



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

## **Interim Results for the six months ended 30 June 2019**

*Portfolio companies continued to make strong progress*

**London, UK - 19 September 2019:** NetScientific Plc (AIM: NSCI), the transatlantic healthcare IP commercialisation Group, today announces its interim results for the six months ended 30 June 2019.

### **Financial highlights**

- Loss after tax of £7,645k (H1 2018: loss £4,595k) reflecting the loss on disposal of Vortex and Wanda for a total consideration of £150k and the development stage of the portfolio
- Glycotest received first tranche of \$3,000k upon completion of the Series A funding round (February 2019) to Shanghai Fosun Pharmaceutical Co. Ltd ("Fosun Pharma")
- Group cash resources at 30 June 2019 of £2,502k (H1 2018: £6,890k), forecast to be sufficient to operate until the end September 2020

### **Operational Highlights**

- Glycotest
  - Proceeds of \$3,000k first tranche of the Series A funding round with Fosun Pharma to be used to advance Glycotest Inc.'s diagnostic HCC Panel towards commercialisation in the US
- ProAxis
  - Positive NEATstik® early data from BRIDGE study published in the European Respiratory Journal
    - Three-year 1,000+ patient study in bronchiectasis funded by the British Lung Foundation (BLF) and the European Respiratory Society (ERS)
    - Early data demonstrates potential for NEATstik® as a rapid point-of-care monitoring tool for lung diseases
  - Revenues increased 84% to £158k (H1 2018: £86k)
- Vortex Biosciences
  - Vortex Bioscience, Inc. was sold to Deeptech, a special purpose vehicle ("SPV") of EMV Capital Ltd ("Deeptech") on 22 March 2019 for total consideration of £113k, for the shares and transfer of debt
  - Overall loss on disposal of Vortex Biosciences, Inc. investment was £1,027k
- Wanda
  - Wanda, Inc. was sold to Deeptech, a SPV of EMV Capital Ltd on 22 March 2019 for total consideration of £37k, for the shares and transfer of preferred stock and debt.
  - Overall loss on disposal of the Wanda, Inc. Investment was £3,812k
- PDS Biotechnology
  - Completion of merger with Edge Therapeutics to form a Nasdaq-quoted Clinical-Stage Cancer Immunotherapy company developing novel products treating early-and late-stage cancer
    - Publicly-traded under the ticker "PDSB" on the Nasdaq Capital market from 18 March 2019
    - Positive Phase I & 2 clinical data on lead product candidate PDS0101 suggests immunotherapeutic anti-cancer activity and favourable safety profile in early stage cervical cancer
    - To initiate multiple Phase 2b & 3 clinical trials of PDS0101 in HPV-associated cancers
  - NetScientific holds 8.15% on a fully diluted basis
  - Article "Antigen Priming with Enantiospecific Cationic Lipid Nanoparticles Induces Potent Antitumor CTL Responses through Novel Induction of a Type I IFN Response" published online in peer-reviewed Journal of Immunology
  - On 29 July 2019, post-period, a liquidity funding programme was initiated with Aspire Capital Fund, LLC ("Aspire") to purchase up to an aggregate of \$20,000k of shares of PDS common stock over a 30-month term



**Ian Postlethwaite, CEO of NetScientific, said:**

*“Our portfolio companies continued to make strong progress during the period and we believe they have great potential to create value for our shareholders. As part of our strategy, we continue to explore ways to realise the full value of these Investments over the coming months and into 2020.”*

*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 Plc is a transatlantic healthcare IP commercialisation Group focused on technologies and companies that have the potential to treat chronic disease and significantly improve the health and well-being of people.

For more information, please visit the website at [www.netscientific.net](http://www.netscientific.net)

**JOINT CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REVIEW**

NetScientific Plc is a transatlantic healthcare IP commercialisation Group focused on technologies and companies that have the potential to treat chronic disease and significantly improve the health and well-being of people.

Following the completion of a strategic review in 2018, the Company did not receive any offers for any of its portfolio companies nor was it in receipt of any approaches regarding a sale of the Company by early 2019 and formally closed the strategic review. The Board assessed all strategic options, including a potential delisting from admission to AIM in order to reduce the Company's costs to prolong the cash runway, allowing for the maximum opportunity to realise cash from shareholdings in its investee companies. However, the General Meeting to approve the delisting was indefinitely adjourned.

Following this decision by shareholders, in line with the Circular sent to Shareholders on 15 February 2019, the Company's strategy is to seek value for shareholders by continuing to explore ways to realise the full value of its Investments in an orderly manner based upon its remaining cash resources by:

- a) reducing the Company's central functions and costs significantly such that the remaining cash is used to extend the life of the Company;
- b) assessing the funding requirements of each portfolio Company against its prospects of generating a shareholder return within the anticipated lifespan of the company; and
- c) subsequently allocating the remaining cash to manage those portfolio companies which the Board believes provide the most realistic prospects of delivering shareholder returns within the anticipated lifespan of the Company.

