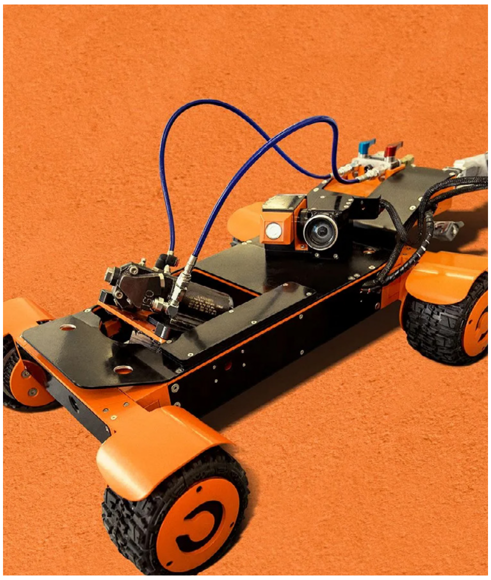
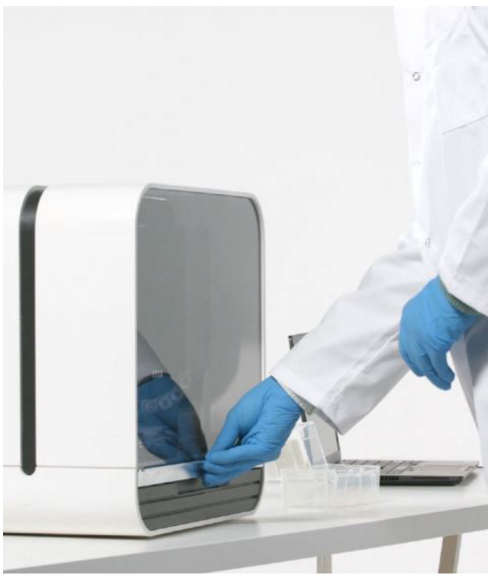
Annual Report and Accounts

For the year ended 31 December 2023

netscientific





netscientific

NetScientific plc (AIM: NSCI) is a deep tech and life sciences VC investment group with an international portfolio of innovative 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-efficient investment approach, making judicial 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 was delighted to join NetScientific as Chair in June 2023. Since then, my focus has been on learning about the portfolio businesses as well as getting to know the team, shareholders, and other stakeholders across the Group.

In 2023, we witnessed continued high market volatility fuelled by geopolitical events and macroeconomic uncertainty coupled with decreased liquidity following the end of several years of relatively easily available capital. The venture capital industry experienced challenges throughout the year with declining valuations and increased company failures. Set against this difficult environment, NetScientific and its portfolio performed well and improved performance in key areas. The Company's 2023 focus on syndicated investments in core portfolio companies and the ability to seize advantageous opportunities, have contributed to its resilience. Several of the companies within our diversified portfolio have overcome the macroeconomic challenges of 2023 effectively, while others benefited from the heightened market focus on sustainability and energy security.

During the year we evolved our Board to align with the Company's strategy and growth ambitions, placing an emphasis on transaction and industry experience. The Board is well-balanced and possesses the necessary expertise to guide our future growth. During the year, John Clarkson and Professor Stephen Smith both stepped down and we thank them for their many years of service and contribution to the company. I also thank Jonathan Robinson for taking the helm as Interim Non-Executive Chair and his continued support as Senior Non-Executive Director.

Looking to the future, the £23.3 million fund-management mandate for the Cambridge Venture Capital fund Martlet Capital was a key post-balance date sheet step in the implementation of our Group's strategy and future prospects. With it, we have reached a key milestone with assets under management now estimated at over £100 million (combining both balance sheet investments of £16.4 million, subsidiaries and associates at directors' valuations of £19.2 million (not included in the audited financial statements), £4.0 million of post balance sheet date movements and third-party stakes (for which EMV Capital has carried interest fee arrangements) with an estimated value of £62.4 million) (also not included in the audited financial statements). We are optimistic about 2024 and beyond, cautiously anticipating some recovery in financial market liquidity and a resurgence in corporate fundraising.

On behalf of the Board, I extend our gratitude to all the hard-working employees of NetScientific and EMV Capital, our portfolio companies, and all our shareholders for their valued support. Working together, we are well-positioned to achieve continued growth and success in the coming years.

Dr Charles Spicer,
Chair, NetScientific PLC
13 June 2024

Chief Executive Officer's Statement

Overview

NetScientific's transformational journey is well underway. Over the past three years, we have evolved our business from a standstill into a growing and active venture capital (VC) player. We have expanded our footprint from £8 million fair value (FV) across eight companies to a post-balance sheet date total of over an estimated £100 million in FV of direct and managed investments, now spanning a diversified portfolio of over 70 companies (combining both balance sheet investments of £16.4 million, subsidiaries and associates at directors' valuations of £19.2 million (not included in the audited financial statements), £4.0 million of post balance sheet movements and third-party stakes (for which EMV Capital has carried interest fee arrangements) with an estimated value of £62.4 million) (also not included in the audited financial statements). We intend to maintain this momentum, as we continue to transform our business over the next three years to the benefit of our investors and portfolio companies through a focus on third-party fund management alongside direct balance sheet investment.

Our goal is to become a leading VC investor in the deep tech and life sciences sectors, both in the UK and internationally. We are already making tangible progress towards leading the next wave of VC investment by discovering, nurturing, and preparing early-stage deep tech and life sciences companies with attractive IP for growth. By enabling these companies to realise their full potential and make a real-world impact, we aim to generate outsized returns for our investors. Our proactive investment approach focuses on fast-growing sectors that will shape the future of our society.

Our strategy is in line with changes in the VC landscape. The industry's focus is increasingly shifting towards our target sectors, driven by advancements in artificial intelligence, robotics, semiconductors, and breakthroughs in life sciences. We believe that the time is right for the growth of new leaders in the VC industry, driven by a differentiated investment model. This compelling investment theme requires our unique VC approach, encompassing skillsets, engagement models, expertise, and capital deployment strategies tailored to deep tech investments. We are confident that our management team's investment and portfolio development strategy, along with our established processes and 'playbooks', will meet this demand.

Events over the past 18 months have validated our strategy. In the context of significant market volatility and realignment, having secured a new fund management mandate since the balance sheet date the fair value has reached a key milestone with assets under management now estimated at over £100 million (combining both balance sheet investments of £16.4 million, subsidiaries and associates at directors' valuations of £19.2 million (not included in the audited financial statements), £4.0 million of post balance sheet movements and third-party stakes (for which EMV Capital has carried interest fee arrangements) with an estimated value of £62.4 million) (also not included in the audited financial statements). Our investment practice has continued to attract investors to our portfolio, with £6.2 million invested by EMV Capital investors, alongside £47.7 million of third-party investor funds.

Overall Group losses for the year decreased to £2.9 million (2022: £3.7 million). The 'core' of the operations of NetScientific PLC and EMV Capital accounted for £1.1 million (2022: £1.2 million). The balance of £1.8 million is attributed to the subsidiary portfolio companies Cetromed, ProAxsis and Glycotest. Net of a £684k non-cash impairment charge for ProAxsis [1], group losses are significantly improving on the previous year. In line with our capital efficient investment strategy, ProAxsis, Glycotest and Cetromed were funded by external investors during the year. The Group also made a cash gain on disposal of investments of £0.5 million and a one-off non-cash gain of £1.4 million after completing a third party fundraise of £0.5 million in June 2023 for DName-iT Holdings Limited, due to deemed disposal of a subsidiary.

[1] The impairment is related to product lines that have not been commercialised (such as a COVID anti-bodies project)

The Fair Value of NetScientific's directly owned portfolio is £16.4 million, down from £22.7 million in 2022. This decline is primarily due to the decreased value of our holding in NASDAQ-listed PDS Biotech. This was partly offset by a 15% increase in the Fair Value of our directly owned privately held companies. By contrast, third party Assets Under Management have grown significantly by 42% to £38.4 million (2022: £27.1 million), on the back of increased values of portfolio companies, as well as additional new investments.

EMV Capital's revenues have grown, offsetting the overall costs of maintaining our core infrastructure. Our Value Creation Services practice has engaged with selected portfolio companies and their management teams, providing timely support that has contributed to significant uplifts in value of several of our companies. While full exits through M&A or IPOs remain challenging and at lower valuations, we have successfully executed profitable divestments through c.£1.4 million in profitable secondaries in two of our portfolio companies. We held our commitment that our subsidiary portfolio companies, Glycotest and ProAxsis, would be funded through third party investment, rather than drawing on our own balance sheet reserves – while at the same time protecting the value of our holdings. Finally, as we committed to our shareholders, during 2023 we did not carry out an equity placing, for the first time in a number of years and during a particularly difficult period for the AIM market, as a result of the changes to our strategy.

In last year's report, we indicated our intention to launch a Fund Management practice. We have made progress. Following the work started in 2023, EMV Capital recently secured a fund-management mandate for the Cambridge VC fund, Martlet Capital with £23.3 million in Assets Under Management (AUM). Martlet Capital enjoys a unique proposition, and prestigious status within Cambridge's dynamic tech ecosystem, known around the world as "Silicon Fen". This deal not only increases our portfolio size and AUM, but also strengthens our presence in the Cambridge high-tech cluster. We will now work on leveraging the Martlet Capital brand further, exploring investor appetite for the proposed launch of two new Martlet Capital funds.

We have also relaunched the EMV Capital Evergreen EIS Fund, expecting growth through IFAs and other sources. AUM at the time of publication of the report were c.£1.2m and are expected to grow further through our relationships with IFAs and other sources. The EIS Fund will co-invest alongside other EMV Capital deals, providing an additional source of co-investment for EIS qualifying deals.

Our model

During 2023, we have further refined our strategy, as summarised below.

Capital efficient investment strategy: We use a combination of funding sources to gain (and increase) direct and indirect stakes in our portfolio companies, including syndicated investments, selective balance sheet investments to gain deeper stakes, as well as deploying funds from our Funds practice. This provides us with capital gain opportunities when we exit portfolio companies through direct disposals and carried interest from exit realisations for our investor base. Our platform's flexibility allows us to support portfolio companies from their early stages through to successful exit.

Proactive portfolio management: We believe proactive management is key to obtaining superior returns and protecting the value of our holdings. Our approach involves taking Board positions, working closely with management and maintaining strong relationships with co-investors to coordinate strategies and objectives. We are an active, engaged investor deploying our expertise.

Value creation services: We concentrate on a select cohort of companies at a time, driving growth and investment realisations through fundraising support and value creation services. Our in-house operational team, venture partners, and panel of expert service providers offer support across functions including investment readiness, exit readiness, IP strategy, corporate collaborations, financial functions, and senior executive placements. EMVC has retained contracts with several of its portfolio companies, helping them accelerate development and execute strategy pivots.

Operational income sources: Our financial realisations and income model is to finance the operations through a combination of operational fee income and modest divestments.

Financially self-sufficient: Starting from nil in 2020, the Group now has multiple sources for ongoing income including fees in connection with corporate finance and advisory, board seats, annual management, Value Creation Services (VCS), and (most recently) recurring Fund management fees through EMV Capital. We also expect to execute profitable partial sales of portfolio holdings. The combination has enabled us to remain self-sufficient during the period, eliminating the need to access capital markets for support. This has protected shareholders from dilution in the current difficult capital markets.

Capital realisation channels/'routes to exit': We target the realisation of venture-type/outsized investment returns through strategic partial or full exits from our directly owned positions (direct cash) and carried interest from Fund management exits. These exits are realised through M&A, IPOs, or sales to PE and other financial investors. This approach maximises value for our stakeholders through a variety of well-planned exit strategies.

Deepening direct stakes: Our proactive investment approach enables us to selectively build stakes in portfolio companies through a mixture of modest balance sheet investments, accepting fees as equity (e.g. Ventive), co-founding businesses (e.g. Deeptech Recycling), and making selective paper acquisitions (e.g. Cetromed).

Funds under management: We are expanding our Funds under management through a mixture of deal-by-deal syndication and establishing Funds (refer to Funds section). This provides us with additional investment capability in existing and new portfolio companies, additional management fees income and additional carried interest potential.

Market correction and NetScientific: Over the past two years, we have seen a major correction in VC portfolio valuations, leading to the depreciation of VC fund values. Whilst listed investments dropped c.71% to £4.3 million (2022: £14.7 million). The privately held direct portfolio value has grown significantly. Despite an environment of limited capital availability, we have been able to deploy capital continuously to support our portfolio companies. We remain confident that our emphasis on smaller, more focused investment rounds will pay off as companies progress and steadily build value, whilst the broader VC market re-aligns. Separately, whilst many funds are fully invested and driven by their fund mandates, our model enables us to look beyond the current cycle and pick the right deals for our business.

Financial and Operational Highlights:

Portfolio size: Through 2023 the Group had a portfolio of 23 companies (including EMV Capital). In the current year to date this has increased to over 70 companies following completion of the Martlet Capital transaction.

Total Assets Under Management: The estimated total portfolio fair value, measured as fair value of our direct stakes and third-party stakes for which EMV Capital has carried interest fee arrangements in the portfolio for 2023 was £74 million (see below). In the current year to date this has increased to over an estimated £100 million, marking an important milestone for our group (combining both balance sheet investments of £16.4 million, subsidiaries and associates at directors' valuations of £19.2 million (not included in the audited financial statements), £4.0 million of post balance sheet movements and third-party stakes (for which EMV Capital has carried interest fee arrangements) with an estimated value of £62.4 million) (also not included in the audited financial statements).

Fair Value of direct stakes: the Directors' valuation of the Company's directly owned portfolio (Fair Value) has decreased by c.15% to £35.6 million (2022: £41.8 million) combining both balance sheet investments of £16.4 million, subsidiaries and associates at directors' valuations of £19.2 million (not included in the audited financial statements). The decline was driven primarily by the share price declines of a smaller holding in our NASDAQ-listed portfolio company, PDS Biotech. By contrast the FV of our privately held portfolio (where our efforts are focused) increased by 15% to £31.3 million.

Fair Value of Third-Party Stakes: The estimated fair value of our portfolio holdings under management increased by c.42% to c.£38.4 million (2022: £27.1 million) (not included in the audited financial statements). This reflects both growth in the value of portfolio companies (of c.17%), and further syndicated investments of c.£6.2 million. Since the year end, this has increased to an estimated c.£62.4 million through the addition of the Martlet fund, and further transactions. The valuation of these assets does not form part of the audited financial statements.

Portfolio fundraisings: The Group's 'capital efficient' investment model enabled NetScientific to continue to support its portfolio companies with minimal use of its balance sheet. Across the Group's portfolio, an aggregate amount of c.£53.9 million was raised through equity and debt by 13 companies in 2023. This was supported through £6.2 million of EMV Capital syndicated investments, which have added to our assets under management.

Exits and liquidity: We executed partial exits of c.£1.4 million through secondary market sales across two portfolio companies, locking in a modest profit of £0.5 million. This demonstrates our Group's ability to exit private and publicly held assets profitably, even in difficult market conditions.

Group income and sales: Total income has increased by c.111% to £3.8 million (2022: £1.8 million), primarily driven by EMV Capital sales of £1.6 million (2022: £1.2 million), achieving a profit of £0.2 million (2022: £0.1 million). This covered approximately half of the core Group's costs (NetScientific PLC and EMV Capital), whilst providing infrastructure and services to the Group and its portfolio companies. The Group also made a cash gain on disposal of investments of £0.5 million and a one-off non-cash gain of £1.4 million after completing a third party fundraise of £0.5 million in June 2023 for DName-iT Holdings Limited, due to deemed disposal of a subsidiary.

Group losses and core operations: Group losses for the year decreased to £2.9 million (2022: £3.7 million). The 'core' of the operations of NetScientific PLC and EMV Capital accounted for £1.1 million (2022: £1.2 million). The balance of £1.8 million is attributed to the subsidiary portfolio companies Cetromed, ProAxsis and Glycotest. Net of a £684k non-cash impairment charge for ProAxsis[2], group losses are significantly improving on the previous year. In line with our capital efficient investment strategy, ProAxsis, Glycotest and Cetromed were funded by external investors during the year. As noted above, the Group also made a cash gain on disposal of investments of £0.5 million and a one-off non-cash gain of £1.4 million after completing a third party fundraise of £0.5 million in June 2023 for DName-iT Holdings Limited, due to loss of control of a subsidiary.

Cash: Cash on the balance sheet on 31 December 2023 was £0.2 million (2022: £0.9 million), with £0.8 million of cash and £2.6 million held as readily realisable quoted securities at 31 May 2024. The combination of EMV Capital's operational revenue and partial exit have meant that NetScientific has not required shareholder funding support since June 2022.

Net Assets: The Company ended the year with total assets of £22.5 million (2022: £29.0 million), and net assets of £17.1 million (2022: £25.2 million). The decrease is mostly accounted for by the declined value of our PDS Biotech holding and the current year loss of £2.9 million (2022: £3.7 million). The net asset value per share for the end of 2023 was £0.73 (2022: £1.07).

Routes to Exits: After the turnaround and consolidation of our core portfolio over the past three years, we aim to generate significant returns to NetScientific through partial or full sell-downs of our portfolio companies, with carried interest returns supplementing our direct holdings. In line with our proactive strategy, in 2023 we initiated a 'routes to exits' program. This programme works with selected companies to prepare them for M&A opportunities, drive them to value inflection points, and identify early potential acquirers. We are enhancing our in-house capabilities and working with a select group of M&A advisers to support companies in their exit strategies.

EMV Capital Ltd (EMVC): EMVC, a wholly owned subsidiary and the corporate finance and venture capital arm of NetScientific, was acquired in August 2020. It is now fully integrated in the Group, with the bulk of operations conducted through EMV Capital. EMV Capital follows an investment model that syndicates investments from its extensive network of private, institutional VC, and corporate investors, focusing on pre-Series A and Series A stages. It actively engages with portfolio companies to drive venture capital returns through Board representation and the active use of its Value Creation Services offering.

[2] The impairment is related to product lines that have not been commercialised (such as a COVID anti-bodies project)

Chief Executive Officer's Statement continued

EMVC has been instrumental in implementing our 'capital efficient' investment model. It plays a vital role in the Group's strategy by generating revenues that offset the infrastructure costs of running a proactive VC operation, providing fundraising support to our portfolio companies, and offering Value Creation Services. Additionally, EMVC offers potential additional investment returns through carried interest from its assets under management in respect of third-party funds. This comprehensive approach has supported, protected, and grown the value of the Group's privately held portfolio, even as many of our peers have experienced a decline in value.

