REGISTERED NUMBER: 08026888 (England and Wales)

NETSCIENTIFIC PLC

ANNUAL REPORT

AND

ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

NetScientific PLC ("NetScientific", the "Group" or the "Company") 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.

As announced in November 2018, the Group conducted a strategic review to maximise value for Shareholders, which included the potential sale of the Group or of a portfolio company. In early 2019, the Company had not received any offers for any of its portfolio companies nor was it in receipt of any approaches regarding a sale of the Company. The Board assessed all of its strategic options, including a potential cancellation from trading on AIM in order to reduce the Company's costs and 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 cancellation was indefinitely adjourned.

Following this decision, in line with the circular sent to Shareholders on 15 February 2019, the Company's strategy has remained to seek to maximise shareholder value from its portfolio companies. During 2019, the Company carried out a review of all areas and significantly reduced the central function costs and headcount to the essentials, thereby extending the Company's cash runway and using as much of the remaining cash as possible to maximise the value of the portfolio companies.

In February and November 2019, Glycotest Inc. issued in total 11,822,605 shares to Fosun Pharmaceutical Co. Ltd ("Fosun Pharma"), a leading healthcare group based in China as part of a $10 million Series A financing deal, diluting the Group's interest in Glycotest by 21.85% to 65.65%, a deemed disposal of a stake in a subsidiary. Since receiving the funding, Glycotest has increased expenditure on clinical trial preparations, administration and research and development on the path to commercialisation.

In March 2019, the Company completed a £0.15m cash sale to Deeptech Disruptive Growth Investments Ltd ("Deeptech"), a Special Purpose Vehicle of EMV Capital Ltd, of its interests in Vortex and Wanda, together with any outstanding loans and convertible loan notes owed to the Company by Wanda or Vortex. Immediately prior to completion, NetScientific was interested in 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 results of Vortex and Wanda included within the consolidated accounts of NetScientific amounted, to a gain of £0.6 million and a loss of £1.9 million, respectively, and the net assets of Vortex and Wanda at the same date were £0.3 million and £0.1 million, respectively net of intercompany balances. The loss for the year by the Vortex and Wanda discontinued operations was £1.3 million (2018: £5.4 million) reducing the operational funding requirement of the Group substantially going forward as look to preserve cash.

PDS Biotechnology ("PDS") has seen its fair value decline during 2018, 2019 and into early 2020 due primarily to a weak market for smaller listed companies and specifically to a stock overhang and a lack of new clinical trial information to drive the value forward. At year end PDS's share price was $2.65 per share valuing our investment at £1.1 million (2018: £2.6 million). The Board continues to believe that PDS has strong prospects and participated post year end in a $12m raise to acquire a further 500,000 shares for $650,000 taking its total holding to 1,042,000, representing approximately 7.18% of the undiluted share capital. This provides PDS with funding to initiate Phase 2 trials.

During the period there has been a significant reshaping of the Board. Francois Martelet resigned as a Director on 30 April 2019. On 14 October 2019, Dr. Ilian Iliev joined the Board as a non-executive director. Barry Wilson retired from the Board on 13 December 2019 following seven years as Non-Executive Director and John Clarkson joined the Board as Non-Executive Director. On the 15 January 2020, it was announced that Ian Postlethwaite had served six months' notice to step down as CEO, CFO and Company Secretary during April 2020. On 31 March 2020, it was announced that Sir Richard Sykes would retire from the Board following nine years as Chairman. John Clarkson, took over as the Chairman of the Board with immediate effect. It is expected that Dr. Ilian Iliev, currently a Non-Executive Director, will become a part time Executive Director and interim CEO, and Stephen Crowe, currently Financial Controller, will take over as interim CFO.

The Group is following the latest health authority and government advice in light of Covid-19. The primary focus is the health, wellbeing and safety of all its employees and local communities. The Group has reviewed all the major budgeted assumptions and sensitivities 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 effort and resources to address Covid-19 issues and generate new revenue streams, further ensuring the Group has options and cash for at least the next twelve months.

Portfolio Review

ProAxsis Ltd ("ProAxsis")
ProAxsis is a medical diagnostics company, based in Northern Ireland, developing a range of products for the capture, detection and measurement of active protease biomarkers of disease. The company is primarily focused on chronic respiratory diseases such as COPD and bronchiectasis but has recently demonstrated the adaptability of its technology for use in other clinical areas such as oncology.

ProAxsis has made strong operational progress during 2019 and has now reached cashflow breakeven based on higher revenue up 234% at £735k versus 2018. This increase in revenue is mainly due to the increase of ProAxsis NEATstik ELISA kit sales, up by 226%, and a large researcher conducting Phase 2 clinical trials in the last quarter of 2019. The outlook for the company in 2020 is positive, with several contracts already in place with global pharmaceutical companies.

The company's lead product, NEATstik®, was featured in a high-profile bronchiectasis study published in the European Respiratory Journal in May 2019, which demonstrated encouraging data on its ability to monitor bacterial infections in real time in patients suffering from lung diseases.

In March 2020, ProAxsis repaid the £0.1 million loan to NetScientific plus interest from 2019.

NetScientific's shareholding in ProAxsis is 56.5% (fully diluted being 54.0%) and as at 31 December 2019, the Group had invested £2.1 million (2018: £2.1 million).

Grant funding received to develop both the underlying technology and new applications has exceeded £1.2 million (2018: £1.2 million).

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.

On 14 February 2019 and 21 November 2019, respectively Glycotest received the first and second tranches of $3m each of the $10 million Series A financing from Fosun Pharmaceutical Co. Ltd ("Fosun Pharma"), a leading healthcare group based in China. As part of the Series A raise Glycotest granted access to its liver diagnostic test technology to Fosun during 2019 to enable the preparation of regulatory filings and eventual commercialization in China.

The company has continued to make good progress. During 2019, Glycotest completed proprietary assay analytical validation at NMS Labs for the HCC panel, and initiated clinical validation trial for the Panel with 14 sites open to enrolling patients and with a further six sites in the process of signing patients. As at 31 December 2019, 66 cases and 202 controls were enrolled. Glycotest also initiated fibrosis and cholangiocarcinoma assay projects during 2019. These development projects continue in 2020.

Glycotest also appointed a new reagent manufacturer, Rockland Immunochemicals, in Q3 2019.

Grant funding received to develop the underlying technology, prior to Glycotest's formation, was £5.9 million.

NetScientific's shareholding in Glycotest is 65.6% (2018: 87.5%), fully diluted being 51.5% (2018: 51.5%) and as at 31 December 2019, the Group had invested £3.9 million (2018: £3.9 million).

PDS Biotechnology Corporation

PDS is a clinical stage immunotherapy company developing a next generation of simpler, safer and more effective immunotherapies for cancer and infectious diseases. It continued to see strong progress 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.

In November 2018, PDS entered into a merger agreement with Edge Therapeutics, which completed on 14 March 2019, to form a Nasdaq-Listed Clinical-Stage Cancer Immunotherapy company. The merger created a publicly traded immune-oncology biotechnology company (now re-named PDS Biotechnology Corporation) developing novel products treating early-and late-stage cancer. This follows positive phase I and 2 clinical data on its lead product candidate, PDS0101, indicating immunotherapeutic anti-cancer activity and favourable safety profile in early stage cervical cancer. PDS plans to initiate multiple phase 2b and 3 clinical trials of PDS0101 in HPV-associated cancers.

The year-end share price has been used to re-value the Group's equity holding therein. The Company's ownership of the enlarged PDS Biotechnology Corporation, trading on Nasdaq under the ticker PDSB, on a fully diluted basis is 8.15%. At year end PDS's share price was $2.65 per share valuing our investment at £1.1 million (2018: £2.6 million). As at 22 April 2020 the share price is $0.91 per share valuing the investment at £0.8m.

In May 2019, PDS announced a peer-reviewed publication supporting the novel mechanisms of action of its proprietary Versamune® platform in cancer immunotherapy. The article "Antigen Priming with Enantiospecific Cationic Lipid Nanoparticles Induces Potent Antitumor CTL Responses through Novel Induction of a Type I IFN Response" was published online on 3 May 2019 in the Journal of Immunology, and described 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.

In October 2019, PDS announced that it would be collaborating with Merck in Phase 2 studies for PDS0101 in combination with Merck's anti-PD-1 therapy, KEYTRUDA® (pembrolizumab), as a first line treatment in patients with recurrent or metastatic head and neck cancer and high-risk human papillomavirus-16 (HPV16) infection. The planned clinical trial is evaluating the efficacy and safety of the combination as a first-line treatment and was initiated in the first quarter of 2020.

The Group has invested £2.7 million in PDS to 31 December 2019. On the balance sheet the investment in PDS is shown as equity investments classified as fair value through other comprehensive income (FVTOCI) as per note 3 and 17.

On 12 February 2020, it was announced that PDS had issued new shares of common stock to raise gross proceeds of approximately US$12 million ("New Issue"). NetScientific plc subscribed $650,000, for 500,000 shares of PDS common stock in the new issue. NetScientific now owns approximately 7.18% of the undiluted share capital.

