



NetScientific plc
("NetScientific" or the "Company" or the "Group")

Interim Results for the six months ended 30 June 2020

London, UK - 24 September 2020: NetScientific Plc (AIM: NSCI), today announces its interim results for the six months ended 30 June 2020. NetScientific is concentrating its strategy and commercial management on life sciences and technology companies, leveraging trans-Atlantic relationships and global opportunities to deliver shareholder value.

Highlights

- Strategy review completed, showing strong underlying asset value and significant potential.
- Post period end, successful all paper acquisition of EMV Capital expanded the NSCI portfolio to 15 companies with additional resources and capabilities strengthening the basis for future growth.
- New and existing shareholders subscribed £2.3m in a placing.
- New Chairman, CEO, CFO with pro-active management team in place for 2020.
- COVID-19 has had some short-term impact on revenue in ProAxis and clinical trials timing for PDS and Glycotest, but the impact has been limited by Government support and management actions. Also, NetScientific and several of its portfolio companies are seeing new sustainable opportunities in healthcare.
- Reduced loss after tax of £1,277k (H1 2019: loss £3,509k) reflecting improved trading and cost control by the portfolio companies.
- Group cash resources at 30 June 2020 of £1,933k (H1 2019: £2,502k; H2 2019: £3,453k) and Group cash resources at 31 August 2020 were £3,077k and of this Plc cash stands at £1,571k.

Portfolio Highlights

ProAxis

- Cumulative revenue to March 2020 pre COVID-19 pandemic was ahead of budget and prior year continuing the trend from 2019.
- Short term COVID-19 impact on revenue in first half, but mitigated by support schemes and grant funded developments, and now progressing significant opportunities. Four grants won in the first half of the year worth a total of £430k.
- Agreed and signed heads of terms and in advanced negotiations to buy out Qubis and the founders, after which NetScientific will hold 95% of ProAxis' fully diluted share capital increased from 54.0%.
- Increased investment in infrastructure and production capacity to deliver future growth.

Glycotest

- Review and Increased focus by new NetScientific team on the business and operational performance has produced substantial cost savings, more effective management and improved efficiency.
- Implemented cash preservation plan during March 2020 as all sites halted clinical trials due to COVID-19 pandemic.
- Good progress made to date on the clinical trial, with most sites now reopen and the COVID-related delay now caught-up.
- Larry Cohen CEO announced planned retirement during H1 2020 after five years of service. Charles Swindell COO has taken over the running of the business.
- Dr. Ilian Iliev joined the Board (taking over from Ian Postlethwaite, formerly a Director of the Company).
- NetScientific holds approximately 51.5% of Glycotest's fully diluted share capital. Shanghai Fosun Pharmaceutical Co., Limited, currently owns 28.6%, which upon receipt of Tranches 3 and 4 will increase to 40.0%.

PDS Biotechnology

- In the first half of the year due to COVID-19, PDS suffered delays in its clinical program. However, since then the Company has made significant progress across both its immuno-oncology and infectious disease programs, including the launch of two phase 2 clinical trials, with the National Cancer Institute and the MD Anderson Cancer Center, and a COVID-19 vaccine program.
- Strong market interest allowed the company to raise \$32m during 2020 in two funding rounds in volatile market conditions, positioning the company well for execution of its business plan.
- NetScientific participated in both rounds to a total of £1.0m, protecting its stake and providing crucial anchor support for PDS.
- NetScientific now holds approximately 5.76% of PDS's fully diluted share capital and Dr. Ilian Iliev was appointed to the Board of PDS.

Venture Portfolio

- 23 January 2020 Epibone, Inc. raised a \$8.0 million series seed round, at which point NetScientific converted a convertible loan note of \$250k plus interest into an equity investment valued at \$417k/£337k. NetScientific holds 0.8% of Epibone's fully diluted share capital.
- 21 May 2020 G-Tech Medical, Inc. raised \$6.7 million series A financing round led by DigiTx Partners, at which point NetScientific converted a previously fully impaired convertible loan of \$250k plus interest into an equity investment and convertibles valued in total at \$532k/£431k. NetScientific holds 3.8% of G-Tech's fully diluted share capital.
- We are continuing to explore opportunities with other Venture Portfolio companies.