Glycotest and PDS do not require further funding from the Company. ProAxis required a further short-term loan of £100k which is repayable within 2019 for operational funding requirements as it nears cashflow breakeven.

In March 2019, the Company completed the £150k cash sale of its interests in Vortex and Wanda to Deeptech, together with any outstanding loans and convertible loan notes owed to the Company by Wanda or Vortex. Immediately prior to completion, NetScientific had interests of approximately 95.0% and 70.8% of the issued shares of common stock of Vortex and Wanda, respectively, and 100% of the Preferred Shares of Wanda. The losses before tax of Vortex and Wanda included within the consolidated accounts of NetScientific amounted to £342k and £272k, respectively and the net assets of Vortex and Wanda at the same date were £14k and £34k, respectively net of intercompany balances. Overall the loss on disposal of Vortex and Wanda was £1,027k and £3,812k respectively.

As part of the cost reduction strategy, the lease of the Company's headquarters at 6 Bevis Marks London EC3A 7BA was terminated on 29 March 2019 and the Annual Report issued in a black and white pdf document. In addition, Francois Martelet resigned as a Director on 30 April 2019.

**Our portfolio**

***ProAxis Ltd ("ProAxis")***

ProAxis, is a medical diagnostics company based in Belfast, Northern Ireland, developing a range of products for the capture, detection and measurement of active protease biomarkers of diseases.

ProAxis has made good operational progress during the first half of 2019 with an 84% increase in reported revenue of £158k during the period (H1 2018: £86k).

In May 2019, NEATstik<sup>®</sup> received positive early data from the BRIDGE study, a three-year 1,000+ patient study in bronchiectasis funded by the British Lung Foundation (BLF) and the European Respiratory Society (ERS) to explore novel biomarkers and what they can add to clinical practice. The data was published in the European Respiratory Journal supporting the potential for NEATstik<sup>®</sup> as a rapid point-of-care monitoring tool for lung diseases.

The NEATstik<sup>®</sup> result correlated with the severity of lung disease, presence of bacterial infection and risk of future clinical worsening (exacerbations). Furthermore, NEATstik<sup>®</sup> was able to replicate the results of existing tests for chest infections in people with bronchiectasis within only ten minutes, providing a rapid sample-to-result test that can potentially support appropriate usage of antibiotic therapy. The study, led by Professor James Chalmers, from the University of Dundee, concluded that NEATstik<sup>®</sup> can assist clinicians in identifying lung disease patients with bacterial infections as well as those patients at highest risk of experiencing significant clinical worsening over the subsequent 12 months.

During the first half of 2019, ProAxis made progress with licensing partnership discussions and continues to seek further non-dilutive grants to fund new developments.

***Glycotest, Inc. ("Glycotest")***

Glycotest is a US-based liver diagnostics start-up company seeking to commercialise new and unique blood tests for life threatening liver cancers and fibrosis-cirrhosis.

In February 2019, Glycotest, received an initial \$3.0 million first tranche of the \$10.0 million Series A financing round with Fosun Pharma, a leading healthcare group based in China. This initial first tranche will primarily serve to drive Glycotest's proprietary HCC Panel towards commercialisation in the US.

Glycotest holds exclusive world-wide rights to over 50 patent-protected serum protein biomarkers and this year has successfully expanded its IP portfolio. The company now has 13 issued or allowed patents protecting multiple aspects of Glycotest's proprietary liver disease diagnostic platform.

***PDS Biotechnology Corporation ("PDS")***

PDS is a clinical stage immunotherapy company developing a next-generation of simpler, safer and more effective immunotherapies. PDS's lead programme, PDS0101, is for several HPV-related cancers and its pipeline includes oncology compounds for prostate, ovarian, breast and colorectal cancers. NetScientific holds 8.15% on a fully diluted basis.

PDS made important advances with its T-cell activating technology platform, Versamune®, which combines three critical attributes for an effective immunotherapy: T-cell induction, reduced tumour suppression and priming of a potent anti-tumour response without the conventional associated toxicities. It has successfully completed Phase I & 2 clinical studies on lead product candidate, PDS0101, which suggested immunotherapeutic anti-cancer activity and favourable safety profile in early stage cervical cancer.

The merger with Edge Therapeutics, completed on 14 March 2019, formed a Nasdaq-quoted Clinical-Stage Cancer Immunotherapy company, now re-named PDS Biotechnology Corporation. The share price of PDS Biotechnology Corporation has been used to re-value the Group's equity holding therein. PDS Biotechnology Corporation, trading on Nasdaq under the ticker PDSB, at the closing price on 28 June 2019 of \$5.99 valued NetScientific's enlarged holding in PDS at £2,555k. At year end PDS was valued at £2,380k. It is NetScientific's intention to hold the shares and a decision on its position will be made in due course.