On 9 April 2020 PDS appointed Dr. Ilian Iliev to its Board of Directors.

On 16 April 2020 PDS announced an expanded infectious disease pandemic development program, including novel vaccines for COVID-19 and universal influenza, in addition to its previously announced tuberculosis development collaboration with Farmacore Biotechnology. PDS also announced that initiation of its multi-center Phase 2 VERSATILE-002 trial for PDS0101 in advanced/metastatic head and neck cancer had been delayed due to the severe adverse impact on clinical trial operations from the COVID-19 pandemic.

Vortex Biosciences, Inc. ("Vortex")

Vortex Biosciences, Inc. was sold to Deeptech on 22 March 2019 for total consideration of £112,999, being £1 for the shares and £112,998 for the transfer of the debt, see notes 12 and 30 for more information.

NetScientific shareholding in Vortex was 95.0%, fully diluted being 66.1% and as of 31 December 2019, the Group had invested £21.4 million (2018: £21.4 million).

Wanda, Inc. ("Wanda")

Wanda, Inc. was sold to Deeptech on 22 March 2019 for total consideration of £37,001, being £1 for the shares and £37,000 for the preferred stock and debt, see notes 12 and 30 for more information.

NetScientific's shareholding in Wanda was 70.8%, fully diluted being 61.8% and as at 31 December 2019, the Group had invested £11.6 million (2018: £11.6 million).

The results of ProAxsis, Glycotest, Vortex and Wanda as discontinued operations are fully consolidated in the Group's consolidated financial statements on pages 34 to 75.

Early stage Investments Portfolio

During the year, the Group reviewed its five early stage investments (the 'Early Stage Portfolio'). Limited investment has been made to date, mostly in the form of convertible loans. The five assets are in the following companies CytoVale, Inc., Epibone, Inc., Longevity Biotech, Inc., G-Tech, Inc., and Nemitra, Inc. Only two of the five early stage investments, CytoVale and Epibone currently have any material value. Of note from the Early Stage Portfolio:

Cytovale, a clinical stage company using cell mechanics and machine learning to revolutionise diagnostics starting with sepsis, announced a preferred Series B funding round in 2019 valuing the company at $50m, decreasing slightly the value of the NetScientific investment to £0.4m.

Epibone, a ground-breaking research company that transforms skeletal repair by remodelling stem cells into a personalized bone graft ready for implantation, announced a Series A funding round in January 2020 raising $8 million. NetScientific's convertible loan note and accrued interest valued at £0.3m at year end converted into preferred shares valued at £0.3m on the closing of the financing. and values the Company post investment at $35 million. NetScientific is in active dialogue regarding developments.

On the balance sheet (as explained in note 3) the investment in Cytovale is shown within equity investments classified as FVTOCI whilst the other early stage investment portfolios are all shown within financial assets classified as FVTPL as warrants and convertible loan notes at a fair value of £0.3m which now relates to a single convertible loan note investment in Epibone as per note 18.

Finance

For the year, the Group made a loss of £4.9 million (2018: £9.4 million), split between continuing and discontinued operations as follows:

- Continuing operations £3.6 million (2018: £4.0 million)
- Discontinued operations £1.3 million (2018: £5.4 million)

The loss reflects the business model where the core portfolio companies are mainly subsidiaries. These companies are commercialising or still developing their technologies and are all currently loss making.

Cash

Cash on the balance sheet as at 31 December 2019 was £3.5 million (2018: £2.9 million). Cash used in operations in 2019, was £4.1 million (2018: £8.3 million). Group companies are not expected to require any further funding hereafter in 2020. ProAxsis required a short loan in January 2020 which has now been repaid. £1.2m is held in the Company, giving it and the Group enough cash to operate until the end of 2021. The cash held within subsidiary Glycotest, Inc., of £2.2m (2018: £0.1m) is not freely available for use within the wider group as it would need the consent of a 40% minority shareholder.

In February 2020, NetScientific plc subscribed for $650,000 of PDS common stock in its new issue. Upon completion of the new issue, NetScientific owns approximately 7.18% of the undiluted share capital of PDS. NetScientific had cash to fund this investment, however, on 7 April 2020 for prudent financial management, the Group entered into an 18-month secured £700,000 line of credit with the Beckman Group. The facility, which incurs interest of 10.0% pa on drawn amounts and 3.0% pa on undrawn amounts and had 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.

Going concern

The Directors have prepared and reviewed budget cashflows which were approved by the Board of Directors in the Board meeting of 5 December 2019, and further reviewed at the Board meeting on 18 March 2020 for the impact of Covid-19 and subsequently approved on 25 March 2020. The budgeted cash flows included a number of implemented cash saving initiatives, including:

a) 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 and reviewing all expenditure commitments;
b) selling Vortex and Wanda for net proceeds of £0.15 million on 22 March 2019 and consequently reducing the operational cost base and funding requirement of the Group;
c) allocating the remaining cash to manage the remaining portfolio companies which the board believes provide the most realistic prospects of delivering shareholder returns within the anticipated lifespan of the Company; and
d) making a planned partial drawdown of the £700k line of credit towards the end of 2020.

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. 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.

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.

Board changes

There were four Board changes during the year (2018: 1).

Francois Martelet resigned as a Director on 30 April 2019. On 14 October 2019 Dr. Ilian Iliev joined the Board as a non-executive director. Barry Wilson retired from the Board on 13 December 2019 following seven years as Non-Executive Director, and John Clarkson joined the Board as Non-Executive Director. On 15 January 2020 it was announced that Ian Postlethwaite had served six months' notice to step down as CEO, CFO and Company Secretary. On 31 March 2020 it was announced that Sir Richard Sykes would retire from the Board following nine years as Chairman. John Clarkson, took over as the Chairman of the Board with immediate effect. It is expected that Dr. Ilian Iliev, currently a Non-Executive Director, will become a part time Executive Director and interim CEO. Finally, it is anticipated that Stephen Crowe, currently Financial Controller, will take over as interim CFO during April 2020.

Summary and Outlook

The Board believes that the portfolio continues to hold great potential which the Group will look to unlock. The Company's strategy remains to maximise shareholder value from the portfolio companies by:

a) reducing the Company's central functions and costs significantly such that as much of the remaining cash as possible can be allocated to the portfolio companies and their active management; and

b) assessing the funding requirements of each portfolio company against its prospects of generating a shareholder return.

John Clarkson
Non-Executive Director and Chairman
24 April 2020

Ian Postlethwaite
Chief Executive Officer/Chief Financial Officer
24 April 2020

Strategy

The Company's strategy remains to seek to maximise shareholder value from the portfolio companies.

US presence		**UK presence**	
Core portfolio		**Core portfolio**	
Glycotest, Inc.	Philadelphia, PA	ProAxsis Ltd	Belfast
PDS Biotechnology Corporation	North Brunswick, NJ		
Non-core portfolio divested on 22 March 2019			
Vortex Biosciences, Inc.	Menlo Park, CA		
Wanda, Inc.	San Francisco, CA		
Early stage portfolio		**Head Office**	
Neumitra, Inc.	Boston, MA	NetScientific Plc	London
Epibone, Inc.	New York, NY		
CytoVale, Inc.	San Francisco, CA		
G-Tech, Inc.	Mountain View, CA		
Longevity Biotech, Inc.	Philadelphia, PA		

As at 31 December 2019, the Group had three core portfolio companies, two of which it has a controlling interest: Glycotest Inc. and ProAxsis Ltd. It has a material investment in PDS Biotechnology Corporation which the Group classes as part of its core portfolio. It also had two non-core portfolio companies, in which it had a controlling interest: Vortex Biosciences, Inc. and Wanda, Inc which were sold post balance sheet date on 22 March 2019.

There are also five early stage Investments: Neumitra, Inc., EpiBone, Inc., CytoVale, Inc., G-Tech, Inc. and Longevity Biotech, Inc., which are reviewed periodically in tandem with the Group's business plans as all investments are still at early stages of commercialisation and maturity. The Group will continue to focus on all of its portfolio companies. However, there are no fixed targets for the length of time during which an investment may be held as this will be dependent both on progress and the availability of funding. As at 31 December 2019, the early stage portfolios have a carrying value of £0.3m (2018: £0.3m).

Section 172 Statement

This section serves as our section 172 statement and should be read in conjunction with the Strategic report on pages 6 to 11. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain how the Board engages with stakeholders in this annual report and below:

- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. The Board have reflected on how the Company engages with its stakeholders and opportunities for enhancement in the future. Senior Legal Counsel and the Company Secretary will provide support to the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)-(f).
- The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves.
- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.
- The Board continues to enhance its methods of engagement with employees and the workforce.
- We aim to work responsibly with our stakeholders including suppliers ensuring they are treated fairly and paid in good time.

