# SEED INNOVATIONS LIMITED

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2022**

**SEED INNOVATIONS LIMITED**

**CONTENT**




www.seedinnovations.co
Incorporated under
the Companies (Guernsey) Law, 2008, as amended.
REGISTERED IN GUERNSEY No. 44403

**SEED INNOVATIONS LIMITED**

**DIRECTORS & ADVISERS**

## Directors

Ian Burns (Non - Executive Director)

Edward McDermott (Executive Director)

Lance De Jersey (Executive Director)

Luke Cairns (Non-Executive Director)

## Advisers

**Administrator, Secretary and Registered Office**
Obsidian Fund Services Limited
PO Box 343
Obsidian House, La Rue D'Aval
Vale
Guernsey GY6 8LB

**Nominated Adviser**
Beaumont Cornish Limited
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London
W4 5YA

**Registrar**
Share Registrars Limited (from 14 March 2022)
27/28 Eastcastle Street
London
W1W 8DH

**Independent Auditor**
Grant Thornton Limited
PO Box 313
Lefebvre House, Lefebvre Street
St Peter Port
Guernsey GY1 3TF

**Brokers**
Shard Capital Partners LLP
Floor 3
70 Saint Mary Axe
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EC3A 8BE

**Guernsey Legal Adviser to the Company**
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Glategny Esplanade
St Peter Port
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GY1 1WN

**Investor Relations**
St Brides Partners Ltd
Warnford Court
29 Throgmorton Street
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**English Legal Adviser to the Company**
Hill Dickinson LLP
The Broadgate Tower
20 Primrose Street
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**SEED INNOVATIONS LIMITED**

**INVESTING POLICY**

**FOR THE YEAR ENDED 31 MARCH 2022**

The Board proposes to invest in companies which, in normal circumstances, individual investors may have limited access to.

Investments sought will be in sectors which have, or have the potential for, significant intellectual property, principally in the wellness and life sciences sectors (including biotech, longevity of life and pharmaceuticals) along with aligned technology sectors (including artificial intelligence and digital delivery). Equally the Board will consider investments in established industries where the business is applying new technologies and/or ‘know how’ to enhance its offering or taking established business models or products to new markets. In keeping with its desire to provide its shareholders with access to investments they may otherwise not be able to participate in, the Board also intends to apply a portion of the portfolio to opportunistic investments which may, by exception, fall outside the above criteria but represent good potential for short term returns. Such investments will be limited at 15% of the Company’s NAV and would typically be in fundraisings by listed companies or as part of an IPO.

Initially the geographical focus will be North America and Europe but investments may also be considered in other regions to the extent that the Board considers that valuable opportunities exist and positive returns can be achieved.

In selecting investment opportunities, the Board will focus on businesses, assets and/or projects that are available at attractive valuations and hold opportunities to unlock embedded value. In line with the existing portfolio it is expected that investments will be in SMEs with sub £100m valuations but with the potential for significant growth. Where appropriate, the Board may seek to invest in businesses where it may influence the business at a board level, add its expertise to the management of the business, and utilise its industry relationships and access to finance. The extent that the Company will be a passive or active shareholder will depend on the interest held and the maturity of the investee company.

The Company's interests in a proposed investment and/or acquisition will range from minority positions to full ownership and will comprise multiple investments. The proposed investments may be in either quoted or unquoted companies; are likely to be made by direct acquisitions or investments; and may be in companies, partnerships, earn-in joint ventures, debt or other loan structures, joint ventures or direct or indirect interests in assets or businesses.

The Company will pursue a balanced portfolio of an even mixture of early stage, pre-liquidity event and liquid investments which it will aim to hold within the portfolio for 2-4 years, 6-24 months and up to 12 months respectively. Whilst the target is to have the portfolio split fairly evenly between the different stages of liquidity there will be no set criteria for which the Company will hold an investment and the proportion of the portfolio which will be represented by each investment type.

There is no limit on the number of projects into which the Company may invest. The Directors intend to mitigate risk by appropriate due diligence and transaction analysis. The Board considers that as investments are made, and new promising investment opportunities arise, further funding of the Company may also be required.

Where the Company builds a portfolio of related assets it is possible that there may be cross holdings between such assets. The Company does not currently intend to fund any investments with debt or other borrowings but may do so if appropriate. Investments are expected to be mainly in the form of equity, with debt potentially being raised later to fund the development of such assets. Investments in later stage assets are more likely to include an element of debt to equity gearing. The Board may also offer new Ordinary Shares by way of consideration as well as or in lieu of cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies including, for example, delays in collecting accounts receivable, unexpected changes in the economic environment and operational problems.

The Board will conduct initial due diligence appraisals of potential businesses or projects and, where it believes that further investigation is warranted, it intends to appoint appropriately qualified persons to assist. The Board believes it has a broad range of contacts through which it is likely to identify various opportunities which may prove suitable.

The Board believes its expertise will enable it to determine quickly which opportunities could be viable and so progress quickly to formal due diligence. The Company will not have a separate investment manager. The Board proposes to carry out a comprehensive and thorough project review process in which all material aspects of a potential project or business will be subject to rigorous due diligence, as appropriate. Due to the nature of the sectors in which the Company is focused it is unlikely that cash returns will be made in the short to medium term on the majority of its portfolio; rather the Company expects a focus on capital returns over the medium to long term.

**SEED INNOVATIONS LIMITED**

**CHAIRMAN'S STATEMENT**

**FOR THE YEAR ENDED 31 MARCH 2022**

It gives me pleasure to present the Company's Annual Report and audited financial statements for the year ended 31 March 2022. We have continued to experience a testing macro environment with headwinds from the global pandemic, and more recently with the abhorrent scenes we are witnessing in Ukraine causing much geopolitical and economic instability. That said, this financial year has again been positive for SEED Innovations Limited ('SEED') as we continue to evolve and support our portfolio and focus on our core objective of providing investors with exposure to disruptive growth opportunities that have significant potential and would normally be inaccessible to private investors, with medical cannabis, health, and wellness at the core.

Many of our existing portfolio companies saw significant operational progress within the period under review, and SEED added three new health and wellness companies to its portfolio, plus one additional company following the restructuring of a legacy investment. Alongside these new investments, we have continued to support our existing portfolio companies, and collectively expand and balance out the liquidity of our portfolio.

As we discussed at the time of our interim results published in December 2021, despite an initial flurry of stock market activity in London immediately following regulatory approvals to list cannabis companies, sentiment towards these companies has not remained favourable with a number of those that came to market failing to deliver the expectations of early investors. Coupled with the very recent geopolitical turmoil impacting general stock market confidence, we have seen further downward pressure on our net asset value. With all that said however, the board is still confident of the opportunity cannabis companies present to investors; with two verticals, the first prescription medicines, where the core of our current cannabis investments lie, and the second over-the-counter CBD products, there are multiple revenue streams available to investors.

With a number of investments in medical cannabis companies within SEED's portfolio, including Eurox and Little Green Pharma, we are acutely aware of the growing European medical cannabis market and the month-on-month growth of prescriptions. Thematic investments regularly see peaks and troughs, and cannabis investing is not different. Whilst there is a clear disconnect between these growing prescription numbers and stock market demand for cannabis companies operating in these markets in recent months, we firmly believe that SEED is well positioned to benefit over time, particularly with the board and management's expertise in the sector seeking out the right investments.

On the topic of CBD products available, SEED is delighted that several of the CBD products sold by some of the portfolio companies have successfully been included on the UK Food Standard Agency's ('FSA') list of CBD products linked to novel food applications, enabling them to continue in the market and progress through the validation stage. Products from investee companies Yooma Wellness Inc., South West Brands Limited, and CiiTECH Limited have been included in the update by the FSA.

With the assistance of Alfredo Pascual, our Head of Investment Analysis, we continue to evaluate a large number of potential investment opportunities. Alfredo's focus on sourcing and evaluating investment opportunities in the burgeoning European medical cannabis industry, as well as supporting the growth of our portfolio companies in the sector, is a true asset to SEED.

In the period, we invested €3.17 million in Eurox Group, a revenue generating, German based European vertically integrated medical cannabis company, which is providing us direct access into the largest cannabis market in Europe today. Already well positioned in Germany, Eurox also has operations in Portugal and the UK and long-term manufacturing agreements in place with an EU GMP certified German pharmaceutical company. Since making our investment, Eurox has exceeded expectations by launching its own brand of 'made in Germany' full-spectrum medical cannabis extracts ahead of schedule, along with entering into supply agreements with leading medical cannabis distributors in Germany, securing sales of dronabinol for the next quarters. Pleasingly in March, Eurox succeeded in raising €4.4 million at a c. 62% premium to our initial €3 million investment, and a fundraise which importantly attracted a new institutional investor, Iberis Bluetech Fund. This fundraise increased the inferred carrying value of SEED's holding in EUROX from €3 million to €5 million. Since our original investment, Eurox has made considerable progress, generating sales and distribution channels while also remaining focussed on innovation and product development. This is fully in line with our investment strategy, and we anticipate seeing further progress from an already very stable platform over the coming months.

Also reflecting our progress in Europe, investee company and ASX listed Little Green Pharma, a vertically integrated, medicinal cannabis business with operations from cultivation and production through to manufacturing and distribution, and who we have invested A$3 million in, has also made significant progress on the continent. This following on from its June 2021 acquisition of a fully operational GACP cultivation and GMP licensed medicinal cannabis asset in Denmark. This facility has the capacity to produce in excess of 20 tonnes of biomass per annum including 12 tonnes per annum of dried cannabis flower. In September 2021, the company announced the first product shipment of its own branded cannabis flower medicines to the Australian market from the Danish Facility. Little Green Pharma has demonstrated its ability to show positive growth, both revenue and strategic, and has experienced continuing increasing levels of sales recently reporting an unaudited 30% increase in sales in the March 2022 quarter over the corresponding period in 2021 which, when included in the 9-month annual reporting period to the end of March 2022, generated revenue for the period up 50% on the previous 12 month reporting period. We were therefore pleased to further support it with the purchase of shares both in the market and as part of a placing. Little Green Pharma has been ambitious in its growth strategy and is delivering beyond our expectations. With the Australian medical cannabis market experiencing high levels of patient growth, we look forward to further positive news.

We invested £175,000 in CiiTECH Limited during the period, an established research-led cannabis healthcare company. A brand building, consumer focused company dedicated to ongoing cannabis research and the commercialisation of cannabis products, CiiTECH is revenue generating and is growing its partnerships with leading institutions and scientists to create niche consumer brands. Disappointingly, the discussions about the planned reverse takeover by Fragrant Prosperity Holdings Limited ceased in March 2022, primarily as a result of movements in equity capital markets, much driven by geopolitical instability. Whilst only a small investment, given the failure of the RTO, we are watching developments carefully to protect our investment.

A number of our existing portfolio companies have made positive progress over the period under review including South West Brands, which we have supported with further investment. This female led, multi-brand consumer goods group developed specifically for the CBD industry, has launched two consumer brands, LoveMeMeMe and FEWE, both of which are receiving a positive reception from experts and users to date, this being demonstrated with retail listings of both in high street retailer Superdrug and online at ASOS, supporting the company's omnichannel approach to building their brands.

Yooma Wellness Inc, a company whose strategy is to build a vertically integrated global leader in the manufacturing, marketing, distribution, and sale of wellness products including hemp seed oil and hemp-derived and cannabinoid ingredients, has had a busy period, particularly post its dual listing and $10.3 million fundraise on the AQSE Growth Market. We invested in this round of funding, resulting in an average cost per share of C$0.39. Very disappointingly the share price performance of the stock has been exceptionally poor. As at SEED's financial year end, the shares were trading at C$0.13 and the stock has seen a further dramatic decline since that time, [now trading at a third of this]. While Yooma is delivering on its expansion strategy having completed four acquisitions since August, the share price remains dramatically depressed and, despite our belief that the current price is a fraction of the underlying value due to low volumes and poor sector sentiment as talked about above, this has had a major impact on SEED's NAV for the financial year with the valuation of SEED's holding down 90% year on year.