EMV Capital portfolio

- Through the acquisition of EMV Capital, NetScientific has expanded its portfolio by a further 8 companies where EMV Capital has a carried interest.
- As set out in the Circular, EMV Capital acquired the following portfolio:

Portfolio company	Sector and description (further detail set out below)	Carried interest arrangements (CIA) or profits share (PS) with investors	Capital Under Advisory
Sofant Technologies Ltd	Semiconductors—Satellite and 5G wireless communications	17-20% (CIA)	£2.3m
Q-Bot Limited	Building automation—Robotics & artificial intelligence ("AI")	10-20% (CIA)	£2.0m
SageTech Medical Equipment Limited	Chemistry & medical technology—Halocarbon capture	20% (CIA)	Confidential
Nanotech Industrial Solutions, Inc.	Material science and chemistry	15% (CIA)	\$1.0m
PointGrab, Inc.	Building automation—Robotics & AI	15% (CIA)	£3.3m
Wanda Health, Inc.	AI & medical technology—Digital health platform	20% (PS)	\$1.4m
Vortex Biosciences, Inc.	Medical technology—Oncology diagnostics	20% (PS)	\$3.4m
Insight Photonic Solutions, Inc.	Semiconductors—Akinetic Swept Source Laser	20% (PS)	Warrants for \$1.25m



- These portfolio companies provide NetScientific with a more diversified range of opportunities, additional revenue and capital returns.
- On 12 August 2020 led by EMV Capital, Sofant Technologies Limited secured £2.3m in an oversubscribed funding round. This transaction increases assets under advisory by EMV Capital in Sofant by a further £1.6m.

Ilian Iliev, CEO of NetScientific, said:

“The half-year results show continued progress in NetScientific’s operational and portfolio performance. Together with the acquisition of EMV Capital and the £2.3m placing, NetScientific now has a broader portfolio, increased opportunities, and enhanced capabilities, so the company is well positioned to increase shareholder value and to deliver continued growth.”

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

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About NetScientific Plc

NetScientific is a life sciences and technology company, leveraging the trans-Atlantic relationships and global opportunities to deliver shareholder value.

For more information, please visit the website at www.netscientific.net

JOINT CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REVIEW

Following a challenging period, including Board changes, the current directors of the company undertook a strategic review of the group and its portfolio. As a result, NetScientific is concentrating its strategy and commercial management on life sciences and technology companies, leveraging the trans-Atlantic relationships and global opportunities to deliver shareholder value.

The Directors concluded that there is a strong underlying asset value, with significant potential to enhance Shareholder value in each of the portfolio companies by changing from the previous more passive approach to a more proactive management of the portfolio. This involves a greater focus on execution, improved controls and more efficient procedures, combined with judicious investment by the Company. Where possible this balance sheet investment is supplemented by external funding, utilising "soft money" such as grants, tax credits and collaborations, and where available non-dilutive debt to leverage third-party equity.

This revised strategy, in the opinion of the Directors, protects the Company and shareholder value, mitigates risks and allows the portfolio companies to work through the current impact on markets and in certain cases take advantage of the new opportunities arising from COVID-19.

The acquisition of EMV Capital in August provides NetScientific with additional capabilities and resources to implement this strategy. The Directors believe that as a result the Group benefits from a larger portfolio with varying time horizons and stages of development, and a broader base than the previous healthcare portfolio. In addition, following NetScientific's earlier focus on minimising costs and overheads, after the placing and acquisition of EMVC, the company has greater expertise and resource, to implement the new strategy.

COVID-19

On 30 January 2020 the World Health Organisation declared that coronavirus disease 2019 "COVID-19" outbreak was a global health emergency. As a result, the Group and portfolio companies did experience disruption to operations due to COVID-19. pandemic. Inevitably it had some short-term impact, with a decrease in revenue, tighter cash flow and delays to clinical trials, but this was limited by Government support, successful grant awards and management actions. The effect is reflected in the consolidated financial statements for the six months ended 30 June 2020.

The carrying value of the Group assets have been assessed in light of the COVID-19 pandemic and the long-term impacts that this will have on the investments of the Group. Overall, we believe that the Healthcare sector is in a strong position and it was not seen as necessary to impair the carrying value of any assets further. We are closely monitoring and managing the events, and will take further actions if required, as the situation continues to evolve. Cash planning and management is in place for all businesses, which have been stress tested based on a number of scenarios. Importantly as a result of the pandemic, NetScientific and several of its portfolio companies are seeing new sustainable opportunities, offering significant potential for future growth.

JOINT CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020



Finance

For the period, the Group made a loss of £1,277k (H1 2019: £3,509k), split between continuing and discontinued operations as follows:

-	Continuing operations	£1,277k (H1 2019: £2,192k)
-	Discontinued operations	£Nil (H1 2018: £1,317k)

Trading to the end of Feb 2020 was ahead of prior year by 153% for the same period and in line with budget, but the half year revenue is slightly lower at £136k (H1 2019: £158k) due to the impact of COVID-19

Other operating income of £568k (H1 2019: £15k) relates to the change in fair value of financial assets classified as "fair value through profit and loss" (FVTPL) on conversion of convertible loan notes in Epibone and G-Tech of £485k (H1 2019: £Nil), writeback of estimated credit losses on trade receivables of £56k and ProAxis grant income of £26k (H1 2019: £15k).

Research and development costs of £736k (H1 2019: £859k) were lower in the first half as Glycotest slowed on clinical trials and the initiation of its development program during Q2 2020.

Selling and administrative costs of £1,044k (H1 2019: £1,326k) were lower due to central office cost savings.

