientific. The acquisition of the majority stake in CetroMed resulted in significant stakes in three new portfolio companies (FOx Biosystems, DName-iT and Oncocidia) and the 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. Following the acquisition, EMV Capital undertook detailed development plans for the various CetroMed portfolio companies, with early results outlined in the section on FOx and DName-iT. It was decided to focus investments on the CetroMed portfolio companies directly, and therefore no further investment will be made into CetroMed itself.

**NSCI Interest:** The fair value of the investment in CetroMed is £228k (2021: £228k), with significant growth potential.





## Wanda Health, US and UK

([www.wandahealth.com](http://www.wandahealth.com))

No direct holdings, capital under advisory 75% stake



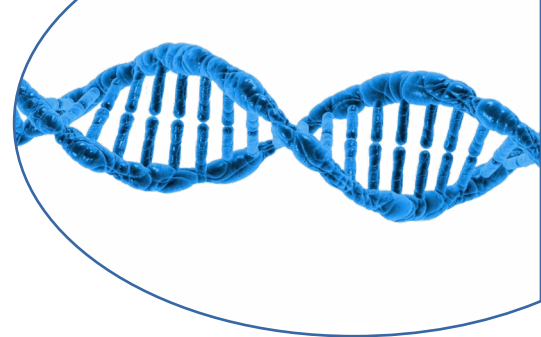
Wanda Health is an intelligent platform for remote patient monitoring and virtual care. Wanda Health is empowering healthcare providers and payers with early detection of exacerbations in patients with acute, chronic, and specialty diseases, helping them speed interventions, prevent adverse events, and improve patient adherence. The company 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 2022:** Wanda partnered with Smart Meter Corporation to ensure reliable patient data capture regardless of access to smart devices and internet connectivity and is in a position to sign two strategic partnerships with blue chip companies to deliver RPM in both domestic and international markets. The company has filed for FDA clearance for software as a Medical Device status and the implementation of a Quality Management System, which will form the foundation for UKCA and CE marking submissions in the first half of 2023. Wanda has also signed further US-based reimbursement customers, with a growing international pipeline and platform training delivered to medical staff. 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 2022 with delivery of Remote Patient Monitoring services against enhanced reimbursement models for Medicare. Wanda also has a collaboration with ProAxis (another NetScientific company) around integrating a digital platform with ProAxis' COPD test.

Dr. Ilian Iliev is Executive Chair, with ex-IBM sales executive Tom Smith as CEO.

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





## New Investments

During the period, the Group made new investments in two companies (Ventive and Deeptech Recycling) and restructured two existing portfolio companies (DName-iT and Vortex). The Group utilized a 'capital light' investment model, acquiring and safeguarding stakes without using cash, thereby preserving NS balance sheet.

### Ventive Limited ([www.ventive.co.uk](http://www.ventive.co.uk))



Ventive specializes in passive and energy-efficient ventilation systems for schools and a unique modular heat pump for newbuild residential applications. Their innovative heat pumps, which utilize Phase Change Material for heat transfer, are well-positioned in the growing market for heat pumps. In September 2022, EMV Capital collaborated with the Ventive team to facilitate a £2.5 million financing round, including debt and equity, enabling the company to secure a £1.5 million matching funding grant from the Department for Business, Energy & Industrial Strategy (BEIS). This funding has propelled Ventive's modular heat pump production project in partnership with QM Systems (part of Pipehawk PLC), resulting in cost and carbon dioxide emissions reductions.

Notable developments post-investment include an accelerated development program with Clear Blue Energy and QM Systems, a pre-purchase agreement with a leading non-UK heat pump distributor, and increased sales in the Natural Ventilation range. NSCI's interest in Ventive includes a 15.9% direct holding and a 35.3% indirect holding as "capital under advisory."

### Deeptech Recycling Technologies Limited ([www.recyclingtechnologies.co.uk](http://www.recyclingtechnologies.co.uk))

Direct stake of 30%



In December 2022, Deeptech Recycling Technologies acquired the majority of assets from Recycling Technologies Limited, which aimed to have an AIM IPO in early 2022. Recycling Technologies had developed advanced and environmentally sound technologies for recycling mixed plastic waste, generating valuable naptha, lubricants, and feedstock for the plastics industry. Deeptech Recycling Technologies, with support from NSCI's Value Creation team, has focused on consolidating assets and intellectual property, assessing market opportunities, and adopting a customer-centric and cost-effective approach. The company aims to establish a profitable presence in the plastics waste management industry, capitalizing on the increasing demand for recycling solutions driven by environmental regulations and fiscal pressures. Noteworthy areas of exploration include TetraPak recycling, as well as recycling of polystyrene, medical waste, and film extensively used in food packaging. NSCI holds a 30% direct holding in Deeptech Recycling Technologies.

### DName-iT Ltd ([www.dnameit.com](http://www.dnameit.com))

Direct stake of 61.5%, NSCI effective stake 46.1%



A University of Leuven spin-out, DName-iT has developed a platform to avoid sample authentication errors and to correct for sample contamination in genetic sequencing laboratory tests. DName-iT has created a proprietary molecular barcoding system, called DName® barcodes that allows the detection of sample swaps and contamination. Prior to EMV Capital's involvement the company was mothballed. In 2022 EMV Capital's value creation team restarted development of the business, refreshed business plan, working alongside the founder and other experts.

EMV Capital advised on the creation of a new UK holding company that oversees the Belgian subsidiary and facilitated the launch of a £500k EIS investment round. NSCI has an effective ownership of 46.1% through CetroMed's ownership of 61.5% in DName-iT Ltd. University of Leuven is a co-investor in the project.

## Monitoring Portfolio

We have minority investments in several companies that we monitor, but have no active involvement or board representation. Some of these may well result in significant returns to NetScientific upon exit.

1. **CytoVale, Inc., USA** applies machine learning and high-speed imaging to detect diseases in real time. Key developments include published data demonstrating the potential of their IntelliSep test. <https://cytovale.com/>  
**NSCI Interest:** Direct investment valued at £415,000.
2. **G-Tech Medical, Inc., USA** is developing a wearable technology to measure gastrointestinal motility. Key developments include FDA 510k clearance submission and improved second-generation patches. <http://www.gtechmedical.com/>  
**NSCI Interest:** Direct investment valued at £442,000.
3. **QuantalX Neuroscience, Israel** is developing DELPHI MD, a precise and objective brain evaluation tool for early prevention of brain degeneration. Key developments include FDA breakthrough designation and upcoming commercialization in 2023. <https://quantalx.com/>  
**NSCI Interest:** Direct investment valued at approximately £100,000, no board representation.
4. **Longevity Biotech, Inc., USA:** focuses on developing Hybridtides®, therapeutic candidates for neurological disorders. Key developments involve DOD grant and Michael J Fox Foundation support. <https://www.longevitybiotech.com/>  
**NSCI Interest:** Convertible loan fully impaired
5. **Oncocidia Ltd., UK:** is developing a targeted radiopharmaceutical cancer treatment using Iodine-131. <http://www.oncocidia.com/>  
**NSCI Interest:** Effective stake of 31%
6. **Nanotech Industrial Solutions Inc., USA:** develops inorganic nanomaterials for industrial applications. Key developments include an ongoing management-led restructuring. <https://nisusacorp.com/>  
**NSCI Interest:** "Capital under advisory" of \$1 million convertible loan agreement
7. **Insight Photonics, USA:** has developed an Akinetic, all semiconductor laser with improved performance for various applications. <https://www.sweptlaser.com/>  
**NSCI Interest:** "Capital under advisory" of \$1.25 million warrants.

# Financial Review

## CFO Report – Financial Review

2022 delivered strong results and uplifts in the portfolio. The Group closed the year with net assets of £25.2 million (2021: £18.5 million), representing an increase of £6.7 million or 36%. The increase was primarily due to £5.1 million (2021: £3.1 million) total comprehensive income movement from the positive change in fair value of equity investments classified as fair value through other comprehensive income (FVTOCI) and the Company's successful placement (net of costs) of £1.5 million.

A total of £3.2 million of direct investments and loans were made during 2022, of which £1.3 million was invested directly into portfolio company investments and £1.9 million was invested into subsidiary portfolio companies (primarily Glycotest and ProAxis).

The fair value portfolio growth in the year reflects strong commercial traction and performance of our direct interests – an increased from £31.0 million to £41.8 million, representing a £10.8 million or 35% increase. From the overall fair value increase, £6.6 million relates to PDS Biotechnology whose shares are listed on NASDAQ. It should be noted that since 31 December 2022, the share price of PDS Biotechnology has decreased, resulting in a fair value of £9.3 million as of 26 May 2023. Following the BVCA methodology, the valuation uplifts have been underpinned by financing rounds at higher valuations across the portfolio.

Capital under advisory of EMV Capital, which is measured at the 'entry point' valuation at cost, increased from £22.1 million to £23.5 million at the end of 2022, an increase of c.6%.

Total comprehensive profit for the year was £5.1 million (2021: £3.1 million). This increase is primarily due to increases in the fair value of equity investments classified as FVTOCI, including in particular PDS Biotechnology. For the year, the Group made a loss of £3.7 million (2021: £2.9 million) from

continuing operations. The 'core' Group loss (i.e. for NetScientific and EMV Capital) was £1.5 million, reflecting scaling of the team, facilities, travel, operational and professional costs. The portfolio subsidiary companies Glycotest and ProAxis contributed a total loss of £2.2 million (£1.4 million and £0.8 million, respectively) primarily due to continued expansion, research and development and lower than budgeted ProAxis sales.

Total income for the year increased to £1.8 million (2021: £1.3 million), of which EMV Capital contributed £1.2 million (2021: £0.9 million). This increase reflects £0.3 million (2021: £Nil) received from secondary trade sales of c. 12% of its interest in the portfolio company, Q-Bot (such amount having been acquired with a view to such secondary trades), and also non-repeating fair value movement increases from convertible loan agreement conversions of £0.5 million (2021: £Nil).

Group administrative costs for the year increased to £3.7 million (2021: £2.6 million). Of this, £2.7 million was at the 'core' level of NetScientific and EMV Capital, which was offset by £1.6 million of revenues and recharges. The balance of c.£1 million of admin costs was incurred by portfolio companies ProAxis and Glycotest.

Equity investments classified as FVTOCI increased by £11.2 million to £22.7 million (2021: £11.5 million), reflecting appreciation of PDS Biotechnology listed share price, growing value in the unlisted investments and conversions of convertible loan agreements to equity. Financial assets classified as fair value through profit and loss (FVTPL) of £0.7 million (2021: £1.5 million) decreased by £0.8 million or 53%. This simply reflects a number of convertible loan agreements (classified as FVTPL) having converted to equity during the year (moving to being classified as FVTOCI).



The Group's current liabilities increased by £1.1 million to £2.7 million (2021 £1.6 million). This was mainly due to increased accruals, payables and deferred income. Trade and other payables increased by £0.9 million to £2.4 million (2021: £1.5 million). The Group's non-current liabilities increased by £0.4 million to £1.0 million (2021: £0.6 million). This was mainly due to a subsidiary, namely Glycotest issuing a \$0.5 million convertible loan note. During the year the Group strengthened its balance sheet through a £1.5 million (net of costs) placement. With the decision to fund externally ProAxis and Glycotest, the cash needs for the group have decreased considerably. As of December 31, 2022, the Group's cash balance amounted to £0.9 million, with the availability to the Board of liquid listed assets for liquidation in case needed.

The performance of 2022 has demonstrated the effectiveness of the 'capital light' model, with a 35% increase in fair values across a diversified portfolio and a 6% increase in capital under advisory. Looking ahead to 2023-2024, we intend to further refine the model and execute performance-driven plans. Our focus will be on establishing clearly defined milestones and key performance indicators (KPIs) to drive business growth and maximise the profitability of the portfolio.

**Stephen Crowe**

*CFO*

31 May 2023



# Sustainability Report

## ESG report

### Background

The Group's investment activities align naturally with the principles of Environment, Social, and Governance (ESG) and impact investment. Our focus is on Life Sciences and Sustainability/Industrials, primarily investing in areas that tackle significant social challenges. In the field of life sciences, we support companies that address major healthcare system burdens, including therapeutics and diagnostics for cancer, respiratory diseases, and heart conditions. Additionally, we invest in technologies and products that promote more efficient healthcare systems. In the sustainability and industrials sector, our investments encompass energy efficiency (such as heat pumps and built environment efficiency), plastic waste management, and industrial energy efficiency.

### ESG Criteria in Investment Activities

Portfolio ESG and impact principles are a part of our investment selection and management approach. Rather than relying on a specific set of measures, we prioritise principles that suit the diverse nature and scale of our investments. We actively engage in the ESG investor community, collaborating as co-investors, originators, and contributors of thought leadership.

Many of our portfolio companies make a significant impact across various ESG aspects. For example, they address high-priority social and chronic diseases through therapeutics and diagnostics, and tackle sustainability challenges through innovative use of technology. Here are a few examples:

- **Q-Bot:** Enhancing housing energy efficiency and comfort with Robotic Underfloor insulation. Q-Bot's robotic system has been employed in thousands of homes, including social housing, to provide insulation and improve comfort. By reducing heating costs and minimising draughts and temperature stratification, this technology alleviates fuel poverty and enhances living conditions.
- **SageTech Medical Equipment:** Mitigating hospital emissions through anaesthetic gas capture. SageTech's patented waste management and recycling platform tackles the issue of greenhouse gas emissions from inhalational anaesthetics used in hospitals. By capturing and storing these gases, and eventually recycling them for further use, SageTech reduces hospitals' CO2 equivalent emissions. The system also enables hospitals to increase their ICU and operating theatre capacity, providing a more efficient delivery of anaesthetic gases to a greater number of patients.



- PDS Biotech: Facilitating access to COVID vaccines for emerging economies. PDS utilises its Versamune immune-oncology platform to develop therapeutics for rare cancers and vaccines for infectious diseases, with a specific focus on developing economies.