We have seen some positive developments in our investments outside of the cannabis sector. NASDAQ quoted Portage Biotech Inc. continues to advance a pipeline of products that are targeted for clinical testing, and we took the opportunity to realise a trading gain of £396,000 in June 2021. We remain an investor in Portage and anticipate further progress in the near term as and when market sentiment improves for biotech companies.

SEED has made tracks into the bioscience market, investing £46,000 during the period in a seed round into Clean Food Group ('CFG'), a British based food technology company which aims to become the leading independent UK cultivated food business. CFG are developing a sustainable yeast technology that produces a cultivated, sustainable alternative to palm oil, an ingredient in food and cosmetics with currently massive and still growing demand and negative environmental impact. CFG has gathered a knowledgeable board of directors and an experienced advisory team familiar with biotechnology, life sciences and high-growth industries, including our CEO, Ed McDermott (who as a founder holds an 11.93% shareholding in CFG). CFG fits within the Company's investing policy and as it matures should provide steady news flow that should resonate with SEED investors and the market. SEED is excited to be involved in such a start up in this field and support the research for the coming stages of scientific development.

Another portfolio company, online gaming group Leap Gaming, is looking at a stock market listing in 2022 having continued its successful run with a number of new partnerships announced; amongst others, EuroLeague Instant Legends extended its partnership with leading Greek GameTech Company Kaizen Gaming. We will also review M&A opportunities as they arise.

Despite seeing a dilution in our shareholding in Leap as a result of a Convertible Loan Note, management options and a consequent reduction in holding value of SEEDs equity in Leap from £9.2M to £7.6M, the underlying enterprise value of Leap has only reduced by approximately 7% compared to 31 March 2021. Both reductions can be attributed in the main to the deterioration of revenue multiples sourced from comparable public companies. Very encouragingly, a more recent and notable achievement, post reporting period, must be the granting a content supply license by the UK Gaming Commission ('UKGC'); this long-awaited content supply license is a significant milestone for Leap, allowing it to access the lucrative UK gaming market, which, according to the Gambling Commission.

We also announced the completion of the sale of the assets of Factom Inc. to Inveniam Capital Partners Inc. in September 2021 following Factom being placed in Chapter 11 bankruptcy. Whilst the investment into Factom was highly disappointing, and we wrote our investment down to £nil in April 2020, the agreement with Inveniam closed the chapter and with the issue of a number of Inveniam preferred shares to us, there is the possibility of recouping of some losses in the future. Within the reporting period Inveniam invested in Rialto Markets, a real-time market data platform. Inveniam has seen significant progress in bringing assets onto its platform and in further fundraising, leading to a write up of our position in March 2022 and bring SEED cautious optimism for continuing development whilst it continues to grow the ecosystem which we anticipate will drive long-term, sustained growth for the company globally.

Finally, Juvenescence, a longevity biotech and life sciences company, has also made some notable advances and is funded for future development having raised $50 million in a convertible loan note which, when added to the return on investment made post the sale of its stake in Insilico Medicine, leaves the company with a strong cash position. In April 2021, Juvenescence launched Metabolic Switch as a drink, and is subsequently launching Metabolic Switch Powder, which according to Juvenescence provides the power of extra ketones to keep your body in deep nutritional ketosis for several hours.

**Results**

The net asset value of the Company at 31 March 2022 was £20,461,130.79 (31 March 2021: £24,939,000), equal to net assets of 9.62p per Ordinary Share (31 March 2021: 11.72p per Ordinary Share).

**Ian Burns**
**Non-Executive Chairman**

20 July 2022

**SEED INNOVATIONS LIMITED**

**REPORT OF THE CHIEF EXECUTIVE OFFICER**

**FOR THE YEAR ENDED 31 MARCH 2022**

The current inflation shock, combined with geopolitical concerns and central banks raising rates, have impacted investor sentiment, with investors looking particularly at growth stocks valuations more sceptically and some moving away from their riskiest positions, particularly in the technology market. This in turn has impacted valuations across many small cap sectors and which we expect may take some further time to recover.

Although we believe the cannabis industry continues to offer opportunities for growth, we have had to deal with sectoral derating in recent periods, with share prices of cannabis listed companies seemingly not finding bottom over the last 12 months. However, we are not sector buyers; we are very selective pickers of the operators that we think will win.

Patient numbers are growing globally, and we are seeing this in particular in the areas we are invested. In Australia, where Little Green Pharma, one of our two largest cannabis investments, is a market leader, the number of patients has been growing dramatically over the last 2 years). In Germany, the largest European market where LGP also operates and where we invested in Eurox, a company we believe will be a local champion, the market has also been growing steadily with public reimbursements showing double-digit growth year-over-year since the law changed in 2017, including in 2021. Finally, our portfolio companies have continued to deliver operationally in these and other markets, as shown by our many announcements over the period under review.

**Portfolio**

The table below lists the Company's holdings at 31 March 2022 and 31 March 2021.

| Holding | Share Class | Category | Country of Incorpor-ation | Portfolio % | Number of Shares Held at 31 March 2022 | Valuation at 31 March 2022 £'000 | Number of Shares Held at 31 March 2021 | Valuation at 31 March 2021 £'000 |
|---|---|---|---|---|---|---|---|---|
| Fralis LLC (Leap Gaming) | Units<br>Loan | Gaming | Nevis | 38.85%<br>3.50% | 1,512<br>N/A | 7,586<br>684 | 1,512<br>N/A | 9,174<br>249 |
| Yooma Wellness Inc | Common Shares | CBD Wellness | Canada | 1.80% | 4,427,609 | 351 | 4,007,165 | 3,234 |
| Juvenescence Limited | Ordinary | Biotech/ Healthcare | Isle of Man | 12.34% | 128,205 | 2,410 | 128,205 | 2,301 |
| Portage Biotech Inc. | Ordinary | Biotech/ Healthcare | BVI | 1.28% | 50,123 | 251 | 68,306 | 1,389 |
| Little Green Pharma | Ordinary | Biotech/ Healthcare | Australia | 10.39% | 7,324,796 | 2,028 | 2,146,462 | 831 |
| Inveniam Capital Partners | Preferred Shares | Fintech | USA | 2.88% | 8,681 | 562 | - | - |
| Eurox Group GmbH | Ord shares<br>Pref shares | Biotech/ Healthcare | Germany | 21.93% | 4,962<br>180 | 4,281 | - | - |
| Northern Leaf Ltd | Convertible Loan | Biotech/ Healthcare | Jersey | 3.38% | - | 660 | - | 600 |
| Clean Food Group Limited | Ordinary Shares | Food Technology | England | 0.24% | 46,000 | 46 | - | - |
| South West Brands | Convertible Loan | CBD Wellness | England | 2.44% | - | 476 | - | 252 |
| CiiTECH Limited | Convertible Loan | CBD Wellness | England | 0.96% | - | 188 | - | - |
| EMMAC Life Sciences Ltd | Ordinary<br>Loan | Biotech/ Healthcare | England | - | -<br>- | -<br>- | 6,666,667<br>N/A | 3,333<br>1,703 |

**Portfolio (continued)**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Vemo Education, Inc. | Pref Seed 2 | Edtech | USA | - | 1,000,000 | - | 1,000,000 | 214 |
| Factom, Inc. | SEED<br>Series A | Blockchain Tech | USA | - | -<br>- | - | 400,000<br>5,911,330 | -<br>- |
| Total Investment Value | | | | | | 19,524 | | 23,280 |
| Cash and receivables, net of payables and accruals | | | | | | 937 | | 1,659 |
| **Net Asset Value** | | | | | | 20,461 | | 24,939 |

**Liquid Investments**

**Yooma Wellness Inc. ('Yooma')**
Yooma is an emerging global marketer and distributor of cannabinoid and hemp-derived wellness products, headquartered in Toronto with operations in Japan, UK, France, and the US.

During the period, Yooma made progress against its strategy through its buy-and-build strategy to leverage the global opportunities in the wellness sectors having raised circa $10.3 million and dual listed on AQSE Growth Market. The complementary acquisitions included:

- August 2021 - UK market-leader Vitality CBD Ltd, a distributer of CBD products, including oils and sprays in a wide range of flavours and strengths, edibles, and a specially developed and formulated range of CBD skin care cosmetic products. Vitality CBD went on to complete a 300-store launch in British retailer ASDA.
- October 2021 - Vertex Co., Ltd., a wellness products company in Japan with sales through major home shopping networks (QVC, Nihon-TV and Fuji-TV), as well as various ecommerce channels (Rakuten, Yahoo Shopping and the company's Shop-V platform).
- October 2021 - N8 Essentials LLC, adding downstream manufacturing capabilities for consumer finished products, a significant channel that has been underserviced.

Other major achievements included a partnership agreement with Boots, Britain's leading health and beauty retailer, which now stocks the MYO Plant Nutrition brand in over 800 stores, and adding several products, including Vitality CBD, Blossom Skincare and MYO Plant Nutrition, to eBay's CBD pilot programme.

Despite the number of acquisitions completed by Yooma in the period, and the anticipated positive impact they would collectively had, the share price performance of the stock has been very poor, down 90% like-for-like since 31 March 2021 with the market price now a fifth of what is was at 31 March 2022. Despite the Company's belief that the current price is a fraction of the underlying value, low trading volumes have impacted general valuation multiples negatively as has poor sector sentiment, as talked about in this report, this has had a major downward impact on SEED's NAV, particularly in relation to Yooma.

**Little Green Pharma ('LGP')**
Little Green Pharma is an ASX-Listed vertically integrated medicinal cannabis business with operations from cultivation and production through to manufacturing and distribution. During the period, LGP made large strides advancing its global expansion strategy with early penetration into key future markets with limited supply options.

Utilising its indoor cultivation facility and manufacturing facility in Western Australia, LGP develops/supplies a growing portfolio of medical-grade cannabis products containing differing ratios of active ingredients to Australian and overseas markets. To complement this and accelerate its European growth strategy, LGP acquired a fully operational GACP cultivation and GMP licensed medicinal cannabis facility in Denmark enabling it to expand its distribution network. Notable progress worldwide included:

**Portfolio (continued)**

- Germany - supply agreements with Four 20 Pharma, and 'Demecan' Deutsche Medizinalcannabis GmbH and a distribution agreement with AMP MedicalProducts GmbH.
- UK – a purchase agreement with Sana Life Sciences for the exclusive supply of LGP's 10:10 cannabis oil as well as the non-exclusive supply of LGP-branded cannabis medicines into the UK and Crown Dependences.
- Denmark - registration of Billinol THC16 cannabis flower medicine as the only domestically produced medicinal cannabis flower product in Denmark with first sales into Denmark in January 2022 and the establishment of a significant genetics' portfolio with multiple strains in different stages of development.
- Italy - the award of a $0.3 million (€200,000) Italian flower tender which represented the entry into an important market through what was a competitive process.
- France - continued status as one of the primary suppliers to the French medicinal cannabis pilot, with over 20,000 units delivered during LGP's financial year ended 31 March 2022.
- Australia – expanded its manufacturing facility and new genetics portfolio, received first shipments of LGP Denmark's Billy Buttons THC16 and THC19 cannabis flower medicines and obtained a Schedule 9 licence endorsement enabling it to manufacture and supply psilocybin at its Western Australian manufacturing facility. Its current market share of the Australian Market is ~20% and a total of over 27,000 patients there to date. It also announced the intention to demerge its wholly owned psychedelics business, Reset Mind Sciences Limited.

LGP has continued to achieve strong financial growth and for the half year ended 31 December 2021 saw revenue increase 94% to A$7.3 million from the comparative period in 2020 and in its most recent quarterly results to 31 March 2022 LGP reported revenues up 30% over the corresponding period.