Included in other costs are merger and acquisition costs of £198k (H1 2019: £160k) for transaction fees incurred on the acquisition of EMV Capital. Also included are share option costs of £9k (H1 2019: £35k).

The Group ended the period with net assets of £4,110k a decrease from the position at 31 December 2019 of £5,105k. This is explained by the loss in the period of £1,277k, offset by the positive movement in the equity investment reserve of £130k.

Cash at 30 June 2020 was £1,933k (H1 2019: £2,502k). Cash used in operations during the period was £1,179k (H1 2019: £3,109k). Post placing group cash resources at 31 August 2020 were £3,077k and Plc cash was £1,571k.

Equity investments held for sale and derivative financial instruments were fair valued and stood at £2,874k on 30 June 2020 (H1 2019: £3,192k). A decrease in value of £318k relates predominately to PDS Biotechnology, quoted on Nasdaq Capital Markets under the ticker "PDSB", a trade investment measured at fair value.

CytoVale, is not quoted on an active market and fair value has been established using inputs other than quoted prices that are observable; i.e. the price from an investment by a third party in December 2019.

JOINT CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020



Post the 30 June 2020 balance sheet date, Netscientific raised £2.3m in a placing (£2.0m net of costs). The funds are being used as follows:

- Protect and enhance position in portfolio companies
- Judicious investment in expanded opportunities
- Leverage NSCI funding to anchor investment syndication
- Expand/Add revenue, market & value
- Cash runway and contingency
- Positioning for further growth

Board changes

On the 31 March 2020, Sir Richard Sykes retired from the Board following nine years as Chairman. John Clarkson took over as the Chairman of the Board on 1 April 2020.

In addition, Ian Postlethwaite resigned from the Board on 30 April 2020 after four years of service. Effective 1 May 2020 Dr. Ilian Iliev, previously Non-Executive Director, became an Executive Director and CEO.

Summary and Outlook

Following the challenges experienced during the first half of 2020, the Group's is now making good progress. The Board believes that the portfolio companies continue to hold great potential, which the Directors intend to unlock for the benefit of shareholders.

To maximise the benefits of the acquisition of EMV Capital and the successful placing, the Directors are implementing plans for a smooth integration of the two businesses and pursuing a more pro-active commercial management of the enlarged portfolio, in accordance with the strategic plan.

In the opinion of the Directors, the combination of NetScientific and EMV Capital has the potential to deliver shareholder value, firstly, by maximising returns from existing portfolio companies through focused execution and thereafter through further targeted investments in existing and new opportunities.

A handwritten signature in black ink, appearing to read 'John Clarkson'.

John Clarkson
Non-Executive Director and Chairman

24 September 2020

Ilian Iliev
Chief Executive Officer

24 September 2019

**CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**



	Notes	Unaudited Six months ended 30 June 2020 £000's	Unaudited Six months ended 30 June 2019 £000's	Audited Year ended 31 December 2019 £000's
Revenue	3	136	158	735
Cost of sales		(4)	(14)	(117)
Gross profit		132	144	618
Other operating income		568	15	76
Research and development costs		(736)	(859)	(1,979)
Selling, general and administrative costs		(1,044)	(1,326)	(2,079)
Other costs	4	(207)	(195)	(269)
Loss from operations		(1,287)	(2,221)	(3,633)
Finance income		1	10	21
Finance expense		(21)	(12)	(22)
Loss before taxation		(1,307)	(2,223)	(3,634)
Income Tax		30	31	88
Loss for the period from continuing operations		(1,277)	(2,192)	(3,546)
Discontinued Operations				
Loss for the period from discontinued operations	7	-	(1,317)	(1,326)
Total loss for the period		(1,277)	(3,509)	(4,872)
Loss attributable to:				
Owners of the parent	5	(864)	(3,134)	(4,491)
Non-controlling interests		(413)	(375)	(381)
		(1,277)	(3,509)	(4,872)
Basic and diluted loss per share attributable to owners of the parent during the period:				
	5			
Continuing operations		(1.1p)	(2.4p)	(4.3p)
Discontinued operation		-	(1.4p)	(1.4p)
Total loss for the period		(1.1p)	(3.8p)	(5.7p)

The notes form part of these financial information

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020**



	Notes	Unaudited Six months ended 30 June 2020 £000's	Unaudited Six months ended 30 June 2019 £000's	Audited Year ended 31 December 2019 £000's
Loss for the period		(1,277)	(3,509)	(4,872)
Items that may be subsequently reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		143	(228)	(56)
Change in fair value of investments classified as fair value through other comprehensive income		130	118	(1,340)
Total comprehensive loss for the period		(1,004)	(3,619)	(6,268)
Attributable to:				
Owners of the parent		(633)	(3,306)	(5,891)
Non-controlling interests		(371)	(313)	(377)
		(1,004)	(3,619)	(6,268)