## Human Capital

Human capital is at the heart of our knowledge-intensive business and the success of our portfolio companies. Within the Group, we have established various policies to protect and empower our personnel, including measures against bribery and corruption, whistleblowing procedures, and health and safety guidelines. These policies undergo annual review and, where necessary, amendments or supplements are made to accommodate the evolving risk landscape.

We are committed to fostering a safe and inclusive environment, free from unlawful discrimination. Our Group promotes equality, diversity, and inclusion, valuing and recognising the contributions of all employees. We provide resources and opportunities for ongoing learning and individual development, following a structured approach to identify the training needs of individuals.

## Governance

Effective corporate governance, risk management, and cyber resilience are of utmost importance to both our operations and the performance of our portfolio companies. As a publicly traded entity committed to the Quoted Companies Alliance (QCA) Corporate Governance Code, NetScientific maintains robust risk management and governance arrangements. We continuously monitor and review our internal control systems and processes to ensure their effectiveness.

In addition to keeping pace with technological advancements, the Group has developed comprehensive policies and systems to safeguard our data and strengthen our dedication to minimising compliance risk and preventing bribery and corruption. We have extended certain aspects of our practices and contractors to support our portfolio companies, enabling them to implement enterprise-grade IT and cybersecurity practices in a cost-effective manner.

The Board holds ultimate responsibility for governance within the Group. However, we have implemented training activities, mentoring programs, and internal processes at every stage of investment to ensure the adherence to good governance practices.



# Board of Directors

## Board changes

There were four Board changes during the year (2021: Nil).

On 9 November 2022, it was announced that John Clarkson relinquished his Executive Director status and became Non-Executive Director. On 9 December 2022, Dr. Jonathan Robinson joined the Board as Non-Executive Director and as Chair of the Audit & Risk Committee and Ed Hooper joined the Board as Executive Director. On 31 January 2023, Dr. Jonathan Robinson was appointed Interim Non-Executive Chair on the resignation of John Clarkson from the Board, as part of a planned transition process, and launching a search for a Non-Executive Chair which is now completed.



**Dr. Jonathan Robinson**

**Interim Non-Executive  
Chair and Chair of Audit  
Committee**

Jonathan is an experienced company director and entrepreneur with a focus on business development. Most recently he chaired the board of the international top-level domain registry operator, Afiliast (until its acquisition in December 2020). Jonathan is a current investor in private growth businesses in a wide range of sectors.

Jonathan previously co-founded the publicly quoted Group NBT plc (formerly NetBenefit) which ultimately became NetNames Group. He was main board director and Chief Operating Officer of the Group, from 1999 until June 2009. At Group NBT, Jonathan was responsible for all areas of product management and associated strategic planning, fulfilment operations and industry policy issues, as well as acquisition integration projects. NetNames was taken private by HG Capital in 2011. Jonathan was also previously a non-executive director of the UK internet registry operator, Nominet (UK) Ltd for two distinct terms of office. He remains active in the domain name sector.

Jonathan has a PhD in Materials Engineering and a BSc (Physics) from the University of Cape Town. Previously he held research posts at Imperial College, London from 1993-1994 and then at the Rolls Royce Technology Centre at the University of Cambridge until 1997. During his research career, Jonathan published numerous research papers and enjoyed periods of research work at the University of Groningen, Netherlands, and the University of California, Berkeley, USA.





### Dr. Ilian Iliev

**Chief Executive  
Officer and Member of  
Nominations Committee**

Ilian founded EMV Capital (EMVC), a corporate finance and venture capital investment firm acquired by NetScientific in August 2020. 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 family business in industrials and electric engineering in Southern Africa. He is a Board member on behalf of the Group at many portfolio companies, including PDS Biotechnology Corporation., Glycotest Inc. (Chair), Sofant Technologies, PointGrab, Q-Bot, Martlet Capital, DName-iT, Vortex (Chair) and Wanda Health (Chair).

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



### Edward Hooper

**Executive Director**

Ed is Executive Director and General Counsel of NetScientific and provides legal, strategic and commercial advice and support to the Company, its Group and Portfolio Companies.

Ed joined from his position as a Partner at an international law firm, where he led and developed the firm's Corporate Finance team in London. He has over 20 years' experience as a lawyer in the City, specialising in advising on a broad range of transactions, including fundraisings, M&A, IPOs, joint ventures and restructurings, many on an international scale.

Ed is a Solicitor of the Senior Courts of England and Wales. He holds a Bachelor of Laws (Honours) degree (LL.B) in Law and German Law from the University of Exeter, and a Master of Laws degree (LL.M) from the University of Saarbrücken.



### 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 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. He also served on the Boards of the National Healthcare Group Singapore; and Board of the Royal Melbourne Hospital and the Victorian Comprehensive Cancer Centre, a \$1.5 billion project in Victoria.

Professor Stephen Smith has indicated his wish to retire from the Board and he will accordingly not stand for re-election at the next Annual General Meeting. It is anticipated that he will remain an adviser to a number of the Group's life sciences portfolio companies.

# Report of the Directors

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 2022.

## Dividend

The Directors do not propose the payment of a dividend (2021: £Nil).

## Future developments

A review of anticipated future developments is included in the Chair's and Chief Executive Officer's Statement on pages 01 to 05.

## Directors

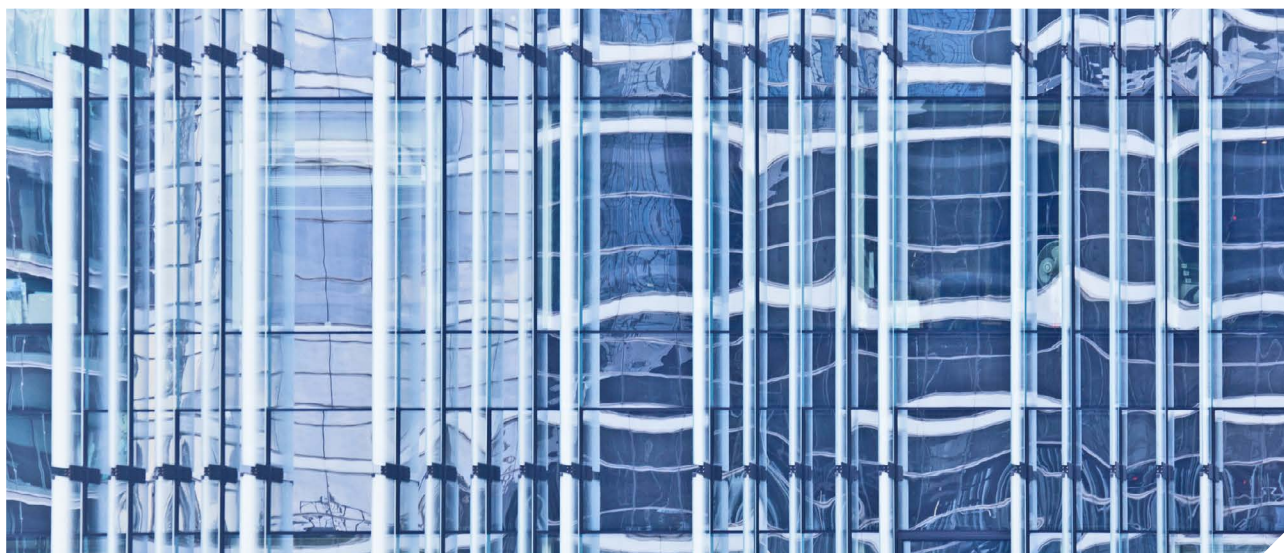
The Directors shown below have held office during the period from 1 January 2022 to the date of this report:

Dr. Jonathan Robinson (appointed on 9 December 2022)  
 Dr. Ilian Iliev  
 Professor Stephen Smith  
 Edward Hooper (appointed 9 December 2022)  
 John Clarkson (resigned 31 January 2023)  
 Clive Sparrow (resigned 31 December 2022)

## Directors' shareholdings and other interests

	No. of shares as at 31 December 2022	No. of shares as at 31 December 2021
Dr. Ilian Iliev	3,643,121	3,598,403
John Clarkson (resigned 31 January 2023)	323,255	136,066
Dr. Jonathan Robinson (appointed 9 December 2022)	149,253	—
Clive Sparrow (resigned 31 December 2022)	7,692	7,692
Professor Stephen Smith	2,857	2,857

Between 31 December 2022 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 majority of 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 31 to 34.

## 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.

## Substantial holdings

At 26 May 2023, 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
AB Group Limited, A Beckman SSAS and Lawson Beckman Charitable Trust	3,916,933	16.68%
Futura Messis Group Limited (controlled by Dr. Ilian Iliev) and Dr. Ilian Iliev	3,643,121	15.51%
Hargreaves Lansdown Asset Management Nominees	3,562,820	15.17%
Zedra Trust Company (Jersey) Limited	1,085,494	4.62%
Canaccord Genuity Group Inc.	1,030,000	4.39%

## 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 AIM.

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

## Report of the Directors continued

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.

### Going concern

NetScientific is in a strong position, with net assets of £25.2 million. In addition to cash-in-bank, NetScientific holds readily realisable quoted assets of c.£9.3 million as at 26 May 2023. Services provided by EMV Capital to the Group's portfolio companies generate a regular Group fee income, including from corporate finance fees, value creation fees, and profits from secondary sales of the Group's position in certain portfolio companies. These fees have contributed significantly to covering the operating costs of NetScientific itself and EMV Capital. With ProAxis and Glycotest now having access to third party finance, they no longer draw on the Company's balance sheet.

The Board has prepared and reviewed budget cashflows and stress-tested the assumptions and sensitivities involved in the context of the broader economic environment. For the period to June 2024, the Group requires a minimum of approximately £1.5 million

to continue as a going concern, assuming that its subsidiary portfolio companies continue to be fully funded by external financing as expected. This amount can be financed through several options, either on their own or in combination, including accelerating revenues at Group level, partial or full exits from portfolio company stakes, soft and non-dilutive finance, and/or a placement of NetScientific shares. Whilst a placement of NetScientific shares remains an available option, the Board has no current intention to pursue that in light of the Company's current share price relative to its net assets. These options have not been executed, and some or all may not be executed, and accordingly, this indicates that a material uncertainty exists which may cast significant doubt on the Group's and Company's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. The Board will continue to tightly manage its cashflow, closely monitor events, and maintain a flexible approach to new opportunities.

The Directors are confident that NetScientific remains a going concern, and it is appropriate to prepare the financial statements on this basis. Accordingly, the financial statements do not include any adjustments that would be necessary if the Group and Company were unable to continue as a going concern.

### Post balance sheet events

#### PDS Biotech:

On 3 January 2023, PDS Biotechnology Corporation (Nasdaq: PDSB), announced an exclusive global licence agreement with Merck KGaA, Darmstadt, Germany for the tumour-targeting IL-12 fusion protein M9241 (formerly known as NHS-IL12), which will join the pipeline as PDS0301. On 27 February 2023, PDS announced the successful completion of a Type B meeting with the U.S. Food and Drug Administration (FDA) for a combination therapy of PDS0101, PDS0301 and an FDA-approved immune checkpoint inhibitor (ICI) for the treatment of recurrent/metastatic human papilloma virus (HPV)-positive, ICI refractory head and neck cancer. On 30 March 2023, announced plan to Initiate Phase 3 study evaluating PDS0101 in Combination with KEYTRUDA® in head and neck cancer in 2023. On 26 May 2023, the company announced interim data indicating 12-month survival rate of 87% with PDS0101 in combination with KEYTRUDA® (pembrolizumab) for head and neck cancer patients.



### Board Changes:

On 31 January 2023, John Clarkson stepped down as Non-Executive Director of the Company, and resigned from the Board with immediate effect. Dr. Jonathan Robinson, Non-Executive Director of the Company became Interim Non-Executive Chair while the Company completed its recruitment process to appoint a new Chair.

On 3 April 2023, as part of its business update, the company announced Prof. Stephen Smith intends not to stand for re-election at the forthcoming Annual General Meeting.

### ProAxis:

On 27 February 2023, wholly owned portfolio company, respiratory diagnostics specialist, ProAxis, entered into an unsecured £500,000 six-month loan agreement (the "Loan Agreement") with AB Group Limited ("AB Group"), a related party transaction under Rule 13 of the AIM Rules for Companies. See announcement date 28 February 2023 for more details. The loan is intended to provide ProAxis with additional time to prepare for an external fundraising.

### Glycotest:

On 2 May 2023, NetScientific's portfolio company Glycotest (specialist in liver disease diagnostics), announced the launch of a third-party fundraising programme to raise up to \$1 million, of which \$0.25 million has already been received, with further commitments. In line with the Group's 'capital light' investment strategy, the Company and Fosun agreed to introduce third party investors into Glycotest through the fundraising, without reliance on NetScientific balance sheet. This is intended to provide Glycotest with further capital to progress development, reduce reliance on the traditionally slow-moving corporate co-investments, prepare for market launch in the US, and explore wider market opportunities.

### Sofant Technologies:

On 24 May 2023, NetScientific's portfolio company Sofant Technologies announced a joint development agreement with Inmarsat Government, the leading provider of secure, global, mission-critical telecommunications to the US Government, with a focus on aerial use of Sofant's phased array antenna for aircraft telecoms. In addition, a further c. £1 million was syndicated by EMV Capital and invested in Sofant post-balance sheet.

### 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*

31 May 2023

# Corporate Governance Report

## Board of Directors Meetings

The posts of Chair 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 General Counsel and Company Secretary.

During the year ended 31 December 2022, the Board met 16 times, with each member attending as follows.

Director	Number of meetings held whilst a Board Member	Number of meetings attended
Dr. Jonathan Robinson (appointed 9 December 2022)	1	1
Dr. Ilian Iliev	16	16
Professor Stephen Smith	16	16
Ed Hooper (appointed 9 December 2022)	1	1
John Clarkson (resigned 31 January 2023)	16	16
Clive Sparrow (resigned 31 December 2022)	16	15

On 9 November 2022 it was announced that John Clarkson relinquished his Executive Director status and became Non-Executive Director and on 31 January 2023 Dr. Jonathan Robinson was appointed Interim Non-Executive Chair on the resignation of John Clarkson from the Board. A non-executive Chair search was launched which is now completed.