Key achievements for EMVC in 2023 include:

- Revenue increase of 33% to £1.6 million (2022: £1.2 million) from corporate finance and value creation activities, resulting in a net profit of £210,000 (2022: £85,000).
- Syndication of £6.2 million in additional investments, bringing Assets Under Management to £38.4 million (2022: £27.1 million) on third-party stakes for which EMV Capital has carried interest fee arrangements.
- The unrealised gains of the third-party portfolio are £8.2 million – an increase of £4.6 million or 128% over the previous year.
- Streamlined and grown the Value Creation Services practice with eight companies benefitting from the practice.
- Work undertaken during 2023 enabled EMVC to receive direct FCA authorisation in early 2024, enabling it to expand and deepen its corporate finance and fund management activities.

EMV Capital Fund Practice

In last year's report, we indicated our plans to grow a Funds practice under EMV Capital. We believe the growth of this Fund management practice will provide many key benefits to NetScientific and its shareholders including:

- Additional exposure to carried interest from Fund distributions.
- Recurring management fee income from Fund management fees, contributing to the Group's infrastructure costs.
- Diversified returns profile, increasing investment opportunities, reducing risk and enhancing potential returns.
- Lower reliance on balance sheet for investments, use of balance sheet selectively to take advantage of opportunities without over-extending resources.
- Growing ecosystem of co-investors and partners, to enhance investment prospects and strategic synergies.
- Scale funding capacity to support portfolio and reduce burden of deal-by-deal funding.
- Reaching critical mass as a VC player in our sectors of choice.

We have made significant progress in that regard with several initiatives bearing fruit in the current financial year to date:

- **Martlet Capital Fund mandate adding £23m of AUM:** On 13 May 2024, we announced that EMV Capital was appointed as investment manager to Martlet Capital Limited, managing its c.£23.3 million portfolio of investments on a discretionary basis. In addition, EMV Capital acquired the operational venture capital business of Martlet Capital for a nominal amount (and deferred consideration connected to receipts of net carried interest from certain proposed future Martlet Capital funds). This non-dilutive transaction represents a transformational milestone for our Group, aligned with our objective to become a leading deep tech and life sciences venture capital investor in the UK and Europe.

  This fund management mandate significantly increases the critical mass of our Funds practice. It provides our group with multiple benefits including additional assets under management with a carried interest arrangement, strengthened team, significant recurring annual investment management fees, access to the globally renowned Cambridge high-tech cluster, an expanded co-investor ecosystem, and additional Fund opportunities based on significant work already done by the Martlet team.

  In line with our capital efficient approach, we expect that the annual management fees receivable will offset the ongoing costs associated with Martlet's business and expect to identify additional fee opportunities through selective engagement with the Martlet portfolio and other participants in the dynamic Cambridge ecosystem.

- **EIS Fund:** We have also re-launched, under the fund management of EMV Capital, an Evergreen EIS Fund, which has a broad remit to invest in EIS qualifying transactions alongside our other activities. We anticipate the EIS Fund will grow progressively alongside our other practices, providing the group with the additional firepower (and fee income) to selectively co-invest alongside our portfolio.
- **Other Fund initiatives:** there are a number of other Fund initiatives under way, each of which could provide significant additions to our AUM and further growth opportunities.

Portfolio highlights

Since starting with a portfolio of eight companies in 2020, NetScientific now has an extended portfolio of c.70 companies, with a mixture of direct (on balance sheet) and third-party stakes for which we have carried interest fee arrangements (which we collectively refer to as Assets Under Management). These provide a broad range of potential returns, and opportunities to take deeper stakes and generate advisory revenues.

Measuring Assets Under Management (AUM): AUM is a commonly used measure in the VC and PE industry to denote the Fair Value of stakes owned in public and private companies, on balance sheet (i.e. owned by the company), and as part of third-party funds under management with carried interest.

In the past we have reported on the directly owned (on balance sheet) stakes as directors' fair value, whilst the indirect advised stakes were measured at cost. Going forward, in order to facilitate an easier comparison between the two, both direct (on balance sheet) and indirect (third party) stakes will be measured as directors' Fair Value and be collectively referred to as Assets Under Management. It is worth noting that investments in early-stage private companies are inherently hard to value and we have applied BVCA valuation principles in deriving fair value. The fair value of the indirect stakes does not form part of the group's audited financial statements.

By this measure, the Fair Value of NetScientific's directly owned portfolio is £16.4 million, down from £22.7 million in 2022. This decline is primarily due to the decreased value of our holding in NASDAQ-listed PDS Biotech. This was partly offset by a 15% increase in the Fair Value of our directly owned privately held companies. By contrast, third party Assets Under Management have grown significantly by 42% to £38.4 million (2022: £27.1 million), on the back of increased values of portfolio companies, as well as additional new investments.

In 2023, whilst listed investments dropped c.71% to £4.3 million (2022: £14.7 million) our privately held portfolio experienced a further year of value growth and fundraisings, despite challenging market conditions. A total of c.£53 million was raised through equity and debt by 13 companies at various stages of investment. We selectively participated with c.£6.2 million in 10 of these investments, through both direct and syndicated means, aligning with our capital efficient model.

Several of our portfolio companies have achieved significant valuation increases. Notably:

- Ventive experienced a fourteen-fold increase in valuation over our entry point value just 18 months ago.
- DeepTech Recycling has made substantial progress in its commercial strategy, with post-balance sheet equity investment adding £1.8 million to its fair value.
- Glycotest advanced further by completing its clinical sample collection and, post-balance sheet, closed a $2 million raise, including $1 million from Fosun and approximately $1 million from EMVC investors.
- ProAxsis continued its efforts towards launching a Point of Care diagnostic for COPD and driving sales to pharma clients, funded through EMV Capital investor support.
- PDS Biotech made significant progress in its Phase 2 trials and preparations for a Phase 3 trial.
- Sofant signed a pre-purchase agreement with Viasat and made further strides towards product launch.

More details on the individual companies' developments are provided in the Portfolio Update section which follows this statement.

Future Strategy

Building on our strategic levers, our objectives for 2024 and onwards include the following:

- **Grow the value of our portfolio company holdings:** We will do this through a combination of proactive management, helping our portfolio companies to secure funds to execute their growth plans, and protecting our stakes where appropriate. We will engage our Value Creation Services practice to drive achievement of ambitious roadmaps, overcome challenges and create value. We have also targeted growth of direct stakes in a capital efficient manner.
- **Scale funds practice:** An 'at-scale' fund practice provides multiple benefits to the Group and its shareholders and is key to achieving our ambitions. Significant progress has already been made through our recent mandate for the management of the £23.3 million Martlet Capital Fund and the re-launch of the EMVC Evergreen EIS Fund (now under direct EMV Capital fund management). There are other fund initiatives underway, as well as investment to set up the right processes for the Funds practice.
- **Routes to Exits:** After the turnaround and consolidation of the core portfolio in the last three years, we aim to generate significant returns to NetScientific will come through partial or full sell-downs of our portfolio companies, with carried interest returns supplementing the direct holdings. In line with our pro-active strategy, in 2023 we started a 'routes to exits' programme, working with a selection of our companies to prepare them for M&A, drive to value inflection points, and identify early potential acquirers. We are building in-house capability and working with a small group of advisors to support companies in their routes to exit.
- **Build a resilient, high-performance firm:** This involves investment and alignment on several levels. The combination of a high-quality team with the right skillsets, strong processes and IT and capacity to execute, is key to the scalability of our platform, and execution of our ambitious plans and roadmap. This also involves maintaining the right incentive structures to align Management interests with the long-term target of company growth, portfolio growth – and portfolio realisations.
- **Management alignment:** Management alignment is key to ensure continued proactive drive to growing investment performance and realisations. The Group is planning to implement a carried interest scheme to attract, retain and reward talent in line with industry best practice during the current financial year.
- **Achieve financial sustainability/independence:** We will continue to drive the growth of operating/ ongoing income and selective secondary market partial sales, so that the core platform is autonomous and does not need shareholder support.
- **Grow Investor Relations, marketing and brand impact:** We look to continue to effectively communicate our model, performance and core values to the market, with strong impact, to enable better understanding and engagement.
- **Group Structure Plans:** As part of our growth strategy, we are looking to streamline our group structure to optimise costs, operations, and risk management. EMV Capital will remain the FCA regulated entity for Fund management and corporate finance, with Martlet Capital Management a wholly owned subsidiary of NetScientific UK. We are setting up a separate subsidiary below NetScientific to handle non-regulated fee-earning activities (such as value creation services and directors' fees). We are also working on streamlining the Group's branding to create a 'single firm perception in the market, whilst allowing for distinct investment strategies and Funds to operate under their own differentiated sub-brands, such as Martlet.

Outlook

Having successfully transformed the business since 2020, we believe the next three years will bring further positive evolution within our group, establishing us as a leader in deeptech and life sciences, and growing value for our shareholders. We aim to generate investment returns through profitable exits of select portfolio companies and targeted growth of a curated portfolio, focusing on value creation services and accelerating routes to exit. By scaling up our capital efficient investment model, we plan to move towards more evergreen investment model, offering substantial returns from a maturing portfolio. Our goals include increasing the net asset value and fair value of the business, advancing cohort companies, securing third-party investment rounds, and expanding our fund management practice.

Finally, I would like to express my gratitude to our Non-Executive Chair, Charles Spicer, and Senior Independent Director, Jonathan Robinson, for their guidance and support throughout this fast-paced and impactful year. I am also deeply appreciative of my hard-working team, whose commitment and expertise has been instrumental in our achievements.

Dr. Ilian Iliev

CEO, NetScientific PLC

13 June 2024

Portfolio Update Report

Portfolio Performance

NetScientific's portfolio consists of 22 companies across deep tech and life sciences, varying in their development stages. A significant portion of these companies are generating commercial revenues or engaging in corporate collaborations.

Our group can invest in portfolio companies both directly (from balance sheet), and/or by deploying third party funds where we have a carried interest arrangement with investors.

Therefore, the Group's Assets Under Management combine both direct (balance sheet) holdings and third-party funds with a carried interest arrangement. The combination of direct and third-party holdings provides for enhanced returns and influence in our companies in a capital efficient manner.

The combined Assets Under Management of direct and third-party holdings is £74.0 million at 31 December 2023.

The direct holdings, as measured by the Directors' Fair Value is £35.6 million, down from £41.8 million in 2022. This decline is primarily due to the decreased value of our holding in NASDAQ-listed PDS Biotech, offset by a 15% increase in the value of our direct privately held companies. By contrast, the fair value of the third-party portfolio has risen to £38.4 million, a 42% increase from the previous year (2022: £27.1 million), representing an implied gain of £8.2 million.

It is worth noting that investments in early-stage private companies are inherently hard to value and we have applied BVCA valuation principles in deriving fair value.

Table 1: Fair Value of Directly Held Portfolio Holdings

Fair Value of Direct stakes

Portfolio Company	Country	Sector	Stage	Group Stake (%)	Fair Value (m)	
					2023	2022
PDS Biotechnology -Nasdaq Listed	US	Immuno-oncology	Phase II clinical	3.5%	**£4.3**	£14.7
Q-Bot	UK	Robotics	Sales	14.3%	**£3.8**	£3.8
Vortex Biotech Holdings Ltd	UK/US	Liquid biopsy oncology	Sales	22.1%	**£3.5**	£0.7
EpiBone	US	Regenerative medicine	Early clinical	1.3%	**£1.1**	£1.2
SageTech Medical Equipment	UK	Waste anaesthetic	Commercial	5.1%	**£0.9**	£0.9
Ventive	UK	Heat pumps and passive ventilation	Sales	10.9%	**£0.9**	£0.1
Sofant Technologies	UK	Semiconductors satellite coms	Early sales	1.4%	**£0.5**	£0.4
G – Tech Medical	US	Wearable gut monitor	Early clinical	3.8%	**£0.3**	£0.4
FOx Biosystems	BEL	Research equipment	Sales	3.9%	**£0.4**	£0.6
CytoVale	US	Medical biomarker	Late clinical	1.0%	**£0.3**	£0.4
Martlet Capital	UK	Venture capital	Sales	1.4%	**£0.2**	£0.3
PointGrab	IL	Smart building automation	Sales	0.5%	**£0.1**	£0.1
QuantalX Neuroscience	IL	Medical diagnostics	Late clinical	0.4%	**£0.1**	£0.1
Deeptech Recycling Limited	UK	Recycling	Industrial	30.0%	**£0.0**	£0.0
Total					**£16.4**	**£23.7**

Table 2: Directors' Valuations of Subsidiaries & Associates

Directors' Valuations of Subsidiaries & Associates

Portfolio Company	Country	Sector	Stage	Group Stake (%)	Fair Value (m)	
					2023	2022
EMV Capital	UK	Venture capital	Sales	100%	**£3.5**	£3.5
Glycotest	US	Liver cancer diagnostics	Late clinical	52.7%	**£11.0**	£11.0
ProAxsis	UK	Respiratory diagnostics	Sales	88.5%	**£3.5**	£3.5
DName-iT	UK/BEL	Lab technology	Presales	32.7%	**£1.2**	£0.1
Total					**£19.2**	**£18.1**

Third-Party Stakes

Carried interest or profit share agreements typically range from 15% to 20% of profits earned for investors above a minimum return hurdle rate of c.10%. Third party Assets Under Management are expected to grow through further syndicated investments in existing and new portfolio companies and the expansion of our Funds practice. 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. The fair value of the below third-party stakes is not included within the group's audited financial statements.

Table 3: Fair Value of Third-Party Portfolio Holdings (estimates and unaudited)

Fair Value of Third-Party Portfolio Holdings

Portfolio Company	Country	Sector	Stage	AUM (%)	AUM Fair Value (m)		AUM at Cost (m)	
					2023	2022	2023	2022
Glycotest	US	Liver cancer diagnostics	Late clinical	5.8%	**£0.6**	–	**£0.6**	–
Q-Bot	UK	Robotics	Sales	32.4%	**£8.6**	£6.5	**£5.2**	£4.4
ProAxsis	UK	Respiratory diagnostics	Sales	8.6%	**£0.4**	–	**£0.4**	–
Vortex Biotech Holdings Ltd	UK/US	Liquid biopsy oncology	Sales	13.9%	**£2.2**	£0.7	**£1.9**	£0.7
EpiBone	US	Regenerative medicine	Early clinical	0.3%	**£0.3**	£0.3	**£0.2**	£0.2
DName-iT	UK/BEL	Lab technology	Presales	16.0%	**£0.5**	£0.1	**£0.5**	£0.1
SageTech Medical Equipment	UK	Waste anaesthetic	Commercial	25.2%	**£4.4**	£4.1	**£4.2**	£3.8
Ventive	UK	Heat pumps and passive ventilation	Sales	24.9%	**£2.2**	£0.1	**£0.5**	£0.1
Sofant Technologies	UK	Semiconductors satellite coms	Early sales	25.0%	**£8.5**	£6.3	**£5.6**	£4.3
Martlet Capital	UK	Venture capital	Sales	8.2%	**£1.5**	£1.4	**£1.3**	£1.3
PointGrab	IL	Smart building automation	Sales	18.7%	**£3.5**	£3.1	**£4.1**	£4.1
Deeptech Recycling Limited	UK	Recycling	Industrial	-	**£1.3**	£0.5	**£1.3**	£0.5
Wanda Health	UK/US	Digital health monitoring	Sales	95.2%	**£3.6**	£3.2	**£3.6**	£3.2
Nanotech Industrial Solutions	US	Material science	Sales	-	**£0.8**	£0.8	**£0.8**	£0.8
Total					**£38.4**	£27.1	**£30.2**	£23.5

Review of Core Portfolio Companies[1]

PDS Biotechnology Corporation ("PDS"), Princeton, NJ, US

(www.pdsbiotech.com)

(Stock symbol PDSB: NASDAQ) – 3.5% stake

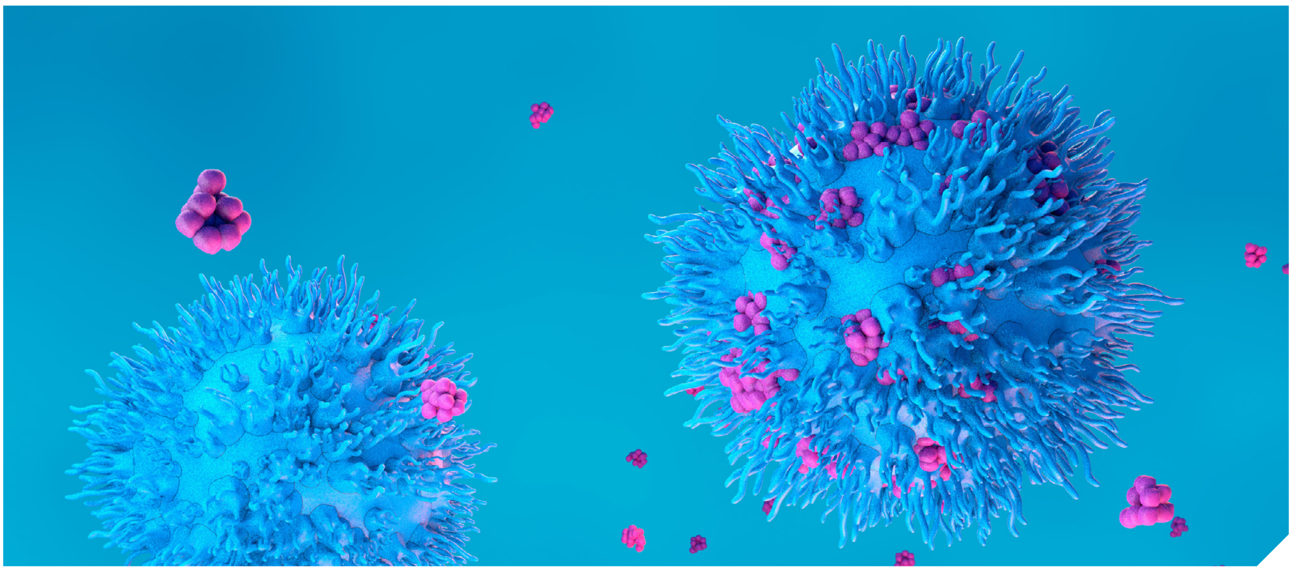
Overview: PDS Biotechnology is a Phase 2/Phase 3 stage immunotherapy company focused on transforming how the immune system targets and kills cancers and the development of infectious disease vaccines. Its key focus is on advanced head and neck squamous cell cancers (HNSCC). PDS Biotech's lead program is a proprietary dual-acting combination of IL-12 fused antibody drug conjugate (ADC) PDS01ADC and T-cell activator Versamune® HPV in regimen with a standard-of-care immune checkpoint inhibitor.