The notes form part of these financial information

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020



	Notes	Unaudited 30 June 2020 £000's	Unaudited 30 June 2019 £000's	Audited 31 December 2019 £000's
Assets				
Non-current assets				
Property, plant and equipment		128	150	128
Right-of-use assets	6	205	237	221
Equity investments classified as FVTOCI*	9	2,784	2,925	1,468
Derivative financial assets classified as FVTPL**	10	90	267	262
Total non-current assets		3,207	3,579	2,079
Current assets				
Inventories		51	51	30
Trade and other receivables		266	437	603
Cash and cash equivalents		1,933	2,502	3,453
Total current assets		2,250	2,990	4,086
Total assets		5,457	6,569	6,165
Liabilities				
Current liabilities				
Trade and other payables		(886)	(434)	(623)
Lease liabilities		(31)	(29)	(30)
Loans and borrowings		(150)	(147)	(163)
Total current liabilities		(1,067)	(610)	(816)
Non-current liabilities				
Lease liabilities		(180)	(211)	(194)
Loans and borrowings		(100)	(60)	(50)
Total non-current liabilities		(280)	(271)	(244)
Total liabilities		(1,347)	(881)	(1,060)
Net assets		4,110	5,688	5,105
Issued capital and reserves				
Attributable to the parent				
Called up share capital	11	3,928	3,928	3,928
Share premium account		58,006	58,006	58,006
Capital reserve account		237	237	237
Equity investment reserve		(1,278)	50	(1,408)
Foreign exchange and capital reserve		1,485	1,154	1,384
Retained earnings		(57,536)	(56,805)	(56,681)
Equity attributable to the owners of the parent		4,842	6,570	5,466
Non-controlling interests	8	(732)	(882)	(361)
Total equity		4,110	5,688	5,105

* Fair value through other comprehensive income

** Fair value through profit and loss

The notes form part of these financial information

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 ENDED 2020**



	Shareholders' equity							Non-controlling interests £000's	Total equity £000's
	Share capital £000's	Share premium £000's	Capital reserve £000's	Equity investment reserve £000's	Retained earnings £000's	Foreign exchange and capital reserve £000's	Total £000's		
1 January 2019	3,452	53,839	237	(68)	(51,442)	1,444	12,105	(5,935)	6,170
Loss for the period	-	-	-	-	(3,134)	-	(3,134)	(375)	(3,509)
Other comprehensive income -									
Foreign exchange differences	-	-	-	-	-	(290)	(290)	62	(228)
Change in fair value during the period	-	-	-	118	-	-	118	-	118
Total comprehensive income	-	-	-	118	(3,134)	(290)	(3,306)	(313)	(3,619)
Decrease in subsidiary shareholding	-	-	-	-	1,205	-	1,205	1,092	2,297
Disposal of subsidiaries	-	-	-	-	(3,469)	-	(3,469)	4,274	805
Share-based payments	-	-	-	-	35	-	35	-	35
30 June 2019	3,928	58,006	237	50	(56,805)	1,154	6,570	(882)	5,688
Loss for the period	-	-	-	-	(1,357)	-	(1,357)	(6)	(1,363)
Other comprehensive income -									
Foreign exchange differences	-	-	-	-	-	230	230	(58)	172
Change in fair value during the period	-	-	-	(1,458)	-	-	(1,458)	-	(1,458)
Total comprehensive income	-	-	-	(1,458)	-	230	(2,585)	(64)	(2,649)
Decrease in subsidiary shareholding	-	-	-	-	1,463	-	1,463	585	2,048
Share-based payments	-	-	-	-	18	-	18	-	18
31 December 2019	3,928	58,006	237	(1,408)	(56,681)	1,384	5,466	(361)	5,105
Loss for the period	-	-	-	-	(864)	-	(864)	(413)	(1,277)
Other comprehensive income -									
Foreign exchange differences	-	-	-	-	-	101	101	42	143
Change in fair value during the period	-	-	-	130	-	-	130	-	130
Total comprehensive income	-	-	-	130	(864)	101	(633)	(371)	(1,004)
Share-based payments	-	-	-	-	9	-	9	-	9
30 June 2020	3,928	58,006	237	(1,278)	(57,536)	1,485	4,842	(732)	4,110