## Corporate Governance

The Board and the Chair 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 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/>).

## Board Committees

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

### Audit & Risk Committee

The Audit & Risk Committee was chaired by Clive Sparrow up until 9 December 2022 upon the appointment of Dr. Jonathan Robinson as its new head. 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 2022, the Audit & Risk Committee met 4 times with each members attending as follows.

Director	Number of meetings held whilst a Board member	Number of meetings attended
Dr. Jonathan Robinson (appointed 9 December 2022)	0	0
Clive Sparrow (resigned 31 December 2022)	4	4
Professor Stephen Smith	4	4

### Remuneration Committee

The Remuneration Committee is chaired by Professor Stephen Smith. Its other members are Dr. Jonathan Robinson (from his appointment date), John Clarkson (until his retirement) and Clive B Sparrow (until his retirement).

The committee meets at least twice a year. The Remuneration Committee has responsibility, within its terms of reference, for making recommendations to the Board on the Company's policy for remuneration of senior executives, 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 and operation of executive incentive schemes. The committee administers the Company's share option scheme and approves grants under the scheme. The Chair and the executive Directors are responsible for setting the level of non-executive remuneration.

During the year ended 31 December 2022, the Remuneration Committee met 5 times with each member attending as follows.

Director	Number of meetings held whilst a Board member	Number of meetings attended
Professor Stephen Smith	5	5
John Clarkson (resigned 31 January 2023)	5	4
Clive Sparrow (resigned 31 December 2022)	5	5
Dr. Jonathan Robinson (appointed 9 December 2022)	0	0

### Nominations Committee

The Nominations Committee is responsible for all senior appointments that are made within the Group. The Nominations Committee is chaired by Professor Stephen Smith. Its other members were John Clarkson and Clive Sparrow (until their resignation), Dr. Ilian Iliev and Dr. Jonathan Robinson from his appointment. The Directors consider that the composition of this committee is appropriate given the Company's size and circumstances.

## Corporate Governance Report continued

The Committee meets at least once a year. The Nominations Committee has responsibility, within its terms of reference which were reviewed and updated on 17 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 Chair 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 2022, the Nomination Committee met two times formally.

Director	Number of meetings held whilst a Board member	Number of meetings attended
Professor Stephen Smith	2	2
Dr. Ilian Iliev (joined 7 November 2022)	1	1
John Clarkson (resigned 7 November 2022)	2	1
Clive Sparrow (resigned 31 December 2022)	2	2
Dr. Jonathan Robinson (joined 9 December 2022)	0	0

## 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](http://www.netscientific.net)) to increase the amount of information available to investors in line with Rule 26 of the AIM Rules for Companies. 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 Chair, and the Chair of the Audit & Risk, Remuneration and Nominations Committees.

## Internal control

The Board is 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.

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*

31 May 2023



# Directors' Remuneration Report

## Remuneration Committee

The Company's remuneration policy is the responsibility of the Remuneration Committee which was established in March 2013 and terms of reference were reviewed on 17 February 2021. The terms of reference and its membership are summarised in the Corporate Governance Report on pages 28 to 30.

The Committee, which is required to meet at least twice in the year, met five times during the year ended 31 December 2022.

## 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 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.

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 relevant Executive has met challenging personal and group objectives that contribute to the Group's overall performance.

As previously indicated, as part of the LTIP's structure, the Remuneration Committee is planning on establishing a Carried Interest scheme. This would align the Group with general practices within the VC industry, assist with talent retention and future hires, and facilitate the growth of the Fund practice.

## Non-executive Directors' remuneration

Dr. Jonathan Robinson was appointed 9 December 2022 at a fixed fee of £30,000. Professor Stephen Smith received a fixed fee of £30,000 for his non-executive director role and a further £42,000 for providing general and scientific advice across the Group taking his total remuneration to £72,000 (2021: £72,000) (post-balance sheet Non-Executive Director salary is down to £30,000). Clive Sparrow received a fixed fee of £30,000 (2021: £30,000). Clive Sparrow resigned 31 December 2022. The fixed fee covers preparation for and attendance at meetings of the full Board and committees thereof. The Chair 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. Dr. Jonathan Robinson was granted options on 9 December 2022. 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.

## Directors' Remuneration Report continued

The original NetScientific Plc Share Option Scheme (the "Scheme") was established on 9 May 2013 for a 10-year period, and was replaced with a new scheme in May 2023 with an options scheme substantively on the same terms for a further 10 years. It is administered by the Remuneration Committee, including decisions on which employees should have options granted, the number, the exercise dates and any 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.

### Directors' interests in share options

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

	Options Issued	Option Price	Options as at 31 December 2022	Options as at 31 December 2021
<b>2022</b>				
Dr. Jonathan Robinson	9 December 2022	65.5p	<b>45,801</b>	—
Edward Hooper	19 May 2022	78.1p	<b>105,000</b>	—
<b>2021</b>				
John Clarkson	28 September 2021	£1.24	<b>183,191</b>	183,191
Dr. Ilian Iliev	28 September 2021	£1.24	<b>183,191</b>	183,191
<b>2020</b>				
John Clarkson	30 November 2020	45.5p	<b>254,977</b>	382,465
Dr. Ilian Iliev	25 September 2020	65.0p	<b>382,465</b>	382,465
Professor Stephen Smith	30 November 2020	45.5p	<b>46,155</b>	46,155
Clive Sparrow	30 November 2020	45.5p	<b>46,155</b>	46,155
<b>Pre-2020</b>				
Professor Stephen Smith	24 June 2016	£7.97	<b>3,000</b>	3,000

Options were first granted on 16 September 2013, the date of the Company's Admission to AIM. In the case of the Chair 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 Dr. Jonathan Robinson on 9 December 2022 and to Edward Hooper on 19 May 2022. Options were awarded to Professor Stephen Smith on 24 June 2016 and 30 November 2020. Options were awarded to Dr. Ilian Iliev on 25 September 2020 and 28 September 2021. Options were awarded to John Clarkson on 30 November 2020 and 28 September 2021 and to Clive Sparrow on 30 November 2020. On 9 December 2022, John Clarkson exercised options over 127,488 ordinary shares at 5p each for an aggregate exercise price of 45.5p.

## 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 2022 and has been audited by the Company's auditor, BDO LLP.

### Directors' remuneration

The aggregate remuneration received by Directors who served during the year ended 31 December 2022 is set out below.

Year ended 31 December 2022	Salaries and fees £000's	Bonus £000's	Benefits £000's	Pension £000's	Total £000's
<b>Executive Directors</b>					
John Clarkson (resigned 31 January 2023)	292	120	2	19	433
Dr. Ilian Iliev	263	120	2	21	406
Edward Hooper (employed as General Counsel since 7 June 2022, appointed as Director 9 December 2022)	125	25	—	10	160
<b>Non-Executive Directors</b>					
Professor Stephen Smith	72	—	—	—	72
Clive Sparrow (resigned 31 December 2022)	30	—	—	—	30
<b>Total</b>	<b>782</b>	<b>265</b>	<b>4</b>	<b>50</b>	<b>1,101</b>

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

**Directors' Remuneration Report** continued

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

	Year ended 31 December 2022 £000's	Year ended 31 December 2021 £000's
<b>Executive Directors</b>		
John Clarkson	39	60
Dr. Ilian Iliev	39	63
Edward Hooper	19	—
<b>Non-Executive Directors</b>		
Dr. Jonathan Robinson	4	—
Professor Stephen Smith	1	3
Clive Sparrow	1	3
<b>Total</b>	<b>103</b>	<b>129</b>

By Order of the Board:

**Professor Stephen Smith**

*Chair of Remuneration Committee*

31 May 2023



# Directors' Audit & Risk Committee Report

## 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. Clive Sparrow was Chair of the Audit & Risk Committee up to 9 December 2022, when Dr. Jonathan Robinson took over as Chair on his appointment.

The Committee, which is required to meet at least twice in the year, met four times during the year ended 31 December 2022. 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. The risks and responses are detailed on pages 37 to 41.

## 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.

## Directors' Audit & Risk Committee Report continued

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.

### 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 third 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.

### 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.

## Section 172 Statement

This section serves as our section 172 statement and should be read in conjunction with the CEO's strategic report on pages 03 to 05. 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 has reflected on how the Company engages with its stakeholders and opportunities for enhancement in the future. The Company's General Counsel and Company Secretary 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.
- 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
<b>£1.5 million Placement</b>	Shareholders, employees	<ul style="list-style-type: none"> <li>• Shareholder consultations</li> <li>• Extended company's runway and enabled further value creation activities</li> </ul>
<b>New Portfolio Acquisitions</b>	Shareholders	<ul style="list-style-type: none"> <li>• Developed deal structures that meant no balance sheet cash was used for the deals – non-dilutive for shareholders</li> <li>• Further portfolio diversification and increased capital growth fee earning potential for the company</li> </ul>
<b>Decision for Glycotest, ProAxis and CetroMed subsidiaries to become third party funded from 1 January 2023</b>	Shareholders, employees	<ul style="list-style-type: none"> <li>• Shareholder consultations, market testing, discussions with company management, fundraising support</li> <li>• Decision to limit further balance sheet support, and to treat subsidiaries as 'held for investment, and identify third party investors</li> </ul>
<b>Decision to divest of a proportion of Q-Bot shares</b>	Shareholders, long-term policy	<ul style="list-style-type: none"> <li>• Decision for partial sell-downs across portfolio in order to lock-in profit, build up balance sheet</li> </ul>
<b>Appointment of Ed Hooper and Jonathan Robinson to the Board</b>	Shareholders, strategy implementation	<ul style="list-style-type: none"> <li>• Decision to appoint in context of building up Board transactional capabilities and industry expertise – reflecting changing stage of development of the business</li> </ul>
<b>Decision not to proceed with take up of US lab shared facility for portfolio companies</b>	Long-term decision, shareholders	<ul style="list-style-type: none"> <li>• Review of financial and risk implications of potential take-up of a 10 year lease of a shared lab space in US, in view of portfolio company needs</li> <li>• Decision not to proceed due to revised portfolio company needs and long-term nature of lease. Alternative solutions for portfolio companies identified</li> </ul>

## Directors' Audit & Risk Committee Report continued

### 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
<b>Poor performance of Investments</b>	<p>Many of the Group's investments are in early-stage companies which are still in R&amp;D or early growth and are loss-making. Therefore, it is possible that milestones are missed, there are overspend on budgets, and that the companies run out of cash ahead of value inflection points and additional fundraisings.</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, including through the following measures:</p> <ul style="list-style-type: none"> <li>• Co-investment with other investors, providing more sources of investment.</li> <li>• Manage technology vs. finance risk, e.g., staging investments.</li> <li>• Portfolio approach to investment, spreading the risk across the companies.</li> <li>• Careful budgeting and cash planning.</li> <li>• Detailed project planning and monitoring.</li> <li>• Utilising soft-funding, e.g., government grants, Corporate Joint Development Agreements.</li> <li>• Fundraising with adequate contingency cash reserves and funding options.</li> <li>• Willingness to restructure, turnaround, mothball, and if necessary, ultimately write-off.</li> </ul>
<b>Clinical development risk</b>	<p>For our life sciences companies, potential clinical trials 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 frequently 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>
<b>Board influence at portfolio companies</b>	<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 projects 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>



Risk	Possible Consequence	How the Board guards against risk
<b>Regulatory risk</b>	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.
<b>Intellectual property risk</b>	<p>The commercial success of many of the Group's portfolio companies depends on its ability to obtain and retain adequate patent and other IP protection for their discoveries and for technology licensed from universities and research institutes. IP laws, procedures and restrictions provide only limited protection, and any such intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated.</p> <p>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 or owned by the Group's portfolio companies. Risk for unauthorised use, disclosure or reverse engineering of the IP licensed to or owned by the Group's portfolio companies</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"> <li>• Maintaining an up-to-date IP strategy.</li> <li>• Using external patent attorneys and IP strategists to review patent protection.</li> <li>• Periodic review of new inventions coming out of the companies' R&amp;D, to evaluate whether to patent.</li> <li>• Willingness to defend against IP infringement.</li> <li>• Careful considerations of licensing arrangements with Universities, Corporate partners and others.</li> </ul>

## Directors' Audit &amp; Risk Committee Report continued

Risk	Possible Consequence	How the Board guards against risk
<b>Competition risk</b>	<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, second best or at worst obsolete.</p>	<p>The Group mitigates these risks at Group level by:</p> <ul style="list-style-type: none"> <li>• strategic portfolio diversification, to avoid overdependence on any one portfolio company;</li> <li>• performing competitor scans; and</li> <li>• being realistic about expectations from individual portfolio assets.</li> </ul> <p>Most of the risks can be mitigated by the portfolio companies' management, therefore the Group encourages portfolio companies to:</p> <ul style="list-style-type: none"> <li>• conduct periodic competitor scans;</li> <li>• benchmark their products against competitors;</li> <li>• where possible, identify changes needed to stay ahead;</li> <li>• monitor key competitors' IP for infringement potential and early signs of changing strategy; and</li> <li>• focus on speed of development to ensure products get to market fast.</li> </ul>
<b>Dependence on key executives and personnel</b>	<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.</p> <p>The Group will look to develop leadership continuity plans 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 staff retention and compensation policies; benchmarking packages to the market; and ensuring alignment with shareholder interests.</p>

Risk	Possible Consequence	How the Board guards against risk
<b>Cyber-attack/Loss of data/AI threats</b>	<p>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.</p> <p>The emergence of new tools, such as deepfake audio/video, and use of Generative AI in cyber context is expected to bring a new set of challenges for organisations.</p>	<p>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. Implementing and reviewing several layers of cyber-security and cyber-resilience, training of team.</p> <p>Encouraging portfolio companies to update their cyber security/cyber resilience policies.</p>
<b>Post-Brexit development</b>	<p>In the post- BREXIT environment there remain significant political and economic uncertainty and risk, for instance around access by UK companies to EU innovation, EU grant frameworks, regulatory divergence, access to funding by EU institutional sources and others.</p>	<p>Monitor risks and opportunities emerging from post-Brexit dispensation.</p> <p>Maintaining an international outlook to operations, including investing internationally, encouraging portfolio companies to internationalise, collaborations with EU-based experts, clients, investors and stakeholders.</p>
<b>Geopolitical and market risk</b>	<p>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>	<p>We continue to focus on prudent cash flow management, clarity on timings for fundraising, encouraging portfolio companies to plan for fundraising early and to take in contingency funding where possible.</p>

By Order of the Board:

**Dr. Jonathan Robinson**

*Chair of Audit & Risk Committee*

31 May 2023

# Independent Auditor's Report to the Members of NetScientific plc

## Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report:

- 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 2022 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 2022 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 qualified opinion

Investments are stated at £21.7million in the Parent Company Statement of Financial Position and £23.4million in the Consolidated Statement of Financial Position. The Directors did not perform year end valuations for some of the hard to value investments worth c.£1million for the year ended 31 December 2022. Therefore, we were unable to obtain sufficient and appropriate evidence for the valuation of such investments at this date. We were unable to perform alternative procedures to satisfy ourselves concerning the valuation of the c.£1million investments held by the Group and Parent Company at 31 December 2022. Consequently, we were unable to determine whether any adjustment was necessary to these amounts as at 31 December 2022 or whether there was any consequential effect on the Group and Parent Company's other comprehensive income for the year ended 31 December 2022.