Key developments: PDS announced an exclusive global license agreement with Merck KGaA, Darmstadt, Germany for the tumour-targeting IL-12 fusion protein M9241 in January 2023. It completed a successful meeting with the FDA for the triple combination of PDS0101, PDS0301 and a commercial immune checkpoint inhibitor in February 2023. In May 2023, it announced interim data demonstrating a 12-month survival rate of 87% with PDS0101 in combination with KEYTRUDA® (pembrolizumab) for head and neck cancer patients. It achieved an efficacy threshold in Stage 2 of the VERSATILE-002 trial evaluating PDS0101 and KEYTRUDA® in June 2023. It also submitted a Phase 3 Protocol to FDA to initiate a VERSATILE-003 trial in August 2023. Furthermore, it announced that its investigational universal influenza vaccine PDS0202 demonstrated active neutralization across multiple influenza viruses in September 2023. In October 2023, it announced an interim 24-month survival rate of 74% in head and neck cancer patients treated with PDS0101 in combination with KEYTRUDA.

Post balance sheet date, the company has announced an updated clinical strategy with a two-part registrational trial focused on the triple combination of Versamune® HPV; PDS01ADC; and pembrolizumab as a first line treatment in HPV16-positive recurrent/metastatic HNSCC.

NSCI interest: NetScientific backed PDS as its 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 3.54% of the undiluted share capital (2022: 4.44%). The current value of NetScientific's stake as of 31 May 2024 at a share price of $2.98 per share is worth £2.6m, with a company market capitalisation of $109m.

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



[1] The companies are listed in the order of Fair Value size of NetScientific direct stake.

Portfolio Update Report continued

Glycotest, Inc. ("Glycotest") – Subsidiary, Merion, PA, US
(www.glycotest.com)

Direct Equity Holding 52.7[2]%, other assets under management 5.8%

Overview: Glycotest is a US based liver disease diagnostics company commercialising new and unique blood tests for life threatening liver cancers and fibrosis-cirrhosis. The Company was founded in 2012 by NetScientific on technology originating at the Baruch S. Blumberg Institute and Drexel University College of Medicine.

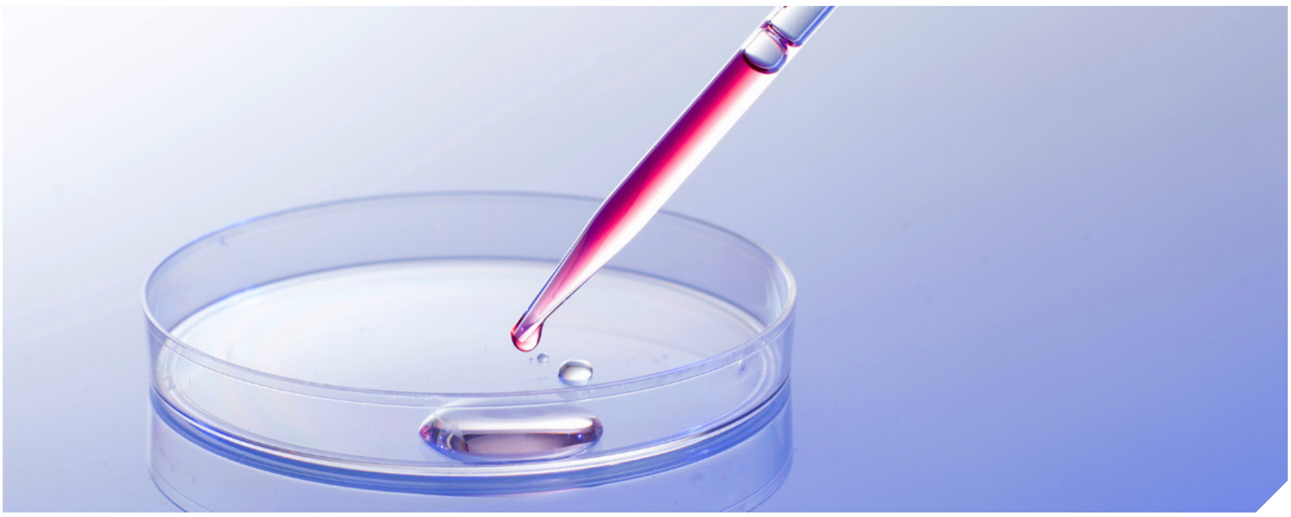
Glycotest's lead product is its hepatocellular carcinoma (HCC) panel, a biomarker panel, driven by a proprietary algorithm, for curable early-stage HCC, the most common form of primary liver cancer. This has outperformed current standard tests in preliminary clinical studies. Glycotest has also developed tests for the second most prevalent form of liver cancer. Glycotest believes the liver cancer early detection market presents a >$800 million opportunity in the US alone.

Key developments 2023: Glycotest has focused on the product commercialisation program for its HCC Panel test, a proprietary glycoproteomic blood test for early-stage liver cancer. To advance the HCC Panel program, the Company has: (1) completed the enrolment and data cleaning phases of the HCC Panel clinical validation study; (2) identified and accessed glycomic assay technology to revise and strengthen the performance of the assays that enable the HCC Panel test; and (3) closed an additional follow-on investments of c.$2m from Glycotest's licensing partner in China, Fosun Industrial Co., Limited and private investors to support this program.

The HCC Panel clinical validation study has been an ambitious effort initiated in 2019 involving 20 prestigious clinical sites in the US and Israel guided by key clinical opinion leaders. Following audit of serum samples as well as confirmation of cohort matching, completion of study protocol-defined enrolment objectives was verified and further enrolment of subjects into the study terminated. The resulting bank of samples from >1300 evaluable subjects constitutes one of the world's largest collections of serum samples related to liver cancer. Following the enrolment phase of the study, data cleaning was initiated with the objective of database lock late 2024 or early 2025. Regarding access to additional assay technology, Glycotest has identified two companies that have the requisite high throughput for diagnostic applications and is in advanced discussions with one of them.

NSCI Interest: Company shareholding in Glycotest is 62.5% (2022: 62.5%). As of 31 December 2023, the Group has invested £3.9 million (2022: £3.9 million). Based on the equity investment price by Fosun 's milestone-based investments, fair value of NetScientific's stake is estimated to be £11.0 million (2022: £11.0 million) but is not included in the audited financial statements.

Dr. Ilian Iliev is Chair and Ed Hooper is a Board member. Charles Swindell is CEO.



[2] Calculated on a fully-diluted basis.

Q-Bot Ltd ("Q-Bot), London

(www.q-bot.co)

Direct Equity Holding 14.3%, other assets under management 32.4%

Overview: Q-Bot is an award-winning robotics developer for construction retrofit. Its 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 seeking to capture a significant share of this market in the UK and internationally.

Key developments 2023: In September 2023, Q-Bot secured c.£3.5 million of investment, led by EMV Capital, to drive expansion in the UK, into Europe and the USA. In December 2023, Q-Bot reached a milestone of 10,000 property surveys leading to around 4,500 installations. The company also won multiple contracts in the Registered Social Housing sector, including The Guinness Partnership and E-On.

Post balance sheet date, Q-Bot strengthened its Board with the appointment of Victor Vadaneaux as an Executive Chair and Malcolm Groat as its second Investment Director. In May 2024, Q-Bot launched an underfloor insulation grant programme in partnership with E-On. Q-Bot is focused on consolidating growth in the UK through a focus on retrofit robot-based installations of underfloor insulation in both private homeowner and social housing markets. In the UK alone, Q-Bot believes there are 6m+ homes where its application is relevant, and the company continues exploring opportunities both in the EU and the US.

NSCI Interest: Direct equity holding of 14.3% (2022: 17.6%), and assets under management from syndicated investors representing 32.4% (2022: 30.9%). A working capital loan was extended to Q-Bot in 2022 and was fully repaid during 2023.

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

Portfolio Update Report continued

ProAxsis Ltd ("ProAxsis"), Belfast
(www.proaxsis.com)

Direct Equity Holding 88.5%, other assets under management 8.6%

Overview: ProAxsis Limited is a respiratory diagnostics company and a spin-out from Queens University Belfast. The company has commercialised activity-based immunoassays targeting Neutrophil Elastase (NE) and Proteinase 3, as biomarkers of lung infection and inflammation in chronic respiratory diseases such as COPD, cystic fibrosis and bronchiectasis.

This technology has been translated into a point-of-care test (NEATstik®), to enable ongoing monitoring of active NE levels.

Key developments 2023: During 2023 we worked with Management to streamline the company's strategy, reduce financial commitments, and support a transition of leadership. The changes resulted in a growth strategy reflecting the realistic commercial prospects of the business, with a focus on preparing for a launch of a Point of Care test in the UK and USA. We also helped ProAxsis to build collaborations with two of our other portfolio companies. A collaboration with lab-systems specialist DnameIT has resulted in additional income. A collaboration with Remote Patient Monitoring specialist Wanda Health has resulted in commercial discussions with a major player in the COPD space in the US.

EMV Capital syndicated convertible loans amounting to £0.4 million. Post-balance sheet date these converted into an equity round at a valuation of £8 million, representing a 100% increase in fair value for NetScientific. With these changes in place, and re-focused strategy on growth, we are exploring strategic options for the business including partnering and a full sale.

In September 2023, the company strengthened its Board with the appointment of Alan Markey as Chairman and Steven Myint as Non-Executive Director to intensify its efforts in developing its Patient Point of Care product range in respiratory disease. In April 2024 the company closed a c.£1.8 million investment led by EMV Capital, including conversions into equity of £777k of NetScientific intercompany balances. The company also won an InnovateUK SMART R&D grant to be executed jointly with the Center for Process Innovation. Earlier in March 2024, ProAxsis announced its intention to explore strategic options for scaling the business through a tie-up or potential sale of the company. An M&A advisor has been engaged and work is ongoing on the project.

NSCI Interest: 100% ownership. The fair value of NetScientific's stake in ProAxsis is estimated to be £3.5m at year end and £8.0m on the basis of the last investment round post balance sheet date. The post-balance sheet date investment in April has increased the estimated fair value by £4.5 million to £8.0 million and added £0.8 million in assets under management.

EpiBone, Inc. (“EpiBone”), Jersey City, NJ, US

(www.epibone.com)

Direct Equity Holding 1.3%, other assets under management 0.3%

Overview: EpiBone’s bone reconstruction technology allows patients to “grow their own bone” by utilising 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.

Key developments 2023: In May 2023, EpiBone completed pivotal equine and canine studies, with very positive feedback from its preclinical work. In July 2023, the company received clearance from the FDA to begin testing its lab-grown knee cartilage in humans. The treatment has shown promise in pre-clinical studies and could benefit people with damaged knee cartilage caused by sports injuries, trauma or post-traumatic arthritis. The company is working towards IND approval for its osteochondral graft product, as well as the completion of clinical studies for its bone graft product. The company also received an additional $1.3 million Series A investments from existing shareholders during 2023.

NSCI Interest: NetScientific’s direct investment in EpiBone is valued at £1.1 million based on the Series A round closed in November 2023, and £0.3 million assets under management.

SageTech Medical Equipment Ltd (“SageTech”) Paignton, Devon, UK

(www.sagetechmedical.com)

Direct Equity Holding 5.1%, other assets under management 25.2%

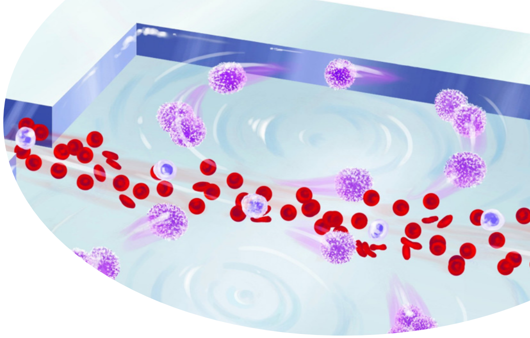
Overview: SageTech is a medical device and pharmaceutical company focused on the research, design, manufacture, and distribution of technologies for the capture and recycling of waste volatile anaesthetic agents in human and animal healthcare. Its unique circular economy solution safely captures volatile anaesthetic agents (sevoflurane, isoflurane, desflurane) through actively controlled adsorption onto a reusable capture canister.

Key developments 2023: SageTech has made significant market progress in commercialising its technology in the human and veterinary healthcare systems. In January 2023, SageTech launched its new SID-Dock waste volatile anaesthetic gas capture machine in the UK. Following the commercial launch, the company achieved several significant commercial milestones, including a distribution agreement with Dräger UK and Manchester University NHS Trust and won its first NHS Tender. The company’s efficiency was confirmed by the Guy’s and St Thomas’ NHS Foundation Trust, concluding that its SID-Dock capture system has high baseline efficiency of 94.8%. In October 2023, the SID-Dock machine achieved a CE Mark Certification and signed a five-year contract with Bupa to provide its solutions to the Cromwell Hospital. In December 2023, SageTech was of the fifteen companies featured in the UK Government’s pavilion at COP28 in Dubai. The company has received £0.3m EIS funding from its shareholders during 2023.

In April 2024, the company launched its veterinary device in the UK and announced a partnership with Mars Veterinary Health and its UK veterinary clinic group Linnaeus. SageTech has also made further progress in the European human market, including the installation of its SID-Dock waste volatile anaesthetic gas capture machine at University Hospital Crosshouse in Scotland, Castle Hill Hospital in Hull, and Benenden Hospital in Kent.

NSCI Interest: NetScientific has a direct equity investment of 5.1% (2022: 5.5%) with a fair value of £887k (2022: £887k), and an advised stake of 25.2% (2022: 25.5%).

Portfolio Update Report continued



Vortex Biotech Holdings Ltd ("Vortex"), London

(www.vortexbiosciences.com)

Direct Equity Holding 22.1%, other assets under management 13.9%

Vortex BIOSCIENCES

Overview: Vortex has a "no touch" microfluidic chip technology which captures intact, label-free and pure circulating tumour cells (CTCs) from blood, with high yields. These CTCs can then be analysed using a range of downstream workflows that help to characterise them. This will provide researchers and clinicians with access to critical insights from whole cancer cells that underpin one of the main causes of metastasis, treatment resistance and disease recurrence. The company was a spin-out from University of California, Los Angeles.

Key developments 2023: In March 2023, Vortex opened a lab at the Innovation Gateway, part of the London Cancer Hub, which is constitute of the world-famous Institute of Cancer Research and the Royal Marsden NHS Foundation Trust. In June 2023, the company closed a £3.2 million investment round led by EMV Capital to develop its position in the multi-billion dollar oncology liquid biopsy market. In September 2023, the company announced the launch of a technical feasibility study and was featured as a preferred platform for CTC at a comparative study by Nice University Hospital, published in the International Journal of Molecular Sciences. Vortex announced the appointment of Paul Reeves as Chief Technology Officer, who was subsequently promoted to Managing Director.

The company is focused on generating tightly scoped studies with leading researchers to highlight evidence of the technology to pharma and biotech customers and is looking to finalise its technical validation study and take the learnings forward to its 100-patient study.

NSCI Interest: 22.1% direct holding (2022: 30.0%); other assets under management 13.9% (2022: £0.7 million advance assurance agreement, indirect (advised).

Dr Ilian Iliev is Chair, and Paul Reeves is Managing Director.

FOx Biosystems, Diepenbeek, Belgium

(www.foxbiosystems.com)

Direct Equity Holding 3.9%, NSCI effective stake 2.9%

FOx BIOSYSTEMS

Overview: FOx Biosystems 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, with investments by Cetromed (now part of NetScientific), and Belgian high-tech investors LRM, Heran Partners and K.U. Leuven's Gemma Frisius Fund.

Key developments 2023: Achieved ISO 9001 quality management systems certification. In August 2023, it announced the appointment of Dr Mark Truesdale as CEO to take the company to commercial success. In February 2024, the company joined the ALDA (Analytical, Life Science & Diagnostics) Association.

NSCI Interest: In December 2020 a £150,000 convertible loan agreement was entered into (part of a £2.5 million convertible loan agreement led by the current investors), and which was converted in November 2022. The NetScientific stake is valued at £495,000.

Sofant Technologies Ltd ("Sofant"), Edinburgh

(www.sofant.com)

Direct Equity Holding 1.4%, other assets under management 25.5%

Overview: Sofant is developing phased array antennas for satellite and terrestrial communications that has high energy efficiency and a modular scalable design. Sofant's satellite terminal technology leads the industry in terms of Size, Weight, Power consumption, and Cost (SWaP-C) enabling mobile connectivity across a wide range of airborne, land, and sea applications including in-flight connectivity (IFC), maritime communications, and communications on the move (COTM) for military and commercial applications. Its low-power passively cooled terminals deliver unparalleled performance supporting multi-orbit connectivity across LEO, MEO, and GEO satellite networks.

Key developments 2023: In May 2023, Sofant announced a joint development with Inmarsat Government (now part of Viasat) aimed at revolutionising the communication capabilities of aircraft. Together, the two companies have initiated collaboration on a state-of-the-art-phased array antenna designed to enhance connectivity, reliability, and performance in airborne operations. Sofant also completed a £1.2 million investment round, led by EMV Capital, to support the ongoing product development and go-to-market strategy.

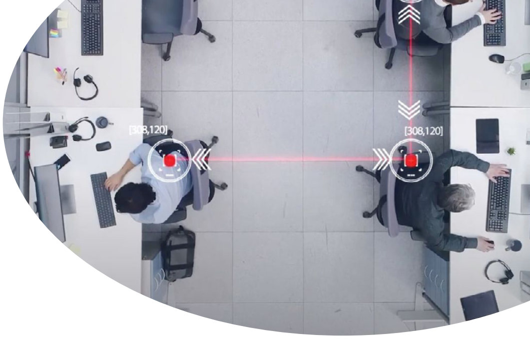
The company has made significant progress on product commercialisation, including advance orders with Inmarsat (now part of Viasat), with the European Space Agency, and other players. Various tests of Sofant's terminal at an ESA facility indicate all system level components are working as anticipated. The company is now set to execute its go-to-market strategy, using funds from this investment round to deliver satellite terminals to SatCom operators and their clients in aerospace, defence and security and civilian applications.

Reflecting the growing importance of Low and Middle Orbit satellite communications, Sofant has experienced significant growth in market interest, as it finalises development of its product for commercial launch. Post-balance sheet date, in May 2024, Sofant closed a c.£3 million investment round, led by EMV Capital, with the participation of Scottish Enterprise and Kelvin Capital.

NSCI Interest: Direct equity holding of 1.4% and other assets under management of c.£5.6 million at cost representing 25.5% of the share capital 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 (through EMV Directors Ltd, our Group's corporate director company).

Portfolio Update Report continued



Martlet Capital Ltd ("Martlet"), Cambridge

(www. martletcap.com)

Direct Equity Holding 1.4%, other assets under management 8.2%

Martlet

Overview: Founded by Robert Marshall in 2011, Martlet Capital is an early-stage investor based in Cambridge, providing patient capital to IP-rich, deep tech and life sciences B2B startups with high growth potential, including Paragraf, Nu Quantum, Xampla, Infinitopes, and Cambridge GaN Devices.

Martlet Capital (and its predecessor entity) has invested in more than 65 startups since its launch in 2011. In 2021, Martlet successfully raised additional capital to scale its investment activity.