The key Board decisions made in the year are set out below:

Significant event/decisions	Key s172 matters affected	Actions and impact
Strategic Review	Shareholders	• Shareholder consultation took place in accordance with regulatory requirements.
Disposal of Vortex and Wanda	Shareholders, employees	• Shareholder consultation took place to ensure decision was taken in best interests of all shareholders to extend the cash runway. • Decisions were made by the executive team in consultation with the Board after carefully considering employee impact.
Restructuring	Employees	• Impacted employees were consulted in respect of changes to roles and responsibilities.
Performance of investments	Customers	• Customer consultation in relation to the Company's roadmap has increased to ensure that products in development match customer needs.

Business Model

The Group aims to develop its portfolio companies through various key value inflection points such as clinical trials, regulatory approvals, collaborative funding arrangements, first revenues and follow-on growth and then seek to maximise shareholder value from the portfolio companies based upon the remaining cash resources of the Company by:

a) reducing the Company's central functions and costs significantly such that as much of the remaining cash as possible can be allocated to the portfolio companies; and
b) assessing the funding requirements of each portfolio company against its prospects of generating a Shareholder return.

Key Performance Indicators ('KPIs')

The Board considers that the most important KPIs are non-financial and relate to the progress of the development programmes in the portfolio companies, which are identified in the business model and discussed in the Chairman's and Chief Executive Officer's Statement.

The financial KPIs are the cash position and the operating loss of the Group. At 31 December 2019 cash and deposit balances amounted to £3.5 million (2018: £2.9 million). Loss for the year was £4.9 million (2018: loss £9.4 million). Cash used in operations, was £4.1 million (2018: £8.3 million). On current plans, Group companies are not expected to require any further funding during 2020. ProAxsis required a short loan during January which has now been repaid. £1.2m is held in the Company, giving it and the Group enough cash to operate until the end of 2021. We continue to evaluate the implications of Covid-19.

Risks and Uncertainties

The Directors review the principal risks faced by the Company as part of the internal controls process.

Risk	Possible Consequence	How the Board guards against risk
Poor performance of Investments	To date many of the investments made by the Group in early-stage research and technology companies have performed poorly which is impacting the short-term survival of the Group as cash resources fall and the cash runway get shorter. In particular, the Group may not be able to secure later rounds of funding or achieve the required rate of growth to make significant returns for investors. The Group would be regarded as higher risk than other forms of investment.	The Group is committed to managing the risk inherent within its investment model, as well as minimising it, to the extent possible. First and foremost, the Group principally invests in the "applied" phase of research projects, meaning that such projects have generally received significant prior investment from universities, foundations and governments and have reached a stage where there are well-defined goals and processes to achieving IP and patent generation, proof of concept, market testing and regulatory approvals, all of which significantly de-risk a project when achieved. The Group is also able to spread risk by adopting a portfolio investment approach in its chosen field of transformative biomedical and healthcare technology. The Group will need to consult with shareholders regarding the need for future funding or look to sell investments to survive beyond 2021.
Clinical development risk	Potential clinical trials for the Group's subsidiaries' products may not begin on time, may not be completed on schedule, or at all, or may not be sufficient for registration of the products or result in products that can receive necessary clearances or approvals. Numerous unforeseen events during, or as a result of, clinical testing could delay or prevent commercialisation of such products.	The Group seeks to reduce this risk by drawing on the experience of its Executive Directors and senior management team to have input on the clinical trial design and closely monitors the progress and cost of each trial and takes necessary action as required.
Regulatory risk	Potential regulatory approvals and clearances of the Group's subsidiaries' products may not be achieved on schedule, or at all. Failure to achieve regulatory approval or clearances could delay or prevent commercialisation of such products.	The Group seeks to reduce this risk by drawing on the experience of its Executive Directors and senior management team, seeking advice from regulatory advisors, and holding consultations with appropriate regulatory bodies at an early stage and follows progress closely to measured milestones.

Risk	Possible Consequence	How the Board guards against risk
Intellectual property risk	The commercial success of the Group depends on its ability to obtain patent protection for its own discoveries and for technology it has licensed from universities and research institutes. The intellectual property ("IP") licensed to the Group is protected by patent, trademark, copyright, as well as confidentiality procedures. These laws, procedures and restrictions provide only limited protection and any such intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated. In particular, patents might not contain claims that are sufficiently broad to prevent others from utilising the covered IP. Third parties may independently develop similar or superior IP that does not infringe any protection afforded to the IP licensed to the Group. There can be no assurance that unauthorised use, disclosure or reverse engineering of the IP licensed to the Group will not take place.	The Group seeks to reduce this risk by using external patent attorneys to review the patent protection available before licensing in technology and by managing a policy of extensively patenting all new discoveries generated in the subsidiaries. In addition, the Group is prepared to defend itself vigorously against infringement of intellectual property, should it be required. Also, the Group undertakes a review of the IP in all potential new investments during the due diligence process.
Competition risk	There is intense competition among biomedical and healthcare technology companies. The Group is aware of competitors in both the US and abroad who have developed or are developing products that address the same applications that the Group's subsidiaries are targeting. These companies' products or services could be more effective and / or cost-effective than the products offered by the Group's subsidiaries. Also, although the market for advanced clinical decision support is still developing, the Group faces increasing competition from other companies in the healthcare information technology market. There is no assurance that other intellectual property may not be developed in other institutions which could render the Group's products non-competitive or obsolete.	The Group seeks to minimise these risks by having the Group's Directors and senior management team focus a significant amount of their time on accelerating the development of those subsidiaries, which the Directors believe are capable of achieving the greatest value for the Group with their current products. In addition, risk is spread through strategic portfolio diversification within the targeted chronic disease areas.

Risk	Possible Consequence	How the Board guards against risk
Dependence on key executives and personnel	A significant part of the Group's value and the key to its future technology creation also lies with the scientists and engineers who partner with the Group. Retention of key executives and personnel, and the maintenance of such a qualified workforce, is a high priority for the Group. However, it is not possible to guarantee retention of the services of key personnel and a failure to attract or retain key executives could have an adverse effect on the Group's business.	The Group seeks to reduce this risk by a balanced compensation package consisting of salary, benefits, performance-related bonuses and equity incentive schemes. The equity incentive schemes are implemented at a Group level for NetScientific staff and in specific schemes for subsidiary employees.
Brexit	As the political deadlock has now been broken there still remains two areas of impact going forward for the Group. The first being foreign exchange, as the Company raises money in sterling but most of its expenditure is in US dollars. The second impact is the increased difficulty in accessing EU research grants.	The Group has diversified its portfolio with most of its assets held outside of the UK and seeks to reduce any currency risk by actively managing its foreign exposures and monitoring political developments as and when they occur.
COVID-19	Netscientific continues to monitor the situation very closely, with the primary focus on health, wellbeing and safety of all its employees and local communities. Covid-19 is affecting the stock markets and in doing so impair the Groups ability to attract investors and lenders. This in turn could have an impact on any fund raising or financing arrangements that the Company may require.	The Group is following the latest health authority and government advice and reviewing contingency plans regularly to reduce risk and make sure staff and customers are safe. We have implemented plans enabling all staff that can to work from home on laptops, splitting the laboratory workforce in two, enabling social distancing where possible and suspending all non-critical travel.

Business Review

The business review has been covered in the Chairman's and Chief Executive Officer's Statement on pages 1 to 6 and in the Financial Review on pages 13 to 15.

The Strategic Report was approved by the Board of Directors and signed on its behalf by:

John Clarkson
Non-Executive Director and Chairman
24 April 2020

FINANCIAL REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2019

The Financial Review should be read in conjunction with the Consolidated Financial Statements of the Company and its subsidiaries (together the 'Group') and the notes thereto on pages 41 to 75. The Consolidated Financial Statements are presented under International Financial Reporting Standards as adopted by the European Union. The financial statements of the Company continue to be prepared in accordance with UK Generally Accepted Accounting Practice and are set out on pages 78 to 87.

Consolidated Income Statement and Other Comprehensive Income

Overall, the Group recorded a reduced loss for the year of £4,872k (2018: £9,403k). On increased revenues, ProAxsis reaching cash-flow break even, increased research and development activity and several subsidiary assets were sold during the year. A summary analysis of the Group's financial performance is provided below.

Continuing Operations
Revenue, comprising sales made by the subsidiary companies, increased for the year to £735k (2018: £245k). The increase is due to increased ProAxsis NEATstik ELISA kit sales by 226% and undertaking an immunoassay development project.

Other income decreased to £76k (2018: £101k). The decrease is attributable to non-recurring activities in the prior year. This is partially offset by increases in Glycotest and ProAxsis clinical research services.

Research and development costs increased to £1,979k (2018: £524k). The increase in cost is primarily due to Glycotest spending more having received the first and second tranches of $3m each of the $10 million Series A financing from Fosun Pharma as advance on the clinical validation study for the HCC Panel.