While the Company notes a quarter over quarter slowdown of international flower sales due to a required shutdown of the Australian GMP facility that had to be commissioned after an upgrade, SEED expects to see LGP's international sales continue their growth trajectory for the remainder of the year. LGP has a strong track record of sales growth in Australia and other offshore markets, its revenue increased 50% from the Financial Year 2021 (12-month period) to the Financial Years 2022 (9-month period) to $10.52m, seeing record new prescribers and new patient numbers compared to comparative reporting period.

SEED participated A$ 2.76 million in a fundraise by LGP in conjunction with the Danish acquisition, and also purchased additional shares on the Australian Stock Exchange in the period resulting in c.A$3M (£1.6M) additional investment during the reporting period.

**Portage Biotech, Inc**

NASDAQ listed Portage is an emerging biotechnology company developing an immunotherapy-focused pipeline to treat a broad range of cancers. Its focus is to combine its own technology with already proven immune-boosting PD1 agents and to this end, Portage has a pipeline of products targeted for clinical testing and a growing roster of notable partnerships.

During the period, Portage announced a cooperative research and development agreement with the US National Cancer Institute and Stimunity, which provides an exciting opportunity to combine its strong background advancing novel technology for cancer treatment with the expertise and resources of the NCI. This follows recent progress with its research and development for novel immune-oncology therapeutics while simultaneously launching an important business transformation to strongly position itself for accelerated development of its innovative cancer treatments. Following this, the first three assets within their portfolio entered the clinic, a milestone achievement driven by their vision of helping those with cancer achieve durable responses and a better quality of life. Portage is funded to complete Phase 1 and Phase 2 clinical trials for their lead invariant natural killer T cell (iNKT) agonists, PORT-2 and PORT-3, which Portage believe have the potential to synergize with PD-1 agents and overcome PD-1 resistance. These attributes represent a substantial opportunity to expand the already significant PD-1 cancer treatment market.

**Portfolio (continued)**

In June 2021, SEED sold a total of 18,183 ordinary shares in Portage at an average price of approximately US$40.30 realising net proceeds of US$732,952 representing a gain of approximately US$551,000 against the original cost price of the shares in SEED's books of $10 per share. This sale resulted in a return of some four times the original investment. SEED remains interested in a total of 50,123 ordinary shares representing 0.4% of the issued share capital of Portage.

**Pre-liquidity**

**Juvenescence Ltd ('Juvenescence')**
Juvenescence is a therapeutics and development company developing multiple therapeutics focused on improving and extending human lifespans. By utilising a coalition of best scientists, physicians, and investors across its four distinct divisions, it aims to create cutting-edge therapies and products that disrupt the thinking and behaviour around ageing.

During the period, Juvenescence invested in MDI Therapeutics, Inc. a US based company developing novel serpin-based therapies for the treatment of fibrosis and fibroproliferative disorders. Juvenescence will provide MDI with up to US$9 million in Series A financing and collaborate with MDI to advance its lead program through Phase 1 clinical trials.

Other advances from Juvenescence included the launch of Metabolic Switch as a drink in April 2021 and the subsequent launch of Metabolic Switch Powder, which provides the power of extra ketones to keep your body in deep nutritional ketosis for several hours.

Juvenescence is very well funded for future development having raised $50 million in a convertible loan note. Juvenescence continues to explore a stock market listing, it anticipates hitting a number of further milestones, including further funding, before this is achievable.

**South West Brands ('SWB')**
South West Brands Limited is a London-based, multi-brand consumer goods group developed specifically for the CBD industry.

SWB has made considerable progress since SEED's last investment, successfully launching two consumer brands: LoveMeMeMe, which is generating early revenues; and FEWE, the world's first full cycle-care brand dedicated to helping women understand the science behind the female monthly cycle.

In October 2021, SEED invested a further £150,000 in a second 12-month, 8% Convertible Loan Note as part of a funding round by SWB to raise £300,000. The investment takes the total amount invested by SEED in SWB to date to £450,000.

**CiiTECH Limited**
CiiTECH is an established research-led cannabis healthcare company. It uses its partnerships with leading institutions and scientists to create consumer focused brands, company dedicated to ongoing cannabis research and the commercialisation of cannabis products and the best science-led brands.

SEED invested £175,000 in a £2.1 million issuance of convertible loan notes in July 2021. While CiiTECH continues to grow its business and implement its business strategy, disappointingly, discussions regarding a planned reverse takeover by Fragrant Prosperity Holdings Limited ceased in March 2022, primarily as a result of movements in equity capital markets driven by geopolitical instability. Whilst not impaired at this valuation point, this investment is clearly performing below expectations and SEED management are closely watching developments.

**Fralis LLC (trading as Leap Gaming - 'Leap')**
Leap is a developer and provider of 3D gaming technology and products with a focus on virtual sports and virtual casino, partnering with top-tier online and land-based gaming companies to provide advanced gaming products for end-users.

**Portfolio (continued)**

Having received certification from the Swedish Gambling Authority – Spelinspektionen – allowing Swedish operators to include Leap games in their offer, the list of jurisdictions in which Leap is currently licensed now includes Malta, Italy, Spain, Sweden, Holland, Latvia, Greece, Spain, Romania, Bulgaria, South Africa, Colombia and Georgia. Leap is also ISO 27001 certified, and its platform is also ISMS certified for various jurisdictions.

During the period, Leap formed several new partnerships including Slotscalendar as new media partners, Videoslots, Gamblorium, a website that makes online gambling safe and convenient, and a further partnership with CasinoHEX. Leap also enhanced its expanding aggregation platform with PariPlay, which has forged a new union with Fusion™, with Pariplay's extensive footprint and advanced iGaming solution.

Notably, a key milestone for Leap was being granted a content supply license by the United Kingdom Gaming Commission ("UKGC"), which is expected to unlock immediate opportunities for its existing content portfolio through its current estate and immediate pipeline.

**Longer term Investments**

**Inveniam Capital Partners**
Inveniam is a private Fintech company which built Inveniam.io, a powerful technology platform that utilises big data, AI and blockchain technology to provide surety of data and high-functioning use of that data in a distributed data ecosystem.

Over this period Inveniam have seen substantial progress on both onboarding two new ecosystem investment assets for valuation onto their platform and in furthering its ambitions for a Series B raise.

Additionally, Inveniam invested in Rialto Markets, a broker-dealer facilitating crowdfunded securities as well as secondary trading in these assets and will support the platform with its private market data.

**Eurox Group GmbH ('Eurox')**
EUROX is a German-based, vertically integrated medical cannabis company focused on intensifying its investment in pharmaceutical development while maintaining the highest European pharmaceutical quality standards to expand its EUROX-branded pharmaceutical products.

EUROX commenced supply of the first of its own branded products in Germany in August 2021, which has seen revenues gradually increasing as multiple supply agreements were signed (November 2021 and January 2022). Eurox successfully started sales in Germany to a number of select customers of dronabinol, the primary psychoactive compound in cannabis also known Delta-9-tetrahydrocannabinol (Δ9-THC) in November 2021. This followed the distribution agreement of its own branded full-spectrum extracts to pharmacies during the previous calendar quarter, August 2021, ahead of schedule. Eurox maintains its long-term contract and manufacturing agreement for cannabis products with Dr. Reckeweg & Co. GmbH, a EU GMP certified German pharmaceutical company.

Eurox completed a €4.4 million fundraise in late March (announced 6 April 2022) at an approximate 62% premium to its July 2021 fundraise, in which SEED previously invested approximately €3.17 million. SEED currently holds 8.49% of Eurox. SEED invested a further c.€176k in this round and with its previous investment based on this latest valuation, SEED's increased holding in EUROX was valued at €5,039,000 (£4,281,700) as at 31 March 2022.

EUROX has expanded its medical cannabis range and crucially its distribution channels while remaining focussed on innovation and product development, showing considerable progress this year despite experiencing pricing pressure in the German dronabinol market.

**Portfolio (continued)**

EUROX plans to continue to focus on key projects such as its fully-owned Portuguese subsidiary, and will continue to grow its commercial business throughout Europe and channel market insights it gathers into its development program.

**Vemo Education**

VEMO is an education technology company founded to address the student debt crisis by developing income share agreement ('ISA') programmes and deferred tuition plans and partnering with higher education institutions to make these funding options available to students.

Vemo has faced a number of significant issues in the reporting period, these include encountering regulatory head-winds within the controlled sector, a poor acquisition and, in particular, claims of misrepresentation against other market participants. SEED do not expect to recoup any more of our investment in Vemo and have consequently written the value down to nil, with the expectation that the company may well fail in the near future.

**Northern Leaf Ltd ('Northern Leaf')**

Northern Leaf is focused on becoming a key player in the rapidly burgeoning European medical cannabis supply chain, having already built a secure operational facility in Jersey. Northern Leaf is leading the development of a new industry for the British Isles, using state-of-the-art tracking systems and robust policies and procedures to ensure the highest levels of quality from seed to sale.

2021 was a significant year and following an oversubscribed fundraise of £14.5 million in April 2021 (more than was originally planned due to demand), it is now accelerating its capital expenditure programme into extraction, manufacturing and formulation equipment and exploring strategic partnerships as it seeks to become a European market leader in the supply of high-quality EU-GMP grade medical cannabis flower and oil to the rapidly growing European medical cannabis market where patient demand continues to accelerate.

With funding in place, and an upgrade in technologies, Northern Leaf started cultivation in February 2022. With a number of Letters of Intent with customers for the sale of products, it is anticipated that formal supply agreements will be in place in the near future.

Northern Leaf has also received planning approval for a number of planning applications which allow the company to commence Phase 2 of their development, the construction of an additional 196,000 sq. foot glasshouse adjacent to the current 75,000 sq. foot facility. This is a major milestone and a testament that the Jersey Government is highly supportive of the sector and Northern Leaf's plans for growth.

Northern Leaf appointed a new CEO in the period, Don Perrott, an experienced figure in the European cannabis sector previously heading up Aurora Cannabis Inc's UK & Ireland operations. Future goals include seeking to be the first Home Office approved medical cannabis licence holder to supply UK and European patients with high quality, home grown unlicenced cannabis-based medicines.

While the potential of a UK stock market listing is still a possibility, Northern Leaf remain cautious in the face of a change in market sentiment and the current geopolitical situation and will continue to assess the near term merits of an IPO.

**Portfolio (continued)**

**Clean Food Group Limited ('CFG')**

SEED invested £46,000 in a seed round into CFG during the period. CFG is a British based food Technology Company which aims to become the leading independent UK cultivated food business. CFG are developing a sustainable yeast technology that produces cultivated, sustainable alternatives to palm oil and soy protein, two ingredients in food and cosmetics with currently massive and still growing demand and negative environmental impact. CFG has gathered a knowledgeable board of directors and an experienced advisory team which familiarity with both biotechnology, life sciences and high-growth industries. CFG fits within the Company's investing policy and as it matures should provide steady news flow that should resonate with SEED investors and the market.

**Ed McDermott**
**CEO**

20 July 2022

**SEED INNOVATIONS LIMITED**

**DIRECTORS**

**Ian Burns** (Non-Executive Chairman)
Mr Burns is a fellow of both the Institute of Chartered Accountants in England & Wales and a member of STEP. He is the founder and Executive Director of Via Executive Limited, a specialist management consulting company and the Managing Director of Regent Mercantile Holdings Limited, a privately-owned investment company. He is licensed by the Guernsey Financial Services Commission as a personal fiduciary.

Mr Burns is currently a Non-Executive Director and audit committee chairman of River & Mercantile UK Micro Cap Ltd and Twenty Four Income Fund Limited. He is also a Non-Executive Director of Darwin Property Management (Guernsey) Limited, Curlew Capital Guernsey Limited and Premier Asset Management (Guernsey) Ltd. as well as Chairman of One Hyde Park Limited.

**Ed McDermott** (Chief Executive Officer)
Mr McDermott, a former investment banker, has nearly 20 years' experience in the management, financing, and strategic development of growth companies. He has broad experience in several high growth sectors and previously held several Executive and Non-Executive roles with publicly quoted companies. As a finance specialist, he has been pivotal in raising over $750m for public and private companies during his career.