The new company plans to initiate multiple Phase 2b & 3 clinical trials of PDS0101 in HPV-associated cancers, advance its pipeline of assets and maintain ownership and control of any partnered trials. In May 2019, PDS signed a co-operative research and development agreement (CRADA) with the National Cancer Institute to perform a Phase 2 clinical study of PDS0101 in combination with other immune-modulating agents in advanced HPV-related cancers.

In May 2019, a peer-reviewed publication supporting novel mechanisms of action of its proprietary Versamune® platform in cancer immunotherapy was published online in the Journal of Immunology. The article "Antigen Priming with Enantiospecific Cationic Lipid Nanoparticles Induces Potent Antitumor CTL Responses through Novel Induction of a Type I IFN Response" describes the way PDS' Versamune® platform recruits and activates killer T-cells to recognize and effectively attack cancer cells while simultaneously making cancer cells more susceptible to T-cell attack.

On 29 July 2019, post-period end, a purchase agreement was signed with Aspire to initiate a liquidity funding programme. On any trading day on which the price per share of PDS common stock exceeds US\$0.50, PDS can present Aspire with a purchase notice directing Aspire to purchase up to 100,000 shares of PDS' common stock per business day:

1. up to \$20.0 million of the PDS' common stock in aggregate and
2. provided that Aspire's aggregate interest in PDS does not exceed 19.99% of PDS' issued common stock.

Any proceeds PDS receives are expected to be used for working capital and general corporate purposes.

***Vortex Biosciences, Inc. ("Vortex")***

On the 22 March 2019, Vortex Biosciences, Inc. was sold to Deeptech for total consideration of £112,999, being £1 for the shares and £112,998 for the transfer of the debt. Overall loss on disposal on the Vortex Biosciences, Inc. Investment was £1,027k.

**Wanda, Inc. ("Wanda")**

On the 22 March 2019, Wanda, Inc. was also sold to Deeptech for total consideration of £37,001, being £1 for the shares and £37,000 for the preferred stock and debt. Overall loss on disposal on the Wanda, Inc. Investment was £3,812k.

**Early stage Investments Portfolio**

Limited investment has been made to date in the Early Stage Portfolio, mostly in the form of convertible loans. There are no plans to invest additional funds in the Early Stage Portfolio and of the five early stage investments made only one loan is unprovided for. On the balance sheet, the investment in early stage investment portfolios is shown within trade and other receivables as convertible loans at a fair value of £261k (H1 2018: £467k) which now relates to a single convertible loan.

**Finance**

For the period, the Group made a loss of £7,645k (H1 2018: £4,595k), split between continuing and discontinued operations as follows:

-	Continuing operations	£2,192k (H1 2018: £2,194k)
-	Discontinued operations	£5,453k (H1 2018: £2,401k)

The loss reflects the business model, where the core portfolio companies are mainly subsidiaries. ProAxis is commercialising its products, with the other two still developing their technologies; therefore, the portfolio companies are all currently loss making.

Currently, Glycotest and PDS are not expected to require further funding from the Company. ProAxis required further funding in the first half by way of a short-term loan of £100k which is repayable within 2019 to meet operational requirements as it nears cashflow breakeven.

Revenue is higher at £158k (H1 2018: £86k) as a result of increased revenue from ProAxis NEATstik® sales.

Other operating income of £15k (H1 2018: £72k) relates to ProAxis grant income; lower than the prior period.

Research and development costs of £859k (H1 2018: £219k) were higher in the first half as Glycotest initiated its development program following receipt of the initial \$3.0m first tranche of the \$10.0m Series A financing round with Fosun.

Selling and administrative costs of £1,326k (H1 2018: £1,531k) were lower due to central office cost savings offset by higher spending in Glycotest.

Included in other costs is merger and acquisition costs of £160k (H1 2018: £524k) for transaction fees incurred from exploring potential M&A opportunities. Also included are share option costs of £35k (H1 2018: £75k).

The Group ended the period with net assets of £5,688k a decrease from the position at 31 December 2018 of £6,170k. This is explained by the loss in the period of £7,645k, offset by the net proceeds from non-controlling interests from Glycotest Series A funding round with Fosun of £2,297k and the reversal of minority interests on the disposal of subsidiaries Vortex and Wanda of £4,941k as shown in the consolidated statement of changes in equity on page 11. Cash at 30 June 2019 was £2,502k (H2 2018: £2,911k). Cash used in operations during the period was £3,128k (H1 2018: £4,503k).