Over the past decade, Martlet has achieved several significant exits from its portfolio through trade sales to global technology companies and IPOs; including the 'unicorn' Abcam (IPO), Audio Analytic, Cambridge CMOS Sensors (acquired by AMS), Arachnys (acquired by AML RightSource).

The team is comprised of experienced investors and entrepreneurs. In addition to capital, Martlet offers support, experience and a network of contacts.

Key developments 2023: Throughout 2023, Martlet Capital has reported notable activity across its portfolio - this includes participation in a £4.6 million funding round for Xampla, a £2.3 million round for Lark Optics, and a £1.1 million round for RoboK, among others.

In May 2024, EMV Capital Limited was appointed as investment manager to Martlet Capital Limited to manage, on a discretionary basis, its c.£23.3 million portfolio of investments. In addition, EMV Capital acquired the operational venture capital business of Martlet Capital.

NSCI Interest: Fair value of direct investment: £275,000 (2022: £250,000). Total syndicated amount as assets under management by EMV Capital: £1.48 million. Total direct and syndicated amount represents 9.6% of issued share capital. Convertible Loan Notes: £0.52 million (£0.075 million direct holding and £0.445 million advised). Post-balance sheet, EMV Capital took over the management of the entirety of Martlet Capital (representing £23.3 million in assets under management).

PointGrab, Israel

(www.pointgrab.com)

Direct Equity Holding 0.4%, other assets under management 18.8%

PointGrab

Overview: PointGrab provides IoT-based office workspace optimisation 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 2023: PointGrab welcomed Amir Einav as its new CEO in December 2023. Amir has led software businesses of various sizes in areas of cybersecurity, telecom and e-commerce in Israel and the US.

NSCI Interest: Direct equity holding: 0.4% (2021: 0.5%), other assets under management: 18.8% (2021: 27.2%). Fair valued at the most recent investment round: £76,000 (2021: £68,000).

Dr Ilian Iliev is on the Board of PointGrab.

Wanda Health, US and UK

(www.wandahealth.com)

No direct Equity Holding, other assets under management 95.2%

Overview: 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. 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.

Key developments 2023: In October 2023, Wanda Health announced a new partnership with Revolution Health Solutions to provide white label clinical services in the US, eliminating the need for additional staffing from the healthcare provider. The company appointed Dr Felix Agakov as Head of AI and Dr Rama Aysola as Head of Sales, US.

In 2024, the company has achieved ISO 13485 and ISO 27001 certification. Wanda is now working towards securing regulatory position as an FDA-approved device, as well as achieving UKCA and CE Marks which allow for the platform to be sold in the UK and the EU respectively.

NSCI Interest: Assets under management of a 95.2% investors' stake, which is a related party due to common substantial shareholders. A Post-balance sheet restructuring has resulted in the NetScientific direct holding increasing to 30%. The NetScientific Directors believe that the Wanda business has now been materially de-risked, having made significant commercial and operational progress, underpinning significant growth prospects, placing it in a stronger position than in 2019. The Board was accordingly delighted for the Group to re-acquire a strategic stake in Wanda, providing it with exposure to the fast-growing remote patient monitoring market. The investment is in line with the Company's strategy of deepening stakes in selected portfolio companies with high return potential.

Ventive Limited ("Ventive"), London

(www.ventive.co.uk)

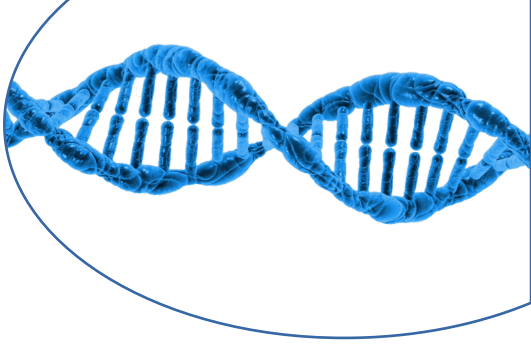
Direct Equity Holding 11.1%, other assets under management 25.3%

Overview: Experts in building physics and airflow dynamics, Ventive designs and manufactures intelligent heating and ventilation solutions to make buildings healthy, comfortable, efficient and affordable. Its early innovation (Windhive®) has already secured a position in the commercial HVAC market delivering ventilation with passive heat recovery to school buildings, with near zero running costs. Now evolving into the go-to technology for creating healthy spaces in multi-occupancy buildings. Its all-in-one HOME heat pump for domestic dwellings provides ventilation, heating and hot water via an intelligent exhaust-air heat pump with whole-house air handling system. The heatpump is designed to address the challenges of the Energy Transition, reducing installation complexity and moving people to clean-running, super-efficient heating and cooling solutions.

Key developments 2023: In November 2023, closed a c.£900,000 investment, led by EMV Capital, to support the completion of the design and test phase and factory build for Ventive's modular heat pumps and further enhancements to its passive air ventilation product range. The package included ongoing non-dilutive funding from the £1.5m DESNZ grant and a £100,000 UK Government grant focused on 'net zero HVAC' systems. Its natural ventilation system has now been delivered to over 30 schools and 5 leisure centres with excellent air quality results being achieved.

Post balance sheet date in May 2024, Ventive closed a further c.£0.4 million in investment.

NSCI Interest: 11.1% direct equity holding, other assets under management 25.3%, fair value of £0.9 million (2022: £0.1 million).



Portfolio Update Report continued

Deeptech Recycling Technologies Limited ("DeepTech Recycling"), Oxfordshire

(www.recyclingtechnologies.co.uk)

Direct Equity Holding 30.0%, £1.3 million advance assurance agreement, indirect (advised)

Post balance sheet date fair value of £1.8 million

Overview: DeepTech Recycling is a UK-based technology company born out of a global environmental crisis caused by insufficient and unsustainable management of plastic waste. The company's mission is to make plastic sustainable and support the critical global drive towards a circular economy for plastics. The technology converts currently unrecyclable plastic waste, that would normally be landfilled or incinerated, into oil that can be used by the petrochemical industry as the feedstock for producing virgin quality plastic.

Key developments 2023: With support from EMV Capital's value creation team, Deeptech Recycling has consolidated all assets and relaunched a streamlined business focused on target plastic waste streams and capital efficient strategy. In December 2023, the company secured a first investment of £1.3m in funding, led by EMV Capital, to commercialise its technology and develop commercial opportunities.

After securing the initial investment, the company is progressing its commercial operations with a transition into new premises and key strategic hires. DeepTech has secured its first commercial project, with an MoU signed and Purchase Order received from a major packaging producer in the UK and EU markets for the development of a recycling facility. DeepTech has also identified strategic partners for a second plant project focused on a different waste stream, with due diligence underway. The company believes it has a strong position in a massive market, amidst a growing recognition that chemical recycling is going to be an essential route for dealing with the environmental challenges of plastic waste and ensuring sustainable and circular polymer production.

In May 2024, the company secured a further £0.8 million to expand the team to execute on current customer-driven opportunities and projects, re-establish a demonstration scale plant in a commercial environment in the UK by 2025 and develop construction ready, financially attractive commercial projects.

NSCI Interest: 30.0% direct ownership stake, fair value of £Nil at year end. Post-balance sheet FV increase by £1.8 million, assets under management of c.2.1 million.

DName-iT Ltd ("DName-iT"), UK and Belgium

(www.dnameit.com)

Direct Equity Holding 32.7%, other assets under management 14.4%

Overview: DName-iT is a spin-out from the world-renowned Katholieke Universiteit Leuven and is developing a platform to improve the identification and elimination of handling and process errors in genetic testing in high-priority areas such as cancer diagnostics, precision medicine and non-invasive prenatal testing (NIPT). To spot specimen handling errors and to identify specimen contamination in Next Generation Sequencing tests, DName-iT has created a proprietary molecular barcoding system, called DName® - that allows the detection of swaps and contamination of blood, saliva and extracted DNA specimens, as well as reagent contamination, from sample capture to completed NGS reporting.

Key developments 2023: In 2023, DName-iT received a total of £650,000 from EMV Capital syndicated investment and grants to accelerate industry pilots, validating its technology and commercial strategy prior to product launch and commercial sales. The company received positive results from its first independent proof-of-concept pilot in Europe, which confirmed that DNames and the supporting DName-iT software can be deployed with confidence in a customer laboratory environment. DName-iT built its regulatory pathway for the UK, Europe and USA, and in Q1 2024 has already gained UK Medical Device registration, with EU registration in progress.

DName-iT has identified priority market segments for service launch - NIPT, an important use of genomics in women's reproductive health; and the fast-growing market for cancer diagnostics using NGS. The company is exploring various near-term revenue opportunities in the UK and the EU, including potential go-to-market partnerships, license opportunities and further clinical validation pilots.

NSCI Interest: 32.7% direct ownership effective stake, other assets under management of 14.4%, fair value of £1.0 million (2022: £0.1 million). This has been equity accounted and the fair value is not included in the audited financial statements.

Monitoring Portfolio

We have minority investments in several companies that we monitor but have no active involvement or board representation. Some of these may 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/**

   In November 2023, Cytovale secured $85m Series C funding to advance commercialisation of its transformative sepsis diagnostic tool.

   Cytovale also received FDA 510(k) clearance for its IntelliSep® test to aid in the early detection of sepsis for the approximately 30 million adult patients with signs and symptoms of infection who present to US emergency departments (ED) each year.

   NSCI Interest: Direct investment fair value of £333k.

2. **G-Tech Medical, Inc., USA** is developing a wearable technology to measure gastrointestinal motility. Key developments include a FDA 510k clearance submission and improved second-generation patches. **http://www.gtechmedical.com/**

   NSCI Interest: Direct investment fair value of £334k.

3. **QuantalX Limited, 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. **https://quantalx.com/**

   NSCI Interest: Direct investment valued at approximately £58k.

4. **Cetromed:** On 20 December 2021, NetScientific acquired 75% of the issued share capital of CetroMed Limited ("CetroMed") for 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 efficient strategy, the transaction of £192k was funded through £150k of NetScientific PLC new ordinary shares at £1.02 per share, 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 £277k (2021: £245k).

Financial Review

CFO Report – Financial Review

Financial Highlights

Fair Value of investments: the fair value of the Company's directly owned portfolio (Fair Value) has decreased by c.28% to £16.4 million (2022: £22.7 million). However, the decline was driven primarily by share price declines in, and smaller holding of, our NASDAQ-listed holding in PDS Biotech. By contrast the FV of our privately held direct portfolio (where efforts are focused) increased by c.51% to £12.2 million (2022: £8.1 million).

Financially sustainable: The Group now has a revenue mix from corporate finance and advisory, board seats, annual management, Value Creation Services (VCS), and (most recently) recurring Fund management fees – and, of course, partial exits/liquidity, which has enabled us to be self-sufficient during the period and not need to access the capital markets for support. This has protected shareholders from dilution in the difficult capital markets.

Exits and liquidity: We executed partial exits of c.£1.4 million (£1.0 million in PDS and £0.4 million in Q-Bot) through secondary market sales across two portfolio companies, locking in a profit of £0.5 million (£0.3 million in PDS and £0.2 million in Q-Bot). This demonstrates our Group's ability to exit private and publicly held assets profitably, even in difficult market conditions and in the absence of M&A.

Group income and sales: Total revenue has increased by c.40% to £1.4 million (2022: £1.0 million). Total Income including other income has increased by c.111% to £3.8 million (2022: £1.8 million), primarily driven by EMV Capital sales of £1.6 million (2022: £1.2 million), achieving an operating profit of £0.2 million (2022: £0.1 million). This covered approximately half of the core Group's costs, whilst providing infrastructure and services to the Group and its portfolio companies. The Group also made a cash gain on disposal of investments of £0.5 million and a one-off non-cash gain of £1.4 million after completing a third party fundraise of £0.5 million in June 2023 for DName-iT Holdings Limited, due to deemed disposal of a subsidiary.

Group losses and core operations: Group losses for the year increased to £2.9 million (2022: £3.7 million). The 'core' of the operations of NetScientific PLC and EMV Capital accounted for £1.1 million (2022: £1.2 million). The balance of £1.8 million (2022: £2.5 million) is attributed to the subsidiary portfolio companies Cetromed, ProAxsis and Glycotest. Net of a £684,000 non-cash impairment charge for ProAxsis, group losses are improving on the previous year. In line with our capital efficient investment strategy, Cetromed, ProAxsis and Glycotest were primarily funded by external investors. As noted above, the Group also made a cash gain on disposal of investments of £0.5 million and a one-off non-cash gain of £1.4 million after completing a third party fundraise of £0.5 million in June 2023 for DName-iT Holdings Limited, due to deemed disposal of a subsidiary.

Cash: Cash on the balance sheet on 31 December 2023 was £0.2 million (2022: £0.9 million), with £0.8 million of cash and £2.6 million held as readily realisable quoted securities at 31 May 2024. The combination of EMV Capital operational revenue and partial exit have meant that NetScientific has not needed shareholder funding support since June 2022.

Net Assets: The Company ends the year with total assets of £22.5 million (2022: £29.0 million), and net assets of £17.1 million (2022: £25.2 million). The decrease is mostly accounted for by the declined value of our PDS Biotech holding and the current year loss of £2.9 million (2022: £3.7 million). Net asset value per share for end of 2023 is £0.73 (2022: £1.07).

Stephen Crowe
CFO
13 June 2024

Sustainability Report

ESG report

Background

The Group's investment activities align naturally with 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:** 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.

- **Ventive:** A pioneer in the design of passive air ventilation systems delivering fresh air to schools at minimal costs; and modular heat pumps delivering heat cost effectively. All of Ventive's products are intelligent and automatically react to their environment, allowing them to optimise performance over time, ensuring buildings are comfortable, efficient and cost effective.
- **DeepTech Recycling:** Technology platform on a mission to make plastic sustainable and support the critical global drive towards a circular economy for plastics. Diverts plastic waste from landfills, unmanaged dumps and leaks into our environment and oceans. Reduces reliance on virgin fossil resources for plastic production and avoid incineration of plastic waste. Enables producers to achieve recycling content limits and eliminates single use plastics. Changes the plastic system from a linear value chain into a circular value chain.

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 three Board changes during the year (2022: 4).

On 31 January 2023, John Clarkson stepped down from the Board and Dr Jonathan Robinson was appointed Interim Non-Executive Chair, as part of a planned transition process while a search was undertaken. On 1 June 2023, it was announced that Dr Charles Spicer was appointed as non-executive chair and Dr Jonathan Robinson relinquished his role as Interim non-executive chair and became senior Independent director. On 30 June 2023 Professor Stephen Smith, non-executive director stepped down from the Board after seven plus years of service.

Dr Charles Spicer

Non-Executive Chair

Charles is an experienced chair and director specialising in the medtech and life sciences industries. He advises both public and private companies. He currently chairs Creo Medical Group plc and Korn Wall Limited (KwickScreen). Furthermore, he serves as the Chair for the UK Department of Health's Product Development Awards Selection Panel B for Invention for Innovation (i4i). Charles previously held directorships at IXICO plc, Aircraft Medical (acquired by Medtronic Inc. in 2015) and Stanmore Implants (acquired by Stryker Inc. in 2016).

Charles was previously Chief Executive of MDY Healthcare plc, a strategic healthcare investor and, prior to that, Head of Healthcare Corporate Finance at both Numis Securities and Nomura International. Charles has a PhD in History from London University and an MA in History from Cambridge University.

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; Masters 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 and General Counsel

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.

Dr. Jonathan Robinson

Non-Executive, Senior Independent Director 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, Afilias (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.

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 2023.

Dividend

The Directors do not propose the payment of a dividend (2022: £Nil).

Future developments

A review of anticipated future developments is included in the Chair's and Chief Executive Officer's Statement on pages 1 to 9.

Directors

The Directors shown below have held office during the period from 1 January 2023 to the date of this report:

Dr Charles Spicer (appointed 1 June 2023)
Dr Ilian Iliev
Edward Hooper
Dr Jonathan Robinson
Professor Stephen Smith (resigned 30 June 2023)
John Clarkson (resigned 31 January 2023)

Directors' shareholdings and other interests

	No. of shares as at 31 December 2023	No. of shares as at 31 December 2022
Dr Charles Spicer	**16,286**	–
Dr Ilian Iliev	**3,643,121**	3,643,121
Edward Hooper	**89,000**	–
Dr Jonathan Robinson	**174,253**	149,253

Between 31 December 2023 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.

Directors' remuneration and share options

Details of the Directors' remuneration and share options are given in the Directors' Remuneration Report on pages 37 to 40.

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 30 to the financial statements.

Substantial holdings

At 31 May 2024, 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	16.36%
Futura Messis Group Limited (controlled by Dr Ilian Iliev) and Dr Ilian Iliev	3,643,121	15.21%
Hargreaves Lansdown Asset Management Nominees	3,563,482	14.88%
Zedra Trust Company (Jersey) Limited	1,085,494	4.53%

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.

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

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.

Net Assets at the end of 2023 were worth £17.2 million, including realisable quoted assets of £4.3 million. The quoted share price as of 31 May 2024 was $2.98 giving a fair value of the PDS investment of £2.6 million.

To support its going concern analysis, 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 2025, the Group requires (including subsidiaries) a minimum of approximately £3.6 million to continue as a going concern. NetScientific and EMV Capital require £1.6m, while the other subsidiary portfolio companies Glycotest, ProAxsis and Cetromed require £2.0 million.

This amount can be financed through several options, either on their own or in combination. The subsidiary companies plan to be funded by external financing, as they have done in 2023. This could include convertible loans, equity or debt finance.

The Board's plans for satisfying the going concern needs of NetScientific and EMV Capital are primarily based on service fees for corporate finance, value creation services, fund management and other fees. The Board plans to sell various portfolio assets in part or in full in order to meet the funding requirements. The Board can also consider the option of a placement of NetScientific shares.

While these various options are available, some or all may not be executed. 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 manage its cashflows and obligations, closely monitor performance, and maintain a flexible approach to new opportunities.

Post balance sheet events

Martlet:

On 13 May 2024, NetScientific announced that the Company's wholly owned venture capital and corporate finance firm, EMV Capital Limited (EMV Capital), has been appointed as investment manager to Martlet Capital Limited (Martlet Capital) to manage on a discretionary basis its c.£23.5 million portfolio of investments (Martlet Portfolio) as per the signed audited accounts of 30 September 2023. In addition, EMV Capital has acquired the operational venture capital business of Martlet Capital (Martlet Business), excluding the Martlet Portfolio.

Glycotest:

On 9 February 2024, NetScientific's subsidiary company Glycotest issued 1,970,434 preferred stock, par value $0.001 at a price per share of $0.5075 of additional follow-on investment of c.£0.8 million from its existing shareholder, Fosun Industrial Co., Limited. It also issued 2,786,449 preferred stock, par value $0.001 at a price per share of $0.3045 in connection with the conversion of convertible loan notes and interest thereon, valued in total at c.£0.7 million.