In addition to central costs incurred in managing the portfolio companies and corporate costs, general and administrative costs also include portfolio companies' management staff costs, sales and marketing and other operating expenses. Administrative costs decreased to £2,079k (2018: £2,821k) consistent with the subsidiaries maturing to commercial stage and cost saving initiatives.

Other costs of £269k (2018: £1,029k) represent merger and acquisition costs (see note 6) of £160k (2018: £667k), estimated credit losses on trade receivables of £56k (2018: £Nil), fair value movement against recoverability of derivative financial assets (convertible loans) of £Nil (2018: £230k) and charges for share based payments of £53k (2018: £132k); this cost reduced in the year as no new options were issued.

The Group has a controlling stake at the end of financial year in two out of three of its portfolio companies and consolidates their results.

Discontinued Operations
Two subsidiaries, Vortex and Wanda, have been classed as discontinued operations as were divested on the 22 March 2019.

Impairments during the year were nil (2018: £977k). Vortex and Wanda were sold on the 22 March 2019. The loss for the year by discontinued operations was £1,326k (2018: £5,405k).

Consolidated
The average headcount across the Group reduced during the year reflecting the streamlining of the head office and divestment of Vortex and Wanda in March 2019. Headcount (excluding non-executive directors) in 2018 was 12 (2018: 30).

With most of the Group's activities in the US and the exchange rate strengthening against the US at 31 December 2019 to £1: $1.321 (2018: £1: $1.2769) the translation of foreign operations resulted in an exchange loss of £56k (2018: gain of £94k).

Statement of Financial Position and Cash Flows

The Group ended the year with net assets of £5,105k (2018: £6,170k), representing a decrease of £1,065k from the position at 1 January 2019. The decrease in net assets resulted from the £4,872k total loss in the year and change in fair value of £1,340k this was mitigated by the investment in subsidiary of £4,345k and disposal of subsidiaries of £805k.

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.

Property, plant and equipment decreased to £128k (2017: £169k); mainly due to depreciation and the writing off of a number of obsolete assets at head office.

On the 1 Jan 2019 right-of-use assets was booked of £253k as a result of the introduction of IFRS 16 with a corresponding lease liability of £253k representing the eight-year operating rental lease held within the UK entity ProAxsis Ltd.

Equity investments classified as fair value through other comprehensive income (FVTOCI) - The investments have been fair valued for 2019 resulting in a reduction of £1,340k (2018: £4,052k) mainly due to the falling share price of PDS Biotechnology now listed on Nasdaq following the merger with Edge Therapeutics on the 18 March 2019. The equity investment reserve balance at end of 2019 stands at debit £1,408k (2017: debit £68k). During the prior year the valuation methodology changed. The opening value was based on the last price that large investors bought shares in the Company. At the year end the PDS investment was valued on new information available as a result of the merger with Edge Therapeutics. PDS is now listed on Nasdaq and the valuation will be based on prevailing market prices.

The Group's current liabilities decreased slightly to £816k (2018: £966k). This is mainly due to the sale of Vortex and Wanda during 2019. Trade and other payables decreased by £45k to £623k (2018: £668k).

Cash, cash equivalents and short-term deposits

During 2019 Glycotest raised net funds of £4,345k, diluting the Group's interest by 21.85% to 65.65%.

At 31 December 2019, the Group's cash totalled £3,453k, an increase of £542k from a total of £2,911k at 31 December 2018. The cash outflow from continued development and operating expenses in the subsidiaries was mitigated by proceeds received on change in subsidiary shareholding and sale of subsidiaries. At 31 December 2019, the Group has a total of £2,288k (2018: £2,284k) held in US$ to meet the short-term requirements of its US operations. It remains the Group's policy to hedge its US$ position whilst most of the portfolio companies are US based.

Group companies do not require any further funding during 2020. ProAxsis required a short loan during January which has now been repaid. £1.2m is held in the Company, giving it and the Group enough cash to operate until the end of 2021.

Capital Structure and Funding

The Group is primarily funded by equity capital, reflecting the fact that its portfolio companies are just reaching commercialisation after a period of investment in development. The Group considers its capital to be its total equity before amounts attributable to minority shareholders, which at 31 December 2019 amounted to £5.5 million (2018: £12.1 million). The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to equity holders of the Company and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages this objective through tight control of its cash resources.

Net funds held by the Group at 31 December 2019 amounted to £3.0 million (2018: £2.7 million) and comprised cash and cash equivalents as well as loans and borrowings as shown below:

	31 December	
	2019	2018
	£000's	£000's
Cash and cash equivalents (note 21)	**3,453**	2,911
Lease liabilities (note 2)	**(224)**	-
Loans and borrowings (note 23)	**(213)**	(200)
Net funds	**3,016**	2,711

Ian Postlethwaite
Chief Financial Officer
24 April 2020

John Clarkson, Non-Executive Director and Chairman, appointed 13 December 2019.

John is an experienced business professional and qualified accountant, who had a successful early career working in various financial, audit and management positions in the UK and overseas. John then completed a full time MBA at Cranfield University, before moving into management consultancy with Deloitte Haskins + Sells. There he provided a range of business and consultancy services to various public & private sectors organisations and blue-chip clients. He established a management strategy/performance improvement service and founded a construction and real estate group. John was partner in charge of the developing services consultancy division in Coopers Deloitte (now PWC).

He left the firm to create a private hotel group in North America, but then took on the role of vice chairman of Laura Ashley Inc. based out of Boston, USA, with a worldwide remit for restructuring, cost reduction and business turnaround. John brings many years of commercial expertise in leadership roles, including that of CEO, Chairman and Non-Executive Director. He has been a member of a number of business and professional groups and has written articles and undertaken speaking engagements in both the UK and Europe. John holds an MBA from Cranfield University, and is a Fellow of the Association of Chartered Certified Accountants, a qualified Public Finance Accountant, a Fellow of the Institute of Consulting and Chartered Manager. He is an active investor in start-ups, high-tech and growing businesses, where he has been involved in strategy development, fundraising, contract negotiations, remuneration and corporate governance arrangements.

Ian Postlethwaite*, Chief Executive Officer/Chief Financial Officer and Company Secretary.*

Ian joined the Board on 15 June 2016. Previously he had been the Finance Director of Allergy Therapeutics Plc for 14 years and was a significant contributor to the success of that company. He joined the board of Allergy as an executive director in April 2002, whilst it was a private company, performing a financial turnaround and listing it two years later in 2004 on the AIM of the London Stock Exchange. Revenue increased from £12m to £49m over his tenure and he raised £106m through equity issues and €40m through debt finance to fund 13 clinical studies, including two successful Phase III's in North America.

Until 31 December 2016 Ian was also Deputy Chairman of Shoreham Port. He was appointed as a non-executive director to the port in 2011 and during his six-year term he held the positions of Chairman of the Audit and the Remuneration Committees.

Prior to joining the Allergy board, he worked for Ellerman Investments (1997-2002), a UK private equity house, undertaking the roles of Chief Executive Officer with AFS, which was one of the largest independent finance houses in the UK, and Finance Director with a number of successful start-up technology companies. Previously he held senior finance positions with Ericsson and Philips Electronics. He is a qualified accountant and a Fellow of the Chartered Association of Certified Accountants. Ian has a BSc (Hons) in Geological Sciences from Aston University.

Ian is a member of the Company's executive management team.

Dr Ilian Iliev, Non-Executive Director, appointed 14 October 2019.

Ilian is Managing Director of EMV Capital, a London-based investor in B2B companies in the industrial high-tech, energy, circular economy, smart cities and transportation sectors and healthcare. EMVC's investments in Europe, Israel and the US cover a range of technologies including robotics and AI, machine learning, materials science, IoT, advanced engineering, power electronics and medical devices. Ilian spun-out EMV Capital out of EcoMachines Ventures, which he co-founded in 2013. Prior to that he co-founded and was CEO of CambridgeIP Ltd (2006-2012), which he built into a leading market and technology business intelligence provider in the UK. He is a Board member at a number of EMVC portfolio companies, including Sofant Technologies, Pointgrab, Q-Bot, Vortex Biosciences and Wanda Health.

Ilian holds a PhD from Cambridge University's Judge Business School, focused on Venture Capital business models in emerging economies; MCom in Economics, and BA in Politics, Economics and International Relations from the University of Witwatersrand. He has published widely on entrepreneurship, venture capital, and market trends in energy and healthcare. He is an Associate Fellow at Chatham House.

Professor Stephen Smith, *Non-Executive Director.*

Stephen joined the Board in February 2016 and has held senior leadership roles in the NHS and academia. He has had a long and distinguished career as a clinician scientist, Head of Department, Dean and CEO with the University of Cambridge, Imperial College, London and Imperial College Healthcare NHS Trust.