Equity investments held for sale and derivative financial instruments were fair valued and stand at £2,931k (H2 2018: £2,813k). The increase in value of £118k, relates predominately to PDS Biotechnology a trade investment measured at fair value through other comprehensive income. 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 \$5.99 on 28 June 2019. The other investment, 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 February 2019, Fosun, a non-controlling interest, acquired an additional 18.07% interest in Glycotest. At the same time the Group acquired an additional 8.08% interest in Glycotest. Overall the Groups ownership of Glycotest decreased from 87.5% to 77.51% a movement of 9.99%. The carrying value of Glycotest net assets in the Group's consolidated financial statements on the date of the acquisition was £4,252k. Proceeds received from non-controlling interests amounted to \$3,000k / £2,297k. This resulted in an increase in equity attributable to owners of the Company of £1,872k and a change in non-controlling interest of £425k.

### **Going concern**

The Group is subject to a number of risks that are characteristic of IP commercialisation and early-stage healthcare 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 2019, the Group had total equity of £5,688k (H1 2018: £14,745k), which included an accumulated deficit of £56,805k (H1 2018: £47,255k). The Group incurred a net loss for the six months 30 June 2019 of £7,645k (H1 2018: £4,595k), used cash in operating activities of £3,109k (H1 2018: £4,503k) for the same period. As at 30 June 2019, the Group had cash and cash equivalents of £2,502k (H1 2018: £6,890k).

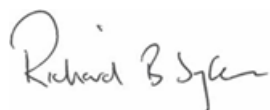
The Directors have prepared and reviewed budget cashflows which were approved by the Board of Directors in the Board meeting of 11 December 2018, and further reviewed at subsequent Board meetings during 2019 the most recent one being on 12 September 2019. These budgeted cash flows included a number of implemented cash saving initiatives, including:

- a) reviewing all expenditure commitments including significantly reducing the Company's central cost base by reductions in headcount, closing the office at 6 Bevis Marks London at the end of March 2019, producing the Annual Report as a simple black and white pdf document
- b) selling Vortex and Wanda for proceeds of £150k on 22 March 2019 and consequently reducing the operational funding requirement of the Group
- c) accepting the resignation of Francois Martelet, the ex-Chief Executive Officer of the Group, on 30 April 2019
- d) allocating the remaining cash to manage those portfolio companies which the board believes provide the most realistic prospects of delivering shareholder returns within the anticipated lifespan of the Company
- e) progressing the sale of the remaining Portfolio companies to realise shareholder value

After due consideration of these forecasts and current cash resources, the Directors consider that the Company and Group have adequate cash resources through 12 months from signing. If the strategy to return value to shareholders fails, and in the absence of new debt or capital being made available to the Company the Directors will start voluntary liquidation proceedings in October 2020. However, any exceptional or unexpected costs adversely impacting the opening cash by more than 3% would accelerate these plans. Directors have prepared financial statements on a going concern basis given sufficient cash to sustain operations for 12 months from signing but acknowledge the uncertainty over the future direction of the Company.


### **Summary and Outlook**

The Group's core portfolio companies have continued to make good progress during the first half of 2019. The Board believes that the portfolio companies continue to hold great potential which the Group will look to unlock. Therefore, the focus of the Group during second half of 2019 will be to continue to realise value in the investments in an orderly manner.



Sir Richard Sykes  
Non-Executive Director and Chairman

19 September 2019



Ian Postlethwaite  
Chief Executive Officer/Chief Financial Officer

19 September 2019

**CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**



	Notes	Unaudited Six months ended 30 June 2019 £000's	Restated* Unaudited Six months ended 30 June 2018 £000's	Audited Year ended 31 December 2018 £000's
Revenue		158	86	245
Cost of sales		(14)	(41)	(78)
<b>Gross profit</b>		<b>144</b>	45	167
Other operating income		15	72	101
Research and development costs		(859)	(219)	(524)
Selling, general and administrative costs		(1,326)	(1,531)	(2,821)
Other costs	2	(195)	(599)	(1,029)
<b>Loss from operations</b>		<b>(2,221)</b>	(2,232)	(4,106)
Finance income		10	22	47
Finance expense		(12)	(6)	(12)
<b>Loss before taxation</b>		<b>(2,223)</b>	(2,216)	(4,071)
Income Tax		31	22	73
<b>Loss for the period from continuing operations</b>		<b>(2,192)</b>	(2,194)	(3,998)
<b>Discontinued Operations</b>				
Loss for the period from discontinued operations	8	(5,453)	(2,401)	(5,405)
<b>Total loss for the period</b>		<b>(7,645)</b>	(4,595)	(9,403)
<b>Loss attributable to:</b>				
Owners of the parent	4	(7,270)	(4,078)	(8,328)
Non-controlling interests		(375)	(517)	(1,075)
		<b>(7,645)</b>	(4,595)	(9,403)
<b>Basic and diluted loss per share attributable to owners of the parent during the period:</b>				
Continuing operations	4	(2.4p)	(2.7p)	(4.8p)
Discontinued operation		(6.8p)	(2.9p)	(6.2p)
<b>Total loss for the period</b>		<b>(9.2p)</b>	(5.6p)	(11.0p)