ProAxsis:

On 15 April 2024, NetScientific's portfolio company ProAxsis announced it has successfully closed a c.£1.8 million investment. The Investment was led by the Company's wholly owned venture capital and corporate finance firm, EMV Capital, syndicated from a cohort of private investors. The Investment includes c.£211,000 from new investors, c.£36,000 from the exercise of warrants (Warrants) granted to existing investors in connection with convertible loan notes (CLNs), the conversion of the CLNs (and interest thereon) valued in total at c.£455,000, and the conversion of loans from NetScientific valued at c.£776,000.

Following the Investment, the Company's direct stake in ProAxsis is 90.66 per cent, which is estimated by the directors to be a post-investment fair value of c.£8.0 million. In addition, following the introduction of investors by EMV Capital, the NetScientific assets under management with ProAxsis is 8.81% of the fully diluted share capital.

Exercise of Options and Issue of Shares:

On 5 February 2024, NetScientific announced the exercise by John Clarkson (former NetScientific Chair) of options over 254,977 ordinary shares in the capital of NetScientific for an aggregate exercise price of £116,015 and the subscription for 116,548 new ordinary shares in the capital of the Company at a price of £0.626 per share by John Clarkson and two other service providers to the Company in settlement of services provided by them to the Company to such value.

Wanda Connected Health Systems Limited:

On 28 May 2024, NetScientific announced the acquisition of 30% in Wanda Connected Health Systems Limited (Wanda), an intelligent platform for remote patient monitoring and virtual care in the UK and the US. Connected with the investment, the Group has restructured some of its engagements relating to Wanda.

In recognition of the services provided by EMV Capital, Wanda agreed to pay EMV Capital a fee of approximately £62,658. EMV Capital assigned that receivable to NetScientific UK Limited (NSUK), another subsidiary of the Company and in lieu of a cash payment to settle that receivable, NSUK subscribed for shares amounting to 30 per cent. of the enlarged issued share capital of Wanda.

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.

Stephen Crowe
Company Secretary

13 June 2024

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 2023, the Board met 12 times, with each member attending as follows.

Director	Number of meetings held whilst a Board Member	Number of meetings attended
Dr Charles Spicer (appointed 1 June 2023)	7	7
Dr Ilian Iliev	12	12
Ed Hooper	12	12
Dr Jonathan Robinson	12	12
Professor Stephen Smith (resigned 30 June 2023)	7	7
John Clarkson (resigned 31 January 2023)	1	1

On 31 January 2023, John Clarkson stepped down from the Board and Dr Jonathan Robinson was appointed Interim Non-Executive Chair. On 1 June 2023, it was announced that Dr Charles Spicer was appointed as non-executive chair and Dr Jonathan Robinson relinquished his role as Interim non-executive chair. On 30 June 2023 Professor Stephen Smith, non-executive director stepped down from the Board.

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 (updated in November 2023), 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 Dr Jonathan Robinson. Its other members were Professor Stephen Smith up until his resignation on 30 June 2023 and Dr Charles Spicer from his appointment on 1 June 2023. 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 2023, the Audit & Risk Committee met three times with each members attending as follows.

Director	Number of meetings held whilst a Board member	Number of meetings attended
Dr Jonathan Robinson	3	3
Dr Charles Spicer (appointed 1 June 2023)	1	1
Professor Stephen Smith (resigned 30 June 2023)	2	2

Remuneration Committee

The Remuneration Committee was chaired by Professor Stephen Smith up until his resignation on the 30 June 2023 and was chaired by Dr Jonathan Robinson for the remainder of the year. Its other members are Dr Charles Spicer from his appointment on 1 June 2023.

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 2023, the Remuneration Committee met 3 times with each member attending as follows.

Director	Number of meetings held whilst a Board member	Number of meetings attended
Dr. Jonanthan Robinson	3	3
Professor Stephen Smith (resigned 30 June 2023)	2	2
Dr. Charles Spicer (appointed 1 June 2023)	1	1
John Clarkson (resigned 31 January 2023)	-	-

Nominations Committee

The Nominations Committee is responsible for all senior appointments that are made within the Group. The Nominations Committee was chaired by Professor Stephen Smith until his resignation on 30 June 2023 when Dr Charles Spicer took over as chair. Its other members are Dr Jonathan Robinson and Dr Ilian Iliev. 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 20 December 2023, 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 2023, the Nomination Committee met two times formally.

Director	Number of meetings held whilst a Board member	Number of meetings attended
Dr Charles Spicer (appointed 1 June 2023)	–	–
Professor Stephen Smith (resigned 30 June 2023)	2	2
Dr Ilian Iliev	2	2
Dr Jonathan Robinson	2	2

Investor relations

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

13 June 2024

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 20 December 2023. The terms of reference and its membership are summarised in the Corporate Governance Report on pages 34 to 36.

The Committee, which is required to meet at least twice in the year, met three times during the year ended 31 December 2023.

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 Charles Spicer (appointed 1 June 2023) received a fixed fee of £35,000. Dr Jonathan Robinson received a fixed fee of £52,500 and Professor Stephen Smith (resigned 30 June 2023) received a fixed fee of £22,000 (2022: fixed fee of £30,000 plus £42,000 for providing general scientific advice across the Group, total remuneration was £22,000 (2022: £72,000)). 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 Charles Spicer was granted options on 30 June 2023. Dr Jonathan Robinson was granted options on 30 June 2023 and on 9 December 2022. Professor Stephen Smith was granted options on 30 November 2020 and in June 2016.

Equity based incentive schemes

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

The original NetScientific Plc Share Option Scheme (the "Scheme") was established in 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 2023	Options as at 31 December 2022
2023				
Edward Hooper	30 June 2023	63.0p	**460,656**	–
Dr Charles Spicer	30 June 2023	63.0p	**95,238**	–
Dr Jonathan Robinson	30 June 2023	63.0p	**23,809**	–
2022				
Edward Hooper	19 May 2022	78.1p	**105,000**	105,000
Dr Jonathan Robinson	9 December 2022	65.5p	**45,801**	45,801
2021				
Dr Ilian Iliev	28 September 2021	£1.24	**183,191**	183,191
John Clarkson	28 September 2021	£1.24	**183,191**	183,191
2020				
Dr Ilian Iliev	25 September 2020	65.0p	**382,465**	382,465
John Clarkson	30 November 2020	45.5p	**254,977**	254,977
Professor Stephen Smith	30 November 2020	45.5p	**-**	46,155
Pre-2020				
Professor Stephen Smith	24 June 2016	£7.97	**3,000**	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 Charles Spicer, Dr Jonathan Robinson and Ed Hooper on 30 June 2023. 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.

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 2023 is set out below.

Year ended 31 December 2023	Salaries and fees £000's	Bonus £000's	Benefits £000's	Pension £000's	Total £000's
Executive Directors					
Dr Ilian Iliev	276	118	–	22	416
Edward Hooper	253	58	–	20	331
John Clarkson (resigned 31 January 2023)	23	–	–	–	23
Non-Executive Directors					
Dr Charles Spicer (appointed 1 June 2023)	35	–	–	–	35
Dr Jonathan Robinson	53	–	–	–	53
Professor Stephen Smith (resigned 30 June 2023)	22	–	–	–	22
Total	**662**	**176**	**–**	**42**	**880**

Year ended 31 December 2022	Salaries and fees £000's	Bonus £000's	Benefits £000's	Pension £000's	Total £000's
Executive Directors					
Dr Ilian Iliev	263	120	2	21	406
Edward Hooper	125	25	-	10	160
John Clarkson (resigned 31 January 2023)	292	120	2	19	433
Non-Executive Directors					
Professor Stephen Smith (reigned 30 June 2023)	72	–	–	–	72
Clive Sparrow (resigned 31 December 2022)	30	–	–	–	30
Total	**782**	**265**	**4**	**50**	**1,101**

Directors' Remuneration Report continued

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

	Year ended 31 December 2023 £000's	Year ended 31 December 2022 £000's
Executive Directors		
Dr Ilian Iliev	**9**	39
Edward Hooper	**63**	19
John Clarkson	**(15)**	39
Non-Executive Directors		
Dr Charles Spicer	**11**	—
Dr Jonathan Robinson	**8**	4
Professor Stephen Smith	**—**	1
Clive Sparrow	**—**	1
Total	**76**	103

By Order of the Board:

Dr Jonathan Robinson

Chair of Remuneration Committee

13 June 2024

Directors' Audit & Risk Committee Report

The Audit & Risk Committee

The Audit & Risk Committee has responsibility for considering all matters relating to financial controls, reporting and external audits, the scope and results of the audits, the independence and objectivity of the auditors and keeping under review the effectiveness of the Group's internal controls and risk management. The chair for 2023 was Dr Jonathan Robinson.

The Committee, which is required to meet at least twice in the year, met three times during the year ended 31 December 2023. 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 43 to 47.

Membership

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

Financial Reporting

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

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

Internal control and risk management

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

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

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

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. After 3 years in place the lead audit partner, Arbinder Chatwal handed over to a new lead audit partner Alex Stanbury whose experience in AIM, life sciences and deep tech companies was deemed particularly relevant. 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 2028 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 2 to 9. 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
New Portfolio Acquisitions	Shareholders	• Developed deal structures that meant no balance sheet cash was used for the deals – non-dilutive for shareholders • Further portfolio diversification and increased capital growth fee earning potential for the company
Progress with completion of FCA registration		• Lock-in of reserve capital • Increased capabilities for growth of our corporate finance practice • Enabling launch of Fund practice • Need for increased risk
Decision to divest of a proportion of PDS Biotechnology and Q-Bot shares	Shareholders, long-term policy	• Decision for partial sell-downs across portfolio in order to lock-in profit, build up balance sheet
Appointment of Dr Charles Spicer to the Board	Shareholders, strategy implementation	• Decision to appoint in context of building up Board transactional capabilities and industry expertise – reflecting changing stage of development of the business

Risks and Uncertainties

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

Risk	Possible Consequence	How the Board guards against risk
Poor performance of Investments	Many of the Group's investments are in early-stage companies which are still in R&D or early growth and are loss-making. Therefore, it is possible that milestones are missed, there are overspends on budgets, and that the companies run out of cash ahead of value inflection points and additional fundraisings. Where there are no additional investors alongside NetScientific, this may lead to cash calls, which can put pressure on the Group's finances. 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.	The Group is committed to actively managing the risk, including through the following measures: • Co-investment with other investors, providing more sources of investment. • Manage technology vs. finance risk, e.g., staging investments. • Portfolio approach to investment, spreading the risk across the companies. • Careful budgeting and cash planning. • Detailed project planning and monitoring. • Utilising soft-funding, e.g., government grants, Corporate Joint Development Agreements. • Fundraising with adequate contingency cash reserves and funding options. • Willingness to restructure, turnaround, mothball, and if necessary, ultimately write-off.

Directors' Audit & Risk Committee Report continued

Risk	Possible Consequence	How the Board guards against risk
Clinical development risk	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. Numerous unforeseen events during, or as a result of, clinical testing could delay or prevent commercialisation of such products.	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.
Board influence at portfolio companies	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.	Clarity ahead of an investment, and whenever a follow-on investment is made about management's financial and operational milestones. Working collaboratively with other board members to build and implement risk management strategies.
Regulatory risk	Potential regulatory approvals and clearances of the Group's portfolio companies may not be achieved on schedule, or at all. Failure to achieve regulatory approval or clearances could delay or prevent commercialisation of such products.	The Group mitigates this risk by working with portfolio companies to ensure adequate expertise and resources are available, seeking advice from regulatory advisors, and holding consultations with appropriate regulatory bodies at an early stage and following progress closely to measured milestones.

Risk	Possible Consequence	How the Board guards against risk
Intellectual property risk	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. 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.	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: • Maintaining an up-to-date IP strategy. • Using external patent attorneys and IP strategists to review patent protection. • Periodic review of new inventions coming out of the companies' R&D, to evaluate whether to patent. • Willingness to defend against IP infringement. • Careful considerations of licensing arrangements with Universities, Corporate partners and others.

Directors' Audit & Risk Committee Report continued

Risk	Possible Consequence	How the Board guards against risk
Competition risk	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. 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. 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.	The Group mitigates these risks at Group level by: • strategic portfolio diversification, to avoid overdependence on any one portfolio company; • performing competitor scans; and • being realistic about expectations from individual portfolio assets. Most of the risks can be mitigated by the portfolio companies' management, therefore the Group encourages portfolio companies to: • conduct periodic competitor scans; • benchmark their products against competitors; • where possible, identify changes needed to stay ahead; • monitor key competitors' IP for infringement potential and early signs of changing strategy; and • focus on speed of development to ensure products get to market fast.
Dependence on key executives and personnel	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. 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.	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. The Group will look to develop leadership continuity plans to ensure there is no overdependence on any key individual. 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.

Risk	Possible Consequence	How the Board guards against risk
Cyber-attack/Loss of data/ AI threats	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. 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.	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. Encouraging portfolio companies to update their cyber security/cyber resilience policies.
Geopolitical and market risk	There are heightened geopolitical tensions around the world, most recently with the war in Ukraine, which in turn are affecting stock markets, supply chains, prices, investor sentiment, and future prospects of growth and stability.	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.

By Order of the Board:

Dr. Jonathan Robinson
Chair of Audit & Risk Committee

13 June 2024

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 2023 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 2023* which comprise the consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, Notes to the Consolidated Financial Statements including a summary of material accounting policies, the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity, and notes to the Parent Company Financial Statements, including a summary of material 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

The Group and the Parent Company have equity investments measured at fair value with carrying amount of £1.1 million at 31 December 2023. The Directors did not perform year-end valuations on these investments. Therefore, we were unable to obtain sufficient appropriate audit evidence to support the carrying amount of these investments at this date. We were unable to perform alternative procedures to satisfy ourselves concerning the carrying amount of these equity investments held by the Group and Parent Company at 31 December 2023. Consequently, we were unable to determine whether any adjustment was necessary to these amounts as at 31 December 2023 or whether there was any consequential effect on the Group and Parent Company's Other Comprehensive Income for the year ended 31 December 2023. Our audit opinion on the financial statements for the period ended 31 December 2022 was modified because we were unable to determine whether any adjustment required in the carrying amount of the investments. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures for the investments and related balances and the corresponding figures is also qualified.

In addition, were any adjustments to the investments required, the Strategic and Director's 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' consideration 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.

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 included:

- 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 through methods such as 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 issue.
- Reviewing publicly available information for any negative publicity or potential issues that may identify a post balance sheet event that could affect going concern.

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

Independent Auditor's Report continued

Overview

Coverage	*100% (2022: 100%) of Group loss before tax* *100% (2022: 100%) of Group revenue* *100% (2022: 100%) of Group total assets*		
Key audit matters		**2023**	**2022**
	Goodwill and intangible asset impairment	✓	✓
	Valuation of investments	✓	✘
	Capitalisation of development costs*	✘	✓
	* Capitalisation of development cost is no longer considered to be a key audit matter because the extent of such costs capitalised was not material during the year		
Materiality	*Group financial statements as a whole* £345,000 (2022: £156,000) based on 1.5% of total assets (2022: 5% of 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. The financial information of the non-significant components was subject to analytical review and specific procedures on certain financial statements areas by the group engagement team. This included specific procedures over equity investments which contributed to the overall coverage 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 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
Goodwill and other intangible asset impairment risk; (see notes 2 and 18) *The accounting policy in respect of the accounting for goodwill and other intangible assets impairment is included within the annual report on page 66.* *The estimates and judgements in respect of goodwill and other intangible asset impairment are included within note 3 and 18.*	Goodwill is tested for impairment at least annually through comparing the recoverable amount of the cash-generating unit based on a value-in-use calculation to the carrying value. Furthermore, other intangible assets are tested for impairment where an indicator of impairment arises. The risk that goodwill and intangible assets may be impaired is considered to be a key audit matter due to the level of judgement involved in the impairment review and the opportunity and incentive for management bias within the impairment model assumptions.	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. 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. 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. 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. **Key observations:** Based on the work performed, we found management's judgements and assumptions in this area to be reasonable.

Independent Auditor's Report continued

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of Investments *The Accounting policy in respect of the accounting for investments fair valued through OCI are included within the annual report on page 64.* *The estimates and judgements in respect of fair valuation of investments are included in note 3.*	The Group holds unlisted investments (equity) at fair value with movements through other comprehensive income. As at 31 December 2023, the portfolio was valued at £12.2m (2022: £8.1m). We consider the valuation of unquoted investments (£12.2m) to be the most significant audit area and a key audit matter as there is a high level of estimation uncertainty involved in determining the valuations hence there is a potential risk of material misstatement.	As described in the "Basis for the qualified opinion" section of our report, we were unable to obtain sufficient appropriate audit evidence in respect of the valuation of £1.1m of investments at 31 December 2023. For the remaining unquoted investments of £11.1m, our procedures included the following for unquoted investments representing 91% of that balance: For all investments in our sample we: • considered whether the valuation methodology chosen is in accordance with the applicable accounting standards. • critically assessed the valuation technique adopted by Management and challenged significant judgements made including evaluating post year end events to assess whether these provided evidence about the valuation at the year end. For investments where the carrying value is based on the calibrated price of recent investment, we: • agreed the price of recent investment to supporting documentation and management information; assessed whether the performance of the portfolio company has varied significantly from expectations by obtaining Management's evaluation of post transaction performance against relevant milestones and checked to supporting documentation for contradictory evidence through media searches.

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	
	2023 £	2022 £	2023 £	2022 £
Materiality	345,000	156,000	268,000	80,000
Basis for determining materiality	1.5% of total assets	5% of loss before tax	1.5% of total assets	5% of loss before tax
Rationale for the benchmark applied	As the focus of the group has increasingly been on investment growth and realisation, the asset base of the group is considered to be the benchmark that is most relevant to the users of the financial statements.	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.	As the focus of the company has increasingly been on investment growth and realisation, the asset base of the company is considered to be the benchmark that is most relevant to the users of the financial statements.	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.
Performance materiality	258,000	117,000	201,000	60,000
Basis for determining performance materiality	75% of materiality	75% of materiality	75% of materiality	75% of materiality
Rationale for the percentage applied for performance materiality	Based on factors including the expected total value of known and likely misstatements based on past experience.			

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 40% and 50% (2022: 35% and 75%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £138,000 to £268,000 (2022: £55,000 to £117,000). In the audit of each component, we further applied performance materiality levels of 75% (2022: 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 £13,000 (2022: £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 2023. 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.

<table>
<tr><td>Strategic report and Directors' report</td><td>Except for the possible effects of the matter described in the basis of qualified audit opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:
• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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.</td></tr>
<tr><td>Matters on which we are required to report by exception</td><td>Arising solely from the limitation on the scope of our work relating to investments, referred to above:
• we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
• we were unable to determine whether adequate accounting records have been kept by the Parent Company.