He was responsible with Sir Richard Sykes for creating the first Academic Health Science Centre in the United Kingdom, that involved the largest merger at the time in the NHS of three famous hospitals, St Marys Hospital, Charing Cross Hospital and the Hammersmith Hospital with Imperial College London, creating Imperial College Healthcare NHS Trust. He was the inaugural CEO of the Trust whilst retaining his position as Principal of the Faculty of Medicine. During his career he has been a keen advocate of the commercialisation of ideas in Life Sciences and Healthcare and actively pursued this strategy in Cambridge and Imperial College. He “spun-out” two companies from the university of Cambridge, Metris Therapeutics and GNI Group Ltd, the later now being a successful Mid Cap, Sino-Japanese company, having completed its IPO on the Tokyo Stock Exchange in 2007 and on whose public board he served for four years in Tokyo.

Stephen has extensive non-executive experience serving on the Boards of the National Healthcare Group Singapore which developed integrated care through nine polyclinics. In Australia, he was on the Board of the Royal Melbourne Hospital and the Victorian Comprehensive Cancer Centre, a $1.5billion project to create a fully integrated cancer care facility that brings together an integrated research, service and education offering to four million patients in Victoria.

Stephen is a non-executive director of the renowned Great Ormond Street Hospital, London.

Sir Richard Sykes, Former Non-Executive Director and Chairman, resigned 31 March 2020.

Sir Richard has been Chairman since the Company was admitted to AIM in September 2013. He has spent thirty years working in the biotechnology and pharmaceutical industries, including at Glaxo plc (subsequently Glaxo Wellcome plc), where he served as Chairman and CEO from 1995 to 2000, and then GlaxoSmithKline plc, where he served as Chairman until 2002. Sir Richard was also a Senior Independent Director of Rio Tinto plc from 1997 to 2007, Rector of Imperial College from 2000 to 2008, Chairman of NHS London from December 2008 to 2010 and a Senior Independent Director of Eurasian Natural Resources Corporation from 2007 to 2011. He holds a BSc in Microbiology from the University of London, a PhD in Microbial Biochemistry from Bristol University and a DSc from the University of London.

In 1994, Sir Richard received a knighthood for services to the pharmaceutical industry. In 2004, he was awarded Honorary Citizenship of Singapore for his contribution to the development of the country’s biomedical sciences industry.

Currently, Sir Richard is a Fellow of the Royal Society and Academy of Medical Sciences, Imperial College London, Imperial College School of Medicine and King’s College London and an Honorary Fellow of the Royal Academy of Engineering, Royal Society of Chemistry, Royal Pharmaceutical Society, Royal College of Pathologists, Royal College of Physicians, the University of Wales and the University of Central Lancashire. Sir Richard is Chairman of The Royal Institution of Great Britain and Chairman of Imperial College Healthcare NHS Trust.

François R. Martelet, M.D., *Former Chief Executive Officer, resigned 30 April 2019.*

François joined the Company mid-2015 and brings over 20 years of biopharma experience and a proven track record of shaping and developing businesses to deliver returns. He has broad experience in both large and small companies, deep knowledge of commercialisation and has proven managerial capabilities.

Until mid-2014, Francois was Interim SVP, International Operations at Stallergenes SA, heading up its International Operations in the field of allergy therapeutics. He was previously CEO at Topotarget A/S, a publicly traded European biotech company specialized in oncology therapeutics successfully merged with BioAlliance SA. He is a Pharmaceutical Executive with large US and international experience at both corporate and operational level in blue chip pharma companies. He brings senior level experience in clinical development, business development, in-licensing and M&A, marketing, and sales experiences. His areas of expertise at general management level include mid/late stage development and commercialization of oncology/specialty medicines products and managing significant P&Ls ($1B+) across large country organizations. He held senior level regional/global roles with full accountability of multiple product lines in primary care and specialty markets in Europe and Emerging markets. He was part of the teams who introduced over 12 products in oncology to many markets across the world, and more than six of them have become worldwide blockbusters. He served as CEO of Avax Tech, Inc., a US biotech company specialized in therapeutic oncology vaccines.

Francois worked for Novartis Pharma AG as SVP and Region Head Europe, Vice President InterContinental Region Head-Oncology Division and Vice President & Global Oncology Franchise Head at Merck and Co., Inc. He is also Trade Advisor at Ministry of Foreign Trade, France since January 2011. He is also a Board Member at the European BioPharmaceutical Enterprises (EFPIA division) since June 2012.

François gained a Doctorate in Medicine and a master’s degree in business from Dijon University, and holds a Degree in Legal Medicine from R. Descartes University School of Medicine, Paris. He is also a graduate of the Advanced General Management Program at INSEAD and attended senior executive courses at Harvard Business School.

François awards include the Pasteur Institute medal (1989), Knight of the French National Order Merit (2011) and the Knight of the Legion d’Honneur (2017) which is the highest decoration in France.

Francois was a member of the Company’s executive management team.

Barry W Wilson*, Former Non-Executive Director, resigned 13 December 2019.*

Barry has been a Board member since September 2013 when the Company was admitted to AIM and is an international executive with more than 40 years of experience in both the pharmaceutical and medical device industries.

He has served as the President of Medtronic International (the world’s leading medical device company), President of Lederle International prior to its merger with Wyeth, and President of Bristol-Myers Squibb Europe. Additionally, he has served as Chairman of Mindmaze and served on the board of Anecova, as well as nine international assignments with Pfizer (the world’s largest drug company).

Barry was a member of the Thematic Advisory Board of Lombard Odier Private Bank (focusing on healthcare) and he worked with DLJ Credit-Suisse Alternative Investments as their Global Healthcare Advisor. He also served on the public boards of Mallinckrodt, Inc (NYSE), Bausch & Lomb (NYSE) and Rezidor Hotel Group AB (Swedish Stock Exchange). He is currently a board member of Caribbean Healthcare Partners, Chairman of the Advisory Board of the Marriott Group’s 47 Park Street, London; and a member of the Advisory Board of the Wyss Center for Bio and Neuroengineering.

The Directors present their report with the audited financial statements of NetScientific plc ("NetScientific") and its subsidiaries ("the Group") for the year ended 31 December 2019.

RESEARCH AND DEVELOPMENT

The Group incurred research and development expenditure on continuing operations of £1,979k in the year (2018 £524k). Commentary on the major activities is given in the Chairman's and Chief Executive Officer's Statement.

DIVIDEND

The Directors do not propose the payment of a dividend currently (2018: £Nil).

FUTURE DEVELOPMENTS

A review of anticipated future developments is included in the Chairman's and Chief Executive Officer's Statement.

POST BALANCE SHEET EVENTS

On the 15 January 2020 it was announced that Ian Postlethwaite had served six months' notice to step down as CEO, CFO and Company Secretary. Ian's departure date is scheduled for 14 July 2020.

On the 23 January 2020, Epibone an early stage investment announced a Series A funding round raising $8 million. NetScientific's convertible loan note and accrued interest valued at £0.3m at year end converted into preferred shares valued at £0.3m on the closing of the financing.

On the 12 February 2020, it was announced that PDS had issued 9,230,770 new shares of common stock to raise gross proceeds of approximately US$12 million ("New Issue"), before deducting underwriting discounts, commissions and other offering expenses. The offering closed on Friday, February 14, 2020, subject to customary closing conditions.

Netscientific plc also subscribed for $650,000 for 500,000 shares of PDS common stock in the new issue as believes PDS has strong prospects and did not wish to be unduly diluted if did not participate. Upon completion of the new issue, Netscientific expects to own 1,042,000 shares of PDS' common stock, representing approximately 7.18% of the undiluted share capital.

NetScientific has cash to fund this investment, however, on the 7 April 2020 for prudent financial management, the Group entered into an 18-month secured £700,000 line of credit facility with the Beckman Group. 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 6 months, and is secured on the whole of NetScientific's interest in PDS.

On the 31 March 2020, it was announced that Sir Richard Sykes will retire from the Board following nine years as Chairman. John Clarkson, currently a Non-Executive Director of the Company, will take over as the Chairman of the Board with immediate effect. In addition, Ian Postlethwaite will retire from the Board and step down as CEO/CFO and Company Secretary following four years at Netscientific during April 2020. It is expected that Dr. Ilian Iliev, currently a Non-Executive Director, will become a part time Executive Director and interim CEO, and Stephen Crowe, currently Financial Controller, will take over as interim CFO.

During February, March and April 2020, the world has seen and reacted to the impact of Covid-19 which continues to unfold. To date there has been minimal impact to the Group, however, a number of clinical trials have been delayed. 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.

On the 14 April 2020 Dr. Ilian Iliev was appointed to the Board of PDS Biotechnology.

On the 16 April PDS announced that it has expanded its infectious disease pandemic development program, including novel vaccines for COVID-19 and universal influenza, in addition to its previously announced tuberculosis development collaboration with Farmacore Biotechnology. The Company also announced that initiation of its multi-center Phase 2 VERSATILE-002 trial for PDS0101 in advanced/metastatic head and neck cancer has been delayed due to the severe adverse impact on clinical trial operations from the Covid-19 pandemic.