\* See note 8 for explanation on why Unaudited six months ended 30 June 2018 have been restated.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2019



Notes	<b>Unaudited Six months ended 30 June 2019 £000's</b>	Unaudited Six months ended 30 June 2018 £000's	Audited Year ended 31 December 2018 £000's
<b>Loss for the period</b>	<b>(7,645)</b>	(4,595)	(9,403)
<b>Items that may be subsequently reclassified to profit or loss in subsequent periods:</b>			
Exchange differences on translation of foreign operations	<b>(228)</b>	61	94
Change in fair value of investments classified as fair value through other comprehensive income	<b>118</b>	3,795	(3,863)
<b>Total comprehensive loss for the period</b>	<b>(7,755)</b>	(739)	(13,172)
<b>Attributable to:</b>			
Owners of the parent	<b>(7,947)</b>	(93)	(11,810)
Non-controlling interests	<b>192</b>	(646)	(1,362)
	<b>(7,755)</b>	(739)	(13,172)

The notes form part of these financial information



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**



	Notes	Unaudited 30 June 2019 £000's	Unaudited 30 June 2018 £000's	Audited 31 December 2018 £000's
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		150	187	169
Right-of-use assets	5	237	-	-
Equity investments classified as FVTOCI*	6	2,925	6,607	2,768
Derivative financial assets		6	69	44
<b>Total non-current assets</b>		<b>3,318</b>	<b>6,863</b>	<b>2,981</b>
<b>Current assets</b>				
Inventories		51	37	37
Trade and other receivables		698	852	698
Cash and cash equivalents		2,502	6,890	2,911
		<b>3,251</b>	<b>7,779</b>	<b>3,646</b>
Assets in disposal groups classified as held for sale		-	1,285	569
<b>Total current assets</b>		<b>3,251</b>	<b>9,064</b>	<b>4,215</b>
<b>Total assets</b>		<b>6,569</b>	<b>15,927</b>	<b>7,196</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(463)	(516)	(668)
Loans and borrowings		(147)	(134)	(140)
		<b>(610)</b>	<b>(650)</b>	<b>(808)</b>
Liabilities directly associated with assets in disposal groups classified as held for sale		-	(462)	(158)
<b>Total current liabilities</b>		<b>(610)</b>	<b>(1,112)</b>	<b>966</b>
<b>Non-current liabilities</b>				
Lease liabilities		(211)	-	-
Loans and borrowings		(60)	(70)	(60)
<b>Total non-current liabilities</b>		<b>(271)</b>	<b>(70)</b>	<b>(60)</b>
<b>Total liabilities</b>		<b>(881)</b>	<b>(1,182)</b>	<b>(1,026)</b>
<b>Net assets</b>		<b>5,688</b>	<b>14,745</b>	<b>6,170</b>
<b>Issued capital and reserves</b>				
<b>Attributable to the parent</b>				
Called up share capital	7	3,928	3,928	3,928
Share premium account		58,006	58,006	58,006
Capital reserve account		237	237	237
Equity investment reserve		50	3,795	(68)
Foreign exchange and capital reserve		1,154	1,253	1,444
Retained earnings		(56,805)	(47,255)	(51,442)
Equity attributable to the owners of the parent		<b>6,570</b>	<b>19,964</b>	<b>12,105</b>
Non-controlling interests	9	(882)	(5,219)	(5,935)
<b>Total equity</b>		<b>5,688</b>	<b>14,745</b>	<b>6,170</b>