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:
• returns adequate for our audit have not been received from branches not visited by us;
• the Parent Company financial statements are not in agreement with the accounting records and returns; or
• certain disclosures of Directors' remuneration specified by law are not made.</td></tr>
</table>

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the 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.

Non-compliance with laws and regulations

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; and
- Review of financial statement disclosures and agreeing to supporting documentation.

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;

- 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 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 and judgements made by management for bias. Such significant estimates and judgements include inputs into goodwill and intangible asset impairment reviews such as discount rates and growth rates and key judgements in arriving at the fair value of non-listed investments 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 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. 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.

Alex Stansbury (Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, United Kingdom

13 June 2024

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 2023

	Notes	2023 £000's	2022 £000's
Continuing Operations			
Total Income		**3,778**	1,820
Revenue	5	**1,445**	1,004
Cost of sales		**(219)**	(222)
Gross profit		**1,226**	782
Other operating income	6	**2,333**	816
Research and development costs		**(1,480)**	(1,371)
General and administrative costs		**(3,960)**	(3,718)
Other costs	8	**(758)**	(248)
Loss from continuing operations	9	**(2,639)**	(3,739)
Share of loss of equity accounted associate		**(125)**	(11)
Finance income	10	**34**	94
Finance expense	11	**(171)**	(55)
Loss before taxation		**(2,901)**	(3,711)
Income tax credit	13	**-**	37
Total Loss for the year all from continuing operations		**(2,901)**	(3,674)
Owners of the parent		**(2,643)**	(3,094)
Non-controlling interests		**(258)**	(580)
		(2,901)	(3,674)
Basic and diluted loss per share from continuing and discontinued operations attributable to owners of the parent during the year:			
Continuing operations	14	**(11.2p)**	(13.9p)
From loss for the year		**(11.2p)**	(13.9p)

The notes form part of these financial statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	2023 £000's	2022 £000's
Loss for the year	**(2,901)**	(3,674)
Other comprehensive income/(loss):		
Exchange differences on translation of foreign operations	**(22)**	26
Change in fair value of equity investments classified as FVTOCI	**(5,769)**	8,773
Total comprehensive (loss)/profit for the year	**(8,692)**	5,125
Attributable to:		
Owners of the parent	**(8,482)**	5,732
Non-controlling interests	**(210)**	(607)
	(8,692)	5,125

The notes form part of these financial statements

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 £000's	2022 £000's
Assets			
Non-current assets			
Property, plant and equipment	15	**139**	144
Right-of-use assets	16	**255**	420
Intangible assets	18	**2,757**	3,367
Investments in equity-accounted associates	19	**1,283**	-
Equity investments classified as FVTOCI*	20	**16,441**	22,743
Financial assets classified as FVTPL**	21	**232**	693
Total non-current assets		**21,107**	27,367
Current assets			
Inventory	22	**52**	76
Trade and other receivables	23	**934**	658
Cash and cash equivalents	24	**365**	852
Total current assets		**1,351**	1,586
Total assets		**22,458**	28,953
Liabilities			
Current liabilities			
Bank overdraft	24	**(165)**	-
Trade and other payables	25	**(2,814)**	(2,457)
Lease liabilities	26	**(141)**	(168)
Loans and borrowings	27	**(464)**	(99)
Total current liabilities		**(3,584)**	(2,724)
Non-current liabilities			
Lease liabilities	26	**(127)**	(268)
Loans and borrowings	27	**(1,635)**	(719)
Total non-current liabilities		**(1,762)**	(987)
Total liabilities		**(5,346)**	(3,711)
Net assets		**17,112**	25,242

* 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 2023

	Notes	2023 £000's	2022 £000's
Issued capital and reserves			
Attributable to the parent			
Called up share capital	28	**1,179**	1,174
Warrants	29	**42**	42
Share premium account	29	**74,217**	74,175
Capital reserve account	29	**237**	237
Equity investment reserve	29	**7,508**	13,277
Foreign exchange reserve	29	**1,351**	1,421
Accumulated losses	29	**(66,702)**	(64,486)
Equity attributable to the owners of the parent		**17,832**	25,840
Non-controlling interests	17	**(720)**	(598)
Total equity		**17,112**	25,242

The financial statements on pages 57 to 102 were approved and authorised for issue by the Board of Directors on 13 June 2024 and were signed on its behalf by:

Dr Charles Spicer
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 2023

	Shareholders' equity									
	Share capital £000's	Warrants £000's	Share premium £000's	Capital reserve £000's	Equity investment reserve £000's	Accumul-ated losses £000's	Foreign exchange and capital reserve £000's	Total £000's	Non-controlling interests £000's	Total equity £000's
1 January 2022	**1,056**	**42**	**72,792**	**237**	**4,504**	**(61,499)**	**1,368**	**18,500**	**9**	**18,509**
Loss for the period	–	–	–	–	–	(3,094)	–	(3,094)	(580)	(3,674)
Other comprehensive (loss)/income –										
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
31 December 2022	1,174	42	74,175	237	13,277	(64,486)	1,421	25,840	(598)	25,242
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(2,643)**	**–**	**(2,643)**	**(258)**	**(2,901)**
Other comprehensive income/(loss) –										
Foreign exchange differences	**–**	**–**	**–**	**–**	**–**	**–**	**(70)**	**(70)**	**48**	**(22)**
Change in fair value of equity investments classified as FVTOCI	**–**	**–**	**–**	**–**	**(5,769)**	**–**	**–**	**(5,769)**	**–**	**(5,769)**
Total comprehensive loss	**–**	**–**	**–**	**–**	**(5,769)**	**(2,643)**	**(70)**	**(8,482)**	**(210)**	**(8,692)**
Issue of share capital	**5**	**–**	**42**	**–**	**–**	**–**	**–**	**47**	**–**	**47**
Changes in proportion of equity by non-controlling interest	**–**	**–**	**–**	**–**	**–**	**353**	**–**	**353**	**88**	**441**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**74**	**–**	**74**	**–**	**74**
31 December 2023	**1,179**	**42**	**74,217**	**237**	**7,508**	**(66,702)**	**1,351**	**17,832**	**(720)**	**17,112**

The notes form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 £000's	2022 £000's
Cash flows from operating activities			
Loss after income tax including discontinued operations		**(2,901)**	(3,674)
Adjustments for:			
Depreciation of property, plant and equipment	15	**49**	45
Depreciation of right-of-use assets		**165**	76
Amortisation of intangibles		**248**	226
Impairment of intangibles	18	**684**	–
Estimated credit losses on trade receivables	23	**–**	18
Gain on available for sale investments		**(476)**	(254)
Gain on loss of control of subsidiary	12	**(1,448)**	–
Fair value movement during the year on convertible debt		**(24)**	(466)
Share-based payments	33	**74**	107
R&D tax credit		**(29)**	(46)
Loss on disposal of property, plant and equipment		**–**	1
Share of associate loss		**125**	11
Foreign exchange movement		**17**	(72)
Finance income	10	**(34)**	(94)
Finance costs		**171**	24
Tax credit	13	**–**	(37)
		(3,379)	(4,135)
Changes in working capital			
Decrease/(Increase) in inventory		**24**	(9)
(Increase)/decrease in trade and other receivables		**(315)**	610
Increase in trade and other payables		**529**	879
Cash used in operations		**(3,141)**	(2,655)
Income tax received		**–**	96
Net cash (used) in operating activities		**(3,141)**	(2,559)
Cash flows from investing activities			
Disposal of available for sale investments		**1,396**	451
Receipt of derivative financial assets		**162**	48
Capitalisation of development costs		**(322)**	(548)
Purchase of property, plant and equipment	15	**(44)**	(53)
Purchase of derivative financial assets		**(43)**	(710)
Purchase of available for sale investments		**(37)**	(267)
Interest Received		**–**	1
Net cash from/(used in) investing activities		**1,112**	(1,078)

The notes form part of these financial statements

Consolidated Statement of Cash Flows continued

For the year ended 31 December 2023

	Notes	2023 £000's	2022 £000's
Cash flows from financing activities			
Proceeds from loans and borrowings		**1,302**	415
Proceeds from issue of equity instruments by subsidiary		**353**	–
Proceeds from share issue		**21**	1,558
Lease payments		**(188)**	(88)
Repayment of loans and borrowings		**(99)**	(89)
Share issue costs		**–**	(56)
Net cash from financing activities		**1,389**	1,740
Decrease in cash and cash equivalents		**(640)**	(1,897)
Cash and cash equivalents at beginning of year		**852**	2,710
Exchange differences on cash and cash equivalents		**(12)**	39
Cash and cash equivalents at end of year	24	**200**	852

The notes form part of these financial statements

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 2023.

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

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.

Net Assets at the end of 2023 were worth £17.1 million, including realisable quoted assets of £4.3 million. The quoted share price as of 31 May 2024 was $2.98 giving a fair value of the PDS investment of £2.6 million.

To support its going concern analysis, 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 2025, the Group requires (including subsidiaries) a minimum of approximately £3.6 million to continue as a going concern. NetScientific and EMV Capital require £1.6m, while the other subsidiary portfolio companies Glycotest, ProAxsis and Cetromed require £2.0 million.

This amount can be financed through several options, either on their own or in combination. The subsidiary companies plan to be funded by external financing, as they have done in 2023. This could include convertible loans, equity or debt finance.

The Board's plans for satisfying the going concern needs of NetScientific and EMV Capital are primarily based on service fees for corporate finance, value creation services, fund management and other fees. The Board plans to sell various portfolio assets in part or in full in order to meet the funding requirements. The Board can also consider the option of a placement of NetScientific shares.

While these various options are available, some or all may not be executed. 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 manage its cashflows and obligations, closely monitor performance, and maintain a flexible approach to new opportunities.

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. The Group has multiple sources for ongoing revenue including fees in connection with corporate finance and advisory, board seats, annual management, Value Creation Services (VCS), and (most recently) recurring Fund management fees through EMV Capital as well as the supply of products and services in ProAxsis. 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.

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.

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 a number of 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

- *New standards, interpretations and amendments adopted from 1 January 2023.*

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

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);

2. Accounting policies continued

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

These amendments to various IFRS Accounting Standards are mandatorily effective for reporting periods beginning on or after 1 January 2023. See the applicable notes for further details on how the amendments affected the Group.

IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting period beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous accounting approaches to be followed.

Since IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers such as A Layout Group. The Group carried out an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no effect on the annual consolidated financial statements of the Group.

a) New standards, interpretations and amendments adopted from 1 January 2023

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the Consolidated financial statements of the Group.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors. These amendments had no effect on the consolidated financial statements of the Group.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

These amendments had no effect on the annual consolidated financial statements of the Group.

International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

2. Accounting policies continued

Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The exception is effective immediately and retrospectively. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

Management has determined that the Group is not within the scope of OECD's Pillar Two Model Rules and the exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes is not applicable to the Group.

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 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures).

The following amendments are effective for the period beginning 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).

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 are yet to be 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 – (see note 18). The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2023 %	2022 %
Discount rate	**27**	25
Terminal value of growth rate	**5**	5
Budgeted EBITDA growth rate (average of next five years)	**10**	0

- Impairment of intangibles (see note 18). The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant products and have been based on historical data from both external and internal sources.

	2023 %	2022 %
Discount rate	**27**	25
Terminal value of growth rate	**5**	5
Budgeted EBITDA growth rate (average of next five years)	**10**	15

- judgement around determining weighted average cost of capital and the useful life of intangible assets.
- The capitalisation of development costs (see note 18). The judgements 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 20).
- The valuation of derivative financial assets classified as (FVTPL) (see note 21). The use of estimates to determine the fair value of derivative financial assets classified as (FVTPL) based on latest transactions.

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.

3. Critical accounting estimates and judgements continued

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 £13,405k (2022: £8,064k)), if the latter were to decrease or increase by 50%, the net assets figure would respectively decrease or increase by £6,703k (2022: £4,032k) (see note 20).

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

31 December 2023	Delivered Goods £000's	Service Fees £000's	Total £000's
EMV Capital	–	1,233	1,233
ProAxsis	144	68	212
	144	1,301	1,445

31 December 2022	Delivered Goods £000's	Service Fees £000's	Total £000's
EMV Capital	–	830	830
ProAxsis	119	55	174
	119	885	1,004

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

	2022 £000's	2021 £000's
NetScientific Plc	(1,348)	(1,306)
EMV Capital	210	85
CetroMed	1,071	(202)
Glycotest	(1,431)	(1,409)
ProAxsis	(1,403)	(842)
	(2,901)	(3,674)

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

Notes to the Consolidated Financial Statements continued

5. Revenue

Revenue from contracts with customers

31 December 20223	Delivered Goods £000's	Service Fees £000's	Total £000's
United Kingdom	8	1,301	1,309
Europe	25	–	25
United States	24	–	24
Rest of World	87	–	87
	144	1,301	1,445

31 December 20212	Delivered Goods £000's	Service Fees £000's	Total £000's
United Kingdom	119	885	1,004
	119	885	1,004

6. Other operating income

Revenue from contracts with customers

	2023 £000's	2022 £000's
Gain on loss of control of subsidiary	1,448	–
Gain on available for sale investments	472	254
Grant Income	344	13
R&D tax credit above the line	29	46
Fair value movement during the year on convertible debt	24	466
Miscellaneous Income	16	37
	2,333	816

7. Employees and directors

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

	2023 Number	2022 Number
Central Group functions*	**10**	8
Research and development and Engineering	**10**	10
Sales and other	**9**	8
	29	26

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

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

	2023 £000's	2022 £000's
Wages and salaries	**2,158**	2,046
Social security costs	**266**	294
Share-based payment charge	**71**	101
Pension costs	**85**	87
	2,580	2,528

The Group makes pension contributions for certain employees into money purchase schemes. The total expense relating to these plans in current year was £85k (2022: £87k). There were outstanding contributions at the end of the financial year of £8k (2022: £17k).

The aggregate remuneration of key management comprised:

	2023 £000's	2022 £000's
Wages and salaries	**856**	1,086
Social security costs	**114**	158
Share-based payment charge	**72**	98
Pension costs	**53**	61
Benefits in kind	**–**	8
	1,095	1,411

Details of the highest-paid Director can be found in the Remuneration Committee Report on pages 37 to 40.

Notes to the Consolidated Financial Statements continued

8. Other costs

	2023 £000's	2022 £000's
Impairment charge	**684**	–
Estimated credit losses on trade receivables	**–**	38
Merger and acquisition costs	**–**	103
Share-based payments (note 331)	**74**	107
	758	248

During the year, the Group incurred transaction fees of £Nil (2022: £103k) payable to lawyers and brokers for transactional legal costs at portfolio company level.

9. Loss from continuing operations

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

	2023 £000's	2022 £000's
Depreciation of property, plant and equipment (see note 15)	**49**	45
Amortisation of right-of-use assets (see note 16)	**165**	76
Amortisation of intangibles (see note 18)	**248**	226
Fair value movement during the year on convertible debts (see note 21)	**(24)**	(480)
Estimated credit losses on trade receivables	**–**	38
Short-term and low value leases:		
– land and buildings	**–**	10
Net foreign exchange losses/(gain)	**7**	(37)
Fees payable to the Company's auditor for the audit of the Company's financial statements	**9**	8
Audit of the Company's subsidiaries pursuant to legislation	**77**	52
Fees payable to the Company's auditors for other services:		
– Audit related services	**–**	15

10. Finance income

	2023 £000's	2022 £000's
Interest income arising from:		
Cash and cash equivalents	**–**	1
Loan notes	**34**	93
	34	94

11. Finance expense

	2023 £000's	2022 £000's
Interest expense on:		
Loans	**151**	32
Lease liabilities	**20**	23
	171	55

12. Business combinations disposed during the period

Loss of control in subsidiary DName-iT Holdings Limited

On 30 June 2023 the Group lost control of subsidiary DName-iT Holdings Limited as part of a £543k third party fund raise where its interest went from 61.5% to 48.5%. It had acquired its interest in DName-iT as part of the Cetromed acquisition back in December 2021. Since then it has been applying its valuable patented DNA barcoding method to develop a revolutionary platform for labelling patients' specimens that are analysed with next generation sequencing.

Details of the fair value of identifiable assets and liabilities disposed of are as follows:

	Fair Value £000's
Assets:	
Other Debtors	**43**
Cash at Bank	**83**
Total assets at disposal	**126**
Liabilities:	
Trade payables	**6**
Accruals	**1**
Loan	**186**
Total liabilities at disposal	**193**
Net liabilities at 30 June 2023	**67**
Fair value of residual interest	**1,381**
Gain on loss of control of subsidiary	**1,448**

13. Taxation

Analysis of tax credit	2023 £000's	2022 £000's
Current tax:		
UK research and development tax credit	–	37
Income tax credit on current year loss	–	37
Income tax credit on prior year	–	–
Total income tax credit in the Consolidated Income Statement	–	37

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:

	2023 £000's	2022 £000's
Loss before taxation from continuing operations	**(2,901)**	(3,711)
Tax at domestic rates applicable to losses in the respective countries 19.80% (2022: 20.25%)	**574**	751
Effects of:		
Expenses not deductible for tax purposes	**227**	(529)
Capitalisation and amortisation of R&D – Timing difference	**(119)**	(142)
Movement on other – Timing difference	**(184)**	(17)
Share based payments	**14**	5
Surrender of tax losses for R&D tax credit refund	**29**	33
Unutilised tax losses arising in the period	**(139)**	(146)
Deferred tax not recognised	**(402)**	82
Income tax credit	–	37
Total income tax credit in the Consolidated Income Statement	–	37

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 £23,456k (2022: £17,190k). A deferred tax asset in respect of these losses of approximately £4,457k (2022: £3,266k) 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 at 31 December 2022 and 31 December 2023.

14. 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 2023 of 1,462,353 (2022: 1,431,050) (see note 31) are not treated as dilutive as the entity is loss making.

	2023 £000's	2022 £000's
Loss attributable to equity holders of the Company		
Continuing operations	**2,643**	3,094
Total	**2,643**	3,094
Number of shares		
Weighted average number of ordinary shares in issue	**23,517,012**	22,266,560

15. Property, plant and equipment

	Leasehold Improvement £000's	Furniture, fittings and equipment £000's	Plant and machinery £000's	Totals £000's
Cost				
At 1 January 2022	100	55	212	367
Additions	5	16	32	53
Disposals	–	(3)	(1)	(4)
Foreign exchange movement	–	1	–	1
At 31 December 2022	105	69	243	417
Additions	28	5	11	44
At 31 December 2023	**133**	**74**	**254**	**461**
Depreciation				
At 1 January 2022	52	29	150	231
Charge for the year	11	12	22	45
Disposals	–	(3)	–	(3)
At 31 December 2022	63	38	172	273
Charge for the year	14	11	24	49
At 31 December 2023	**77**	**49**	**196**	**322**
Net book value				
At 31 December 2023	**56**	**25**	**58**	**139**
At 31 December 2022	42	31	71	144

(i) Leasehold improvements of £100k are funded by a loan (2022: £100k).