In addition, were any adjustment to the investments to be required, the Strategic and Directors' reports would also need to be amended.

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 qualified 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 has not yet been executed. 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.

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 potential going concern issues.
- 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.



## Independent Auditor's Report continued

## Overview

<b>Coverage</b>	100% (2021: 100%) of Group loss before tax 100% (2021: 100%) of Group revenue 100% (2021: 100%) of Group total assets		
<b>Key audit matters</b>		<b>2022</b>	<b>2021</b>
	Going concern	✓	✓
	Acquisition accounting (Purchase of Cetromed Group (2020: Purchase of EMV Capital)*)	✗	✓
	Goodwill and intangible asset impairment risk; subsidiary carrying value impairment risk within the parent company financial statements	✓	✗
	Valuation of investments	✓	✗
	Capitalisation of development costs	✓	✗
	* Acquisition accounting is no longer considered to be a key audit matter because there were no acquisitions during the current year.		
<b>Materiality</b>	Group financial statements as a whole  £156,000 (2021: £166,000) based on 5% (2021: 5%) of loss before tax (2021: three-year average loss before tax)		

## 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 engagement 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.
- Held initial planning meetings to discuss identified risks and the scope of the component auditors work including those that related to key audit matters, fraud and going concern.
- Regularly communicated 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.

- Reviewed 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 matters described in the Basis for Qualified Opinion and Material uncertainty related to going concern sections of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Goodwill and other intangible asset impairment risk; subsidiary carrying value impairment risk within the parent company financial statements (see notes 2 and 17)</b></p> <p><i>The accounting policy in respect of the accounting for goodwill and other intangible assets impairment is included within the annual report on page 60.</i></p> <p><i>The estimates and judgements in respect of goodwill and other intangible asset impairment are included within note 3.</i></p>	<p>We examined the Group's intangible assets for indicators of impairment such as considering whether there was any evidence of a decline in the value of the assets due to events during the year and comparing net assets to market capitalisation. In our consideration of evidence of decline in value of assets, we compared actual revenues to previous forecasts, reviewing whether cash generating unit actual revenues were on the decline, indicating possible obsolescence in the intangible assets.</p> <p>We also assessed impairment reviews prepared by management, specifically reviewing the integrity of management's value-in-use model, such as agreeing the inputs on a sample basis to source documentation such as board approved forecasts and checking the mathematical accuracy. With the assistance of our internal valuation experts, we challenged the key assumptions and estimates, being forecast growth rates and the discount rate. We stress tested the models by sensitising the assumptions impacting estimated future operating cashflows.</p> <p>At parent company level, we considered impairment indicators through comparing the carrying value of the investments in subsidiaries with the market capitalisation of the group at the balance sheet date.</p> <p>We also assessed the cost of the investments held by the parent company in the subsidiaries against their estimated value in use, with the same procedures as performed above (on management's impairment reviews of the cash-generating units within the group financial statements).</p> <p><b>Key observations:</b></p> <p>Based on the work performed, we found management's judgements and assumptions in this area to be reasonable.</p>

## Independent Auditor's Report continued

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Capitalisation of development costs (see note 17)</b></p> <p><i>The accounting in respect of the capitalisation of development costs included within the accounting policy on page 60.</i></p> <p><i>The estimates and judgements in respect of capitalised development costs are included within note 3.</i></p>	<p>The group capitalises development costs when the criteria per the UK adopted international standards (IAS 38) are met. There is judgment involved in the determination of whether the criteria are met in full before capitalisation.</p> <p>The risk that the development costs may be capitalised incorrectly is considered to be a key audit matter due to the level of judgement involved and the opportunity and incentive for management bias within the assumptions adopted.</p> <p>We obtained and reviewed a paper prepared by management on identified costs capitalised during the period. We assessed the reasonableness and appropriateness of management's conclusions on whether the capitalisation criteria per IAS 38 were all met and when they were all met. This included agreeing a sample of costs to underlying information which included invoices, contracts and similar.</p> <p>Our challenge to management included testing classification of certain costs and the percentages allocated to the development phase of the projects, corroborating to contracts and other similar supporting information. We agreed the recorded time spent on projects to payroll records corroborating completeness of the costs.</p> <p><b>Key observations:</b></p> <p>Based on the work performed, we found management's judgements and assumptions in this area to be reasonable.</p>

## 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	
	2022 £	2021 £	2022 £	2021 £
<b>Materiality</b>	156,000	166,000	80,000	130,000
<b>Basis for determining materiality</b>	5% of loss before tax	5% of three year average loss before tax	5% of loss before tax	5% of three year average loss before tax
<b>Rationale for the benchmark applied</b>	Loss before tax is considered to be of most importance to the users of the financial statements. We used a three year average of loss before tax in the prior year due to the fluctuating losses.			
<b>Performance materiality</b>	117,000	124,000	60,000	97,000
<b>Basis for determining performance materiality</b>	75% of materiality based on factors including the expected total value of known and likely misstatements based on past experience.			

## Component materiality

We set materiality for each significant component of the Group based on a percentage of between 35% and 75% (2021: 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 £55,000 to £117,000 (2021: from £40,000 to £130,000). In the audit of each component, we further applied performance materiality levels of 75% (2021: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

## Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £6,000 (2021: £6,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## Independent Auditor's Report continued

## 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the valuation of some investments held at 31 December 2022. We have concluded that where the other information refers to the investments balance or related balances such as other comprehensive income, it may be materially misstated for the same reason.

## 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.

<b>Strategic report and Directors' report</b>	<p>Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>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</li> <li>the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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>
<b>Matters on which we are required to report by exception</b>	<p>Arising solely from the limitation on the scope of our work relating to investments, referred to above:</p> <ul style="list-style-type: none"> <li>we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and</li> <li>we were unable to determine whether adequate accounting records have been kept by the Parent Company.</li> </ul> <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"> <li>returns adequate for our audit have not been received from branches not visited by us;</li> <li>Parent Company financial statements are not in agreement with the accounting records and returns; or</li> <li>certain disclosures of Directors' remuneration specified by law are not made.</li> </ul>



## 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.

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:

Based on:

- Our understanding of the Group and the industry in which it operates;

- Discussion with management and those charged with governance and the Audit Committee; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be UK adopted international accounting standards, UK Generally Accepted Accounting Practice, Companies Act 2006, QCA Code and AIM Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be tax legislation and health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Involvement of tax specialists in the audit.

### Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance (including the Audit Committee) regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - » Detecting and responding to the risks of fraud; and
  - » Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;

## Independent Auditor's Report continued

- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these; and
- Obtaining an understanding of how cash can be fraudulently taken out of the Group, and how other assets (including stock) can be misappropriated.

Based on our risk assessment, we considered the areas most susceptible to fraud to be

- revenue recognition (cut-off);
- posting of inappropriate manual journal entries; and
- adoption of undue management bias in accounting estimates and judgements.

Our procedures in respect of the above included:

- Revenue cut-off testing which included testing a sample of revenue transactions around the year end, agreeing to supporting documentation including despatch notes, invoices and contracts to check that revenue was recognised in the appropriate period;
- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by corroborating against supporting documentation; and
- Assessing significant estimates made by management for bias (particularly discount rates, growth rates, and stage of trials and tests adopted in goodwill and investment impairment assessment) as set out in the key audit matters section of our report.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members (including component engagement teams) and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The engagement partner assessed that the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance

with laws and regulations based on experience of the industry. For component engagement teams, we also reviewed the result of their work performed in this regard.

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. In addition, the extent to which the audit was capable of detecting irregularities including fraud, was limited by the matter described in the basis for qualified opinion section of our report.

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

### Use of our report

This report is made solely to the 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

31 May 2023

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 2022

	Notes	2022 £000's	2021 £000's
<b>Continuing Operations</b>			
<b>Total Income</b>		<b>1,820</b>	1,260
Revenue	5	<b>1,004</b>	1,107
Cost of sales		<b>(222)</b>	(118)
<b>Gross profit</b>		<b>782</b>	989
Other operating income	5a	<b>816</b>	153
Research and development costs		<b>(1,371)</b>	(1,322)
General and administrative costs		<b>(3,729)</b>	(2,573)
Other costs	7	<b>(248)</b>	(207)
<b>Loss from continuing operations</b>	8	<b>(3,750)</b>	(2,960)
Finance income	9	<b>94</b>	23
Finance expense	10	<b>(55)</b>	(22)
Gain on purchase	11	<b>—</b>	36
<b>Loss before taxation</b>		<b>(3,711)</b>	(2,923)
Income tax credit	12	<b>37</b>	61
<b>Total Loss for the year all from continuing operations</b>		<b>(3,674)</b>	(2,862)
Owners of the parent		<b>(3,094)</b>	(2,385)
Non-controlling interests		<b>(580)</b>	(477)
		<b>(3,674)</b>	(2,862)
<b>Basic and diluted loss per share from continuing and discontinued operations attributable to owners of the parent during the year:</b>			
Continuing operations	13	<b>(13.9p)</b>	(13.2p)
From loss for the year		<b>(13.9p)</b>	(13.2p)

The notes form part of these financial statements

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 £000's	2021 £000's
<b>Loss for the year</b>	<b>(3,674)</b>	(2,862)
<b>Other comprehensive income/(loss):</b>		
Exchange differences on translation of foreign operations	26	(9)
Change in fair value of equity investments classified as FVTOCI	8,773	6,009
<b>Total comprehensive profit for the year</b>	<b>5,125</b>	3,138
<b>Attributable to:</b>		
Owners of the parent	5,732	3,624
Non-controlling interests	(607)	(486)
	<b>5,125</b>	3,138

The notes form part of these financial statements

# Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 £000's	2021 £000's
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	144	136
Right-of-use assets	15	420	158
Intangible assets	17	3,367	3,045
Equity investments classified as FVTOCI*	18	22,743	11,516
Financial assets classified as FVTPL**	19	693	1,462
<b>Total non-current assets</b>		<b>27,367</b>	16,317
<b>Current assets</b>			
Inventory	20	76	67
Trade and other receivables	21	658	1,598
Cash and cash equivalents	22	852	2,710
<b>Total current assets</b>		<b>1,586</b>	4,375
<b>Total assets</b>		<b>28,953</b>	20,692
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	(2,457)	(1,529)
Lease liabilities	24	(168)	(32)
Loans and borrowings	25	(99)	(59)
<b>Total current liabilities</b>		<b>(2,724)</b>	(1,620)
<b>Non-current liabilities</b>			
Lease liabilities	24	(268)	(131)
Loans and borrowings	25	(719)	(432)
<b>Total non-current liabilities</b>		<b>(987)</b>	(563)
<b>Total liabilities</b>		<b>(3,711)</b>	(2,183)
<b>Net assets</b>		<b>25,242</b>	18,509

\* Fair value through other comprehensive income

\*\* Fair value through profit and loss

The notes form part of these financial statements



# Consolidated Statement of Financial Position continued

As at 31 December 2022

	Notes	2022 £000's	2021 £000's
<b>Issued capital and reserves</b>			
<b>Attributable to the parent</b>			
Called up share capital	26	1,174	1,056
Warrants	27	42	42
Share premium account	27	74,175	72,792
Capital reserve account	27	237	237
Equity investment reserve	27	13,277	4,504
Foreign exchange reserve	27	1,421	1,368
Accumulated losses	27	(64,486)	(61,499)
Equity attributable to the owners of the parent		25,840	18,500
Non-controlling interests	16	(598)	9
<b>Total equity</b>		<b>25,242</b>	18,509

The financial statements on pages 51 to 96 were approved and authorised for issue by the Board of Directors on 31 May 2023 and were signed on its behalf by:

**Dr. Jonathan Robinson**  
Interim Non-Executive Chair

**Dr Ilian Iliev**  
Chief Executive Officer

The notes form part of these financial statements

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

Shareholders' equity										
	Share capital £000's	Warrants £000's	Share premium £000's	Capital reserve £000's	Equity investment reserve £000's	Accumulated losses £000's	Foreign exchange and capital reserve £000's	Total £000's	Non-controlling interests £000's	Total equity £000's
1 January 2021	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
Increase in subsidiary shareholding	—	—	—	—	—	447	—	447	337	784
Share-based payments	—	—	—	—	—	141	—	141	—	141
<b>31 December 2021</b>	<b>1,056</b>	<b>42</b>	<b>72,792</b>	<b>237</b>	<b>4,504</b>	<b>(61,499)</b>	<b>1,368</b>	<b>18,500</b>	<b>9</b>	<b>18,509</b>
Loss for the period	—	—	—	—	—	(3,094)	—	(3,094)	(580)	(3,674)
Other comprehensive income/(loss) –										
Foreign exchange differences	—	—	—	—	—	—	53	53	(27)	26
Change in fair value of equity investments classified as FVTOCI	—	—	—	—	8,773	—	—	8,773	—	8,773
Total comprehensive profit/(loss)	—	—	—	—	8,773	(3,094)	53	5,732	(607)	5,125
Issue of share capital	118	—	1,439	—	—	—	—	1,557	—	1,557
Cost of share issue	—	—	(56)	—	—	—	—	(56)	—	(56)
Share-based payments	—	—	—	—	—	107	—	107	—	107
<b>31 December 2022</b>	<b>1,174</b>	<b>42</b>	<b>74,175</b>	<b>237</b>	<b>13,277</b>	<b>(64,486)</b>	<b>1,421</b>	<b>25,840</b>	<b>(598)</b>	<b>25,242</b>

The notes form part of these financial statements

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 £000's	2021 £000's
<b>Cash flows from operating activities</b>			
Loss after income tax including discontinued operations		(3,674)	(2,862)
Adjustments for:			
Depreciation of property, plant and equipment	14	45	54
Depreciation of right-of-use assets		76	31
Amortisation of intangibles		226	163
Estimated credit losses on trade receivables	21	18	2
Bad debt expense		—	9
Gain on purchase of subsidiary	11	—	(36)
Gain on available for sale investments		(254)	—
Fair value movement during the year on convertible debt		(466)	(28)
Capitalisation of development costs		(548)	(585)
Share-based payments	31	107	141
R&D tax credit		(46)	(81)
Loss on disposal of property, plant and equipment		1	—
Share of associate loss		11	—
Foreign exchange movement		(72)	2
Finance income	9	(94)	(23)
Finance costs		24	10
Tax credit	12	(37)	(61)
		(4,683)	(3,264)
<b>Changes in working capital</b>			
(Increase)/decrease in inventory		(9)	7
Decrease/(Increase) in trade and other receivables		610	(1,148)
Increase in trade and other payables		879	864
Cash used in operations		(3,203)	(3,541)
Income tax received		96	78
Income tax paid		—	(12)
<b>Net cash (used) in operating activities</b>		(3,107)	(3,475)
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net cash acquired	11	—	3
Purchase of property, plant and equipment	14	(53)	(62)
Purchase of available for sale investments		(267)	(2,192)
Purchase of derivative financial assets		(710)	(1,207)
Disposal of available for sale investments		451	—
Receipt of derivative financial assets		48	—
Interest Received		1	—
Interest paid		—	(5)
<b>Net cash (used in) investing activities</b>		(530)	(3,463)

The notes form part of these financial statements

# Consolidated Statement of Cash Flows continued

For the year ended 31 December 2022

	Notes	2022 £000's	2021 £000's
<b>Cash flows from financing activities</b>			
Proceeds received on change in stake in subsidiary		—	700
Lease payments		(88)	(38)
Repayment of loans and borrowings		(89)	(502)
Proceeds from loans and borrowings		415	550
Proceeds from share issue		1,558	7,746
Share issue costs		(56)	(437)
<b>Net cash from financing activities</b>		<b>1,740</b>	<b>8,019</b>
(Decrease)/Increase in cash and cash equivalents		(1,897)	1,081
Cash and cash equivalents at beginning of year		2,710	1,628
Exchange differences on cash and cash equivalents		39	1
<b>Cash and cash equivalents at end of year</b>	22	<b>852</b>	<b>2,710</b>

The notes form part of these financial statements

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 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 2022.

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.

### 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.



## 2. Accounting policies continued

### Going concern

NetScientific is in a strong position, with net assets of £25.2 million. In addition to cash-in-bank, NetScientific holds readily realisable quoted assets of c.£9.3 million as at 26 May 2023. Services provided by EMV Capital to the Group's portfolio companies generate a regular Group fee income, including from corporate finance fees, value creation fees, and profits from secondary sales of the Group's position in certain portfolio companies. These fees have contributed significantly to covering the operating costs of NetScientific itself and EMV Capital. With ProAxis and Glycotest now having access to third party finance, they no longer draw on the Company's balance sheet.

The Board has prepared and reviewed budget cashflows and stress-tested the assumptions and sensitivities involved in the context of the broader economic environment. For the period to June 2024, the Group requires a minimum of approximately £1.5 million to continue as a going concern, assuming that its subsidiary portfolio companies continue to be fully funded by external financing as expected. This amount can be financed through several options, either on their own or in combination, including accelerating revenues at Group level, partial or full exits from portfolio company stakes, soft and non-dilutive finance, and/or a placement of NetScientific shares. Whilst a placement of NetScientific shares remains an available option, the Board has no current intention to pursue that in light of the Company's current share price relative to its net assets. These options have not been executed, and some or all may not be executed, and accordingly, this indicates that a material uncertainty exists which may cast significant doubt on the Group's and Company's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. The Board will continue to tightly manage its cashflow, closely monitor events, and maintain a flexible approach to new opportunities.

The Directors are confident that NetScientific remains a going concern, and it is appropriate to prepare the financial statements on this basis. Accordingly, the financial statements do not include any adjustments that would be necessary if the Group and Company were unable to continue as a going concern.

### 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.

### Other Operating Income

Other operating income includes fair value adjustments for financial assets classified as fair value through profit or loss (FVTPL), and gains on sales of financial assets. Fair value adjustments are recognised in the consolidated statement of comprehensive income upon valuation of the financial assets at year end. Gains on sales of financial assets are recognised when the sale is executed and finalised, and upon derecognition of the financial assets from the consolidated statement of financial position.

### 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.

## Notes to the Consolidated Financial Statements continued

## 2. Accounting policies continued

### Research and development

The Group capitalises qualifying development costs once criteria for development costs to be recognised as an asset, have 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.

### 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

## 2. Accounting policies continued

### 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.

### 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.

## Notes to the Consolidated Financial Statements continued

## 2. Accounting policies continued

### *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.

### *Fair value through other comprehensive income*

The Group has two strategic investments in 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.

### **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.

## 2. Accounting policies continued

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.

Research and development 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 recognising 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.

### 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 2022*

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).

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2022. See the applicable notes for further details on how the amendments affected the Group.



## Notes to the Consolidated Financial Statements continued

**2. Accounting policies continued***Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify, that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract – e.g. direct labour and material; and
- An allocation of other costs that relate directly to fulfilling contracts: e.g. Allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

The Group, prior to the application of the amendments, did not have any onerous contracts.

As a result of the amendments, certain other directly related costs have now been included by the Group in determining the costs of fulfilling the contracts. The Group has not recognised any additional onerous contract provision as at 1 January 2022.

*Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

These amendments had no impact on the year-end consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

*Annual Improvements to IFRS Standards 2018–2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)*

- IFRS 1: Subsidiary as a First-time Adopter (FTA)
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities
- IAS 41: Taxation in Fair Value Measurements

*References to Conceptual Framework (Amendments to IFRS 3)*

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

*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 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).

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)



## 2. Accounting policies continued

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 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.

## 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 judgment around determining weighted average cost of capital and the useful life of intangible assets.
- The capitalisation of development costs (see note 17). The judgment that have met the criteria of International Accounting Standard 38 para 57 and proving that products are market ready.

- The valuation of equity investments classified as (FVTOCI) (see note 18).
- The valuation of derivative financial assets classified as (FVTPL) (see note 19). The use of estimates to determine the fair value of derivative financial assets classified as (FVTPL) based on latest transactions.
- 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 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 (such as a quoted stock price, or an external third-party equity investment) will be of greater reliability than those based on valuation assumptions. Accordingly where there has been any recent investment by a third party, 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.

In order to illustrate the sensitivity of the Net Assets value to the Fair Value of the Unquoted Equity Investments (estimated at £8,064k), if the latter were to decrease or increase by 50%, the net assets figure would respectively decrease or increase by £4,032k (2021: 1,263k) (see note 18).

## Notes to the Consolidated Financial Statements continued

#### 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 assesses 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

	Delivered Goods £000's	Service Fees £000's	Total £000's
<b>31 December 2022</b>			
EMV Capital*	—	830	830
ProAxis	119	55	174
	119	885	1,004
<b>31 December 2021</b>			
EMV Capital	—	940	940
ProAxis	122	45	167
	122	985	1,107

\* EMV Capital total income for 2022 was £1.2m, including a trading profit from disposal of assets of £254k.

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

	2022 £000's	2021 £000's
NetScientific Plc	(1,306)	(1,228)
EMV Capital	85	173
CetroMed	(202)	33
Glycotest	(1,409)	(1,329)
ProAxis	(842)	(511)
	(3,674)	(2,862)

NetScientific Plc and EMV Capital are the core of the Group while the other subsidiaries are trading portfolio companies and are large investments.

## 5. Revenue

Revenue from contracts with customers

<b>31 December 2022</b>	<b>Delivered Goods £000's</b>	<b>Service Fees £000's</b>	<b>Total £000's</b>
United Kingdom	119	885	1,004
	119	885	1,004

<b>31 December 2021</b>	<b>Delivered Goods £000's</b>	<b>Service Fees £000's</b>	<b>Total £000's</b>
United Kingdom	122	985	1,107
	122	985	1,107

### 5a. Other operating income

Revenue from contracts with customers

	<b>2022 £000's</b>	<b>2021 £000's</b>
Fair value movement during the year on convertible debt	466	28
Gain on available for sale investments	254	—
R&D tax credit above the line	46	81
Miscellaneous Income	50	44
	816	153

## Notes to the Consolidated Financial Statements continued

## 6. Employees and directors

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

	2022 Number	2021 Number
Central Group functions *	8	7
Research and development and Engineering	10	10
Sales and other	8	8
	<b>26</b>	<b>25</b>

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

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

	2022 £000's	2021 £000's
Wages and salaries	2,046	1,759
Social security costs	294	198
Share-based payment charge	101	135
Pension costs	87	65
	<b>2,528</b>	<b>2,157</b>

The Group makes pension contributions for certain employees into money purchase schemes. The total expense relating to these plans in current year was £87k (2021: £65k). There were outstanding contributions at the end of the financial year of £17k (2021: £11k).

The aggregate remuneration of key management comprised:

	2022 £000's	2021 £000's
Wages and salaries	1,086	630
Social security costs	158	83
Share-based payment charge	98	126
Pension costs	61	47
Benefits in kind	8	4
	<b>1,411</b>	<b>890</b>

Details of the highest-paid Director can be found in the Remuneration Committee Report on page 33 to 34.

## 7. Other costs

	2022 £000's	2021 £000's
Estimated credit losses on trade receivables	38	11
Merger and acquisition costs	103	55
Share-based payments (note 31)	107	141
	<b>248</b>	207

During the year, the Group incurred transaction fees of £103k (2021: £55k) payable to lawyers and brokers for transactional legal costs at portfolio company level.

## 8. Loss from continuing operations

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

	2022 £000's	2021 £000's
Depreciation of property, plant and equipment (see note 14)	45	54
Amortisation of right-of-use assets (see note 15)	76	31
Amortisation of intangibles (see note 17)	226	163
Fair value movement during the year on convertible debts (see note 19)	160	28
Estimated credit losses on trade receivables	38	11
Short-term and low value leases:		
– land and buildings	10	29
Net foreign exchange (gain)/losses	(37)	29
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	52	40
Fees payable to the Company's auditors for other services:		
– Audit related services	13	13

## Notes to the Consolidated Financial Statements continued

## 9. Finance income

	2022 £000's	2021 £000's
Interest income arising from:		
Cash and cash equivalents	1	—
Loan notes	93	23
	94	23

## 10. Finance expense

	2022 £000's	2021 £000's
Interest expense on:		
Loans	32	15
Lease liabilities	23	7
	55	22



## 11. Business combinations acquired during the period

### CetroMed acquisition

In the prior year on 20 December 2021, NetScientific Plc acquired as part of a non-cash transaction 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 is a holding company that was previously owned by the Azima Trust (through Zahra Holdings Ltd), the family trust of Farad Azima, the founder and ex-CEO of NetScientific. 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 (3.9% stake), DName-iT (61.5% stake), Oncocidia (41.3% stake), which were discussed in greater detail in the portfolio section earlier.

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
<b>Assets</b>			
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
<b>Total assets</b>	<b>908</b>	<b>(427)</b>	<b>481</b>
<b>Liabilities</b>			
Trade Payables	(13)	—	(13)
Accruals	(118)	82	(36)
Loan	(128)	—	(128)
<b>Total liabilities</b>	<b>(259)</b>	<b>82</b>	<b>(177)</b>
<b>Net assets</b>	<b>649</b>	<b>(345)</b>	<b>304</b>
Minority interest	25%		(76)
<b>Net Assets Acquired</b>	<b>75%</b>		<b>228</b>

## Notes to the Consolidated Financial Statements continued

## 11. Business combinations acquired during the period continued

Fair value of consideration paid is as follows:

	2022 £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
<b>Total Consideration Paid</b>	<b>192</b>
No separately identified intangibles	—
Gain on purchase	36
<b>Total net assets acquired</b>	<b>228</b>

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.

## 12. Taxation

Analysis of tax credit	2022 £000's	2021 £000's
Current tax:		
UK research and development tax credit	37	41
Income tax credit on current year loss	37	41
Income tax credit on prior year	—	20
Total income tax credit in the Consolidated Income Statement	37	61

### 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:

	2022 £000's	2021 £000's
Loss before taxation from continuing operations	(3,711)	(2,923)
Tax at domestic rates applicable to losses in the respective countries 20.25% (2021: 18.60%)	751	543
Effects of:		
Expenses not deductible for tax purposes	(529)	(81)
Capitalisation and amortisation of R&D – Timing difference	(142)	(150)
Movement on other – Timing difference	(17)	32
Share based payments	5	—
Surrender of tax losses for R&D tax credit refund	33	32
Unutilised tax losses arising in the period	(146)	(141)
Utilisation of unrecognised tax losses	82	(174)
Income tax credit	37	61
Total income tax credit in the Consolidated Income Statement	37	61

### 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 £17,190k (2021: £18,201k). A deferred tax asset in respect of these losses of approximately £3,266k (2021: £3,458k) 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.