The notes form part of these financial information

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 ENDED 2020**



	Notes	Unaudited Six months ended 30 June 2020 £000's	Unaudited Six months ended 30 June 2019 £000's	Audited Year ended 31 December 2019 £000's
Cash flows from operating activities				
Loss after income tax		(1,277)	(3,509)	(4,872)
Adjustments for:				
Depreciation of property, plant and equipment		21	21	42
Depreciation of right to use assets		16	16	32
Estimated credit losses on trade receivables		(56)	-	56
Loss on disposal of property, plant and equipment		-	-	4
Loss on disposal of subsidiaries	7	-	703	703
Change in fair value of financial assets classified as FVTPL		(485)	-	-
Share-based payments		9	35	53
Foreign exchange (loss) / gain		(6)	(213)	23
Finance income		(1)	(10)	(21)
Finance costs		13	12	22
Income Tax		(30)	(31)	(88)
		(1,796)	(2,976)	(4,046)
Changes in working capital				
(Increase)/decrease in inventories		(21)	(14)	7
(Increase)/decrease in trade and other receivables		427	110	(130)
Increase / (decrease) in trade and other payables		211	(229)	(26)
Cash used in operations		(1,179)	(3,109)	(4,195)
Income tax received		-	-	72
Net cash used in operating activities		(1,179)	(3,109)	(4,123)
Cash flows from investing activities				
Disposal of discontinued operations, net of cash disposed of		-	34	34
Purchase of property, plant and equipment		(21)	(3)	(6)
Purchase of available for sale investments		(503)	-	-
Interest received		1	3	7
Net cash from / (used in) investing activities		(523)	34	35
Cash flows from financing activities				
Proceeds received on change in stake in subsidiary		-	2,297	4,345
Lease payments		(10)	(19)	(38)
Proceeds of loan		50	-	-
Net cash from financing activities		40	2,278	4,307
Increase / (decrease) in cash and cash equivalents		(1,662)	(797)	219
Cash and cash equivalents at beginning of the period		3,453	3,316	3,316
Exchange differences on cash and cash equivalents		142	(17)	(82)
Cash and cash equivalents at end of the period		1,933	2,502	3,453

The notes form part of these financial information

1. ACCOUNTING POLICIES

Basis of preparation

The interim financial information, which is unaudited, has been prepared on the basis of the accounting policies expected to apply for the financial year to 31 December 2020 and in accordance with recognition and measurement principles of International Financial Reporting Standards (IFRSs) as endorsed by the European Union.

The financial information for the period ended 30 June 2020 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 December 2019 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Report and Financial Statements for the year ended 31 December 2019 was unqualified and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006.

The 2019 Annual Report audit report did draw attention to the material uncertainty relating to going concern as follows:

The group is loss generating and is reliant upon fundraising and cost savings in order to obtain the resources necessary to continue. The Going concern status of the group is dependent on meeting its forecast including generating revenues, receiving planned payments from third parties and achieving planned cost savings. In the event the group is unable to meet its forecasts it will need to raise further finance. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group and the company's ability to continue as a going concern.

These events or conditions, along with other matters as set out in note 2 of the 2019 Annual Report, indicate that a material uncertainty exists which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Because of the judgements involved, we have determined going concern to be a key audit matter. We have obtained and reviewed the latest cash flow forecasts prepared by management to check the group has adequate financial resources to continue as a going concern for at least 12 months from the date of this report. Our work on this included checking that the assumptions used in the cashflows were in line with our knowledge of the business, and incorporated management's cash saving initiatives as well as the progress of their funding options and investment strategy moving forward. We also considered the accuracy of management's forecasting in light of previous results.

As each of the remaining significant investments are self-sustaining, we have looked at the forecast cash flows of each entity individually to check that they would not have an adverse effect on the cash flow of the group as a whole, and we have vouched key items in these forecasts to supporting documentation.

1. ACCOUNTING POLICIES (continued)

Going Concern

The Group is subject to a number of risks that are characteristic of IP commercialisation and early-stage life sciences and technology companies due to the nature of the industry. These risks include, amongst others, uncertainties inherent to R&D, trials, and regulatory approvals of pipeline assets.

The Group has historically experienced net losses and significant cash outflows from cash used in operating activities, which reflect the development and early commercialisation stage of the portfolio. As at 30 June 2020, the Group had total equity of £4,110k (H1 2019: £5,688k), which included an accumulated deficit of £57,536k (H1 2019: £56,805k). The Group incurred a net loss for the six months 30 June 2020 of £1,277k (H1 2019: £3,509k), used cash in operating activities of £1,179k (H1 2019: £3,109k) for the same period. As at 30 June 2020, the Group had cash and cash equivalents of £1,933k (H1 2019: £2,502k).

The Group has reviewed the major budgeted assumptions and sensitivities in light of Covid-19 and drawn up cash preservation plans in case revenue does not continue as planned, or it faces delays in planned payments from third parties. It has initiated further cost saving plans across the Group and delayed expenditure where possible, until there is more clarity on the financial impact of the pandemic. In some cases, the crisis restrictions will delay trials and programs, which will defer expenditure and thus extend the cash runway. Also, there may be opportunities to take advantage of the financial support measures and divert resources to support the Covid-19 effort and generate new revenue streams, further ensuring the Group has options and cash for at least the next twelve months.

The Going concern status of the group is dependent on meeting its forecast including generating revenues, receiving planned payments from third parties and achieving planned cost savings. Post balance date the Group has raised £2.3m by way of a public offering (£2.0m net of costs). This gives cash out to 2022. Currently Plc cash stands at £1,571k as at 31 August 2020.

The financial statements do not include any adjustments that would be necessary if the group or company was unable to continue as a going concern.