Mr McDermott is a co-founder and was Managing Director of Europe's largest medical cannabis company, EMMAC Life Sciences, which was acquired by Curaleaf international in a deal worth over $400m. He has previously held a number of Executive and Non-Executive roles with publicly quoted companies.

**Lance De Jersey** (Finance Director)
Mr De Jersey is a member of the Institute of Chartered Secretaries and Administrators and The Institute of Directors. He previously headed Partners Group's Guernsey office, serving on the Guernsey boards and chairing the Risk & Audit and AML committees and was a member of the Investment Oversight committee. He has over ten years' experience in private equity investment administration and management.

In the past, Mr De Jersey has owned and operated retail franchises, marketed and sold small businesses as a business broker and worked as a financial adviser in New Zealand. He is currently a Non-Executive Director of Pearl Holding Limited and Partners Group Private Equity Performance Holdings Limited (both investment funds managed by Partners Group) and is former secretary and vice chairman of the Channel Island Private Equity and Venture Capital Association.

**Luke Cairns** (Non-Executive Director)
Mr Cairns is a highly experienced finance professional with a strong network having worked in the City of London for 19 years in corporate finance. A Guernsey resident, Mr Cairns was previously Head of Corporate Finance and Managing Director at Northland Capital Partners, an AIM focused Nomad and Broker, and has worked with many growth companies across a number of sectors and regions on a wide range of transactions, including IPOs, secondary fundraisings, corporate restructurings and takeovers. Mr Cairns has also held directorships on both listed and private companies across various sectors.

**SEED INNOVATIONS LIMITED**

**REPORT OF DIRECTORS**

**FOR THE YEAR ENDED 31 MARCH 2022**

The Directors are pleased to present their Annual Report and the audited financial statements of SEED Innovations Limited (the "Company") for the year ending 31 March 2022.

**Status and Activities**

The Company is a closed-ended investment company.

The Company is domiciled and incorporated as a limited liability company in Guernsey.

The registered office of the Company is PO Box 343, Obsidian House, La Rue D'Aval, Vale, Guernsey GY6 8LB.

The Company is listed on Alternative Investment Market, a market operated by the London Stock Exchange ("AIM").

With effect from 3 May 2018 the Company has been authorised as a closed-ended investment scheme by the Guernsey Financial Services Commission (the "GFSC") under Section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 2020 and the Authorised Closed-Ended Investment Schemes Rules 2021.

**Changes during the year**

There were no changes to the Board during the year.

**Changes after the year-end**

There were no changes to the Board or the Company after the year end to the date of signing of this report.

**Results**

The results of the Company for the year are shown on page 26. The Company made a loss for the year of £4.5 million (2021: Profit £6.5 million).

**Dividends**

The Company did not pay any dividends during the year (2021: £Nil) and the Directors do not propose a final dividend for the year (2021: £Nil).

**Investments**

Details of the Company's investments are disclosed in the Report of the Chief Executive Officer and notes 12, 13 and 19.

**Material Contracts**

The Company's material contracts are with:

• Obsidian Fund Services Limited ("Obsidian"), which acts as Administrator and Company Secretary;
• Share Registrars Limited, which acts as Registrar;
• Beaumont Cornish Limited, which acts as Nominated Adviser; and
• Shard Capital, which acts as Broker.

**Directors**

The present members of the Board are listed on page 7 of this report. There were no changes to the Board during the year. There are service contracts in place between each of the Directors and the Company. Details of Directors' remuneration, bonuses and Options granted to the Directors are disclosed in note 7.

Mr Burns is the legal and beneficial owner of Smoke Rise Holdings Limited, which held 1,374,024 (0.65%) Ordinary Shares in the Company at 31 March 2022 and the date of signing this report.

Mr De Jersey held 400,000 (0.19%) Ordinary Shares in the Company at 31 March 2022 and at the date of signing this report.

Further details are explained in note 18.

**Substantial Interests as at date of signing**

The following interests in 3% or more of the issued Ordinary Shares of the Company:

| | Number of Ordinary Shares | Percentage of Share Capital |
|---|---|---|
| **Investors:** | | |
| Peter Saladino | 17,194,590 | 8.08% |
| Jim Mellon | 14,783,722 | 6.95% |
| Richard Hackett | 9,160,830 | 4.31% |
| Norbert Teufelberger | 7,205,005 | 3.39% |

**Going Concern**

After making reasonable enquiries, and assessing all data relating to the Company's liquidity, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Directors note that the Company has sufficient cash and cash equivalent resources to meet its obligations for at least one year after the approval of these financial statements.

**Corporate Governance**

As a Guernsey incorporated company and under the AIM Rules for Companies, the Company is not required to comply with the UK Corporate Governance Code published by the Financial Reporting Council (the "FRC Code"). However, the Directors place a high degree of importance on ensuring that high standards of Corporate Governance are maintained and that the Company complies with the Finance Sector Code on Corporate Governance, issued by the Guernsey Financial Services Commission.

**Board Responsibilities**

At 31 March 2022, the Board comprised of two Executive Directors, being Messrs. De Jersey and McDermott; and two Non-Executive Directors, Mr Burns, and Mr Cairns.

The Board has engaged Obsidian to undertake the administrative duties of the Company. Clearly documented contractual arrangements are in place with this service provider which define the areas where the Board has delegated responsibility to it.

The Company holds at least three Board meetings per year, at which the Directors will review the Company's investments and all other important issues to ensure control is maintained over the Company's affairs.

The Company is self-managed, in that day-to-day investment management recommendations are made by the Executive Directors, supported by analysis provided by the Board and the VP of Investment Analysis.

**Board Committees**

*Audit Committee*

Mr Cairns was appointed chairman of the audit committee with effect from 5 June 2020, succeeding Mr Burns. All other Directors are members of the Audit Committee.

The Audit Committee meets at least once a year and provides a forum through which the Company's Auditor reports to the Board. The Audit Committee examines the effectiveness of the Company's internal controls, the Annual Report and Financial Statements, the Auditor's remuneration and engagement as well as the Auditor's independence and any non-audit services provided by them. The Audit Committee receives information from the Administrator, the Company Secretary and the Auditor. The Audit Committee has formal written terms of reference, which are available upon request from the Company Secretary.

*Remuneration and Nomination Committee*

Mr Burns is chairman of the Remuneration and Nomination Committee. Mr Cairns is a member of the Remuneration and Nomination Committee. The function of the Remuneration and Nomination Committee is to consider the remuneration, and the appointment and reappointment, of Directors.

The Company is committed to the principle of diversity and equal opportunities. The Board will continue to review the composition of the Board to ensure it has the appropriate structure, diversity and skills to meet the needs of the Company as it develops.

Shareholders vote on the re-appointment or election of at least one Director at each Annual General Meeting ("AGM"), with every Director's appointment being voted on by Shareholders every three years. Mr De Jersey will be proposed for re-election at the forthcoming AGM.

**Board Meetings**

All members of the Board are expected to attend each Board meeting and to arrange their schedules accordingly, although non-attendance may be unavoidable in certain circumstances. Directors' attendance at Board and Committee meetings during the financial year is set out below.

| | **Board Meetings** | **Committee Meetings** |
|---|---|---|
| Ian Burns (appointed 12 November 2014) | 7/7 | 3/3 |
| Ed McDermott (appointed 12 February 2018) | 7/7 | 2/2 |
| Lance De Jersey (appointed 3 January 2019) | 7/7 | 2/2 |
| Luke Cairns (appointed 3 January 2020) | 6/7 | 3/3 |

**Dialogue with Shareholders**

The Directors are always available to enter into dialogue with shareholders. All ordinary shareholders will have the opportunity, and indeed are encouraged, to attend and vote at future Annual General Meetings during which the Board will be available to discuss issues affecting the Company.

The Board monitors the trading activity and shareholder profile on a regular basis and maintains contact with the Company's Broker to ascertain the views of shareholders. Shareholder sentiment is also ascertained by the careful monitoring of the premium/discount that the Ordinary Shares are traded at in the market when compared to those experienced by similar companies.

The Company reports formally to shareholders twice a year. Additionally, current information is provided to shareholders on an ongoing basis through the Company website and RNS announcements. The Company Secretary monitors the voting of the shareholders and proxy voting is taken into consideration when votes are cast at the Annual General Meeting.

**Litigation**

The Company is not engaged in any litigation or claim of material importance, nor, so far as the Directors are aware, is any litigation or claim of material importance pending or threatened against the Company.

**Internal Control and Financing**

The Board is responsible for establishing and maintaining the Company's system of internal control. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures which have been established to provide effective internal controls are as follows:

• Obsidian Fund Services Limited is responsible for the provision of administration and Company Secretarial duties;
• The Board defines the duties and responsibilities of the service providers and advisers in the terms of their contracts; and
• The Board reviews financial information produced by the Administrator on a regular basis.

The Company does not have an internal audit department. All of the Company's administrative functions are delegated to independent third parties and it is therefore felt that there is no need for the Company to have an internal audit facility.

The Board feels that the procedures employed by the service providers adequately mitigate the risks to which the Company is exposed.

**Risk Profile**

*Financial Risks*

The Company's financial instruments comprise investments, cash and cash equivalents, and various items such as receivables and payables that arise directly from the Company's operations.

The main risks arising from holding these financial instruments are market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. Further details are given in note 19 to the financial statements.

**Independent Auditor**

Grant Thornton Limited was appointed as auditor of the Company effective from 09 December 2020.

**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and Financial Statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards as issued by the International Standards Board, of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those 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 International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

**Statement of Directors' Responsibilities (continued)**

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company transactions, 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 (Guernsey) Law, 2008.

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 also responsible for the maintenance and integrity of the website on which these financial statements are published. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

**Disclosure of Information to the Auditor**

The Directors who held office at the date of approval of this Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

On behalf of the Board

| | |
|---|---|
| Ian Burns | Lance De Jersey |
| Director | Director |
| 20 July 2022 | 20 July 2022 |

## Independent auditor's report to the members of Seed Innovations Limited

### Opinion

We have audited the financial statements of Seed Innovations Limited for the year ended 31 March 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of the Company's loss for the year then ended;
- are in accordance with IFRSs issued by the IASB; and
- comply with the Companies (Guernsey) Law, 2008.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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. 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.

| Key Audit Matter | How our scope addressed the matter | Our result |
|---|---|---|
| **Valuation of unquoted investments (2022: £19.52 million and 2021: £18.04 million)**<br><br>86% (2021: 77%) of the carrying value of the Company's investments, consist of unquoted investments which are valued using different valuation techniques, as described in Notes 3 e), 4, 12 and 13 to the financial statements.<br><br>The valuations are subjective, with a high level of judgement and estimation linked to the determination of the fair values. As a result, there is a risk of an inappropriate valuation method being applied, together with the risk of inappropriate inputs to the model/calculation being selected. | Our audit procedures consisted of:<br><br>• We updated our understanding of the Company's processes, policies and methodologies, including the use of industry-specific measures, and policies for valuing unquoted investments held by the Company and we performed walkthrough tests to assess the design and implementation of key controls;<br><br>• On a sample basis, We obtained the valuation models and performed the following procedures:<br><br>○ we agreed the valuation models to the portfolio statement in the financial statements;<br><br>○ we inspected the valuation models and supporting data to assess whether the data used is appropriate and relevant, and discussed these with management to evaluate whether the fair value of unquoted investments is reasonably stated, challenging the assumptions made by management;<br><br>○ we agreed a sample of key valuation inputs that do not require specialist knowledge, to independent sources (e.g. term sheets for latest funding rounds of early-stage investments) and tested the arithmetical accuracy of the Company's calculations; | We have not identified any matters to report to those charged with governance in relation to the fair value measurement of unquoted investments. |

| Key Audit Matter | How our scope addressed the matter | Our result |
|---|---|---|
| The valuation of unquoted investments is the key driver of the Company's net asset value and total return. Incorrect valuation could have a significant impact on the net asset value of the Company and therefore the return generated for shareholders. | ○ we engaged our own internal private equity valuation specialists to:<br>▪ assist us to determine whether the methodologies used to value unlisted investments were consistent with methods usually used by market participants for similar types of investments;<br>▪ use their knowledge of the market to assess and corroborate management's market related judgements and valuation inputs (e.g. discount rates, EBITDA multiples and comparable data) by reference to comparable transactions, and independently compiled databases/indices; and<br>▪ assist us in determining whether the Company's specialists were appropriately qualified and independent.<br>○ Evaluated the appropriateness of the valuation methodologies under IFRS and whether appropriate disclosures were made in the financial statements. | |