\* Fair value through other comprehensive income

The notes form part of these financial information

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**



	Shareholders' equity								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	Non-controlling interests £000's	
<b>1 January 2018</b>	<b>3,452</b>	<b>53,839</b>	<b>237</b>	-	<b>(43,220)</b>	<b>1,063</b>	<b>15,371</b>	<b>(4,573)</b>	<b>10,798</b>
Change on initial application of IFRS 9 Financial Instruments	-	-	-	3,795	-	-	3,795	-	3,795
<b>Balance at 1 January 2018 (as restated)</b>	<b>3,452</b>	<b>53,839</b>	<b>237</b>	<b>3,795</b>	<b>(43,220)</b>	<b>1,063</b>	<b>19,166</b>	<b>(4,573)</b>	<b>14,593</b>
Loss for the period	-	-	-	-	(4,078)	-	(4,078)	(517)	(4,595)
Other comprehensive income - Foreign exchange differences	-	-	-	-	-	190	190	(129)	61
Total comprehensive income	-	-	-	-	(4,078)	190	(3,888)	(646)	(4,534)
Share capital issued	476	4,524	-	-	-	-	5,000	-	5,000
Cost of share capital issue	-	(357)	-	-	-	-	(357)	-	(357)
Share-based payments	-	-	-	-	43	-	43	-	43
<b>30 June 2018</b>	<b>3,928</b>	<b>58,006</b>	<b>237</b>	<b>3,795</b>	<b>(47,255)</b>	<b>1,253</b>	<b>19,964</b>	<b>(5,219)</b>	<b>14,745</b>
Loss for the period	-	-	-	-	(4,250)	-	(4,250)	(558)	(4,808)
Other comprehensive income - Foreign exchange differences	-	-	-	-	-	191	191	(158)	33
Change in fair value during the period	-	-	-	(3,863)	-	-	(3,863)	-	(3,863)
Total comprehensive income	-	-	-	(3,863)	(4,250)	191	(7,922)	(716)	(8,638)
Share-based payments	-	-	-	-	63	-	63	-	63
<b>31 December 2018</b>	<b>3,928</b>	<b>58,006</b>	<b>237</b>	<b>(68)</b>	<b>(51,442)</b>	<b>1,444</b>	<b>12,105</b>	<b>(5,935)</b>	<b>6,170</b>
Loss for the period	-	-	-	-	(7,270)	-	(7,270)	(375)	(7,645)
Other comprehensive income - Foreign exchange differences	-	-	-	-	-	(290)	(290)	62	(228)
Change in fair value during the period	-	-	-	118	-	-	118	-	118
Total comprehensive income	-	-	-	118	(7,270)	(290)	(7,442)	(313)	(7,755)
Decrease in subsidiary shareholding	-	-	-	-	1,872	-	1,872	425	2,297
Disposal of subsidiaries	-	-	-	-	-	-	-	4,941	4,941
Share-based payments	-	-	-	-	35	-	35	-	35
<b>30 June 2019</b>	<b>3,928</b>	<b>58,006</b>	<b>237</b>	<b>50</b>	<b>(56,805)</b>	<b>1,154</b>	<b>6,570</b>	<b>(882)</b>	<b>5,688</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019**



	Notes	Unaudited Six months ended 30 June 2019 £000's	Unaudited Six months ended 30 June 2018 £000's	Audited Year ended 31 December 2018 £000's
<b>Cash flows from operating activities</b>				
Loss after income tax		(7,645)	(4,595)	(9,403)
Adjustments for:				
Depreciation of property, plant and equipment		21	123	262
Depreciation of right to use assets		16	-	-
Impairment of property, plant and equipment and inventories		-	-	977
Loss on disposal of subsidiaries	8	4,839	-	-
Fair value movement during the year on convertible debt		-	-	230
Provision against recoverability of loan		-	(40)	(40)
Share-based payments		35	43	132
Foreign exchange (loss) / gain		(213)	-	(65)
Finance income		(10)	(22)	(47)
Finance costs		12	6	12
Income Tax		(31)	(22)	(73)
		<b>(2,976)</b>	<b>(4,507)</b>	<b>(8,015)</b>
<b>Changes in working capital</b>				
(Increase)/decrease in inventories		(14)	(232)	(296)
(Increase)/decrease in trade and other receivables		110	4	(136)
Increase / (decrease) in trade and other payables		(229)	186	24
Cash used in operations		<b>(3,109)</b>	<b>(4,549)</b>	<b>(8,423)</b>
Income tax received / (paid)		-	46	142
<b>Net cash used in operating activities</b>		<b>(3,109)</b>	<b>(4,503)</b>	<b>(8,281)</b>
<b>Cash flows from investing activities</b>				
Disposal of discontinued operations, net of cash disposed of		34	-	-
Purchase of property, plant and equipment		(3)	(13)	(112)
Proceeds from sale of property, plant and equipment		-	-	1
Interest received		3	10	23
<b>Net cash from / (used in) investing activities</b>		<b>34</b>	<b>(3)</b>	<b>(88)</b>
<b>Cash flows from financing activities</b>				
Proceeds received on change in stake in subsidiary		2,297	-	-
Lease payments		(19)	-	-
Repayment of loan		-	-	(10)
Repayment of loan advanced		-	-	39
Proceeds from share issue		-	5,000	5,000
Share issue cost		-	(357)	(357)
<b>Net cash from financing activities</b>		<b>2,278</b>	<b>4,643</b>	<b>4,672</b>
Increase / (decrease) in cash and cash equivalents		<b>(797)</b>	137	(3,697)
Cash and cash equivalents at beginning of the period		<b>3,316</b>	6,868	6,868
Cash in disposal groups classified as held for sale		-	(145)	(405)
Exchange differences on cash and cash equivalents		<b>(17)</b>	30	145
<b>Cash and cash equivalents at end of the period</b>		<b>2,502</b>	<b>6,890</b>	<b>2,911</b>