1. ACCOUNTING POLICIES (continued)

Change in accounting policies

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2019 annual financial statements, except for amendments to IFRS 16: COVID-19 Related Rent Concessions, which were adopted on 1 June 2020.

Details of the impact this amendment has had are given below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Amendments to IFRS 16: COVID-19-Related Rent Concessions

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

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

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

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

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, The Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs. The effect of applying the practical expedient is disclosed in Note 6.

2. SEGMENTAL REPORTING

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

The Directors are of the opinion that, whilst each subsidiary (the operations of which are described in the Joint Chairman's and Chief Executive Officer's Report) meets the definition of an operating segment, they can be aggregated into one single reportable segment as they share similar economic characteristics. Each subsidiary is engaged in the development of intellectual property and are largely pre-revenue. The Board of Directors assess the performance of the operating segment using financial information which is measured and presented in a manner consistent with that in the financial statements.

3. REVENUE

Revenue from contracts with customers

30 June 2020	Delivered Goods £000's	Service Fee's £000's	Total £000's
United Kingdom	114	22	136
	114	22	136
30 June 2019	Delivered Goods £000's	Service Fee's £000's	Total £000's
United Kingdom	154	4	158
	154	4	158

4. MERGER AND ACQUISITION COSTS

Within other costs is merger and acquisition costs, where the group has incurred transaction fees of £198k (H1 2019: £160k) payable to lawyers and brokers for the acquisition of EMV Capital, which completed 25 August 2020.

5. LOSS PER SHARE

The basic and diluted loss per share is calculated by dividing the loss for the financial period by the weighted average number of ordinary shares in issue during the period. Potential ordinary shares from outstanding options at 30 June 2020 of 3,605,984 (30 June 2019: 3,475,984; 31 December 2019: 3,475,984) are not treated as dilutive as the group is loss making.

	Unaudited Six months ended 30 June 2020 £000's	Unaudited Six months ended 30 June 2019 £000's	Audited Year ended 31 December 2019 £000's
Loss attributable to equity holders of the Company			
Continuing operations	(864)	(2,061)	(3,409)
Discontinued operations	-	(1,073)	(1,082)
Total Loss attributable to equity holders of the Company	(864)	(3,134)	(4,491)
Number of shares			
Weighted average number of ordinary shares in issue	78,561,866	78,561,866	78,561,866

6. IFRS 16 LEASES

The table below shows the impact due to IFRS 16 and the initial effect on the balance sheet as at 1 January 2019.

	Unaudited Six months ended 30 June 2020 £000's	Unaudited Six months ended 30 June 2019 £000's	Audited Year ended 31 December 2019 £000's
Right-of-use asset			
Opening balance	221	253	253
Less:			
Depreciation during the period	(47)	(16)	(32)
Balance at end of period	237	237	221
Lease Liability			
Opening balance	(224)	(253)	(253)
Add:			
Payments	19	19	38
Less:			
Interest charge during the period	(6)	(6)	(9)
Balance at end of period	(211)	(240)	(224)
Split as follows:			
Current Liability	(31)	(29)	(30)
Long Term Liability	(180)	(211)	(194)
	(211)	(240)	(224)

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

Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase the reported total loss for the year by the amount of its current operating lease cost, which for the year ended 31 December 2018 was £521k. Due to the short terms of the Group's leases, approximately there will only be a nominal charge to interest of approximately £9k with the rest of the charge being recognised as depreciation of £32k. There are several short-term leases where the lease commitment is under 6 months in length where the Group will continue to spread the lease payments on a straight-line basis over the lease term.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of ProAxis, occurred from March 2020 to June 2020 and amounted to £9k.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, The Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs. The rent concession of £9k will be repaid to the leasee over nine months from July 2020 in equal instalments.

7. DISCONTINUED OPERATIONS

On the 22 March 2019 the Company completed the sale of its interests in Vortex and Wanda, together with outstanding loans and convertible loan notes owed by Wanda or Vortex to Deeptech for cash consideration of £150k.

The post-tax loss on disposal of discontinued operations was determined as follows:

	Unaudited Six months ended 30 June 2020 £000's	Unaudited Six months ended 30 June 2019 £000's	Audited Year ended 31 December 2019 £000's
Cash consideration received	-	150	150
Total consideration received	-	150	150
Cash disposed of	-	(116)	(116)
Net cash inflow on disposal of discontinued operation	-	34	34
Net liabilities disposed of (other than cash):			
Property, plant and equipment	-	(2)	(2)
Inventories	-	-	-
Trade and other receivables	-	(92)	(92)
Trade and other payables	-	162	162
	-	68	68
Non-controlling interests	-	(805)	(805)
Pre-tax loss on disposal of discontinued operations	-	(703)	(703)
Post tax losses incurred to the date of disposal	-	(614)	(623)
Loss on disposal of discontinued operations	-	(1,317)	(1,326)

8. CHANGES IN NON-CONTROLLING INTEREST "NCI"

In February and November 2019, a non-controlling interest acquired additional interests in Glycotest, Inc. Overall the Groups ownership of Glycotest, Inc. decreased from 87.5% to 77.51% a movement of 9.99% and then a further 11.86% taking the Groups ownership to 65.65% at the end of the year. The carrying value of Glycotest, Inc. net assets in the Group's consolidated financial statements on the date of the acquisitions was £4,252k and £38k. Proceeds received from non-controlling interests amounted to £4,345k.