### Other information in the Annual Report

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Audited Financial Statements but does not include 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. 'If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

### Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with IFRSs as issued by the IASB, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

### Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Wynand Pretorius**
For and on behalf of Grant Thornton Limited
Chartered Accountants
St Peter Port
Guernsey

Date: 20 July 2022

**SEED INNOVATIONS LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 MARCH 2022**

| | Notes | Year ended 31 March 2022 £'000 | Year ended 31 March 2021 £'000 |
|---|---|---|---|
| Net realised (loss)/gain on disposal of financial assets at fair value through profit and loss | 12 | (1,951) | 443 |
| Net unrealised (loss)/gain on revaluation of financial assets at fair value through profit and loss | 12 | (1,781) | 6,864 |
| Interest income on financial assets at fair value through profit and loss | | 104 | 31 |
| **Total investment (loss)/income** | | **(3,628)** | **7,338** |
| **Other income** | | | |
| Bank Interest income | | - | 2 |
| Arrangement fee | | - | 45 |
| **Total other income** | | **-** | **47** |
| **Expenses** | | | |
| Directors' remuneration and expenses | 7 | (373) | (258) |
| Recognition of Directors share based expense | | (32) | (47) |
| Legal and professional fees | | (151) | (237) |
| Other Expenses | 8 | (226) | (122) |
| Administration fees | | (72) | (77) |
| Adviser and broker's fees | | (74) | (94) |
| **Total expenses** | | **(928)** | **(836)** |
| **Net (loss)/profit before losses and gains on foreign currency exchange** | | **(4,556)** | **6,548** |
| Net foreign currency exchange gains/(loss) | | 46 | (20) |
| **Total comprehensive (loss)/gain for the period/year** | | **(4,510)** | **6,528** |
| **(Loss)/earnings per Ordinary share - basic and diluted** | 10 | **(2.12p)** | **3.74p** |

The Company has no recognised gains or losses other than those included in the results above.

All the items in the above statement are derived from continuing operations.

The accompanying notes on pages 30 to 53 form an integral part of these financial statements.

**SEED INNOVATIONS LIMITED**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 MARCH 2022**

| | Notes | 31 March 2022 £'000 | 31 March 2021 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Financial assets at fair value through profit or loss | 12 | 19,524 | 23,280 |
| | | **19,524** | **23,280** |
| **Current assets** | | | |
| Cash and cash equivalents | | 922 | 1,675 |
| Other receivables | 14 | 57 | 53 |
| | | **979** | **1,728** |
| **Total assets** | | **20,503** | **25,008** |
| **Current liabilities** | | | |
| Payables and accruals | 15 | (42) | (69) |
| | | **(42)** | **(69)** |
| **Net assets** | | **20,461** | **24,939** |
| **Financed by** | | | |
| Share capital | | 2,127 | 2,127 |
| Employee stock option reserve | | 212 | 180 |
| Other distributable reserve | | 18,122 | 22,632 |
| | | **20,461** | **24,939** |
| **Net assets per Ordinary share - basic and diluted** | 17 | 9.62 | 11.72 |

The financial statements on pages 26 to 53 were approved by the Board of Directors on 20 July 2022 and were signed on their behalf by:

Ian Burns
Director

Lance De Jersey
Director

**SEED INNOVATIONS LIMITED**

**Statement of Changes in Equity**

**FOR THE YEAR ENDED 31 MARCH 2022**

| | | *Share Capital* | *Deferred shares reserve** | *Employee share option reserve* | *Other distributable reserve* | *Total* |
|---|---|---|---|---|---|---|
| | | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* |
| **Balance as at 1 April 2020** | **Note** | **1,615** | **630** | **1,263** | **10,730** | **14,238** |
| Total comprehensive income for the year | | - | - | - | 6,529 | 6,529 |
| *Transactions with shareholders* | | | | | | - |
| Issue of Ordinary Shares | 16 | 512 | - | - | 3,844 | 4,356 |
| Costs of issuing of Ordinary shares | | - | - | - | (231) | (231) |
| Employee share scheme - value of employee services | 7 | - | - | 47 | - | 47 |
| Transfer of deferred shares | | - | (630) | - | 630 | - |
| Transfer of value of lapsed options | 7 | - | - | (1,130) | 1,130 | - |
| **Balance as at 31 March 2021** | | **2,127** | **-** | **180** | **22,632** | **24,939** |
| **Balance as at 1 April 2021** | | **2,127** | **-** | **180** | **22,632** | **24,939** |
| Total comprehensive loss for the year | | - | - | - | (4,510) | (4,510) |
| *Transactions with shareholders* | | | | | | |
| Employee share scheme - value of employee services | 7 | - | - | 32 | - | 32 |
| **Balance as at 31 March 2022** | | **2,127** | **-** | **212** | **18,122** | **20,461** |

* Refer to Note 16 for details of the deferred shares reserve.

The accompanying notes on pages 30 to 53 form an integral part of these financial statements.

**SEED INNOVATIONS LIMITED**

**STATEMENT OF CASHFLOWS**

**FOR THE YEAR ENDED 31 MARCH 2022**

| | Notes | Year ended 31 March 2022 £'000 | Year ended 31 March 2021 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Total comprehensive (loss)/income for the year | | (4,510) | 6,529 |
| *Adjustments for:* | | | |
| Unrealised loss/(gain) on fair value adjustments on financial assets at FVTPL | 12 | 1,781 | (6,864) |
| Realised loss/(gain) on disposal of financial assets at FVTPL | 12 | 1,951 | (443) |
| Foreign exchange movement | | (46) | 20 |
| Directors' share based payment expense | | 32 | 47 |
| Finance income | | (104) | (33) |
| *Changes in working capital:* | | | |
| Increase in other receivables and prepayments | 14 | (4) | (3) |
| Decrease in other payables and accruals | 15 | (27) | (70) |
| **Net cash outflow from operating activities** | | **(927)** | **(817)** |
| **Cash flows from investing activities** | | | |
| Acquisition of financial assets at fair value through profit or loss | 12 | (5,777) | (3,736) |
| Disposal of financial assets at fair value through profit or loss | 12 | 5,905 | 1,166 |
| **Net cash inflow/(outflow) from investing activities** | | **128** | **(2,570)** |
| **Cash flows from financing activities** | | | |
| Issue of Ordinary Shares | 16 | - | 4,100 |
| Finance costs | | - | (231) |
| **Net cash inflow from financing activities** | | **-** | **3,869** |
| **(Decrease)/Increase in cash and cash equivalents** | | **(799)** | **482** |
| Cash and cash equivalents brought forward | | 1,675 | 1,213 |
| Foreign exchange movement | | 46 | (20) |
| **Cash and cash equivalents carried forward** | | **922** | **1,675** |

SEED INNOVATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

**1. General Information**

SEED Innovations Limited (the "Company") is an authorised closed-ended investment scheme. The Company is domiciled and incorporated as a limited liability company in Guernsey. The registered office of the Company is PO Box 343, Obsidian House, La Rue D'Aval, Vale, GY6 8LB.

The Company's objective is to invest in disruptive technologies with significant intellectual property rights which they are seeking to exploit, principally within the technology sector (including digital and content focused businesses), life sciences sectors (including biotech and pharmaceuticals) and health and wellness sectors. This includes investing in the cannabinoid sector where there has been increased investor momentum due to regulation changes, and as companies' profiles grow and investment in the sector becomes more mainstream. The Company's main geographical focus will be in North America and Europe though investments may also be considered in other regions to the extent that the Board considers that valuable opportunities exist, and positive returns can be achieved. The objective of the Company is to also provide its investors with exposure to disruptive growth opportunities, with a mix of liquid, pre-liquid and longer term investments, which taken together greatly reduces the risk of the portfolio whilst giving much clearer visibility on potential returns.

The Company's Ordinary Shares are quoted on AIM, a market operated by the London Stock Exchange and is authorised as a Closed-ended investment scheme by the Guernsey Financial Services Commission (the "GFSC") under Section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 2020 and the Authorised Closed-Ended Investment Schemes Giudance and Rules 2021.

**2. Basis of Preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the international Standards Board ("IASB") and applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008. The financial statements have been prepared under the historical cost convention except for financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

In the current year, the Company has adopted all the applicable new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 April 2021. The adoption of the standards and interpretations has not had a significant impact on the content or presentation of these financial statements; refer below for additional consideration.

*(a) Standards and amendments to existing standards effective 1 April 2021*
There are no standards, amendments to standards or interpretations that are effective for the annual period beginning on on or after 1 April 2021 that have a material effect on the financial statements of the Company.

*(b) New standards, amendments and interpretations effective after 1 April 2021 and have not been early adopted*
A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning on or after 1 April 2021 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

**3. Significant Accounting Policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Investment Income
Investment income is recognised on an accruals basis using the effective interest method and includes bank interest and interest from debt securities. Dividend income from investments designated at fair value through profit or loss is recognised through the Statement of Comprehensive Income within dividend income when the Company's right to receive payments is established.

b) Expenses
All expenses are accounted for on an accruals basis and, with the exception of share issue costs, are charged through the Statement of Comprehensive Income in the period in which they are incurred. Costs of issuing equity instruments are accounted for as a deduction from equity, net of any related income tax benefit.

c) Taxation
The Company is exempt from taxation in Guernsey. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Company presents the withholding tax separately from the gross investment income, if any, in the Statement of Comprehensive Income. For the purpose of the Statement of Cash Flows, cash inflows from financial assets are presented net of withholding taxes when applicable.

d) Share based payments
Share-based compensation benefits are provided to key employees via the Employee Share Option Plan and individual Share Option agreements (together the "Options"). Details relating to the Options are set out in note 7 to the financial statements.

These Options are measured at fair value at the date of grant and expensed through the Statement of Comprehensive Income on a straight line basis over the vesting period, based on the estimate of Options that will eventually vest. For those Options with market related vesting conditions, the fair value is determined using the Monte Carlo simulation model at the grant date. The fair value of Options issued with non-market vesting conditions has been calculated using the Black Scholes model.

At the end of each period, the Company revises its estimates of the number of Options that are expected to vest based on the non-market vesting and service conditions. Should services cease be provided to the Company by any employee, no further expense will be charged in relation to any non-vested Options.

When Options expire, or Options holders no longer provide services to the Company, any amounts in relation to these Options which have been credited to the Employee Share Option Reserve within Equity will be transferred to Distributable Reserves.

The Company does not operate any cash-settled Options with cash alternatives as defined in IFRS 2. All Options issued will be settled through Equity, with all Option expenses having a corresponding increase in Equity.

e) Financial instruments
Financial instruments are classified into financial assets and financial liabilities.

**3. Significant Accounting Policies (continued)**

(i) Recognition and initial measurement

Financial assets at fair value through profit or loss are recognised initially on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they are originated.

Financial assets at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss. Financial assets or financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

*Business model assessment*

On initial recognition, the Company classifies financial assets as measured at amortised cost or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

All other financial assets are classified as measured at FVTPL.