### Factors that may affect future current and total tax charges

The main rate of UK corporation tax, which was 19% for the year, will change to 25% with effect from 1 April 2023. That change was substantively enacted on 24 May 2021 and therefore the effect of this rate increase has been applied to the deferred tax balances as at 31 December 2021 and 31 December 2022.

## Notes to the Consolidated Financial Statements continued

## 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 2022 of 1,431,050 (2021: 1,064,498) (see note 31) are not treated as dilutive as the entity is loss making.

	2022 £000's	2021 £000's
<b>Loss attributable to equity holders of the Company</b>		
Continuing operations	3,094	2,385
Total	3,094	2,385
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue	22,266,560	18,050,724

## 14. Property, plant and equipment

	Leasehold Improvement £000's	Furniture, fittings and equipment £000's	Plant and machinery £000's	Totals £000's
<b>Cost</b>				
At 1 January 2021	100	35	170	305
Additions	—	20	42	62
<b>At 31 December 2021</b>	100	55	212	367
Additions	5	16	32	53
Disposals	—	(3)	(1)	(4)
Foreign exchange movement	—	1	—	1
<b>At 31 December 2022</b>	<b>105</b>	<b>69</b>	<b>243</b>	<b>417</b>
<b>Depreciation</b>				
At 1 January 2021	42	18	117	177
Charge for the year	10	11	33	54
<b>At 31 December 2021</b>	52	29	150	231
Charge for the year	11	12	22	45
Disposals	—	(3)	—	(3)
<b>At 31 December 2022</b>	<b>63</b>	<b>38</b>	<b>172</b>	<b>273</b>
<b>Net book value</b>				
<b>At 31 December 2022</b>	<b>42</b>	<b>31</b>	<b>71</b>	<b>144</b>
At 31 December 2021	48	26	62	136

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

## 15. Right-of-use-assets

	2022 £000's	2021 £000's
<b>Cost</b>		
At 1 January	253	253
Additions	338	—
<b>At 31 December</b>	<b>591</b>	253
<b>Amortisation</b>		
<b>At 1 January</b>	<b>(95)</b>	(64)
Charge for the year	(76)	(31)
<b>At 31 December</b>	<b>(171)</b>	(95)
<b>Net book value</b>		
<b>At 31 December</b>	<b>420</b>	158

There are now three long term leases with two additions in 2022. The Group decided it would 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%.

The rate applied to the new leases in 2022 is 5.0%

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 £10k (2021: £29k) that are now all expired.

## Notes to the Consolidated Financial Statements continued

## 16. Investments in subsidiary undertakings

## 16(a) Subsidiaries

The Group had the following subsidiaries at 31 December 2022:

Name	Primary trading address	Country of incorporation or registration	Proportion of ownership interest at 31 December 2022	Proportion of ownership interest at 31 December 2021	Proportion of ownership interest held by non-controlling interests at 31 December 2022	Proportion of ownership interest held by non-controlling interests at 31 December 2021
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%	75%	25%	25%
Frontier Biosciences Limited*	(a)	UK	75%	75%	25%	25%
Frontier Oncology Limited*	(a)	UK	75%	75%	25%	25%
NetScientific America, Inc.	(d)	USA	100%	100%	—	—
Glycotest, Inc.(i)	(e)	USA	62.5%	62.5%	37.5%	37.5%

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 1% respectively.

Registered office address:

(a) Azets, Burnham Yard, London End, Beaconsfield, Buckinghamshire, HP9 2JH

(b) 20 St Andrew Street, Holborn Circus, London, EC4A 3AG

(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.



## 16. Investments in subsidiary undertakings continued

### 16(b) Non-controlling interests

The total non-controlling interest at 31 December 2022 is debit £593k (2021: credit £9k), debit £622k (2021: debit £65k) is for Glycotest, Inc and credit £29k (2021: credit £74k) 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 As at 31 December		Glycotest, Inc. As at 31 December	
	2022 £000's	2021 £000's	2022 £000's	2021 £000's
<b>Assets</b>				
Non-current assets	493	337	8	2
Current assets	156	210	284	368
<b>Total assets</b>	<b>649</b>	<b>547</b>	<b>292</b>	<b>370</b>
<b>Liabilities</b>				
Current liabilities	(334)	(50)	(731)	(543)
Long term liabilities	(200)	(200)	(1,217)	—
<b>Total liabilities</b>	<b>(534)</b>	<b>(250)</b>	<b>(1,948)</b>	<b>(543)</b>
<b>Net assets/(liabilities)</b>	<b>115</b>	<b>297</b>	<b>(1,656)</b>	<b>(173)</b>
<b>Non-controlling interests</b>	<b>29</b>	<b>74</b>	<b>(622)</b>	<b>(65)</b>

#### Summarised statement of comprehensive income

	CetroMed Ltd For the year ended 31 December		Glycotest, Inc. For the year ended 31 December	
	2022 £000's	2021 £000's	2022 £000's	2021 £000's
Revenue	—	—	—	—
<b>Loss for the year before taxation</b>	<b>(202)</b>	<b>(3)</b>	<b>(1,409)</b>	<b>(1,329)</b>
Total comprehensive loss for the year	<b>(202)</b>	<b>(3)</b>	<b>(1,409)</b>	<b>(1,329)</b>
Total comprehensive loss attributable to non-controlling interests	<b>(50)</b>	<b>(1)</b>	<b>(529)</b>	<b>(476)</b>

## Notes to the Consolidated Financial Statements continued

## 16. Investments in subsidiary undertakings continued

## Summarised cash flows

	CetroMed Ltd		Glycotest, Inc.	
	31 December 2022 £000's	31 December 2021 £000's	31 December 2022 £000's	31 December 2021 £000's
Net cash (used in) operating activities	(81)	—	(982)	(958)
Net cash (used in) investing activities	(11)	—	(6)	—
Net cash inflows from financing activities	169	72	862	722
Net increase/(decrease) in cash and cash equivalents	77	72	(126)	(236)
Cash and cash equivalents at beginning of year	75	—	360	594
Exchange gains on cash and cash equivalents	—	—	38	2
Cash acquired	—	3	—	—
Cash and cash equivalents at end of year	152	75	272	360

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

*Change in non-controlling interest "NCI"*

No change during 2022.

In the prior year a non-controlling interest acquired additional interests in Glycotest, Inc. Overall, the Groups ownership of Glycotest, Inc. decreased from 65.6% to 64.0% a movement of 1.6% and then a further 1.5% taking the Groups ownership to 62.5% at the end of 2021. 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.

## 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
<b>Cost</b>						
At 1 January 2021	669	1,627	337	17	50	2,700
Additions	—	—	585	—	—	585
At 31 December 2021	669	1,627	922	17	50	3,285
Additions	—	—	548	—	—	548
<b>At 31 December 2022</b>	<b>669</b>	<b>1,627</b>	<b>1,470</b>	<b>17</b>	<b>50</b>	<b>3,833</b>
<b>Accumulated amortisation and impairment</b>						
At 1 January 2021	—	76	—	—	1	77
Amortisation charge	—	140	18	—	5	163
At 31 December 2021	—	216	18	—	6	240
Amortisation charge	—	163	56	—	7	226
<b>At 31 December 2022</b>	<b>—</b>	<b>379</b>	<b>74</b>	<b>—</b>	<b>13</b>	<b>466</b>
<b>Net book value</b>						
<b>At 31 December 2022</b>	<b>669</b>	<b>1,248</b>	<b>1,396</b>	<b>17</b>	<b>37</b>	<b>3,367</b>
At 31 December 2021	669	1,411	904	17	44	3,045

Further ProAxis development costs of £548k (2021: £585k) 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.

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.

## Notes to the Consolidated Financial Statements continued

## 18. Equity investments classified as FVTOCI

Represent equity securities classified as FVTOCI

	2022 £000's	2021 £000's
At 1 January	11,516	2,970
Additions	555	2,192
Disposals	(451)	
Conversion of financial assets classified as FVTPL	2,004	—
Acquired through business combinations	—	342
Change in fair value during the year	9,119	6,012
At 31 December	22,743	11,516

Name	Country of incorporation	% of issued share capital	2022 £000's	2021 £000's
PDS Biotechnology Corporation	USA	4.4%	14,680	8,047
EpiBone, Inc.	USA	1.3%	1,179	290
CytoVale, Inc.	USA	1.0%	415	371
G-Tech, Inc	USA	3.8%	354	317
PointGrab	Israel	0.5%	76	68
FOx Biosystems NV	Belgium	3.9%	495	336
Q-Bot Limited	UK	17.6%	3,728	1,025
SageTech Medical Equipment Limited	UK	5.5%	887	887
Sofant Technologies Limited	UK	1.5%	402	—
Vortex Biotech Holdings Limited	UK	30.0%	300	—
Martlet Capital Limited	UK	1.0%	175	175
Ventive Limited	UK	15.9%	52	—
DeepTech Recycling Limited	UK	30.0%	—	—
At 31 December			22,743	11,516

## 18. Equity investments classified as FVTOC continued

Refer to note 3 Significant accounting estimates and judgements for more information on the valuation of equity investments as FVTOCI. Below we provide some additional detail on the composition of the Fair Value estimates. When reviewing these estimates, we have taken into consideration both 3rd party investment rounds, and whether the company continues to progress on their roadmap.

- NASDAQ-listed PDS Biotechnology Corporation (4.4% stake) year end fair value was based on the listed share price (Nasdaq under the ticker PDSB) of \$13.20 per share at 31 December 2022 (2021: \$8.10). At 31 December 2022 NetScientific owns 1,338,833 shares of PDS' common stock, valuing the stake at £14,680k (2021: £8,047k). The current share price as of 26 May 2023 was \$8.56 giving a fair value of the PDS investment of £9,274k. The Company periodically reviews its investment strategy with respect to this asset.
- CytoVale Inc., (1.0% stake) 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 \$15.0 million all at the same price per share from VC, private investor and government sources. At the time this was the only observable valuation on which to value CytoVale. Fair value at year end was £415k (2021: £371k). This last observable price has been used to value the CytoVale equity investment at year end.
- EpiBone, Inc., (1.3% stake) executed a first close on a Series A fund-raise as part of which on 1 November 2022 the convertible loan note of £650k converted to equity. Fair value at year end was £1,179k (2021: £290k) based on the last round price.
- G-Tech, Inc., continues to be valued at the Series A funding round of \$6 million as of May 2020. This is the last observable price which values our 3.8% stake at £354k (2021: £316k).
- PointGrab, (0.5% stake) – Valued at the most recent investment round as of April 2021, valuing our holding at £76k (2021: £68k).
- FOx Biosystems (3.9% stake) – On 23 November 2022 the €150k convertible loan note plus interest converted to equity at the last investment round share price, valuing the stake at £495k (2021: £336k) as part of a c.€3.0 million round (supported by an additional €2.5 million EIC grant).
- Q-Bot Limited (17.6% stake) – After a May 2022 conversion of a loan note of £549k into equity, NetScientific total cost is £1.5m. Following a November 2022 investment round, our stake has a fair value of £3,728k (2021: £1,025k), indicating a c.2.5x valuation uplift within an 18 month period.
- SageTech Medical Equipment Limited, (5.5% stake) – Continues to be valued at the last round price as of 24 December 2021, valuing the stake at £887k (2021: £887k).
- Sofant Technologies Limited, (1.5% stake) – On 6 July 2022 the convertible loan note converted to equity. The stake is valued at the last round price, resulting in £402k (2021: £Nil), at a cost of £300k.
- Vortex Biotech Holdings Limited (30.0% stake) – On 16 August 2022, NetScientific announced the acquisition of 300,000 ordinary shares, translating into a 30% stake in the business for a non-cash consideration. This last round price of £1.00 was used to value the stake at £300k (2021: £Nil).
- Ventive Limited, (15.9% stake) – Following a September 2022 rescue financing package led by EMV Capital, a BEIS c.£1.5 million grant was unlocked. The Group received a 15.9% stake in partial settlement of fees (and no cash investment). The stake is currently valued at £52k (2021: £Nil), based on the 'rescue round' equity price.
- Martlet Capital Limited, (1.0% direct equity stake) – Our direct investment in the early-stage VC platform in Cambridge is currently valued at £175k (2022: £175k).

## Notes to the Consolidated Financial Statements continued

## 19. Financial assets classified as FVTPL

## Warrants &amp; Convertible Loans classified as FVTPL

	2022 £000's	2021 £000's
Balance at 1 January	1,462	78
Additions	710	1,332
Repayment	(48)	—
Additional accrued interest	93	24
Conversion to equity investments classified as FVTOCI	(2,004)	—
Change in fair value during the year	480	28
Balance at 31 December	693	1,462

Below is further detail on the various debt instruments used in financing portfolio companies during the year. For completeness, please refer to the above section 18, especially where convertible loans convert into equity:

- EpiBone, Inc., a \$734k convertible loan note (carrying interest at 6% p.a., and a conversion discount of 15%) was converted to equity on 1 November 2022, with accrued interest of £29k (2021: £3k). Fair value at year end was £Nil (2021: £543k).
- G-Tech Medical, Inc., holds £88k of common form convertibles (2021: £78k), which remain as financial assets classified as FVTPL. No interest accrued.
- Q-Bot Limited, £300k 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. On 27 January 2022 a further £200k was invested in the convertible loan note, with accrued interest during the period of £16k (2021: £5k). On 10 May 2022 the convertible loan note of £549k converted to equity. Fair value at year end was £Nil (2021: £312k). During 2022, a £140k working capital loan was extended to Q-Bot, carrying interest at 10% p.a. On 30 December 2022, £48k was repaid, including interest and arrangement fee of £9k. Fair value at year end was £101k (2021: £Nil) and remains repayable. Warrants of £41k in Q-Bot were also received for services.
- Vortex Biotech Holdings Limited was advanced loans of £370k during the period. The loan carries interest at 8% p.a. Accrued interest during the period was £15k (2021: £Nil). Fair value at year end was £385k (2021: £Nil).
- Sofant Technologies Limited, a £300k convertible loan alongside BBB's Future Fund with 10% pa coupon convertible loan note, with a 20% discount on conversion was converted into equity in July 2022. Accrued interest during the period was £14k (2021: £13k). The fair value at year end was £Nil (2021: £324k).
- Martlet Capital Limited, £75k unsecured convertible loan note. Fair value at year end was £80k (2021: £76k). The convertible loan note carries interest at 5% p.a. and is repayable by the seventh anniversary from the grant date. Accrued interest during the period is £4k (2021: £1k).
- FOx Biosystems, €150k loan note with 5% p.a. coupon was converted to equity on 23 November 2022, with accrued interest during the period of £7k (2021: £Nil). Fair value at year end was £Nil (2021: £128k).
- The Neumitra, Inc., and Longevity Inc., convertible loan notes do not have a material value individually or collectively and have been fully impaired.