In 2019 this resulted in an increase in equity attributable to owners of the Company of £2,668k and a change in non-controlling interest of £1,677k.

9. EQUITY INVESTMENTS CLASSIFIED AS FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

Represents equity securities	Unaudited Six months ended 30 June 2020 £000's	Unaudited Six months ended 30 June 2019 £000's	Audited Year ended 31 December 2019 £000's
Opening balance at start of period	1,468	2,768	2,768
Additions	503	-	-
Conversion of derivative financial assets	666	-	-
Change in fair value during the period	147	157	(1,300)
Closing balance at end of period	2,784	2,925	1,468

Name	Country of incorporation	% of issued share capital	Currency denomination	£000's
PDS Biotechnology Corporation	USA	6.79%	US\$	1,696
CytoVale, Inc.	USA	1.00%	US\$	406
Epibone, Inc.	USA	0.84%	US\$	337
G-Tech Medical, Inc.	USA	3.04%	US\$	345
				2,784

Equity investments held for sale and derivative financial instruments were fair valued and stand at £2,874k (H1 2019: £3,192k). A decrease in value of £318k, relates predominately to PDS Biotechnology a trade investment measured at fair value through other comprehensive income.

The shares in CytoVale, Inc. are not quoted in an active market. The fair value has been established using the price of recent investment by a third party this is consistent with past valuations.

In November 2018 PDS Biotechnology entered into merger agreement with Edge Therapeutics, which completed on 14 March 2019, to form a Nasdaq-Listed Clinical-Stage Cancer Immunotherapy company. PDS Biotechnology, is quoted on Nasdaq Capital Markets under the ticker "PDSB" and fair value has been established by using the last quoted price of \$2.01 on 30 June 2020 (H1 2019: \$5.99). In January 2020 NetScientific made a further investment in PDS of £0.5m at a share price of \$1.30 per share. Post balance date 13 August 2020 NetScientific has made a further investment in the successful \$19m public offering of £0.5m at a share price of \$2.75 per share. The Group has invested £3,234k in PDS to date (H1 2019:

**NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2020**



£2,731k). NetScientific now holds approximately 5.76% of PDS's fully diluted share capital post the August placing and further investment of £0.5m.

CytoVale, is not quoted on an active market and fair value has been established using inputs other than quoted prices that are observable; i.e. the price from a recent investment by a third party in December 2019.

23 January 2020 Epibone, Inc. raised a \$8.0 million series seed round at which point NetScientific converted a convertible loan note of \$250k plus interest into an equity investment valued at \$417k/£337k. NetScientific holds 0.8% of Epibone's fully diluted share capital.

21 May 2020 G-Tech Medical, Inc. raised \$6.7 million series A financing round led by DigiTx Partners at which point NetScientific converted a previously fully impaired convertible loan of \$250k plus interest into an equity investment valued in total at \$426k/£345k. NetScientific holds 3.04% of G-Tech's fully diluted share capital as an equity investment and a further 0.76% as a financial asset classified as FVTPL giving a total investment in G-Tech of 3.80% fully diluted.

The carrying value of all Group assets was assessed in light of the COVID-19 pandemic and the long-term impacts that this will have on the investments of the Group. No impairments or adjustments were deemed necessary.

10. DERIVATIVE FINANCIAL ASSETS CLASSIFIED AS FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL)

Represents equity securities	Unaudited Six months ended 30 June 2020 £000's	Unaudited Six months ended 30 June 2019 £000's	Audited Year ended 31 December 2019 £000's
Opening balance at start of period	262	297	297
Conversion to Equity Investments classified as FVTOCI	(666)	-	-
Change in fair value during the period	494	(30)	(35)
Closing balance at end of period	90	267	262

Name	Country of incorporation	% of issued share capital	Currency denomination	£000's
PDS Biotechnology Warrant	USA	-	US\$	4
G-Tech Medical, Inc.	USA	0.76%	US\$	86
				90

The PDS warrant has been valued using the Black-Scholes Model and a level 3 fair value hierarchy, given the unobservable data for volatility and its fair value. These warrants may be exercised at any time prior to May 2021 at a price of \$8.39/£6.79.

23 January 2020 Epibone, Inc. raised a \$8.0 million series seed round at which point NetScientific converted a convertible loan note of \$250k plus interest into an equity investment and was transferred in full on conversion to Equity Investments classified as FVTOCI.