## 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 2019 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 2019 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 December 2018 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 2018 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

### Going Concern

The Group is subject to a number of risks that are characteristic of IP commercialisation and early-stage healthcare 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 2019, the Group had total equity of £5,688k (H1 2018: £14,745k), which included an accumulated deficit of £56,805k (H1 2018: £47,255k). The Group incurred a net loss for the six months 30 June 2019 of £7,645k (H1 2018: £4,595k), used cash in operating activities of £3,109k (H1 2018: £4,503k) for the same period. As at 30 June 2019, the Group had cash and cash equivalents of £2,502k (H1 2018: £6,890k).

The Directors have prepared and reviewed budget cashflows which were approved by the Board of Directors in the Board meeting of 11 December 2018, and further reviewed at subsequent Board meetings during 2019 the most recent one being on 12 September 2019. These budgeted cash flows included a number of implemented cash saving initiatives, including:

- a) reviewing all expenditure commitments including significantly reducing the Company's central cost base by reductions in headcount, closing the office at 6 Bevis Marks London at the end of March 2019, producing the Annual Report as a simple black and white pdf document
- b) selling Vortex and Wanda for proceeds of £150k on 22 March 2019 and consequently reducing the operational funding requirement of the Group
- c) accepting the resignation of Francois Martelet, the ex-Chief Executive Officer of the Group, on 30 April 2019
- d) allocating the remaining cash to manage those portfolio companies which the board believes provide the most realistic prospects of delivering shareholder returns within the anticipated lifespan of the Company
- e) progressing the sale of the remaining Portfolio companies to realise shareholder value

After due consideration of these forecasts and current cash resources, the Directors consider that the Company and Group have adequate cash resources through 12 months from signing. If the strategy to return value to shareholders fails, and in the absence of new debt or capital being made available to the Company the Directors will start voluntary liquidation proceedings in October 2020. However, any exceptional or unexpected costs adversely impacting the opening cash by more than 3% would accelerate these plans. Directors have prepared financial statements on a going concern basis given sufficient cash to sustain operations for 12 months from signing but acknowledge the uncertainty over the future direction of the Company.

## 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 2018 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2019 and will be adopted in the 2019 annual financial statements. New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 *Leases*

Details of the impact this standard have 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.

#### *IFRS 16 Leases*

Effective 1 January 2019, IFRS 16 has replaced IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

#### (a) Transition Method and Practical Expedients Utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application 1 January 2019, without restatement of comparative figures.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for one long life lease. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

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

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

## 1. ACCOUNTING POLICIES (continued)

### Change in accounting policies (continued)

#### *IFRS 16 Leases (continued)*

The right-of-use assets were measured as follows:

- a) Office space: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

#### (b) Significant Accounting Policies subsequent to Transition

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

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

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the Group's incremental borrowing rate on commencement of the lease. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

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

Other new and amended standards and interpretations issued by the IASB that apply for the first time this financial period have had no impact on the interim results.

## 2. MERGER AND ACQUISITION COSTS

Within other costs is merger and acquisition costs, where the group has incurred transaction fees of £160k (H1 2018: £524k) payable to lawyers and brokers for exploring potential M&A opportunities.

### 3. 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.

### 4. 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 2019 of 3,475,984 (30 June 2018: 2,396,684; 31 December 2018: 2,287,550) are not treated as dilutive as the group is loss making.

	<b>Unaudited Six months ended 30 June 2019 £000's</b>	Unaudited Six months ended 30 June 2018 £000's	Audited Year ended 31 December 2018 £000's
<b>Loss attributable to equity holders of the Company</b>			
Continuing operations	<b>(1,899)</b>	(2,002)	(3,648)
Discontinued operations	<b>(5,371)</b>	(2,076)	(4,680)
Total Loss attributable to equity holders of the Company	<b>(7,270)</b>	(4,078)	(8,318)
<b>Number of shares</b>			
Weighted average number of ordinary shares in issue	<b>78,561,866</b>	72,984,387	75,796,048

## 5. TRANSITION TO IFRS 16 LEASES

The table below shows the impact due to the transition to IFRS 16 and the initial effect on the balance sheet as at 1 January 2019. Further information concerning this transition can be found in note 1.