In making an assessment of the objective of the business model in which a financial asset is held, the Company considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the Investment Manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

The Company has determined that it has two business models:

- Held-to-collect business model: this includes cash and cash equivalents and other receivables. These financial assets are held to collect contractual cash flows; and
- Other business model: this includes investment in unquoted securities that were not held for trading purposes. These financial assets are managed and their performance is evaluated, on a fair value basis.

**3. Significant Accounting Policies (continued)**

(iii) Assessment whether contractual cash flows are SPPI

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

(iv) Reclassification

Financial assets are not reclassified subsequent to their initial recognition unless the Company was to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

(v) Subsequent measurement

*Financial assets at fair value through profit or loss*

These assets are subsequently measured at fair value. Net gains and losses, excluding any interest or dividend income and including foreign exchange gains and losses are recognised in profit or loss in the Statement of Comprehensive Income.

*Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. Interest income is recognised in 'interest income on financial assets at fair value through profit or loss', foreign exchange gains and losses are recognised in the Statement of Comprehensive Income. Any gain or loss on derecognition is also recognised in profit or loss.

(vi) Financial liabilities – classification and subsequent measurement

*Non - derivative financial liabilities*

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

**3. Significant Accounting Policies (continued)**

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other liabilities include other payables and accruals.

(vii) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Company utilises the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

If a significant movement in fair value occurs subsequent to the close of trading up to midnight on the year end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Company's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques in accordance with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent ordinary transactions between market participants, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

*Transfers between levels of the fair value hierarchy*
Where transfers between levels of the fair value hierarchy occur, they are deemed to have occurred at the beginning of the reporting period.

(viii) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount and for financial assets adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability at initial recognition. When calculating the effective interest rate, the Company estimates the future cash flows considering all contractual terms of the financial instruments but not the future credit losses.

**3. Significant Accounting Policies (continued)**

(ix) Impairment

The Company recognises loss allowances for Expected Credit Losses (“ECL”) on financial assets measured at amortised cost.
The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Other financial assets and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default:

- when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising assets (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

**3. Significant Accounting Policies (continued)**

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the underlying project is put on hold; and
- breach of contract such as a default or being more than 90 days past due.

*Presentation of allowance for ECLs in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses including reversals of impairment losses and gains are disclosed separately in the statement of profit or loss and other comprehensive income.

*Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(x) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Company has transferred substantially all the risks and rewards of the asset; or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or has expired.

(xi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

f) Cash and cash equivalents
Cash comprises of cash at bank. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**3. Significant Accounting Policies (continued)**

g) Foreign currency translation

*Functional and presentation currency*

The Company's Ordinary Shares are denominated in Sterling and are traded on AIM in Sterling. The primary activity of the Company is detailed in the Investing Policy on page 2. The performance of the Company is measured and reported to the investors in Sterling and the majority of the expenses incurred by the Company are in Sterling. Consequently, the Board of Directors considers that Sterling is the currency that most faithfully represents the effects of the underlying transactions, events and conditions. The financial statements are presented in Sterling, which is the Company's functional and presentation currency. All amounts are rounded to the nearest thousand.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using rates approximating to the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised through the Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities, such as financial assets designated at fair value through profit or loss, are recognised through the Statement of Comprehensive Income within the net unrealised change in fair value of investments.

h) Net assets per share

The net assets per Ordinary Share disclosed on the face of the Statement of Financial Position is calculated by dividing the net assets of the Company as at the year-end by the number of Ordinary Shares in issue at the year end.

i) Earnings per share

*Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements, if any, in ordinary shares issued during the year and excluding treasury shares.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares;
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

j) Transaction costs

Transaction costs are the incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument. Transaction costs are legal and professional fees incurred to structure a deal to acquire the investments designated as financial assets at fair value through profit or loss. They include the upfront fees and commissions paid to agents, advisers, brokers and dealers and due diligence fees.

k) Equity

Ordinary shares are classified as equity. Where the Company purchases its own equity share (e.g. as the result of a share buy-back), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. The Company will present any Treasury shares acquired in the Statement of Changes in Equity as a deduction from ordinary shares.

**3. Significant Accounting Policies (continued)**

*Employee Share Option Reserve*

Employee share options are valued when they are granted using the current accounting standard's fair value technique. However, the value of the options may be calculated at the conclusion of the vesting period or when they are exercised.

*Other Distributable Reserve*

The Company's cumulative profits and losses are known as distributable reserves. From time to time, the Company may transfer any sum that it considers to be realised to the distributable reserve (for example, if ordinary shares are sold for more than their par value, the excess will be moved to other distributable reserves).

m) Going concern

After making reasonable enquiries, and assessing all data relating to the Company’s liquidity, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Directors note that the Company has sufficient cash and cash equivalent resources to meet its obligations for at least one year after the approval of these financial statements.

**4. Critical Accounting Estimates and Judgements**

The preparation of financial statements in conformity with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The Directors believe that the underlying assumptions are appropriate and that the financial statements are fairly presented. 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 outlined below:

*Judgements*

<u>Assessment as an investment entity</u>

In determining the Company meeting the definition of an investment entity in accordance with IFRS 10, it has considered the following:

- the Company has raised the commitments from a number of investors in order to raise capital to invest and to provide investor management services with respect to these private equity investments;
- the Company intends to generate capital and income returns from its investments which will, in turn, be distributed to the
- the Company evaluates its investment performance on a fair value basis, in accordance with the policies set out in these financial statements.

**4. Critical Accounting Estimates and Judgements (continued)**

Although the Company met all three defining criteria, management has also assessed the business purpose of the Company, the investment strategies for the private equity investments, the nature of any earnings from the private equity investments and the fair value model. Management made this assessment in order to determine whether any additional areas of judgement exist with respect to the typical characteristics of an investment entity versus those of the Company. Management have therefore concluded that from the assessments made, the Company meets the criteria of an investment entity within IFRS 10.

Part of the assessment in relation to meeting the business purpose aspects of the IFRS 10 criteria also requires consideration of exit strategies. Given that the Company does not intend to hold investments indefinitely, management have determined that the Company's investment plans support its business purpose as an investment entity.

The Board has also concluded that the Company meets the additional characteristics of an investment entity, in that: it holds more than one investment; the investments will predominantly be in the form of equities, derivatives and similar securities; it has more than one investor and the majority of its investors are not related parties.

*Estimates and assumptions*

Fair value of securities not quoted in an active market.

The Company may value positions by using its own models or commissioning valuation reports from professional third-party valuers. The models used in either case are based on valuation methods and techniques generally recognised as standard within the industry and in accordance with International Private Equity and Venture Capital Valuation (IPEV) Guidelines. The inputs into these models are primarily revenue or earnings multiples and discounted cash flows. The inputs in the revenue or earnings multiple models include observable data, such as the earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. In discounted cash flow models, unobservable inputs are the projected cash flows of the relevant portfolio company and the risk premium for liquidity and credit risk that are incorporated into the discount rate. In some instances, the cost of an investment is the best measure of fair value in the absence of further information. Models are calibrated by back-testing to actual results/exit prices achieved to ensure that outputs are reliable, where possible.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The sensitivity to unobservable inputs is based on management's expectation of reasonable possible shifts in these inputs, taking into consideration historical volatility and estimations of future market movements.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Valuation of Options

The fair values of the Options are measured using the Black-Scholes model, for those options with non-market vesting conditions, and a Monte Carlo Simulation model for those Options with market related vesting conditions.

The key estimates and assumptions which are used as inputs in these valuation models are as follows;

- any market vesting conditions;
- the expected vesting period;
- the term of the options;
- the expected volatility of the Company's share price as at grant date;

**4. Critical Accounting Estimates and Judgements (continued)**

- the risk-free rate of return available at grant date;
- the Company's share price at grant date;
- the expected dividends on the Company's shares over the expected term of the options; and
- the exercise (strike) price of the options.

For those Options which did not vest immediately on issue, non- market vesting conditions, the expected vesting period of the options is estimated to be 5 years from the grant date. 5 years is deemed to be a realistic timeframe in which the performance conditions can be expected to be achieved.

However, the options can be exercised (subject to market conditions being met where applicable) at any point after vesting and prior to the Option expiry date.

**5. Segmental Information**

In accordance with IFRS 8: Operating Segments, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board in order to assess each segment's performance and to allocate resources to them.

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board as a whole. The board is responsible for the Company's entire portfolio and considers the business to have a single operating segment. Asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis.

**6. Administration Fees**

Vistra Fund Services (Guernsey) Limited ("Vistra") was the Administrator of the Company until 26 November 2021 and was entitled to an administration fee of £56,265 per annum. The administrator was also entitled to an additional fee of £2,558 for each formal board meeting held and £10,230 per annum for Compliance oversight services.

In the year ended 31 March 2022, a total of £57,811 (2021: £77,000) was charged to the Statement of Comprehensive Income for Vistra, of which £0 was payable at the financial reporting date (2021: £11,000).

Effective 27 November 2021 Obsidian Fund Services Limited ("Obsidian") was appointed Administrator of the Company. Obsidian is entitled to as administration fee of £40,000 per annum with an additional fee of £500 per Board or Committee meeting above the eight meetings covered by the administration fee.

The Administrator is also entitled to recover by way of reimbursement from the Company, transaction costs associated with the provision of specific services and reasonable out-of-pocket expenses incurred in the performance of its services to include any of the Administrator's approved services.

In the year ended 31 March 2022, a total of £13,787 (2021: Nil) was charged to the Statement of Comprehensive Income for Obsidian, of which £3,333 (2021: Nil) was payable at the financial reporting date.

**7. Director's Remuneration**

The Board agreed the following compensation packages for the Directors of the Company.

- Ian Burns is entitled to an annual remuneration of £36,000 (2021: £36,000).
- Ed McDermott is entitled to an annual remuneration of £161,760 (2021: £92,908). The Company has also granted Mr McDermott Options over 1,000,000 ordinary shares at 19 pence per share and further Options over 1,000,000 ordinary shares at 25 pence per share. Terms of the Options are explained below.
- Lance De Jersey is entitled to an annual remuneration of £106,000 (2021: £80,000).
- Luke Cairns is entitled to an annual remuneration of £36,000 (2021: £36,000).

Additional information on Directors' Remuneration is noted in related parties. Refer to note 18.

Following the approval to grant Options, the number of share options held by each Director at 31 March 2022 was as follows:

| | Date Granted | Options issued | % of issued shares on fully diluted basis | Exercise price (pence) | Weighted average contractual remaining life |
|---|---|---|---|---|---|
| Ed McDermott | 13 February 2018 | 1,000,000 | 0.47% | 19 | 1 |
| Ed McDermott | 13 February 2018 | 1,000,000 | 0.47% | 25 | 1 |
| | | 2,000,000 | 0.94% | | |

On the grant of the Options to Mr McDermott 33% of the Options vested immediately, 33% of the Options vested after 12 months and the balance of 34% shall vest after 24 months, subject to the weighted average price of the Company's Ordinary Shares rising above 35 pence for ten consecutive trading days.

The vesting terms have not yet been achieved for any of the options which did not vest immediately.

Subject to vesting (which is accelerated in the event of a change of control), the Options may only be exercised while the party remains, or in the three month period after they cease to be, an "eligible employee" of the Company (as such term is defined in the Option Agreements) and within a five year term from the date of grant. The Options may be exercised on a cash-less basis subject to agreement of the Board at such time.

No Options were exercised during the year as at no point during the year did the share price of the Company exceed the Exercise price of any of the Options which had vested.

*Share Option measurement of fair value*

For those Options with market related vesting conditions, the fair value is determined using the Monte Carlo simulation model at the grant date. The fair value of Options issued with non-market vesting conditions has been calculated using the Black Scholes model. Services and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value as explained in note 3(d) and 4.