## 20. Inventory

	2022 £000's	2021 £000's
Finished products	76	67
	76	67

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

During the year the impairment charge totalled £Nil (2021: £Nil).

## 21. Trade and other receivables

	2022 £000's	2021 £000's
Current:		
Trade receivables	218	140
Taxation	75	88
Other receivables	52	815
Prepayments	108	77
Accrued income	205	478
Total Trade and Other Current Receivables	658	1,598

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.

At 31 December 2022 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	79	82	115	276
Loss rate	0%	15%	40%	21%
Impairment provision	—	(12)	(46)	(58)
Trade Receivables	79	70	69	218

Based on good experience in 2021 and 2022 the loss rate on more than 30 days past and more than 60 days past due gross carrying amounts have reduced from 33% to 15% and from 50% to 40%.

## Notes to the Consolidated Financial Statements continued

## 21. Trade and other receivables continued

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

## 22. Cash and Cash Equivalents

	2022 £000's	2021 £000's
Short term deposits	12	1,990
Cash and cash equivalents	840	720
	852	2,710

The cash held within subsidiary Glycotest, Inc., of £272k (2021: £360k) 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

	2022 £000's	2021 £000's
Current:		
Trade payables	497	219
Other payables	421	56
Accruals	1,061	931
Deferred Income	478	323
	2,457	1,529

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

## 24. Lease Liabilities

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 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%.

The rate applied on 2022 additions to lease liabilities is 5.0%.

	2022 £000's	2021 £000's
<b>Lease Liability</b>		
Balance at start of period	(163)	(194)
Add:		
Payments	88	38
Less:		
Additions	(338)	—
Interest charge during the period	(23)	(7)
Balance at end of period	(436)	(163)
<b>Split as follows:</b>		
Current Liability	(168)	(32)
Long Term Liability	(268)	(131)
	(436)	(163)

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.

During the year two long term leases were entered into by the Group.

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

## 25. Loans and Borrowings

	2022 £000's	2021 £000's
Total falling due within one year	99	59
Total falling due after more than one year	719	432
<b>Total</b>	<b>818</b>	<b>491</b>
The maturity of the loans are as follows:		
Amounts falling due within one year on demand	99	59
Amounts falling due between one and two years	99	67
Amounts falling due between two and five years	620	282
Amounts falling due over five years	—	83

Loans and borrowings represent:

An unsecured loan note of £100k has been issued by ProAxis in 2016, of which £30k is outstanding as at 31 December 2022 (2021: £60k). 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.

ProAxis also entered into a secured HSBC coronavirus business interruption loan agreement "CBIL's" for £445k. The CBIL's funds were drawn down on 18 November 2020 and 18 May 2021. 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. The total amount outstanding is £372k (2021: £445k).

US-based Glycotest entered into a \$1.46 million Convertible Loan Agreement, with a 25% discount, and 10% interest, with participation by NetScientific PLC of \$960k, and Fosun Pharma providing \$500k. As the NetScientific amount is intra-group, only the Fosun Pharma amount is accounted for in the table above.

## 26. Called Up Share Capital

<b>Authorised, issued and fully paid:</b>	2022 £000's	2021 £000's
23,488,148 ordinary shares of 5p each (2021: 21,121,853 of 5p each)	1,174	1,056

On 21 June 2022, the Company issued 2,238,807 of 5p ordinary shares via a placement at 67 pence per share respectively, raising gross funds of £1,500k and net funds of £1,429k after deducting fees of £71k.

On 9 December 2022 the Company issued 127,488 of 5p ordinary shares on the exercise of options by John Clarkson for an aggregate exercise price of £58k.

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

## 28. Financial Instruments

	2022 £000's	2021 £000's
Financial assets measured at amortised cost	475	1,433
Financial assets measured at fair value through other comprehensive income (note 18)	22,743	11,516
Financial assets measured at fair value through profit and loss (note 19)	693	1,434
Financial liabilities measured at amortised cost	(3,275)	(2,183)

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.



## 28. Financial Instruments continued

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 %
<b>As at 31 December 2022</b>				
USD Convertible loan	416	—	416	10%
Sterling loan	372	372	—	4%
Sterling lease liability	436	—	436	5%
Sterling loan	30	—	30	0%
	<b>1,254</b>	<b>372</b>	<b>882</b>	<b>6%</b>
<b>As at 31 December 2021</b>				
Sterling loan	—	—	—	10%
Sterling loan	441	441	—	4%
Sterling lease liability	163	—	163	4%
Sterling loan	50	—	50	0%
	<b>654</b>	<b>441</b>	<b>213</b>	<b>4%</b>

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

### *Interest rate and currency of cash balances*

Floating rate financial assets of £852k (2021: £2,710k) comprises sterling £491k (2021: £2,331k) and US dollar US\$435k (2021: US\$511k) cash deposits with the banks current accounts. Interest receivable for the year ended 31 December 2022 was £94k (2021: £23k).

### *Interest rate and currency of loans*

The Group has total loan notes of £693k (2021: £1,434k). There are sterling denominated loan notes of £606k (2021: £675k), which have accrued interest of £26k (2021: £19k). The interest rate on sterling denominated loan notes is fixed and range from 5% to 10%. There are now no Euro denominated loan notes (2021: €150k), the interest rate was fixed at 5%, and accrued interest of €9k (2021: €Nil). There are US dollar loan notes and common form convertibles totalling US\$706k (2021: US\$1,440k) which have accrued interest of US\$29k (2021: US\$105k). 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.

## Notes to the Consolidated Financial Statements continued

## 28. Financial Instruments continued

*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:

	2022 £000's	2021 £000's
Cash balances	33	34
Trade payables	(24)	(8)
Accruals	(33)	(23)

*Bank and undrawn facilities*

NetScientific Plc and ProAxis Ltd have both signed debentures with floating charges over the assets of both Companies to guarantee as security for £445k of HSBC coronavirus business interruption loans to ProAxis Limited. The proceeds have been used to continue development work in the business. The total amount borrowed is £372k (2021: £445k).

NetScientific Plc and EMV Capital have both signed debentures with floating charges over the assets of both Companies to guarantee as security for £200k HSBC overdraft facility for EMV Capital Limited. At 31 December 2022 the overdraft facility was undrawn.

*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:

	2022 £000's	2021 £000's
Trade receivables	218	161
Other receivables	52	815
	270	976

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.

## 28. Financial Instruments continued

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.

### 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:

	2022 £000's	2021 £000's
<b>1 year or less</b>		
Trade payables	565	219
Other payables	421	56
Accruals	993	931
Deferred Income	478	323
Lease liabilities	168	32
Loans and borrowings	99	59
<b>Total</b>	<b>2,724</b>	<b>1,620</b>
<b>1-2 years</b>		
Lease liabilities	141	32
Loans and borrowings	99	67
<b>Total</b>	<b>240</b>	<b>99</b>

## Notes to the Consolidated Financial Statements continued

	2022 £000's	2021 £000's
<b>2-5 years</b>		
Lease liabilities	127	99
Loans and borrowings	620	282
Total	747	381
<b>Over 5 years</b>		
Loans and borrowings	—	83
Total	—	83

## 29. Contingent Liabilities

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

## 30. Commitments

### Short-term and low value lease commitments

At 31 December 2022, the Group had the following future value of minimum lease payments due as set out below:

	Land and buildings	
	2022 £000's	2021 £000's
Within one year	—	14
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 2022 are summarised below:

Date of Grant	Number of shares at 1 January 2022	Granted during the year	Exercised during the year	Number of shares as at 31 December 2022	Note	Exercise price	Date of expiry *
September 2013	237,363	—	—	<b>237,363</b>	1	£16.00	September 2023
November 2015	35,902	—	—	<b>35,902</b>	2	£11.95	November 2025
February 2016	20,000	—	—	<b>20,000</b>	3	£8.62	February 2026
June 2016	3,000	—	—	<b>3,000</b>	3	£7.97	June 2026
January 2017	15,000	—	—	<b>15,000</b>	3	£6.55	January 2027
June 2018	8,333	—	—	<b>8,333</b>	4	£4.55	June 2028
September 2020	382,465	—	—	<b>382,465</b>	5	£0.65	September 2030
November 2020	520,930	—	(127,488)	<b>393,442</b>	6	£0.455	November 2030
April 2021	61,536	—	—	<b>61,536</b>	7	£0.56	April 2031
September 2021	366,382	—	—	<b>366,382</b>	8	£0.40	September 2031
May 2022	—	105,000	—	<b>105,000</b>	9	£0.78	May 2032
December 2022	—	45,801	—	<b>45,801</b>	10	£0.66	December 2032
	<b>1,650,911</b>	<b>150,801</b>	<b>(127,488)</b>	<b>1,674,224</b>			

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

The current options scheme (expiring in May 2023) was setup at the time of admission of NetScientific at AIM. Consequently, a large proportion of the options allocated are pre-2020 with previous management, and before the beginning of the turnaround strategy in mid-2020. Currently all pre-2020 options are significantly out of money for the option holders.

- 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.

## Notes to the Consolidated Financial Statements continued

## 31. Share-based payments continued

7. 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.
8. 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.
9. Options were granted on 19 May 2022. 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.
10. Options were granted on 9 December 2022. 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:

	2022 Weighted average exercise price £	Restated 2022 Number	2021 Weighted average exercise price £	2021 Number
Outstanding at 1 January	3.17	1,650,911	4.21	1,258,993
Granted during the year	0.74	150,801	0.42	427,918
Lapsed during the year	—	—	(7.26)	(36,000)
Exercised during the year	(0.46)	(127,488)	—	—
Outstanding at 31 December	3.32	1,674,224	3.17	1,650,911

	2022 Weighted average exercise price £	2022 Number	2021 Weighted average exercise price £	2021 Number
Amounts exercisable at 31 December	3.74	1,431,050	4.64	1,064,498



## 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 £
<b>2022</b>						
19 May 2022	<b>0.78</b>	<b>0.82</b>	<b>1.87</b>	<b>4</b>	<b>40%</b>	<b>0.29</b>
9 December 2022	<b>0.66</b>	<b>0.66</b>	<b>3.18</b>	<b>4</b>	<b>40%</b>	<b>0.23</b>
<b>2021</b>						
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

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 £107k (2021: £141k) (see note 7). £Nil (2021: £Nil) 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 16.68% (2021: 16.25%) 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 City Code on Takeovers and Mergers.

EMV Capital provides corporate finance, consulting and management services to Vortex Biosciences Inc. and Vortex Biotech Holdings Limited a related party by common substantial shareholders. During the period revenue was booked totalling £148k (2021: £338k). The balance outstanding at 31 December 2022 is £9k (2021: £330k).

EMV Capital also provided corporate finance, consulting and management services to Wanda Inc. and Wanda Connected Health Systems Limited a related party by common substantial shareholders. During the period revenue was booked totalling £93k (2021: £99k). The balance outstanding at 31 December 2022 is £60k (2021: £68k).

## Notes to the Consolidated Financial Statements continued

### 33. Events after the reporting period

#### PDS Biotech:

On 3 January 2023, PDS Biotechnology Corporation (Nasdaq: PDSB), announced an exclusive global licence agreement with Merck KGaA, Darmstadt, Germany for the tumour-targeting IL-12 fusion protein M9241 (formerly known as NHS-IL12), which will join the pipeline as PDS0301. On 27 February 2023, PDS announced the successful completion of a Type B meeting with the U.S. Food and Drug Administration (FDA) for a combination therapy of PDS0101, PDS0301 and an FDA-approved immune checkpoint inhibitor (ICI) for the treatment of recurrent/metastatic human papilloma virus (HPV)-positive, ICI refractory head and neck cancer.

On 30 March 2023, announced plan to Initiate Phase 3 study evaluating PDS0101 in Combination with KEYTRUDA® in head and neck cancer in 2023.

On 26 May 2023, announced 12-month survival rate of 87% with PDS0101 in combination with KEYTRUDA® (pembrolizumab) for head and neck cancer patients.

#### Board Changes:

On 31 January 2023, John Clarkson stepped down as Non-Executive Director of the Company, and resigned from the Board with immediate effect. Dr. Jonathan Robinson, Non-Executive Director of the Company became Interim Non-Executive Chair while the Company completed its recruitment process to appoint a new Chair. On 3 April 2023, as part of its business update, the company announced Prof. Stephen Smith intends not to stand for re-election at the forthcoming Annual General Meeting.

#### ProAxis:

On 27 February 2023, wholly owned portfolio company, respiratory diagnostics specialist, ProAxis, entered into an unsecured £500,000 six month loan agreement (the "Loan Agreement") with AB Group Limited ("AB Group"), a related party transaction under Rule 13 of the AIM Rules for Companies. See RNS for more details. The loan is intended to provide ProAxis with additional time to prepare for an external fundraising.