	<b>Unaudited Six months ended 30 June 2019 £000's</b>	Unaudited Six months ended 30 June 2018 £000's	Audited Year ended 31 December 2018 £000's
<b>Right-of-use asset</b>			
Addition 1 January 2019	<b>253</b>	-	-
Less:			
Depreciation during the period	<b>(16)</b>	-	-
Balance at end of period	<b>237</b>	-	-
<b>Lease Liability</b>			
Initial recognition 1 January 2019	<b>(253)</b>	-	-
Add:			
Payments	<b>19</b>	-	-
Less:			
Interest charge during the period	<b>(6)</b>	-	-
Balance at end of period	<b>(240)</b>	-	-
<b>Split as follows:</b>			
Current Liability	<b>(29)</b>	-	-
Long Term Liability	<b>(211)</b>	-	-
	<b>(240)</b>	-	-

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.



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

Represents unquoted equity securities	<b>Unaudited Six months ended 30 June 2019 £000's</b>	Unaudited Six months ended 30 June 2018 £000's	Audited Year ended 31 December 2018 £000's
Opening balance at start of period	<b>2,768</b>	2,863	2,863
Change in fair value during the period	<b>157</b>	3,744	(95)
Closing balance at end of period	<b>2,925</b>	6,607	2,768

Name	Country of incorporation	% of issued share capital	Currency denomination	£000's
PDS Biotechnology Corporation	USA	9.12%	US\$	2,555
CytoVale, Inc.	USA	1.35%	US\$	370
				<b>2,925</b>

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. The share price of the new company (now re-named PDS Biotechnology Corporation) has been used to re-value the Group's equity holding therein (Class 1 information). The Company's ownership of the enlarged PDS Biotechnology Corporation at the latest last price on 28 June 2019 of \$5.99 values NetScientific's holding in PDS at £2,555k. At year end PDS was valued at £2,380k. It is the Company's intention to hold the shares and to make a decision on its position in due course.

The Group has invested £2,731k in PDS to date. On the balance sheet the investment in PDS is shown as equity investments classified as FVTOCI.

**7. CALLED UP SHARE CAPITAL**

No change in the issued and paid up capital during the period.

## 8. 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:

	<b>Unaudited Six months ended 30 June 2019 £000's</b>	Unaudited Six months ended 30 June 2018 £000's	Audited Year ended 31 December 2018 £000's
Cash consideration received	150	-	-
<b>Total consideration received</b>	<b>150</b>	-	-
Cash disposed of	(116)	-	-
<b>Net cash inflow on disposal of discontinued operation</b>	<b>34</b>	-	-
Net liabilities disposed of:			
Property, plant and equipment	2	-	-
Inventories	-	-	-
Trade and other receivables	92	-	-
Trade and other payables	(162)	-	-
	<b>(68)</b>	-	-
Non-controlling interests	(4,941)	-	-
Pre-tax loss on disposal of discontinued operations	(4,839)	-	-
Post tax losses incurred to the date of disposal	(614)	-	-
<b>Loss on disposal of discontinued operations</b>	<b>(5,453)</b>	-	-

## 9. CHANGES IN NON-CONTROLLING INTEREST "NCI"

In February 2019 a non-controlling interest acquired an additional 18.07% interest in Glycotest. At the same time the Group acquired an 8.08% interest in Glycotest. Overall the Groups ownership of Glycotest, Inc. decreased from 87.5% to 77.51% a movement of 9.99%. The carrying value of Glycotest, Inc. net assets in the Group's consolidated financial statements on the date of the acquisition was £4,252k. Proceeds received from non-controlling interests amounted to \$3,000k / £2,297k.

This resulted in an increase in equity attributable to owners of the Company of £1,872k and a change in non-controlling interest of £425k.

## 10. RELATED PARTY DISCLOSURES

An interest free loan of £5k has been repaid by Francois Martelet (30 June 2018: £10k; 31 December 2018: £5k), the ex-Chief Executive Officer of the Group who resigned on the 30 April 2019.

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.

# **INDEPENDENT REVIEW REPORT TO NETSCIENTIFIC PLC FOR THE SIX MONTHS ENDED 30 JUNE 2019**

## **Introduction**

We have been engaged by the Company to review the financial information in the interim results for the six months ended 30 June 2019 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statements of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 10.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial information.

## **Directors' responsibilities**

The interim results, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim results in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the interim results be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

## **Our responsibility**

Our responsibility is to express to the Company a conclusion on the financial information in the interim results based on our review.

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Material uncertainty related to going concern**

We draw attention to Note 1 to the interim financial information, which indicates that the Group and Parent are likely to require further financing in the future should they wish to continue to be in operation past September 2020. As stated in note 1, there is currently no certainty over the future direction of the Company and therefore indicates that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern beyond September 2020. Our opinion is not modified in respect of this matter.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the interim results for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

## **Use of our report**

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability



**BDO LLP**  
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19 September 2019

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

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