**7. Director's Remuneration (continued)**

In addition, the model inputs used in the measurement of the fair values at grant dates were as follows:

| | **Grant date 13 February 2018** | **Grant date 13 February 2018** |
|---|---|---|
| Weighted Average Fair value | 12.35 pence | 11.82 pence |
| Share price | 20.13 pence | 20.13 pence |
| Exercise price | 19 pence | 25 pence |
| Annualised expected volatility | 75.48% | 75.48% |
| Annual risk free interest rate | 1.17% | 1.17% |

The expected life of all options are 5 years from grant date and no dividends are expected to be paid. Expected volatility has been based on an evaluation of the historical volatility of the Company's share price. The total fair value of the share Options issued, as at the date of granting, is estimated to be £241,718.

**Year ended 31 March 2022**

| | Directors' Remuneration | Discretionary Bonus | Recognition of share based expense | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Ian Burns | 36 | - | - | 36 |
| Ed McDermott | 161 | 15 | 32 | 208 |
| Lance De Jersey | 110 | 15 | - | 125 |
| Luke Cairns | 36 | - | - | 36 |
| | 343 | 30 | 32 | 405 |

**Year ended 31 March 2021**

| | Directors' Remuneration | Discretionary Bonus | Recognition of share based expense | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Ian Burns | 36 | 14 | - | 50 |
| Lorne Abony | 16 | - | 15 | 31 |
| Ed McDermott | 91 | - | 32 | 123 |
| Lance De Jersey | 80 | - | - | 80 |
| Luke Cairns | 36 | 14 | - | 50 |
| Jim Mellon | (29) | - | - | - |
| | 230 | 28 | 47 | 334 |

**8. Other Expenses**

| | Year ended 31 March 2022 £'000 | Year ended 31 March 2021 £'000 |
|---|---|---|
| Regulatory and listing fees | 25 | 43 |
| Directors' and Officers' liability insurance | 3 | 5 |
| IT Costs | 19 | 2 |
| Consultancy fees | 57 | 44 |
| Wages & Salaries | 114 | - |
| Other expenses | 8 | 28 |
| | 226 | 122 |

**9. Tax effects of other comprehensive income**

The Income Tax Authority of Guernsey has granted the Company exemption from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) (Amendment) Ordinance, 2012 and the income of the Company may be distributed or accumulated without deduction of Guernsey income tax. Exemption under the above mentioned Ordinance entails payment by the Company of an annual fee of £1,200 for each year in which the exemption is claimed. It should be noted, however, that interest and dividend income accruing from the Company's investments may be subject to withholding tax in the country of origin.

There were no tax effects arising from the other comprehensive income disclosed in the Statement of Comprehensive Income (2021: £Nil).

**10. (Loss)/Earnings per Ordinary Share**

The loss per Ordinary Share of 2.12p (2021: profit per Ordinary Share of 3.74p) is based on the loss for the year of £4,510,294 (2021: profit £6,528,647) and on a weighted average number of 212,747,395 Ordinary Shares in issue during the year (2021: 174,590,793 Ordinary Shares).

The basic and diluted earnings per Ordinary Share were the same. The average share price of the Ordinary Shares during the year was below the exercise price of the Options (exercise prices of 19.00 pence, 20.00 pence and 25.00 pence) and Warrants (exercise price 12.75p). Therefore, as at 31 March 2022 neither the Options nor the Warrants had a dilutive effect.

**11. Dividends**

During the year ended 31 March 2022, no dividend was paid to shareholders (2021: £Nil). The Directors do not propose a final dividend for the year ended 31 March 2022 (2021: £Nil).

**12. Financial Assets designated at fair value through profit or loss**

| | 31 March 2022 | 31 March 2021 |
|---|---|---|
| | £'000 | £'000 |
| Fair value of investments brought forward | 23,280 | 13,372 |
| Purchases during the year | 5,777 | 3,736 |
| Proceeds from disposals during the year | (5,905) | (1,166) |
| Interest capitalised on convertible loan notes held | 104 | 31 |
| Realised (losses)/gains on disposals during the year | (1,951) | 443 |
| Net unrealised (loss)/gain on revaluation of investments | (1,781) | 6,864 |
| | **19,524** | **23,280** |

**13. Fair value of financial instruments**

IFRS 13 requires the Company to classify financial instruments at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

• Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the year-end date;
• Level 2 - Those involving inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
• Level 3 - Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The valuations used to determine fair values are validated and periodically reviewed by experienced personnel, in most cases this validation and review is undertaken by members of the Board, however professional third-party valuation firms are used for some valuations and the Company also has access to a network of industry experts by virtue of the personal networks of the directors and substantial shareholders. The valuations prepared by the Company or received from third parties are in accordance with the IPEV Guidelines. The valuations, when relevant, are based on a mixture of:
• Market approach (utilising EBITDA or Revenue multiples, industry value benchmarks and available market prices approaches);
• Income approach (utilising Discounted Cash Flow, Replacement Cost and Net Asset approaches);
• Price of a recent transaction when transaction price/cost is considered indicative of fair value; and
• Proposed sale price.

As at 31 March 2022, 3 investments were valued as Level 1 investments within the fair value hierarchy, with the value being taken from the published bid price available as at that date (2021: 3 investments).

**13. Fair value of financial instruments (continued)**

The remaining eight investments were included within the Level 3 category and subject to a Level 3 valuation approach. Of these eight positions, one was valued by way of third-party valuation reports. (2021: Two of the seven Level 3 positions were valued by third party valuers). By value, 40% of the portfolio value was ascertained by way of such third party valuations (2021: 38%).

Whilst it is not intended that third party valuations will be commissioned for every investee company subject to Level 3 classification for each valuation point, the Board of the Company will continue to commission reports where deemed preferable.

Where investments are considered to be Level 3 investments for valuation purposes, it is required under IFRS 13 that information be provided about the significant unobservable inputs used in the fair value measurement. In the case of the Company a balance is necessary in providing commentary on such inputs, whilst at the same time not disclosing information about these private companies which they have indicated cannot be published (primarily for competitive reasons). The table below provides a summary of the valuations subject to unobservable inputs across the Company's investment portfolio, split by valuation methodology and an indicative aggregate value of the effect of either a more positive or negative valuation approach, without publication of specific metrics which could be identified as relating to any one investee company.

| **Valuation Basis** | **Aggregate Valuation** | **Unobservable input** | **Range** | **(input)** | **Sensitivity** | **Effect on fair value** | |
|---|---|---|---|---|---|---|---|
| | **£'000** | | | | | **£'000** | **£'000** |
| Third-party valuation report | 8,322 | 75th percentile next twelve months revenue multiple of comparable guideline public companies | 1.0x - 13.8x | (5.2x) | -0.5x / +0.5x | (224) | 224 |
| | | Discounted cash flows: Discount rate | n/a | (-44.1%) | -5% / 5% | 695 | (555) |
| Price of recent transaction (deal | 7,199 | | | | | | |
| Cost | 1,371 | | | | -15% / 15% | (206) | 206 |
| Quoted price | 2,632 | | | | | | |
| **Total** | 19,524 | | | | | | |

A reconciliation of the opening and closing balances of assets designated at fair value through profit or loss classified as Level 1 is shown below:

| | **31 March 2022** | **31 March 2021** |
|---|---|---|
| | £'000 | £'000 |
| Fair value of investments brought forward | 5,455 | 946 |
| Purchases during the year | 1,922 | 1,883 |
| Transfer from Level 3 to Level 1 | - | 50 |
| Disposals proceeds during the year | (529) | (1,166) |
| Realised gains/(losses) on disposals | 384 | 443 |
| Net unrealised change in fair value | (4,600) | 3,299 |
| Fair value of investments carried forward | 2,632 | 5,455 |

A reconciliation of the opening and closing balances of assets designated at fair value through profit or loss classified as Level 3 is shown below:

| | **31 March 2022** | **31 March 2021** |
|---|---|---|
| | £'000 | £'000 |
| Fair value of investments brought forward | 17,825 | 12,426 |
| Purchases during the year | 3,855 | 1,853 |
| Transfer from Level 3 to Level 1 | - | (50) |
| Disposals proceeds during the year | (5,376) | - |
| Capitalised interest on loan | 104 | 31 |
| Realised gains/(losses) on disposals | (2,335) | - |
| Net unrealised change in fair value | 2,819 | 3,565 |
| Fair value of investments carried forward | 16,892 | 17,825 |

| | **31 March 2022** | **31 March 2021** |
|---|---|---|
| | £'000 | £'000 |
| Level 1 | 2,632 | 5,455 |
| Level 2 | - | - |
| Level 3 | 16,892 | 17,825 |
| Total | 19,524 | 23,280 |

**14. Other receivables**

| | **2022** | **2021** |
|---|---|---|
| | £'000 | £'000 |
| Prepaid expenses | 56 | 49 |
| Other receivables | 1 | 4 |
| | 57 | 53 |

**15. Payables and accruals**

| | **2022** | **2021** |
|---|---|---|
| | £'000 | £'000 |
| Administration fees | 3 | 11 |
| Audit fees | 29 | 28 |
| Legal & professional fees | 1 | 24 |
| Other accrued expenses | 9 | 6 |
| | 42 | 69 |

**16. Share Capital, Warrants, Options, Treasury shares and Other distributable reserves**

| | | 31 March 2022 | 31 March 2021 |
|---|---|---|---|
| *Authorised:* | | £'000 | £'000 |
| 1,910,000,000 Ordinary Shares of 1p (2021: 1,910,000,000 Ordinary Shares) | | 19,100 | 19,100 |
| 100,000,000 Deferred Shares of 0.9p (2021: 100,000,000 Deferred Shares) | | 900 | 900 |
| | | 20,000 | 20,000 |
| *Allotted, called up and fully paid:* | | | |
| 212,747,395 Ordinary Shares of 1p (2021: 161,500,105 Ordinary Shares) | (i) | 2,127 | 2,127 |
| Nil Deferred Shares of 0.9p (2021: Nil) | (ii) | - | - |
| *Share options* | (iii) | 2,000,000 | 2,000,000 |
| *Warrants* | (vi) | 24,117,762 | 24,117,762 |
| *Treasury Shares:* | | | |
| 2,472,446 Treasury Shares of 1p (2021: 2,472,446) | (v) | 25 | 25 |

(i) Ordinary Shares
During the year the Company did not issue new Ordinary Shares.

(ii) Deferred Shares
There were no changes to the number of deferred shares during the year.

(iii) Options
Share options relate to Ed McDermott. Refer to note 18 for additional information.

(iv) Directors' Authority to Allot Shares
The Directors are generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities. The Directors may determine up to a maximum aggregate nominal amount of 100% of the issued share capital during the period until the following Annual General Meeting. The Guernsey Companies Law does not limit the power of Directors to issue shares or impose any pre-emption rights on the issue of new shares.

(v) Shares held in Treasury
There were no changes to the number of Shares held in Treasury during the year.

(vi) Warrants
There were no changes to the number of Warrants during the year.

**16. Share Capital, Warrants, Options, Treasury shares and Other distributable reserves (continued)**

(vii) Other Distributable Reserves

| | **2022** | **2021** |
|---|---|---|
| | £'000 | £'000 |
| Opening balance as at 01 April | 22,632 | 10,730 |
| Total comprehensive profit/(loss) for the year | (4,510) | 6,298 |
| Premium on ordinary shares issued | - | 3,844 |
| Transfer of deferred shares | - | 630 |
| Transfer of value of lapsed options | - | 1,130 |
| Closing Balance as t 31 march | 18,122 | 22,632 |

**17. Net Assets per Ordinary Share**

*Basic and diluted*
The basic and diluted net asset value per Ordinary Share is based on the net assets attributable to equity shareholders of £20,461,000 (2021: £24,939,000) and on 212,747,395 Ordinary Shares (2021: 212,747,395 Ordinary Shares) in issue at the end of the year. The share price of the Ordinary Shares at 31 March 2022 of 4.63 pence (2021: 8.30 pence) was below the exercise price of any of the Options (lowest exercise price of 19.00 pence) or Warrants (12.75 pence). Therefore, as at 31 March 2022 neither the Options nor the Warrants had a dilutive effect.