DIRECTORS

The Directors shown below have held office during the period from 1 January 2019 to the date of this report:

Sir Richard Sykes (resigned 31 March 2020)
François R. Martelet, M.D. (resigned 30 April 2019)
Ian Postlethwaite (resigned 15 January 2020)
Barry W Wilson (resigned 13 December 2019)
Professor Stephen Smith
Dr Ilian Iliev (appointed 14 October 2019)
John Clarkson (appointed 13 December 2019)

Directors' shareholdings and other interests

	No. of shares as at 31 December 2019	No. of shares as at 31 December 2018
Sir Richard Sykes	**93,452**	93,452
Barry W Wilson	**67,310**	67,310
Professor Stephen Smith	**28,571**	28,571

Between 31 December 2019 and the date of this report there has been no change in the interests of Directors in shares or share options as disclosed in this report.

Part of the shareholdings of Sir Richard Sykes is held by nominees.

DIRECTORS' REMUNERATION AND SHARE OPTIONS

Details of the Directors' remuneration and share options are given in the Directors' Remuneration Report on pages 26 to 29.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Qualifying indemnity insurance cover has been arranged in respect of the personal liabilities which may be incurred by Directors and Officers of the Group during the course of their service with the Group. This insurance has been in place during the year and up to the date of this report.

FINANCIAL RISK MANAGEMENT

The Group's use of financial instruments is discussed in note 26 to the financial statements.

SUBSTANTIAL HOLDINGS

As at 15 April 2020, the Directors were aware of the following interests of 3 per cent or more in the issued ordinary share capital of the Company and have not been notified, pursuant to the provisions of the Companies Act 2006, of any further such interests.

Name	No. of shares	Per cent. of voting rights
M A Lawson	23,549,386	29.98%
Link Fund Solutions	15,634,240	19.90%
Schroders Investment Management	13,153,333	16.74%
Cyrus Holdings Limited	9,910,453	12.61%
Hargreaves Lansdown Asset Management	5,548,688	7.06%

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs for the Group and company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the group and company financial statements have been prepared in accordance with IFRSs as adopted by the European Union and FRS 102 respectively, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEBSITE PUBLICATION

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

GOING CONCERN

The Directors have prepared and reviewed Budget cashflows which were approved by the Board of Directors in the Board meeting of 5 December 2019, and further reviewed at the Board meeting on the 18 March 2020. After due consideration of these forecasts and current cash resources, the Directors consider that the Company and Group does have adequate financial resources to continue in operational existence for the foreseeable future (being at least 12 months from the date of this report), and for this reason the financial statements have been prepared on a going concern basis.

AUDITORS

All the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

The auditors, BDO LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD:

Ian Postlethwaite
Company Secretary
24 April 2020

Board of Directors

The posts of Chairman and Chief Executive Officer are held by different Directors. The Board is balanced by there being an appropriate number of non-executives with at least two of the Directors at all times during the year being non-executive directors.

The Board meets regularly throughout the year (normally quarterly on a formal basis) and arrangements are made to enable information in a form and of a quality to be supplied to Directors on a timely basis to enable them to discharge their duties. Additionally, special meetings take place or other arrangements are made when Board decisions are required in advance of regular meetings. Certain matters are reserved for consideration by the Board (with other matters delegated to Board committees). The Board is responsible for leading and controlling the Group and in particular, setting the Group's strategy, its investment policy and approving its budget and major items of expenditure, acquisitions and disposals.

The Board of Directors has a procedure through which the Directors are able to take independent advice in the furtherance of their responsibilities. The Directors have access to the advice and services of the Company Secretary.

During the year ended 31 December 2019, the Board met 9 times, with each member attending as follows.

Director	Number of meetings held whilst a Board Member	Number of meetings attended
Sir Richard Sykes (resigned 31 March 2020)	9	9
Ian Postlethwaite	9	9
Barry W Wilson (resigned 13 December 2019)	9	9
Professor Stephen Smith	9	8
François R. Martelet, M.D. (resigned 30 April 2019)	4	4
Dr Ilian Iliev (appointed 14 October 2019)	1	1
John Clarkson (appointed 13 December 2019)	0	0

Corporate Governance

The Board of Directors of the Company (the "Board") and the Chairman are responsible for the governance of the Company, governance being the systems and procedures by which the Company is directed and controlled. High standards of Corporate Governance are a key priority of the Board and the Directors believe that they govern the Company in the best interests of the shareholders.

The Board considers it appropriate to adopt the principles of the Quoted Companies Alliance Corporate Governance Code ("the QCA Code") published in April 2018, which is the standard deemed appropriate by independent bodies for small and mid-size quoted companies in the UK.

The corporate governance framework which NetScientific Plc operates under, including board leadership, effectiveness, remuneration and internal control, are based upon practices which the Board believes are proportionate to the risks inherent to the size and complexity of NetScientific's operations and are taken very seriously by the Board.

The extent of compliance with the ten principles that comprise the QCA Code, together with an explanation of any areas of non-compliance, and any steps taken or intended to move towards full compliance, are set out in full on the Company's website at https://www.netscientific.net/aim-rule-26.

Board Committees

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

Audit Committee

The Audit Committee was currently chaired by John Clarkson and prior to that by Barry W Wilson up to the date of his resignation on the 13 December 2019. Its other members are Professor Stephen Smith and Dr Ilian Iliev. The Audit Committee has responsibility for considering all matters relating to financial controls, reporting and external audits, the scope and results of the audits, the independence and objectivity of the auditors and keeping under review the effectiveness of the Group's internal controls and risk management. The committee monitors the scope, results and cost-effectiveness of the audit. It has unrestricted access to the Group's auditors. In certain circumstances, it is permitted by the Board for the auditors to supply non-audit services (in the provision of tax advice, or non-specific projects where they can add value). The committee has approved and monitored the application of this policy in order to safeguard auditor objectivity and independence.

During the year ended 31 December 2019 the Audit Committee met 5 times with each member attending as follows.

Director	Number of meetings held whilst a Board member	Number of meetings attended
Barry W Wilson (resigned 13 December 2019)	5	5
Professor Stephen Smith	5	2
Dr Ilian Iliev (appointed 14 October 2019)	1	1
John Clarkson (appointed 13 December 2019)	0	0

Remuneration Committee

The Remuneration Committee was chaired by Sir Richard Sykes and its other members have been Barry W Wilson, Professor Stephen Smith, Dr Ilian Iliev and John E Clarkson. The Directors consider that the composition of this committee is appropriate given the Company's size and circumstances.

The committee meets at least twice a year. The Remuneration Committee has responsibility for making recommendations to the Board on the Company's policy for remuneration of senior executives, for reviewing the performance of executive Directors and senior management and for determining, within agreed terms of reference, specific remuneration packages for each of the executive Directors and members of senior management, including pension rights, any compensation payments and the implementation of executive incentive schemes. The committee administers the Company's share option scheme and approves grants under the scheme. The committee is responsible for all senior appointments that are made within the Group. Non-executive Directors' fees will be determined by the full Board.

During the year ended 31 December 2019 the Remuneration Committee met 2 times with each member attending as follows.

Director	Number of meetings held whilst a Board member	Number of meetings attended
Sir Richard Sykes (resigned 31 March 2020)	2	2
Barry W Wilson (resigned 13 December 2019)	2	2
Professor Stephen Smith	2	2
Dr Ilian Iliev (appointed 14 October 2019)	1	1
John E Clarkson (appointed 13 December 2019)	0	0

Nomination Committee

The Nomination Committee was chaired by Sir Richard Sykes. Its other members have been Barry W Wilson, Professor Stephen Smith, Dr Ilian Iliev and John E Clarkson. The Directors consider that the composition of this committee is appropriate given the Company's size and circumstances.

The committee has responsibility, within its Terms of Reference approved by the Board on 9 May 2013, for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise, save that appointments as Chairman or Chief Executive are be matters for the whole Board. During the year ended 31 December 2019, the Nomination Committee met two times formally.

Director	Number of meetings held whilst a Board member	Number of meetings attended
Sir Richard Sykes (resigned 31 March 2020)	2	2
Barry W Wilson (resigned 13 December 2019)	2	1
Professor Stephen Smith	2	2
Dr Ilian Iliev (appointed 14 October 2019)	1	1
John E Clarkson (appointed 13 December 2019)	0	0

Investor relations

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

There is an opportunity at the Annual General Meeting for individual shareholders to question the Chairman, and the Chairs of the Audit, Remuneration and Nomination Committees.

Internal control

The Directors are responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The main features of the internal control system are as follows:

- a control environment exists through close management of the business by the executive Directors. The Group has a defined organisation structure with delineated approval limits. Controls are implemented and monitored by personnel with the necessary qualifications and experience
- monitoring and promoting a healthy corporate culture based on high ethical and moral standards
- a list of matters reserved for Board approval
- regular management reporting and analysis of variances
- standard financial controls operate to ensure that the assets of the Group are safeguarded and that proper accounting records are maintained.