16. Right-of-use-assets

	2023 £000's	2022 £000's
Cost		
At 1 January	**591**	253
Additions	**–**	338
At 31 December	**591**	591
Amortisation		
At 1 January	**(171)**	(95)
Charge for the year	**(165)**	(76)
At 31 December	**(336)**	(171)
Net book value		
At 31 December	**255**	420

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 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 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 was 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 £Nil (2022: £10k) that are now all expired.

17. Investments in subsidiary undertakings

17(a) Subsidiaries

The Group had the following subsidiaries at 31 December 2023:

Name	Primary trading address	Country of incorporation or registration	Proportion of ownership interest at 31 December 2023	Proportion of ownership interest at 31 December 2022	Proportion of ownership interest held by non-controlling interests at 31 December 2023	Proportion of ownership interest held by non-controlling Interests at 31 December 2022
NetScientific UK Limited	(a)	UK	**100%**	100%	**–**	–
EMV Capital Limited	(b)	UK	**100%**	100%	**–**	–
ProAxsis 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%
DName-iT Holdings Limited	(b)	UK	**N/A**	62%	**N/A**	38%
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 and convertible loan notes have been issued by ProAxsis Ltd and Glycotest, Inc. which if exercised would dilute the Company's shareholding by 22.5% and 9.8% 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.

On the 30 June 2023 there was a loss of control for subsidiary DName-iT Holdings Limited as the shareholding went below 50%, see note 12 for more information.

17. Investments in subsidiary undertakings continued

17(b) Non-controlling interests

The total non-controlling interest at 31 December 2023 is debit £720k (2022: £593k), debit £1,111k (2022: £622k) is for Glycotest, Inc and credit £407k (2022: £29k) 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	
	2023 £000's	2022 £000's	2023 £000's	2022 £000's
Assets				
Non-current assets	**1,833**	493	**6**	8
Current assets	**161**	156	**30**	284
Total assets	**1,994**	649	**36**	292
Liabilities				
Current liabilities	**(133)**	(334)	**(947)**	(731)
Long term liabilities	**(232)**	(200)	**(2,049)**	(1,217)
Total liabilities	**(365)**	(534)	**(2,996)**	(1,948)
Net assets/(liabilities)	**1,629**	115	**(2,960)**	(1,656)
Non-controlling interests	**391**	29	**(1,111)**	(622)

Summarised statement of comprehensive income

	CetroMed Ltd For the year ended 31 December		Glycotest, Inc. For the year ended 31 December	
	2023 £000's	2022 £000's	2023 £000's	2022 £000's
Revenue	**–**	–	**–**	–
Profit/(Loss) for the year before taxation	**1,071**	(202)	**(1,430)**	(1,409)
Total comprehensive profit/(loss) for the year	**1,071**	(202)	**(1,430)**	(1,409)
Total comprehensive profit/(loss) attributable to non-controlling interests	**279**	(50)	**(537)**	(529)

17. Investments in subsidiary undertakings continued

Summarised cash flows

	CetroMed Ltd		Glycotest, Inc.	
	31 December 2023 £000's	31 December 2022 £000's	31 December 2023 £000's	31 December 2022 £000's
Net cash (used in) operating activities	**(442)**	(81)	**(761)**	(982)
Net cash (used in) investing activities	**268**	(11)	**–**	(6)
Net cash inflows from financing activities	**22**	169	**516**	862
Net (decrease)/increase in cash and cash equivalents	**(152)**	77	**(245)**	(126)
Cash and cash equivalents at beginning of year	**152**	75	**272**	360
Exchange gains on cash and cash equivalents	**–**	–	**(9)**	38
Cash and cash equivalents at end of year	**–**	152	**18**	272

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

Change in non-controlling interest "NCI"

No change during 2023 (2022: no change).

18. Intangible assets

	Goodwill £000's	Carry Interest Arrangements £000's	Development costs £000's	Investment Acquisition Costs £000's	Licenses and Patents £000's	Total £000's
Cost						
At 1 January 2022	669	1,627	922	17	50	3,285
Additions	—	—	548	—	—	548
At 31 December 2022	669	1,627	1,470	17	50	3,833
Additions	—	—	322	—	—	322
At 31 December 2023	**669**	**1,627**	**1,792**	**17**	**50**	**4,155**
Accumulated amortisation and impairment						
At 1 January 2022	—	216	18	—	6	240
Amortisation charge	—	163	56	—	7	226
At 31 December 2022	—	379	74	—	13	466
Amortisation charge	—	163	79	—	6	248
Impairment charge	—	—	684	—	—	684
At 31 December 2023	**—**	**542**	**837**	**—**	**19**	**1,398**
Net book value						
At 31 December 2023	**669**	**1,085**	**955**	**17**	**31**	**2,757**
At 31 December 2022	669	1,248	1,396	17	37	3,367

Further ProAxsis development costs of £322k (2022: £548k) 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.

During the year ProAxsis booked an impairment charge of £684k (2022: £Nil) in relation to development costs that no longer met the criteria for recognition. Discounted future revenues and cashflows were assessed to determine impairments in a number of product lines of capitalised development costs where it has been assessed that recoverability is not possible.

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.

19. Investments in associates

The following entities have been included in the consolidated financial statements using the equity method:

Name	Country of incorporation principle place of business	Proportion of ownership interest at 31 December 2023	Proportion of ownership interest at 31 December 2022
DName-iT Holdings Limited	UK/Belgium	**48.5%**	61.5%
Oncocidia Limited	UK	**37.9%**	41.7%

	2023 £000's	2022 £000's
At 1 January	**–**	–
Additions	**1,408**	–
Share of Associate losses	**(125)**	–
At 31 December	**1,283**	–

The Group holds a 48.5% interest in DName-iT Holdings Limited which it lost control of as a subsidiary during 2023. The primary business is that of applying its valuable patented DNA barcoding method to develop a revolutionary platform for labelling patients specimens that are analysed with next generation sequencing.

The Group holds a 37.9% interest in Oncocidia Limited over which the Group has determined that it holds significant influence. The primary business is that of developing a target radiopharmaceutical cancer treatment with the use of iodine-131 in treating thyroid cancer to treat solid cancers (primary and metastatic) elsewhere in the body.

The Groups holds a 22.1% interest in Vortex Biotech Holdings Limited which the Group has determined it does not exercise control and has accounted for as Equity Investments classified as FVTOCI.

The Group holds a 30.0% interest in DeepTech Recycling Limited over which the Group has determined it does not exercise control and has accounted for as Equity Investments classified as FVTOCI. Post balance sheet date the holding has fallen to 21.2% after a £2.1 million third-party fundraise.

20. Equity investments classified as FVTOCI

Represent equity securities classified as FVTOCI

	2023 £000's	2022 £000's
At 1 January	**22,743**	11,516
Additions	**37**	555
Disposals	**(920)**	(451)
Conversion of financial assets classified as FVTPL	**400**	2,004
Change in fair value during the year	**(5,819)**	9,119
At 31 December	**16,441**	22,743

Name	Country of incorporation	% of issued share capital	2023 £000's	£2022 £000's
PDS Biotechnology Corporation	USA	3.5%	**4,279**	14,680
EpiBone, Inc.	USA	1.3%	**1,107**	1,179
G-Tech, Inc	USA	3.8%	**334**	354
CytoVale, Inc.	USA	1.0%	**333**	415
PointGrab	Israel	0.4%	**72**	76
QuantalX	Israel	0.4%	**58**	–
FOx Biosystems NV	Belgium	3.9%	**483**	495
Q-Bot Limited	UK	14.3%	**3,804**	3,728
Vortex Biotech Holdings Limited	UK	22.1%	**3,499**	300
Ventive Limited	UK	10.9%	**937**	52
SageTech Medical Equipment Limited	UK	5.1%	**887**	887
Sofant Technologies Limited	UK	1.4%	**453**	402
Martlet Capital Limited	UK	1.4%	**192**	175
DeepTech Recycling Limited	UK	30.0%	**3**	–
At 31 December			**16,441**	22,743

20. Equity investments classified as FVTOCI 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 (3.5% stake (2022: 4.4% stake)) year-end fair value was based on the listed share price (Nasdaq under the ticker PDSB) of $4.97 per share at 31 December 2023 (2022: $13.20). During the year NetScientific sold c.7% of its stake, £1.0m for a gain on sale of £266k, the proceeds were used to fund operations. Fair value at year end was £4,279k (2022: £14,680k). The current share price as of 31 May 2024 was $2.98 giving a fair value of the PDS investment of £2,569k. 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 November 2023 as part of an $84m Series C equity round that raised fresh cash of $53m and conversion of outstanding convertible notes. Fair value at year end was £333k (2022: £415k). This last observable price has been used to value the CytoVale equity investment at year end.
- EpiBone, Inc., (1.3% stake) executed a number of closes in 2023 on the Series A fund-raise and raised fresh cash of $4,946k in 2023 and has raised $12.0m in total at the same share price. Fair value at year end was £1,107k (2022: £1,179k) 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 £334k (2022: £354k).
- PointGrab, (0.5% stake) – Valued at the most recent investment round, valuing our holding at £72k (2022: £76k).
- FOx Biosystems (3.9% stake) – Valued at the price of the last investment round in November 2022, valuing the stake at £483k (2022: £495k). Fox has recently raised further money in 2024 at the same price.
- Q-Bot Limited (14.3% stake) – During the year NetScientific sold c.10% of its stake or £376k on the secondary market, for a gain on sale of £201k, the proceeds were used to fund operations. Following a September 2023 investment round totalling £3.5m, our stake has a fair value of £3,804k (2022: £3,721k). Q-Bot has recently raised money in 2024 at the same price.
- Vortex Biotech Holdings Limited (22.1% stake) – Based on the price of the last investment round in November 2023 our stake is valued at £3,500k (2022: £300k).
- Ventive Limited, (10.9% stake) – Following an investment round in November 2023 totalling £900k, our stake is valued at £937k (2022: £52k) a business that EMV Capital rescued in 2022 and received equity in lieu of fees.
- SageTech Medical Equipment Limited, (5.1% stake) – Following a number of investment rounds in 2023 at the last price, our stake is valued at £887k (2022: £887k). SageTech has raised further money in 2024 at the same price.
- Sofant Technologies Limited, (1.4% stake) – The stake is valued at the last investment round price in August 2023, resulting in fair value of the stake at £453k (2022: £402k).
- Martlet Capital Limited, (1.4% direct equity stake) – Our direct investment in the early-stage VC platform in Cambridge is currently valued at £192k (2022: £175k) based on the last investment round in May 2022.

21. Financial assets classified as FVTPL

Warrants & Convertible Loans classified as FVTPL

	2023 £000's	2022 £000's
Balance at 1 January	**693**	1,462
Additions	**43**	710
Repayment	**(162)**	(48)
Additional accrued interest	**34**	93
Conversion to equity investments classified as FVTOCI	**(400)**	(2,004)
Change in fair value during the year	**24**	480
Balance at 31 December	**232**	693

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:

- G-Tech Medical, Inc., holds £83k of common form convertibles (2022: £88k), which remain as financial assets classified as FVTPL. No interest accrued.
- Q-Bot Limited, during January 2023, a further £48k working capital loan was extended to Q-Bot, carrying interest at 10% p.a. In December 2023, the working capital loan was repaid, including interest and arrangement fee of £18k (2022: £9k). Fair value at year end was £Nil (2022: £101k). Warrants of £41k in Q-Bot are also held (2022: £41k).
- Vortex Biotech Holdings Limited, loans and interest converted to equity in June 2023. Accrued interest during the period was £15k (2022: £15k). Fair value at year end was £Nil (2022: £385k).
- Martlet Capital Limited, £75k unsecured convertible loan note. Fair value at year end was £84k (2022: £80k). 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 (2022: £4k).
- The Neumitra, Inc., and Longevity Inc., convertible loan notes do not have a material value individually or collectively and have been fully impaired.

22. Inventory

	2023 £000's	2022 £000's
Work in progress	**10**	–
Finished products	**42**	76
	52	76

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

During the year the impairment charge totalled £Nil (2022: £Nil).

23. Trade and other receivables

	2023 £000's	2022 £000's
Current:		
Trade receivables	**317**	218
Other receivables	**251**	52
Accrued income	**158**	205
Taxation	**104**	75
Prepayments	**104**	108
Total Trade and Other Current Receivables	**934**	658

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 2023 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	**163**	**87**	**125**	**375**
Loss rate	**2.5%**	**10%**	**36%**	**15%**
Impairment provision	**(4)**	**(9)**	**(45)**	**(58)**
Trade Receivables	**159**	**78**	**80**	**317**

Based on good experience in 2023 and 2022 the loss rate on more than 30 days past and more than 60 days past due gross carrying amounts have reduced from 15% to 10% and from 40% to 36%.

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

Notes to the Consolidated Financial Statements continued

24. Cash and cash equivalents

	2023 £000's	2022 £000's
Short term deposits	–	12
Cash and cash equivalents	**365**	840
Bank overdraft	**(165)**	–
	200	852

The cash held within subsidiary Glycotest, Inc., of £18k (2022: £272k) is not freely available for use within the wider group as it would need the consent of a 40% minority shareholder.

EMV Capital has a £200k overdraft facility with HSBC UK Bank, which is guaranteed over the Groups assets.

25. Trade and other payables

	2023 £000's	2022 £000's
Current:		
Trade payables	**840**	497
Other payables	**318**	421
Accruals	**1,318**	1,061
Deferred Income	**338**	478
	2,814	2,457

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

26. 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%.

	2023 £000's	2022 £000's
Lease Liability		
Balance at start of period	**(436)**	(163)
Add:		
Payments	**188**	88
Less:		
Additions	**–**	(338)
Interest charge during the period	**(20)**	(23)
Balance at end of period	**(268)**	(436)
Split as follows:		
Current Liability	**(141)**	(168)
Long Term Liability	**(127)**	(268)
	(268)	(436)

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

27. Loans and borrowings

	2023 £000's	2022 £000's
Total falling due within one year	**464**	99
Total falling due after more than one year	**1,635**	719
Total	**2,099**	818
The maturity of the loans are as follows:		
Amounts falling due within one year on demand	**464**	99
Amounts falling due between one and two years	**1,515**	99
Amounts falling due between two and five years	**120**	620

Loans and borrowings represent:

An unsecured loan note of £100k has been issued by ProAxsis in 2016, of which £20k is outstanding at 31 December 2023 (2022: £30k). 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.

ProAxsis 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 £298k (2022: £372k).

ProAxsis also raised £434k of third-party investors via a 24-month convertible loan note, with a 20% discount, 10% interest and a 40% warrant coverage of the loan amount with a valuation cap of £6m. Of this there is a loan from a ProAxsis Director of £25k.

During the year ProAxsis entered into a 6-month unsecured £365k loan facility with AB Group which is wholly owned by Melvin Lawson, a substantial shareholder of NetScientific. Interest is currently charged at 12%. The loan remains unpaid at the date of issue and is repayable on demand.

On the 2 May 2023 US-based Glycotest raised a further £526k, 24-month 2023 convertible loan agreement from third party investors, with a 40% discount and 12% interest, this is on top of the $1.46m, 2022 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 and third-party amounts are accounted for in the table above. The CLA converted to equity post balance sheet on the 9 February 2024.

28. Called up share capital

Authorised, issued and fully paid:	2023 £000's	2022 £000's
23,574,303 ordinary shares of 5p each (2022: 23,488,148 of 5p each)	1,179	1,174

On 7 July 2023, the Company issued 40,000 of 5p ordinary shares to Ed Hooper as he chose to receive payment in the form of new ordinary shares, rather than cash, in respect of c.78% of the annual bonus awarded to him for the year ended 31 December 2022. The shares were issued at a price of £0.63 per share.

On 19 October 2023 the Company issued 46,155 of 5p ordinary shares on the exercise of options by Prof. Stephen Smith for an aggregate exercise price of £21k.

Details of share options can be found in note 33. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

29. 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.

30. Financial instruments

	2023 £000's	2022 £000's
Financial assets measured at amortised cost	**726**	475
Financial assets measured at fair value through other comprehensive income (note 20)	**16,441**	22,743
Financial assets measured at fair value through profit and loss (note 21)	**232**	693
Financial liabilities measured at amortised cost	**(5,078)**	(3,275)

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 20).

Financial assets measured at fair value through profit and loss include derivative financial assets and convertible loan notes (note 21).

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.

30. 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 %
As at 31 December 2023				
USD 2023 Convertible loan	541	–	541	12%
USD 2022 Convertible loan	425	–	425	10%
Sterling loan	365	–	365	12%
Sterling Convertible loan	434	–	434	10%
Sterling loan	298	298	–	9%
Sterling Bank overdraft	165	165	–	8%
Sterling lease liability	268	–	268	5%
Sterling loan	20	–	20	0%
	2,516	**463**	**2,053**	**10%**
As at 31 December 2022				
USD Convertible loan	416	–	416	10%
Sterling loan	372	372	–	4%
Sterling lease liability	436	–	436	5%
Sterling loan	30	–	30	0%
	1,254	372	882	6%

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

Interest rate and currency of cash balances

Floating rate financial assets of £365k (2022: £852k) comprises sterling £339k (2022: £491k) and US dollar US$33k (2022: US$435k) cash deposits with the banks current accounts. Interest receivable for the year ended 31 December 2023 was £34k (2022: £94k).

Interest rate and currency of loans

The Group has total loan notes of £232k (2022: £693k). There are sterling denominated loan notes of £148k (2022: £606k), which have accrued interest of £34k (2022: £26k). The interest rate on sterling denominated loan notes is fixed and range from 10% to 12%. There are US dollar loan notes and common form convertibles totalling US$706k (2022: US$706k) which have accrued interest of US$29k (2022: US$29k). The interest rate on loan notes totalling US$600k is fixed at 6%. The loan notes are not part of Cash and Cash Equivalents and $600k has been fully impaired.

30. 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:

	2023 £000's	2022 £000's
Cash balances	**2**	33
Trade payables	**(56)**	(24)
Accruals	**(34)**	(33)

Bank facilities

NetScientific Plc and ProAxsis 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 ProAxsis Limited. The proceeds have been used to continue development work in the business. The total amount borrowed is £298k (2022: £372k).

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 2023 the overdraft facility was £165k overdrawn (2022: 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:

	2023 £000's	2022 £000's
Trade receivables	**317**	218
Other receivables	**251**	52
	568	270

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.

30. 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 27 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.