**18. Related Parties**

(i) Directors' remuneration
The Directors' remuneration for the year ended 31 March 2022 is disclosed in note 7. The Directors consider that there is no immediate or ultimate controlling party.

*Ian Burns*

Mr Burns, Non-Executive Chairman of the Company, is the legal and beneficial owner of Smoke Rise Holdings Limited, which held 1,374,024 (2021: 1,374,024) Ordinary Shares in the Company at 31 March 2022 and at the date of signing this report.

Mr Burns received an annual remuneration of £36,000 (2021: £36,000) with no discretionary bonus for the year (2021: £14,000). There was no payable at the financial reporting date (2021: nil).

*Ed McDermott*

Ed McDermott is entitled to an annual remuneration of £160,000 effective 1 April 2021. The Company has also granted Mr McDermott Options over 1,000,000 Ordinary shares at 19 pence per share and further Options over 1,000,000 Ordinary shares at 25 pence per share.

Mr McDermott received annual remuneration of £175,440 (2021: £90,673) which included pension contributions of 1.1% of salary and discretionary bonus of £15,000 (2021: Nil). There was no payable at the financial reporting date (2021: nil).

*Lance De Jersey*

Mr De Jersey, Finance Director of the Company held 400,000 ordinary shares in the Company as at 31 March 2022 and at the date of signing of this report.

**18. Related Parties (continued)**

Mr De Jersey received annual remuneration of £125,107 (2021: £80,000) which included a discretionary bonus of £15,000 (2021: Nil). There was no payable at the financial reporting date (2021: nil).

*Luke Cairns*

Mr Cairns, Non-Executive Director of the Company is entitled to annual remuneration of £36,000 per annum, effective from the date of his appointment on 3 January 2020.

Mr Cairns received annual remuneration of £36,000 (2021: £36,000) with no discretionary bonus (2021: £14,000). There was no payable at the financial reporting date. (2021: nil).

(ii) Administrator of the Company

Vistra Fund Services (Guernsey) Limited (“Vistra”) was the Administrator of the Company until 26 November 2021 and was entitled to an administration fee of £56,265 per annum. The administrator was also entitled to an additional fee of £2,558 for each formal board meeting held and £10,230 per annum for Compliance oversight services.

In the year ended 31 March 2022, a total of £57,811 (2021: £77,000) was charged to the Statement of Comprehensive Income for Vistra, of which £0 was payable at the financial reporting date (2021: £11,000).

Effective 27 November 2021 Obsidian Fund Services Limited ("Obsidian") was appointed Administrator of the Company. Obsidian is entitled to as administration fee of £40,000 per annum with an additional fee of £500 per Board or Committee meeting above the eight meetings covered by the administration fee.

In the year ended 31 March 2022, a total of £13,787 (2021: Nil) was charged to the Statement of Comprehensive Income for Obsidian, of which £3,333 (2021: Nil) was payable at the financial reporting date.

**19. Financial Risk Management**

The main risks arising from the Company’s financial instruments are credit risk, liquidity risk and market risk, and are set out below, together with the policies currently applied by the Board for their management. Market risk comprises three types of financial risk, being interest rate risk, currency risk and other price risk, being the risk that the fair value or future cash flows will fluctuate because of changes in market prices other than from interest rate and currency risks.

*Treasury policies*
The objective of the Company’s treasury policies is to manage the Company’s financial risk, secure cost effective funding for the Company’s operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Company’s financial assets and liabilities on reported profitability and on cash flows of the Company.

The Company finances its activities with cash, short-term deposits with maturities of three months or less and market traded securities. Other financial assets and liabilities, such as receivables and payables, arise directly from the Company’s operating activities. Derivative instruments may be used to change the economic characteristics of financial instruments in accordance with the Company’s treasury policies.

The financial assets and liabilities of the Company were:

| | **31 March 2022** | **31 March 2021** |
|---|---|---|
| | £'000 | £'000 |
| *Financial assets at fair value through profit or loss* | | |
| Investments | **19,524** | **23,280** |

**19. Financial Risk Management (continued)**

| | | |
|---|---|---|
| *Financial assets at amortised cost* | | |
| Other receivables | 1 | 4 |
| Cash and cash equivalents | 922 | 1,675 |
| | **923** | **1,679** |
| | | |
| *Financial liabilities at amortised cost* | | |
| Other payables | **42** | **69** |

Prepayments of £56,000 (31 March 2021: £49,000) have been excluded from financial assets.

**Credit risk**

The Company takes on exposure to credit risk, which is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation.

The Company's credit risk is primarily attributable to its cash and cash equivalents, other receivables, short term loans and convertible loan notes to investees. In order to mitigate credit risk, the Company seeks to trade only with reputable counterparties that the management believe to be creditworthy.

The credit risk on cash and cash equivalents is limited by using banks with high credit ratings assigned by international credit-rating agencies. At the year end, an amount of cash and cash equivalents of £1,059,340 was placed with HSBC Bank plc (2021: £1,571,000). The Moody's counterparty risk rating for HSBC Bank plc was Aa3 as at 31 March 2022. Cash and cash equivalent of £611 (2021: £2,108) was held the Company's broker PI Financial Corp. Further an amount of cash and cash equivalent of £ 12,139 (2021: £102,041) was held by Optiva Securities Limited which is authorised and regulated by the United Kingdom Financial Conduct Authority and are Members of the London Stock Exchange.

Furthermore, the Company holds debt instruments - convertible loan notes of £2,009,157.11 which are classified as financial assets designated at fair value through profit and loss. The Company's credit risk is monitored from time to time by the Board and no debt instruments are considered past due nor impaired.

The Company's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. For the majority of transactions, the Company mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes by the Board.

The investment in these debt instruments is considered to be of an equal risk to the equity investments held in other Level 3 investments as disclosed in Note 13.

**Liquidity risk**

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Company invests in private equities, which, by their very nature, are illiquid. The Company incurs a range of fixed expenses for which it can budget.

As such it can appropriately plan as to how to maintain a sufficient cash balances to meet its working capital requirements.

Should it be identified that additional cash resources are required, the Company would propose to issue further equity to the market or to sell part of the investment(s) held in market traded securities.

**19. Financial Risk Management (continued)**

The contractual undiscounted cash flows of the Company's financial liabilities, which are equal to the fair value of the Company's financial liabilities, comprise of payable within one year to the sum of £42,000 (2021: £69,000). The Company has no contractual commitment to invest further in any of its existing investments.

**Market risk**

**(i) Price risk**

The Company's private equity investments are susceptible to price risk arising from uncertainties about future values of the private equity investments or derivative financial instruments. This price risk is the risk that the fair value or future cash flows will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual investment or financial instrument or its holder or factors affecting all similar financial instruments or investments traded in the market, if any. Investments that are exposed to price risk are disclosed under level 1 in note 13.

Given the higher levels of market volatility in the current year, the Directors consider 30% (2021: 15%) best represents the margin of price risk associated with the Company risk. A 30% (2021: 15%) increase/decrease in the fair value of investments would result in a £788,790 (2021: £817,945.4) increase/decrease in the net asset value.

The remaining eight investments were included within the Level 3 category and subject to a Level 3 valuation approach. Of these eight positions, one was valued by way of third-party valuation reports. (2021: Four of the seven Level 3 positions were valued by third party valuers). By value, 40% of the portfolio value was ascertained by way of such third party valuations (2021: 38%).

**ii) Currency risk**

The Company regularly holds assets (both monetary and non-monetary) denominated in currencies other than the functional currency (Sterling). It is therefore exposed to currency risk, as the value of the financial instruments denominated in other currencies will fluctuate due to changes in exchange rates.

Foreign currency risk, as defined in IFRS 7, arises as the values of recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk, not foreign currency risk. The Company monitors the exposure on all foreign-currency-denominated assets and liabilities.

The Company monitors its exposure to foreign exchange rates and, where exposure is considered significant, appropriate measures would be adopted to minimise these exposures. The proportion of the net financial assets of the Company were denominated in currencies other than Sterling as follows:

| | **31 March 2022** | **31 March 2021** |
|---|---|---|
| | £'000 | £'000 |
| US Dollar | | |
| Cash and cash equivalents | 886 | 315 |
| Financial asssets at fair value through profit and loss | 8,100 | 9,722 |
| | | |
| *Euro* | | |
| Financial asssets at fair value through profit and loss | 7,675 | 3,604 |
| | | |
| Canadian dollar | | |
| Financial asssets at fair value through profit and loss | 351 | 3,234 |

**19. Financial Risk Management (continued)**

| | | |
|---|---|---|
| Australian Dollar | | |
| Financial asssets at fair value through profit and loss | 2,028 | 831 |
| Net currency exposure | 19,040 | 17,706 |

At 31 March 2022, if the exchange rate of the US Dollar had strengthened/weakened by 10% against the Sterling, with all other variables remaining constant, the increase/(decrease) in the profit for the year would amount to +/- £898,550 (2021: +/- £170,400).

At 31 March 2022, if the exchange rate of the Canadian Dollar had strengthened/weakened by 10% against the Sterling, with all other variables remaining constant, the increase/(decrease) in the profit for the year would amount to +/- £35,090 (2021: +/- £323,400).

At 31 March 2022, if the exchange rate of the Australian Dollar had strengthened/weakened by 10% against the Sterling, with all other variables remaining constant, the increase/(decrease) in the profit for the year would amount to +/- £202,780 (2021: £83,100).

**iii) Interest rate risk**

The Company currently funds its operations through the use of equity. Cash at bank, the majority of which was in US Dollars at the year end, is held at variable rates. At the year end, the Company's financial liabilities did not suffer interest and thus were not subject to any interest rate risk. It is unlikely that interest rates would decrease by as much as 1% as they are currently less than 1%. Any decrease in the interest rate to a minimum of 0% would have an insignificant impact on the interest income received by the Company.

**20. Capital Management Policy and Procedures**

The Company's capital structure is derived solely from the issue of Ordinary Shares.

The Company does not currently intend to fund any investments through debt or other borrowings but may do so if appropriate. Investments in early stage assets are expected to be mainly in the form of equity, with debt potentially being raised later to fund the development of such assets. Investments in later stage assets are more likely to include an element of debt to equity gearing. The Company may also offer new Ordinary Shares as consideration as well as cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies including, for example, delays in collecting accounts receivable, unexpected changes in the economic environment and operational problems.

The Board monitors and reviews the structure of the Company's capital on an ad hoc basis. This review includes:

- The need to obtain funds for new investments, as and when they arise;
- The current and future levels of gearing;
- The need to buy back Ordinary Shares for cancellation or to be held in treasury, which takes account of the difference between the net asset value per Ordinary Share and the Ordinary Share price;
- The current and future dividend policy; and
- The current and future return of capital policy.

The Company is not subject to any externally imposed capital requirements.

## 21. Events after the Financial Reporting Date

On 8 June 2022, the Company announced it has provided a Term Loan of up to €250,000 to portfolio company Fralis LLC, trading as Leap Gaming ('Leap'). The Company and Leap have agreed that the Term Loan will be drawn down in tranches, with the first tranche of €100,000 drawn down initially. A second tranche was paid on 5 July 2022. Further drawdowns of the Term Loan may be drawn in one or more tranches with the agreement of SEED. The Term Loan will be used for working capital purposes as Leap advances towards a liquidity event by way of either an initial public offer of its shares or reverse takeover transaction, anticipated in late 2022. The Term Loan will be payable on completion of certain conditions precedent, including the payment of a €10,000 arrangement fee by Leap to SEED, which are expected to be satisfied imminently. SEED has a total amount of approximately £4.7 million invested in Leap as at the last balance sheet date (comprised of circa £633,000 (€733,000) by way of convertible loan notes and £4.07 million in equity), representing approximately 43.75% of Leap (on a fully diluted basis).

On 21 June 2022, the Company signed a Loan Extension Agreement with South West Brands Limited to extend the maturity date of the existing Convertible Loan Note for the sum of £50,000 from the original maturity date of 23 June 2022 to 23 September 2022.