BY ORDER OF THE BOARD:

Ian Postlethwaite
Company Secretary
24 April 2020

Remuneration Committee

The Company's remuneration policy is the responsibility of the Remuneration Committee (the "Committee") which was established in March 2013. The terms of reference and its membership are summarised in the Corporate Governance Report on pages 23 to 25.

The Committee, which is required to meet at least twice in the year, met twice during the year ended 31 December 2019.

Remuneration policy

The objective of the remuneration policy is to provide packages for executives that are designed to attract, retain and motivate people of high quality and experience.

The remuneration for the Chief Executive and Executive Directors consists of an annual salary, an annual performance-related bonus and private health cover. In addition, the Executive Directors have received grants from the Company's share option scheme.

The Committee believes that the base salary and benefits for the Executive Directors should represent a fair return for employment but that the maximum total potential remuneration may only be achieved in circumstances where the Executive has met challenging personal objectives that contribute to the Group's overall performance.

The basic salaries of the Chief Executive Officer and the Executive Directors are reviewed annually and take effect from 1 January each year. The basic salary is determined by reference to relevant market data and the individual's experience, responsibilities and performance.

No bonus has been paid in respect of 2019.

Chairman and non-executive Directors' remuneration

The Chairman Sir Richard Sykes receives a fixed fee of £36,000 per annum. Barry W Wilson, Professor Stephen Smith and John E Clarkson receive a fixed fee of £24,000 per year, prorated for the period of service during the year. Dr Ilian Iliev received no fee during 2019 and will receive a fixed fee of £24,000 per year from 1 January 2020. The fixed fee covers preparation for and attendance at meetings of the full Board and committees thereof. The Chairman and the executive Directors are responsible for setting the level of non-executive remuneration. The non-executive Directors are also reimbursed for all reasonable expenses incurred in attending meetings. Sir Richard Sykes and Barry W Wilson were granted options in the Company's share option scheme on the Company's admission to AIM in September 2013. Professor Stephen Smith was granted options in June 2016.

Equity based incentive schemes

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

The NetScientific Plc Share Option Scheme (the "Scheme") was established on 9 May 2013 and is administered by the Remuneration Committee. The Committee decides to whom of the employees to grant options, the number, the exercise dates and the performance conditions. The option price is the greater of the average of the closing or middle market price over the five dealing days before the date the option is granted, or the amount specified by the Remuneration Committee to be the option price. Generally, options cannot be exercised unless the participant has been in employment with the Company for three years since the date of grant other than the options granted to Directors at the time of the admission to AIM, the vesting timing for which is detailed in the paragraph below. The Scheme limit is 10% of the number of Ordinary Shares in issue prior to such a grant.

Directors' interests in share options

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

	Option Price	**Options as at 31 December 2019**	Options as at 31 December 2018
Sir Richard Sykes	160.0p	359,020	359,020
François R. Martelet, M.D.	119.5p	359,020	359,020
François R. Martelet, M.D.	86.2p	200,000	200,000
François R. Martelet, M.D.	65.5p	150,000	200,000
François R. Martelet, M.D.	45.5p	83,333	300,000
Ian Postlethwaite	79.7p	180,000	180,000
Ian Postlethwaite	65.5p	180,000	180,000
Ian Postlethwaite	45.5p	200,000	200,000
Barry W Wilson	160.0p	179,510	179,510
Professor Stephen Smith	79.7p	30,000	30,000

Options were first granted on 16 September 2013, the date of the Company's Admission to AIM. The options price was 160p, the Placing Price. The vesting terms were that one third of the option became exercisable on the date of Admission, the next third on the first anniversary of the date of Admission and the final third on the second anniversary of the date of Admission. In the case of the Chairman and non-executive Directors any Ordinary Shares issued as a result of the exercise of their options must be held for three years from the date of vesting of the relevant options. François R. Martelet, M.D.'s options were granted on 9 November 2015, 4 February 2016, 27 January 2017 and 21 June 2018 and vest respectively on 8 June 2018, 4 February 2019, 27 January 2020 and 21 June 2021. A portion of unvested options at his resignation date of 30 April 2019 have lapsed. Options were awarded to Ian Postlethwaite on 16 June 2016, 27 January 2017 and 21 June 2018 and vest on 13 June 2019, 27 January 2020 and 21 June 2021 respectively. Options were awarded to Professor Stephen Smith on 24 June 2016 vest on 17 February 2019.

Audited information

The following section (Directors' remuneration) contains the disclosures required by Schedule 5 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the financial statements for the year ended 31 December 2018 and has been audited by the Company's auditor, BDO LLP.

Directors' remuneration

The aggregate remuneration received by Directors who served during the year ended 31 December 2019 is set out below.

Year ended 31 December 2019	Salaries and fees £000's	Pay in lieu of notice £000's	Benefits £000's	Bonus £000's	Pension £000's	Total £000's
Executive Directors						
François R. Martelet, M.D. (resigned 30 April 2019)	95	247	1	-	6	349
Ian Postlethwaite (resigned 15 January 2020)	206	-	4	-	16	226
Non-Executive Directors						
Sir Richard Sykes (resigned 31 March 2020)	36	-	-	-	-	36
Barry W Wilson (resigned 13 December 2019)	23	-	-	-	-	23
Professor Stephen Smith	24	-	-	-	-	24
Dr Ilian Iliev (appointed 14 October 2019)	-	-	-	-	-	-
John Clarkson (appointed 13 December 2019)	1	-	-	-	-	1
Total	**385**	**247**	**5**	**-**	**22**	**659**

Year ended 31 December 2018	Salaries and fees £000's	Pay in lieu of notice £000's	Benefits £000's	Bonus £000's	Pension £000's	Total £000's
Executive Directors						
François R. Martelet, M.D.	247	-	7	50	19	323
Ian Postlethwaite	206	-	5	31	15	257
Non-Executive Directors						
Sir Richard Sykes	36	-	-	-	-	36
Barry W Wilson	24	-	-	-	-	24
Professor Stephen Smith	24	-	-	-	-	24
Total	**537**	**-**	**12**	**81**	**34**	**664**

No bonus has been paid in respect of 2019.

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

	Year ended 31 December 2019 £000's	Year ended 31 December 2018 £000's
Executive Directors		
François R. Martelet, M.D.	**11**	68
Ian Postlethwaite	**28**	31
Non-Executive Directors		
Professor Stephen Smith	**-**	3
Total	**39**	102

BY ORDER OF THE BOARD:

John Clarkson
Chairman of Remuneration Committee
24 April 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETSCIENTIFIC PLC

Opinion

We have audited the financial statements of Netscientific plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

As set out in note 2, 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, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified no additional key audit matters other than in relation to going concern as described above.

Key observations

We found management's judgements in this area to be reasonable and the going concern disclosures appropriate.

Our application of materiality

Group materiality: £184,000 (2018: £416,000); Parent Company materiality: £141,000 (2018: £32,000).

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken based on the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements.

Our group materiality for the financial statements, for the current year was based on 5% of loss before tax, which we consider to be a key performance measure for the Group and the members of the parent company in assessing financial performance. The basis of materiality is unchanged from the prior year.

On the basis of our risk assessment, together with our assessment of the Group's control environment, our judgement we set performance materiality for the Group at 75% of group materiality, namely £138,000 (2018: £312,000). Performance materiality for the Parent Company was also set at 75% of parent company materiality at £106,000 (2018: £24,000).

Materiality levels used for each key component ranged from £22,000 to £106,000

We agreed with the audit committee that we would report to the committee all audit differences in excess of £7,000 (2018: £17,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

During the year, the Group comprised of the parent company and two subsidiaries in the UK and four subsidiaries in the US, of which, two of its US subsidiaries were disposed in the year. A full scope audit was carried out on the parent company and the two UK subsidiaries. A full scope audit was performed by BDO LLP on the remaining two US entities which were considered to be significant components. As part of this we had regular communication with the central management of the NetScientific Group.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Malcolm Thixton

Malcolm Thixton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, United Kingdom
24 April 2020

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

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

Continuing Operations	Notes	**2019 £000's**	2018 £000's
Revenue	5	**735**	245
Cost of sales		**(117)**	(78)
Gross profit		**618**	167
Other operating income		**76**	101
Research and development costs		**(1,979)**	(524)
General and administrative costs		**(2,079)**	(2,821)
Other costs	7	**(269)**	(1,029)
Loss from operations	10	**(3,633)**	(4,106)
Finance income	8	**21**	47
Finance expense	9	**(22)**	(12)
Loss before taxation		**(3,634)**	(4,071)
Income tax credit	11	**88**	73
Loss for the year from continuing operations		**(3,546)**	(3,998)
Discontinued Operations			
Loss for the year from discontinued operations	12	**(1,326)**	(5,405)
Total loss for the year		**(4,872)**	(9,403)
Owners of the parent		**(4,491)**	(8,328)
Non-controlling interests		**(381)**	(1,075)
		(4,872)	(9,403)
Basic and diluted loss per share from continuing and discontinued operations attributable to owners of the parent during the year:	13		
Continuing operations		**(4.3p)**	(4.8p)
Discontinued operations		**(1.4p)**	(6.2p)
From loss for the year		**(5.7p)**	(11.0p)