21 May 2020 G-Tech Medical, Inc. raised \$6.7 million series A financing round led by DigiTx Partners at which point NetScientific converted a previously fully impaired convertible loan of \$250k plus interest into an equity investment valued at \$426k/£345k which was transferred to equity investments classified at FVTOCI. It also received common form convertibles and recognised at fair value \$106k/£86k of financial assets classified as FVTPL. NetScientific holds 0.76% of the fully diluted share capital as financial assets classified as FVTPL and a further 3.04% as equity investments classified as FVTOCI giving a total investment in G-Tech of 3.80% fully diluted.

Longevity and Neumitra convertible loan notes remain fully impaired.

11. CALLED UP SHARE CAPITAL

No change in the issued and paid up capital during the period to 30 June 2020 (H1 2019: £Nil).

Post balance date 25 August 2020 the Company agreed to acquire 100 per cent of the issued share capital of EMV Capital in consideration and issued 3,521,480 New Ordinary Shares to Futura Messis, representing in aggregate 30.0 per cent. of the Company's fully diluted share capital as enlarged only by the Acquisition.

The Company raised gross proceeds of £2.3 million before expenses through the conditional issue of 3,538,455 Placing Shares at 65 pence per share effective 25 August 2020.

The Company effected on 25 August 2020 a Capital Reorganisation on the basis that:

1. the Existing Ordinary Shares of £0.05 sub-divided into:
 - a. one Interim Ordinary Share, being an ordinary share in the capital of the Company with a nominal value of £0.005; and
 - b. one Deferred Share being a deferred share in the capital of the Company with a nominal value of £0.045 each, and
2. the resulting Interim Ordinary Shares were consolidated into New Ordinary Shares of £0.05 each (the "New Ordinary Shares") on the basis of one New Ordinary Share for every 10 Interim Ordinary Shares.

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

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

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

The Articles have been amended to reflect the creation of the Deferred Shares and to set out the rights attaching to them which was approved on the 24 August 2020. The changes in respect of the Deferred Shares are the only changes made to the Articles of Association.

12. RELATED PARTY DISCLOSURES

John Clarkson controls Development, Financial and Management Services Ltd, which has provided consultancy services totalling £90k during the period (H1 2019: £Nil). The balance owed as at 30 June 2020 is £40k (H1 2019: £Nil).

Dr Ilian Iliev controls London Innovation Partners Ltd which has provided consultancy services totalling £70k during the period prior to becoming CEO on the 1 April 2020. The balance owed as at 30 June 2020 is £36k (H1 2019: £Nil).

An interest free loan of £10k had been extended to Francois Martelet, the ex-Chief Executive Officer of the Group. The balance outstanding as at 30 June 2020 is £Nil (H1 2019: £5k).

Melvin Lawson, who is interested in 29.98% of the issued share capital of NetScientific, is also the principal provider of finance to Deeptech Growth Disruptive, an EMV Capital Ltd SPV. Accordingly, the sale of subsidiaries Vortex and Wanda represents a related party transaction in accordance with AIM rule 13.

Post balance date 12 August 2020 NetScientific drew down £0.4m under the loan facility agreement with AB Group a company controlled by Melvin Lawson to fund in the short term the purchase of £0.5m PDS shares in the latest \$19m public offering. The facility, which incurs interest of 10.0% pa on drawn amounts and 3.0% pa on undrawn amounts and has an arrangement fee of 1%, can be extended by mutual agreement for an additional six months and is secured on the whole of NetScientific's interest in PDS.

On 28 August 2020 the £0.4m loan agreement with AB Group plus £2k interest was repaid in full.

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

13. EVENTS AFTER THE REPORTING PERIOD

On 12 August 2020 PDS closed a \$19 million public offering at \$2.75 per share and NetScientific made a further investment in PDS of £0.5 million using £0.4m loan agreement with AB Group as short-term financing.

On 25 August 2020 NetScientific completed the 100% acquisition of EMV Capital from Futura Messis Group Ltd, a company owned and managed by Dr Iliev (the interim CEO of NetScientific). The all paper transaction issued to Futura Messis, 3,521,480 New Ordinary Shares representing in aggregate 30.0 per cent of the Company's fully diluted share capital as enlarged only by the Acquisition.

The Company issued 3,538,455 Placing Shares under a placing agreement, at 65p each to raise gross proceeds of £2.3m (net of costs £2.0m).

On 12 August 2020 led by EMV Capital, Sofant Technologies Limited secured £2.3m in an oversubscribed funding round. This transaction increases assets under advisory by EMV Capital in Sofant by a further £1.6m.

On 28 August 2020 the £0.4m loan agreement with AB Group plus £2k interest was repaid in full.

The COVID-19 pandemic continues to evolve and further actions that alter our business operations may be required in the coming months. The Group continues to monitor the situation very closely, with a primary focus on the health, wellbeing and safety of all its employees and local communities. If this changes the Group will of course provide an update accordingly.

COMPANY INFORMATION



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