#### Glycotest:

On 2 May 2023, NetScientific's portfolio company Glycotest (specialist in liver disease diagnostics), announced the launch of a third-party fundraising programme to raise up to \$1 million, of which \$0.25 million has already been received, with further commitments. In line with the Group's 'capital light' investment strategy, the Company and Fosun agreed to introduce third party investors into Glycotest through the fundraising, without reliance on NetScientific balance sheet. This is intended to provide Glycotest with further capital to progress development, reduce reliance on the traditionally slow-moving corporate co-investments, prepare for market launch in the US, and explore wider market opportunities.

#### Sofant Technologies:

On 24 May 2023, NetScientific's portfolio company Sofant Technologies, a leading innovator in advanced antenna technologies, and Inmarsat Government, the leading provider of secure, global, mission-critical telecommunications to the US Government, announced a joint development aimed at revolutionising the communication capabilities of aircraft. A further c. £1 million was syndicated by EMV Capital and invested in Sofant.

### 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 2022

	Notes	2022 £000's	2021 £000's
<b>Fixed assets</b>			
Tangible assets	7	16	9
Investments in subsidiary undertakings	8	6,309	6,309
Other investments	9	21,679	11,828
Loans to subsidiary undertakings	10	1,647	1,261
<b>Total non-current assets</b>		<b>29,651</b>	19,407
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	56	823
Cash at bank		297	2,088
<b>Total current assets</b>		<b>353</b>	2,911
<b>Creditors</b>			
Amounts falling due within one year	12	(689)	(511)
<b>Net current (liabilities)/assets</b>		<b>(336)</b>	2,400
<b>Net assets</b>		<b>29,315</b>	21,807
<b>Capital and reserves</b>			
Called up share capital	13	1,174	1,056
Warrants	14	42	42
Share premium account	14	74,142	72,773
Capital redemption account	14	237	237
Equity Investment account	14	13,181	4,504
Accumulated losses	14	(59,461)	(56,805)
<b>Total equity</b>		<b>29,315</b>	21,807

The notes on pages 99 to 107 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 2022 was £2,763k(2021: loss of £1,310k).

The financial statements on pages 97 to 107 were approved by the Board of Directors on 31 May 2023 and signed on its behalf by:

**Dr Ilian Iliev**

Chief Executive Officer

# Parent Company Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital £000's	Warrants £000's	Share premium £000's	Capital redemption reserve £000's	Equity investment reserve £000's	Accumulated losses £000's	Total equity £000's
Balance at 1 January 2021	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							
Profit/(loss) for the year	—	—	—	—	6,009	(1,310)	4,699
Share-based payments	—	—	—	—	—	141	141
<b>Balance at 31 December 2021</b>	<b>1,056</b>	<b>42</b>	<b>72,773</b>	<b>237</b>	<b>4,504</b>	<b>(56,805)</b>	<b>21,807</b>
Issue of share capital	118	—	1,440	—	—	—	1,558
Cost of share issue	—	—	(71)	—	—	—	(71)
Issue of warrants	—	—	—	—	—	—	—
Profit/(loss) and total comprehensive							
Profit/(loss) for the year	—	—	—	—	8,677	(2,763)	5,914
Share-based payments	—	—	—	—	—	107	107
<b>Balance at 31 December 2022</b>	<b>1,174</b>	<b>42</b>	<b>74,142</b>	<b>237</b>	<b>13,181</b>	<b>(59,461)</b>	<b>29,315</b>

# Notes to the Parent Company Financial Statements

For the year ended 31 December 2022

## 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 is in a strong position, with net assets of £25.2 million. In addition to cash-in-bank, NetScientific holds readily realisable quoted assets of c.£9.3 million as at 26 May 2023. Services provided by EMV Capital to the Group's portfolio companies generate a regular Group fee income, including from corporate finance fees, value creation fees, and profits from secondary sales of the Group's position in certain portfolio companies. These fees have contributed significantly to covering the operating costs of NetScientific itself and EMV Capital. With ProAxis and Glycotest now having access to third party finance, they no longer draw on the Company's balance sheet.

The Board has prepared and reviewed budget cashflows and stress-tested the assumptions and sensitivities involved in the context of the broader economic environment. For the period to June 2024, the Group requires a minimum of approximately £1.5 million to continue as a going concern, assuming that its subsidiary portfolio companies continue to be fully funded by external financing as expected. This amount can be financed through several options, either on their own or in combination, including accelerating revenues at Group level, partial or full exits from portfolio company stakes, soft and non-dilutive finance, and/or a placement of NetScientific shares. Whilst a placement of NetScientific shares remains an available option, the Board has no current intention to pursue that in light of the Company's current share price relative to its net assets. These options have not been executed, and some or all may not be executed, and accordingly, this indicates that a material uncertainty exists which may cast significant doubt on the Group's and Company's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. The Board will continue to tightly manage its cashflow, closely monitor events, and maintain a flexible approach to new opportunities.

The Directors are confident that NetScientific remains a going concern, and it is appropriate to prepare the financial statements on this basis. Accordingly, the financial statements do not include any adjustments that would be necessary if the Group and Company were unable to continue as a going concern.

### 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.

## Notes to the Parent Company Financial Statements continued

## 2. Accounting policies continued

### 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

### 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.

### 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



## 2. Accounting policies continued

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.

## 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 (IPEVCGV). 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.

### 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, provisions of £2,136k (2021: £142k) were made against loans to subsidiary undertakings. This has no impact to the Group financials.

## 4. Loss 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 31 to 34 of the Consolidated Financial Statements.

## Notes to the Parent Company Financial Statements continued

## 6. Employees and directors

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

	2022 Number	2021 Number
Central Group functions *	6	5
	6	5

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

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

	2022 £000's	2021 £000's
Wages and salaries	1,326	885
Social security costs	186	118
Share-based payment charge	107	135
Pension costs	68	48
	1,687	1,186

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 £68k (2021: £48k). There were outstanding contributions of £17k (2021: £11k) and no prepaid contributions (2021: £Nil) at the end of the financial year.

## 7. Tangible assets

	Fixtures, fittings and equipment £000's
<b>Cost</b>	
At 1 January 2021	10
Additions	8
At 31 December 2021	18
Additions	12
<b>At 31 December 2022</b>	<b>30</b>
<b>Depreciation</b>	
At 1 January 2021	7
Charge for the year	2
At 31 December 2021	9
Charge for the year	5
<b>At 31 December 2022</b>	<b>14</b>
<b>Net Book Value</b>	
<b>At 31 December 2022</b>	<b>16</b>
At 31 December 2021	9

## 8. Investments in subsidiary undertakings

	2022 £000's	2021 £000's
At 1 January	6,309	6,117
Additions	—	192
<b>At 31 December</b>	<b>6,309</b>	<b>6,309</b>

Details of the Company's subsidiary undertakings at 31 December 2022 are included in note 16 to the Consolidated Financial Statements on page 76.

## 9. Other investments

	2022 £000's	2021 £000's
At 1 January	11,828	2,372
Additions	710	3,421
Repayments	(48)	—
Change in fair value during the year	9,189	6,035
<b>At 31 December</b>	<b>21,679</b>	<b>11,828</b>

Name	Country of incorporation	% of issued share capital	2022 £000's	2021 £000's
PDS Biotechnology Corporation	USA	4.44%	14,680	8,047
CytoVale, Inc.	USA	1.00%	415	371
EpiBone, Inc.	USA	0.83%	757	—
EpiBone, Inc.	USA	CLN	—	543
PointGrab Limited	Israel	0.49%	76	68
Q-Bot Limited	UK	18.28%	3,721	1,025
Q-Bot Limited	UK	CLN	—	312
Q-Bot Limited	UK	LN	101	—
SageTech Medical Equipment Limited	UK	5.89%	887	887
Sofant	UK	1.5%	402	—
Sofant	UK	CLN	—	324
Vortex	UK/USA	LN	385	—
Martlet Capital Limited	UK	1.70%	175	175
Martlet Capital Limited	UK	CLN	80	76
<b>At 31 December</b>			<b>21,679</b>	<b>11,828</b>

## Notes to the Parent Company Financial Statements continued

## 9. Other investments continued

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.

A review of the movement in the Companies investments is below:

- NASDAQ-listed PDS Biotechnology Corporation (4.4% stake) year end fair value was based on the listed share price (Nasdaq under the ticker PDSB) of \$13.20 per share at 31 December 2022 (2021: \$8.10). At 31 December 2022 NetScientific owns 1,338,833 shares of PDS' common stock, valuing the stake at £14,680k (2021: £8,047k). The current share price as of 26 May 2023 was \$8.56 giving a fair value of the PDS investment of £9,274k. The Company periodically reviews its investment strategy with respect to this asset. The Group's interest in PDS Biotechnology is non-controlling.
- CytoVale Inc., (1.0% stake) 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 \$15.0 million all at the same price per share from VC, private investor and government sources. At the time this was the only observable valuation on which to value CytoVale. Fair value at year end was £415k (2021: £371k). This last observable price has been used to value the CytoVale equity investment at year end.
- EpiBone, Inc., (0.8% stake) executed a 1st close on a Series A fund-raise as part of which on 1 November 2022 the convertible loan note of £650k converted to equity. Fair value at year end was £757k (2021: £543k) based on the last round price.
- PointGrab, (0.5% stake) was valued at the most recent investment round, valuing our holding at £76k (2021: £68k).
- Q-Bot Limited (17.6% stake) – After a May 2022 conversion of a loan note of £549k into equity, NetScientific total cost is £1.5m. Following a November 2022 investment round, our stake has a fair value of £3,721k (2021: £1,025k), indicating a c.2.5x valuation uplift within an 18 month period. During 2022, a £140k working capital loan was extended to Q-Bot, carrying interest at 10% p.a. On 30 December 2022, £48k was repaid, including interest and arrangement fee of £9k. Fair value at year end was £101k (2021: £Nil) and remains repayable.
- SageTech Medical Equipment Limited, (5.5% stake) – Continues to be valued at the last round price as of 24 December 2021, valuing the stake at £887k (2021: £887k).
- Sofant Technologies Limited, (1.5% stake) – On 6 July 2022 the convertible loan note converted to equity. The stake is valued at the last round price, resulting in £402k (2021: £Nil), at a cost of £300k.
- Vortex Biotech Holdings Limited was advanced loans of £370k during the period. The loan carries interest at 8% p.a. Accrued interest during the period was £15k (2021: £Nil). Fair value at year end was £385k (2021: £Nil).
- Martlet Capital Limited, (1.0% stake) – Our direct investment in the early-stage VC platform in Cambridge is currently valued at £175k (2021: £175k). Martlet Capital Limited, £75k unsecured convertible loan note carries interest at 5% p.a and is repayable by the seventh anniversary from the grant date. Fair value at year-end was £80k (2021: £76k). Accrued interest during the period is £4k (2021: £1k).

For more information on other investments refer to note 18 to the Consolidated Financial Statements on page 80.

## 10. Loans to subsidiary undertakings

	2022 £000's	2021 £000's
At 1 January	1,261	150
Additions	3,236	1,224
Repayments	(1,305)	(105)
Releases	—	(154)
Provisions	(2,909)	—
Exchange movement	1,364	146
<b>At 31 December</b>	<b>1,647</b>	<b>1,261</b>

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 £Nil (2021: release of £3k), NetScientific America, Inc. of £1,387k (2021: £151k) and ProAxis of £1,522k (2021: £Nil).

## 11. Debtors: amounts falling due within one year

	2022 £000's	2021 £000's
Other receivables	23	788
Prepayments	33	35
Other taxes and social security	—	—
	<b>56</b>	<b>823</b>

Financial assets measured at amortised costs comprise other receivables.

## 12. Creditors: amounts falling due within one year

	2022 £000's	2021 £000's
Trade creditors	72	44
Other creditors	173	22
Accruals	444	445
	<b>689</b>	<b>511</b>

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

## Notes to the Parent Company Financial Statements continued

## 13. Called up share capital

	2022 £000's	2021 £000's
<b>Issued and fully paid:</b>		
23,488,148 ordinary shares of 5p each (2021: 21,121,853)	1,174	1,056

On 21 June 2022, the Company issued 2,238,807 of 5p ordinary shares via a placement at 67 pence per share respectively, raising gross funds of £1,500k and net funds of £1,429k after deducting fees of £71k.

On 9 December 2022 the Company issued 127,488 of 5p ordinary shares on the exercise of options by John Clarkson for an aggregate exercise price of £58k.

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 2022 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.

## 15. Related party transactions

The following balances are due to NetScientific plc from fellow subsidiary undertakings:

	Amount due from as at 2022 £000's	Amount due (to)/from as at 2021 £000's
NetScientific UK Limited	300	—
EMV Capital Limited	140	243
CetroMed Limited	245	201
Glycotest, Inc.	962	267
ProAxis Limited	—	550

The following management fees were charged by NetScientific plc to fellow subsidiary undertakings:

	2022 £000's	2021 £000's
EMV Capital Limited	202	99
Glycotest, Inc.	170	188
ProAxis Limited	254	238

Interest was charged by NetScientific plc to the following subsidiary undertakings:

	2022 £000's	2021 £000's
CetroMed Limited	15	1

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



## Company Information

<b>Directors:</b>	J Robinson I Iliev E Hooper S Smith
<b>Secretary:</b>	S Crowe
<b>Registered Office:</b>	C/o Azets Burnham Yard London End Beaconsfield Buckinghamshire HP9 2JH
<b>Business Address:</b>	20 St Andrew Street Holborn Circus London EC4A 3AG
<b>Registered Number:</b>	08026888 (England and Wales)
<b>Auditors:</b>	BD0 LLP Arcadia House Maritime Walk Ocean Village Southampton Hampshire SO14 3TL
<b>Solicitors:</b>	<b>UK</b> Trowers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ  <b>US</b> Wilentz, Goldman & Spitzer PA 90 Woodbridge Center Drive Suite 900 Woodbridge New Jersey 07095-0958 USA
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