30. Financial instruments continued

Liquidity Risk

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

	2023 £000's	2022 £000's
1 year or less		
Bank overdraft	**165**	–
Trade payables	**840**	565
Other payables	**318**	421
Accruals	**1,318**	993
Deferred Income	**338**	478
Lease liabilities	**141**	168
Loans and borrowings	**464**	99
Total	**3,584**	2,724
1-2 years		
Lease liabilities	**78**	141
Loans and borrowings	**1,515**	99
Total	**1,593**	240
2-5 years		
Lease liabilities	**49**	127
Loans and borrowings	**120**	620
Total	**169**	747
Over 5 years		
Loans and borrowings	**–**	–
Total	**–**	–

31. Contingent liabilities

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

32. Commitments

Short-term and low value lease commitments

At 31 December 2023, the Group had no short term low value lease commitments (2022: £Nil).

33. 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 2023 are summarised below:

Date of Grant	Number of shares at 1 January 2023	Granted during the year	Exercised during the year	Lapsed/ forfeited during the year	Number of shares at 31 December 2023	Note	Exercise price	Date of expiry*
Sept 2013	**237,363**	–	–	(237,363)	**–**	1	£16.00	Sept 2023
Nov 2015	**35,902**	–	–	–	**35,902**	2	£11.95	Nov 2025
Feb 2016	**20,000**	–	–	–	**20,000**	3	£8.62	Feb 2026
Jun 2016	**3,000**	–	–	–	**3,000**	3	£7.97	Jun 2026
Jan 2017	**15,000**	–	–	–	**15,000**	3	£6.55	Jan 2027
June 2018	**8,333**	–	–	–	**8,333**	4	£4.55	Jun 2028
Sept 2020	**382,465**	–	–	–	**382,465**	5	£0.65	Sept 2030
Nov 2020	**393,442**	–	(46,155)	–	**347,287**	6	£0.455	Nov 2030
Apr 2021	**61,536**	–	–	(10,256)	**51,280**	7	£0.56	Apr 2031
Sept 2021	**366,382**	–	–	(61,064)	**305,318**	8	£0.40	Sept 2031
May 2022	**105,000**	–	–	–	**105,000**	9	£0.78	May 2032
Dec 2022	**45,801**	–	–	–	**45,801**	10	£0.66	Dec 2032
Jun 2023	**-**	579,703	–	–	**579,703**	11	£0.63	Jun 2033
	1,674,224	579,703	(46,155)	(308,683)	**1,899,089**			

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

The new options scheme (setup in May 2023 and expiring in May 2033). 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.

1. 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.

2. 5,000 options vested on 30 January 2018 and 35,902 options vested on 8 June 2018.

3. Options vest in three years after the date of grant.

4. Options vest in three years after the date of grant.

5. 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.

33. Share-based payments continued

6. 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.

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.

11. Options were granted on 30 June 2023. 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:

	2023 Weighted average exercise price £	2023 Number	2022 Weighted average exercise price £	2022 Number
Outstanding at 1 January	**3.32**	**1,674,224**	3.17	1,650,911
Granted during the year	**0.63**	**579,703**	0.74	150,801
Lapsed during the year	**(12.57)**	**(308,683)**	—	—
Exercised during the year	**(0.46)**	**(46,155)**	(0.46)	(127,488)
Outstanding at 31 December	**0.87**	**1,899,089**	3.32	1,674,224

	2023 Weighted average exercise price £	2023 Number	2022 Weighted average exercise price £	2022 Number
Amounts exercisable at 31 December	**1.21**	**1,462,353**	3.74	1,431,050

33. 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 £
2023						
30 June 2023	**0.63**	**0.59**	**4.19**	**4**	**40%**	**0.20**
2022						
19 May 2022	0.78	0.82	1.87	4	40%	0.29
9 December 2022	0.66	0.66	3.18	4	40%	0.23

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 £74k (2022: £107k) (see note 7). None of this sum represents the share-based charge on options granted by subsidiary entities (2022: £Nil).

34. Related party disclosures

Beckman Group and Melvin Lawson, who is interested in 16.36% (2022: 16.68%) 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.

During the year ProAxsis entered into a 6-month unsecured £365k loan facility with AB Group part of the Beckman Group and Melvin Lawson. Interest is currently charged at 12%. The loan is repayable on demand and remains unpaid at the date of issue.

A Director of ProAxsis has provided an unsecured loan in the form of convertible loan notes to ProAxsis for £25k, which remains outstanding at year end.

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 £255k (2022: £148k). The balance outstanding at 31 December 2023 is £31k (2022: £9k).

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 £108k (2022: £93k). The balance outstanding at 31 December 2023 is £129k (2022: £60k).

35. Events after the reporting period

Martlet:

On 13 May 2024, NetScientific announced that the Company's wholly owned venture capital and corporate finance firm, EMV Capital Limited (EMV Capital), has been appointed as investment manager to Martlet Capital Limited (Martlet Capital) to manage on a discretionary basis its c.£23.5 million portfolio of investments (Martlet Portfolio) as per the signed audited accounts of 30 September 2023. In addition, EMV Capital has acquired the operational venture capital business of Martlet Capital (Martlet Business), excluding the Martlet Portfolio.

Glycotest:

On 9 February 2024, NetScientific's subsidiary company Glycotest issued 1,970,434 preferred stock, par value $0.001 at a price per share of $0.5075 of additional follow-on investment of c.£0.8 million from its existing shareholder, Fosun Industrial Co., Limited. It also issued 2,786,449 preferred stock, par value $0.001 at a price per share of $0.3045 in connection with the conversion of convertible loan notes and interest thereon, valued in total at c.£0.7 million.

ProAxsis:

On 15 April 2024, NetScientific's portfolio company ProAxsis announced it has successfully closed a c.£1.8 million investment. The Investment was led by the Company's wholly owned venture capital and corporate finance firm, EMV Capital, syndicated from a cohort of private investors. The Investment includes c.£211,000 from new investors, c.£36,000 from the exercise of warrants (Warrants) granted to existing investors in connection with convertible loan notes (CLNs), the conversion of the CLNs (and interest thereon) valued in total at c.£455,000, and the conversion of loans from NetScientific valued at c.£776,000.

Following the Investment, the Company's direct stake in ProAxsis is 90.66 per cent, which is estimated by the directors to be a post-investment fair value of c.£8.0 million. In addition, following the introduction of investors by EMV Capital, the NetScientific assets under management with ProAxsis is 8.81% of the fully diluted share capital.

Exercise of Options and Issue of Shares:

On 5 February 2024, NetScientific announced the exercise by John Clarkson (former NetScientific Chair) of options over 254,977 ordinary shares in the capital of NetScientific for an aggregate exercise price of £116,015 and the subscription for 116,548 new ordinary shares in the capital of the Company at a price of £0.626 per share by John Clarkson and two other service providers to the Company in settlement of services provided by them to the Company to such value.

Wanda Connected Health Systems Limited: On 28 May 2024, NetScientific announced the acquisition of 30% in Wanda Connected Health Systems Limited (Wanda), an intelligent platform for remote patient monitoring and virtual care in the UK and the US. Connected with the investment, the Group has restructured some of its engagements relating to Wanda.

In recognition of the services provided by EMV Capital, Wanda Health agreed to pay EMV Capital a fee of approximately £62,658. EMV Capital assigned that receivable to NetScientific UK Limited (NSUK), another subsidiary of the Company and in lieu of a cash payment to settle that receivable, NSUK subscribed for shares amounting to 30 per cent. of the enlarged issued share capital of Wanda.

36. 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 2023

	Notes	2023 £000's	2022 £000's
Fixed assets			
Tangible assets	7	**16**	16
Investments in subsidiary undertakings	8	**6,309**	6,309
Other investments	9	**11,372**	21,679
Loans to subsidiary undertakings	10	**4,044**	1,647
Total non-current assets		**21,741**	29,651
Current assets			
Debtors: amounts falling due within one year	11	**86**	56
Cash at bank		**268**	297
Total current assets		**354**	353
Creditors			
Amounts falling due within one year	12	**(734)**	(689)
Net current (liabilities)/assets		**(380)**	(336)
Net assets		**21,361**	29,315
Capital and reserves			
Called up share capital	13	**1,179**	1,174
Warrants	14	**42**	42
Share premium account	14	**74,184**	74,142
Capital redemption account	14	**237**	237
Equity Investment account	14	**3,868**	13,181
Accumulated losses	14	**(58,149)**	(59,461)
Total equity		**21,361**	29,315

The notes on pages 105 to 113 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 profit dealt with in the financial statements of the Parent Company for the year ended 31 December 2023 was a profit of £1,238k (2022: loss of £2,763k).

The financial statements on pages 103 to 113 were approved by the Board of Directors on 13 June 2024 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 2023

	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 2022	1,056	42	72,773	237	4,504	(56,805)	21,807
Issue of share capital	118	—	1,440	—	—	—	1,558
Cost of share issue	—	—	(71)	—	—	—	(71)
Profit/(loss) and total comprehensive income							
Profit/(loss) for the year	—	—	—	—	8,677	(2,763)	5,914
Share-based payments	—	—	—	—	—	107	107
Balance at 31 December 2022	**1,174**	**42**	**74,142**	**237**	**13,181**	**(59,461)**	**29,315**
Issue of share capital	5	—	42	—	—	—	47
Loss and total comprehensive income							
(Loss)/profit for the year	—	—	—	—	(9,313)	1,238	(8,075)
Share-based payments	—	—	—	—	—	74	74
Balance at 31 December 2023	**1,179**	**42**	**74,184**	**237**	**3,868**	**(58,149)**	**21,361**

Notes to the Parent Company Financial Statements

For the year ended 31 December 2023

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

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.

Net Assets at the end of 2023 were worth £17.1 million, including realisable quoted assets of £4.3 million. The quoted share price as of 31 May 2024 was $2.98 giving a fair value of the PDS investment of £2.6 million.

To support its going concern analysis, 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 2025, the Group requires (including subsidiaries) a minimum of approximately £3.6 million to continue as a going concern. NetScientific and EMV Capital require £1.6m, while the other subsidiary portfolio companies Glycotest, ProAxsis and Cetromed require £2.0 million.

This amount can be financed through several options, either on their own or in combination. The subsidiary companies plan to be funded by external financing, as they have done in 2023. This could include convertible loans, equity or debt finance.

The Board's plans for satisfying the going concern needs of NetScientific and EMV Capital are primarily based on service fees for corporate finance, value creation services, fund management and other fees. The Board plans to sell various portfolio assets in part or in full in order to meet the funding requirements. The Board can also consider the option of a placement of NetScientific shares.

While these various options are available, some or all may not be executed. 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 manage its cashflows and obligations, closely monitor performance, and maintain a flexible approach to new opportunities.

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.

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 Company's 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 33 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 (IPEVCVG). Given the nature of the Company's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts.

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

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 were made of £4k (2022: £2k) 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 9 to the Consolidated Financial Statements.

Share-based payments

Full details of the Company's share-based payments are set out in note 33 of the Consolidated Financial Statements.

5. Directors' remuneration

The remuneration of the Directors is disclosed in the Directors' Remuneration Report on pages 37 to 40 of the Consolidated Financial Statements.

6. Employees and directors

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

	2023 Number	2022 Number
Central Group functions*	**7**	6
	7	6

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

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

	2023 £000's	2022 £000's
Wages and salaries	**1,103**	1,326
Social security costs	**143**	186
Share-based payment charge	**74**	107
Pension costs	**53**	68
	1,373	1,687

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 £53k (2022: £68k). There were outstanding contributions of £5k (2022: £17k) at the end of the financial year.

7. Tangible assets

	Fixtures, fittings and equipment £000's
Cost	
At 1 January 2022	18
Additions	12
At 31 December 2022	30
Additions	6
At 31 December 2023	**36**
Depreciation	
At 1 January 2022	9
Charge for the year	5
At 31 December 2022	14
Charge for the year	6
At 31 December 2023	**20**
Net book value	
At 31 December 2023	**16**
At 31 December 2022	16

8. Investments in subsidiary undertakings

	2023 £000's	2022 £000's
At 31 December	**6,309**	6,309

Details of the Company's subsidiary undertakings at 31 December 2023 are included in note 17 to the Consolidated Financial Statements on page 81.

9. Other investments

	2023 £000's	2022 £000's
At 1 January	**21,679**	11,828
Additions	**43**	710
Disposals	**(1,396)**	–
Gain on sale	**476**	–
Repayments	**(162)**	(48)
Change in fair value during the year	**(9,268)**	9,189
At 31 December	**11,372**	21,679

Name	Country of incorporation	% of issued share capital	2023 £000's	2022 £000's
PDS Biotechnology Corporation	USA	3.5%	**4,279**	14,680
CytoVale, Inc.	USA	1.0%	**333**	415
EpiBone, Inc.	USA	0.8%	**711**	757
PointGrab	Israel	0.5%	**72**	76
QuantalX	Israel	0.4%	**58**	–
Q-Bot Limited	UK	14.3%	**3,804**	3,721
Q-Bot Limited	UK	LN	**–**	101
SageTech Medical Equipment Limited	UK	5.1%	**887**	887
Sofant	UK	1.4%	**453**	402
Sofant	UK	CLN	**–**	–
Vortex	UK/USA	0.3%	**499**	–
Vortex	UK/USA	LN	**–**	385
Martlet Capital Limited	UK	1.0%	**192**	175
Martlet Capital Limited	UK	CLN	**84**	80
At 31 December			**11,372**	21,679

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 (3.5% stake (2022: 4.4% stake)) year-end fair value was based on the listed share price (Nasdaq under the ticker PDSB) of $4.97 per share at 31 December 2023 (2022: $13.20). During the year NetScientific sold c.7% of its stake, £1.0m for a gain on sale of £266k, the proceeds were used to fund operations. Fair value at year end was £4,279k (2022: £14,680k). The quoted share price as of 31 May 2024 was $2.98 giving a fair value of the PDS investment of £2,569k. 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 November 2023 as part of an $84m Series C equity round that raised fresh cash of $53m and conversion of outstanding convertible notes. Fair value at year end was £333k (2022: £415k). This last observable price has been used to value the CytoVale equity investment at year end.
- EpiBone, Inc., (0.8% stake) executed a number of closes in 2023 on the Series A fund-raise and raised fresh cash of $4,946k in 2023 and has raised $12.0m in total at the same share price. Fair value at year end was £711k (2022: £757k) based on the last round price.
- PointGrab, (0.5% stake) – Valued at the most recent investment round, valuing our holding at £72k (2022: £76k).
- Q-Bot Limited (14.3% stake) – During the year NetScientific sold c.10% of its stake or £376k on the secondary market, for a gain on sale of £201k, the proceeds were used to fund operations. Following a September 2023 investment round totalling £3.5m, our equity stake has an fair value of £3,804k (2022: £3,721k). During January 2023, a further £48k working capital loan was extended to Q-Bot, carrying interest at 10% p.a. In December 2023, the working capital loan was repaid, including interest and arrangement fee of £18k (2022: £9k). Fair value of the loan at year end was £Nil (2022: £101k). Warrants of £41k in Q-Bot are also held (2022: £41k).
- SageTech Medical Equipment Limited, (5.1% stake) – Following a number of investment rounds in 2023 at the last price, our stake is valued at £887k (2022: £887k). SageTech has raised further money in 2024 at the same price.
- Vortex Biotech Holdings Limited (3.2% stake) – Loans and interest converted to equity in June 2023. Accrued interest during the period was £15k (2022: £15k). Based on the price of the last investment round in November 2023 our stake is valued at £499k (2022: £385k).
- Sofant Technologies Limited, (1.4% stake) – The stake is valued at the last investment round price in August 2023, resulting in fair value of the stake at £453k (2022: £402k).
- Martlet Capital Limited, (1.4% direct equity stake) – Our direct investment in the early-stage VC platform in Cambridge is currently valued at £192k (2022: £175k) based on the last investment round in May 2022. £75k unsecured convertible loan note. Fair value at year end was £84k (2022: £80k). 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 (2022: £4k).

For more information on other investments refer to note 20 to the Consolidated Financial Statements on page 86.

10. Loans to subsidiary undertakings

	2023 £000's	2022 £000's
At 1 January	**1,647**	1,261
Additions	**834**	3,236
Repayments	**(767)**	(1,305)
Releases	**3,115**	—
Provisions	**(78)**	(2,909)
Exchange movement	**(707)**	1,364
At 31 December	**4,044**	1,647

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 of £2,400k (2022: £Nil), NetScientific America, Inc. made a release of £(715)k (2022: £1,387k) and ProAxsis made provisions of £78k (2022: £1,522k).

11. Debtors: amounts falling due within one year

	2023 £000's	2022 £000's
Other receivables	**44**	23
Prepayments	**39**	33
Other taxes and social security	**3**	—
	86	56

Financial assets measured at amortised costs comprise other receivables.

12. Creditors: amounts falling due within one year

	2023 £000's	2022 £000's
Trade creditors	**58**	72
Other creditors	**133**	173
Accruals	**543**	444
	734	689

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

Notes to the Parent Company Financial Statements continued

13. Called up share capital

	2023 £000's	2022 £000's
Issued and fully paid:		
23,574,303 ordinary shares of 5p each (2022: 23,488,148)	1,179	1,174

On 7 July 2023, the Company issued 40,000 of 5p ordinary shares to Ed Hooper rather than cash in respect to c.77.5 per cent of the annual bonus awarded to him at a price of 0.63 per share.

On 19 October 2023, the Company issued 46,155 of 5p ordinary shares on the exercise of options by Professor Stephen Smith for an aggregate exercise price of £21k.

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 2023 are shown in note 33 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 of 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/(from) NetScientific plc from fellow subsidiary undertakings:

	Amount due from as at 2023 £000's	Amount due from as at 2022 £000's
NetScientific UK Limited	**2,700**	300
EMV Capital Limited	**(34)**	140
CetroMed Limited	**277**	245
Glycotest, Inc.	**1,067**	962

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

	2023 £000's	2022 £000's
EMV Capital Limited	**302**	202
Glycotest, Inc.	**40**	170
ProAxsis Limited	**15**	254

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

	2023 £000's	2022 £000's
Glycotest, Inc.	**78**	—
CetroMed Limited	**16**	15

Other related parties have been disclosed in note 34 to the Consolidated Financial Statements.

Company Information

Directors:	C Spicer J Robinson I Iliev E Hooper
Secretary:	S Crowe
Registered Office:	C/o Azets Burnham Yard London End Beaconsfield Buckinghamshire HP9 2JH
Business Address:	Level 8 20 St Andrew Street Holborn Circus London EC4A 3AG
Registered Number:	08026888 (England and Wales)
Auditors:	BDO LLP Basepoint Andersons Road Southampton Hampshire SO14 5FE
Solicitors:	**UK** Towers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ **US** Wilentz, Goldman & Spitzer PA 90 Woodbridge Center Drive Suite 900 Woodbridge New Jersey 07095-0958 USA
Nominated Advisor and Broker:	Panmure Gordon (UK) Ltd 40 Gracechurch Street London EC3V 0BT

netscientific

Registered Office:
C/o Azets
Burnham Yard
London End
Beaconsfield
Buckinghamshire
HP9 2JH

www.netscientific.net