The notes form part of these financial statements

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000's	2018 £000's
Loss for the year		**(4,872)**	(9,403)
Other comprehensive income:			
Exchange differences on translation of foreign operations		**(56)**	94
Change in fair value of equity investments classified as FVTOCI		**(1,340)**	(3,863)
Total comprehensive loss for the year		**(6,268)**	(13,172)
Attributable to:			
Owners of the parent		**(5,891)**	(11,810)
Non-controlling interests		**(377)**	(1,362)
		(6,268)	(13,172)

The notes form part of these financial statements

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019 (Continued)

	Notes	2019 £000's	2018 £000's
Assets			
Non-current assets			
Property, plant and equipment	14	**128**	169
Right-of-use assets	15	**221**	-
Equity investments classified as FVTOCI*	17	**1,468**	2,768
Financial assets classified as FVTPL**	18	**262**	297
Total non-current assets		**2,079**	3,234
Current assets			
Inventory	19	**30**	37
Trade and other receivables	20	**603**	445
Cash and cash equivalents	21	**3,453**	2,911
		4,086	3,393
Assets in disposal groups classified as held for sale	12	**-**	569
Total current assets		**4,086**	3,962
Total assets		**6,165**	7,196
Liabilities			
Current liabilities			
Trade and other payables	22	**(623)**	(668)
Lease liabilities	2	**(30)**	-
Loans and borrowings	23	**(163)**	(140)
		(816)	(808)
Liabilities directly associated with assets in disposal groups classified as held for sale	12	**-**	(158)
Total current liabilities		**(816)**	(966)
Non-current liabilities			
Lease liabilities	2	**(194)**	-
Loans and borrowings	23	**(50)**	(60)
Total non-current liabilities		**(244)**	(60)
Total liabilities		**(1,060)**	(1,026)
Net assets		**5,105**	6,170

**Fair value through other comprehensive income*
***Fair value through profit and loss*

The notes form part of these financial statements

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019 (Continued)

	Notes	**2019** **£000's**	2018 £000's
Issued capital and reserves			
Attributable to the parent			
Called up share capital	24	**3,928**	3,928
Share premium account	25	**58,006**	58,006
Capital reserve account	25	**237**	237
Equity investment reserve	25	**(1,408)**	(68)
Foreign exchange reserve	25	**1,384**	1,444
Retained earnings	25	**(56,681)**	(51,442)
Equity attributable to the owners of the parent		**5,466**	12,105
Non-controlling interests	16	**(361)**	(5,935)
Total equity		**5,105**	6,170

The financial statements on pages 36 to 75 were approved and authorised for issue by the Board of Directors on 24 April 2020 and were signed on its behalf by:

John Clarkson
Chairman

Ian Postlethwaite
Chief Executive Officer

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Shareholders' equity								
	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	Total equity £000's
1 January 2018	3,452	53,839	237	-	(43,220)	1,063	15,371	(4,573)	10,798
Change on initial application of IFRS 9 Financial Instruments (see note 1)	-	-	-	3,795	-	-	3,795	-	3,795
Balance at 1 January 2018 (as restated)	**3,452**	**53,839**	**237**	**3,795**	**(43,220)**	**1,063**	**19,166**	**(4,573)**	**14,593**
Loss for the period	-	-	-	-	(8,328)	-	(8,328)	(1,075)	(9,403)
Other comprehensive income –									
Foreign exchange differences	-	-	-	-	-	381	381	(287)	94
Change in fair value during the year	-	-	-	(3,863)	-	-	(3,863)	-	(3,863)
Total comprehensive income	-	-	-	(3,863)	(8,328)	381	(11,810)	(1,362))	(13,172)
Share capital issued	476	4,524	-	-	-	-	5,000	-	5,000
Change in fair value of equity investments classified as FVTOCI	-	(357)	-	-	-	-	(357)	-	(357)
Share-based payments	-	-	-	-	106	-	106	-	106
31 December 2018	**3,928**	**58,006**	**237**	**(68)**	**(51,442)**	**1,444**	**12,105**	**(5,935)**	**6,170**
Loss for the period	-	-	-	-	(4,491)	-	(4,491)	(381)	(4,872)
Other comprehensive income – Foreign exchange differences	-	-	-	-	-	(60)	(60)	4	(56)
Change in fair value of equity investments classified as FVTOCI	-	-	-	(1,340)	-	-	(1,340)	-	(1,340)
Total comprehensive income	-	-	-	(1,340)	(4,491)	(60)	(5,891)	(377)	(6,268)
Decrease in subsidiary shareholding	-	-	-	-	2,668	-	2,668	1,677	4,345
Disposal of subsidiaries	-	-	-	-	(3,469)		(3,469)	4,274	805
Share-based payments	-	-	-	-	53	-	53	-	53
31 December 2019	**3,928**	**58,006**	**237**	**(1,408)**	**(56,681)**	**1,384**	**5,466**	**(361)**	**5,105**

The notes form part of these financial statements

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019 (Continued)

	Notes	2019 £000's	2018 £000's
Cash flows from operating activities			
Loss after income tax including discontinued operations		**(4,872)**	(9,403)
Adjustments for:			
Depreciation of property, plant and equipment	14	**42**	262
Depreciation of right-of-use assets		**32**	-
Estimated credit losses on trade receivables	20	**56**	-
Impairment of property, plant & equipment and inventories		**-**	977
Loss on disposal of property, plant and equipment		**4**	-
Loss on disposal of subsidiaries	12	**703**	-
Fair value movement during the year on convertible debt	7	**-**	230
Release of loan provision		**-**	(40)
Share-based payments	7	**53**	132
Foreign exchange gains		**23**	(65)
Finance income	8	**(21)**	(47)
Finance costs	9	**22**	12
Tax credit	11	**(88)**	(73)
		(4,046)	(8,015)
Changes in working capital			
Decrease/(increase) in inventory		**7**	(296)
(Increase)/decrease in trade and other receivables		**(130)**	(136)
Increase/(decrease) in trade and other payables		**(26)**	24
Cash used in operations		**(4,195)**	(8,423)
Income tax received		**72**	142
Net cash used in operating activities		**(4,123)**	(8,281)
Cash flows from investing activities			
Disposal of discontinued operations, net of cash disposed of		**34**	-
Purchase of property, plant and equipment	14	**(6)**	(112)
Proceeds from sale of property, plant and equipment		**-**	1
Interest received		**7**	23
Net cash from/(used in) investing activities		**35**	(88)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019 (Continued)

	Notes	2019 £000's	2018 £000's
Cash flows from financing activities			
Proceeds received on change in stake in subsidiary		**4,345**	-
Lease payments		**(38)**	-
Repayment from borrowings		**-**	(10)
Proceeds from loans		**-**	39
Proceeds from share issue		**-**	5,000
Share issue cost		**-**	(357)
Net cash from financing activities		**4,307**	4,672
Increase/(decrease) in cash and cash equivalents		**219**	(3,697)
Cash and cash equivalents at beginning of year		**3,316**	6,868
Cash in disposal groups classified as held for sale	12	**-**	(405)
Exchange differences on cash and cash equivalents		**(82)**	145
Cash and cash equivalents at end of year	21	**3,453**	2,911

1. GENERAL INFORMATION

The Company is a public limited company incorporated on 12 April 2012 and domiciled in England with registered number 08026888 and its shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange. The address of the registered office is Anglo House, Bell Lane Office Village, Bell Lane, Amersham, Buckinghamshire HP6 6FA.

2. ACCOUNTING POLICIES

Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2019. The principal accounting policies adopted in the preparation of the financial information are set out below. Policies have been consistently applied to all the years presented apart from where new standards have been adopted during the year, see below for changes in accounting policies.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries made up to the reporting date. Investees are classified as subsidiaries where the Company has control, which is achieved where the Company has the power to govern the financial and operating policies of an investee entity, exposure to variable returns from the investee and the ability to use its power to affect those variable returns. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Consolidated Financial Statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets and liabilities are initially recognised at their fair values at acquisition date. The results of acquired entities are included in the consolidated statement of comprehensive income from the date at which control is obtained until the date control ceases.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interest in proportion to their relative ownership interests.

2. ACCOUNTING POLICIES continued

Going concern
The group made a loss in the financial year of £4,872k (2018: £9,403k) and is reliant on the continued financial support of its existing institutional investors.

The Directors have prepared and reviewed budget cashflows which were approved by the Board of Directors in the Board meeting of 5 December 2019, and further reviewed at the Board meeting on 18 March 2020 for the impact of Covid-19 and subsequently approved on the 25 March 2020. The budgeted cash flows included a number of implemented cash saving initiatives, including:

a) 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 and reviewing all expenditure commitments;
b) selling Vortex and Wanda for net proceeds of £0.15 million on 22 March 2019 and consequently reducing the operational cost base and funding requirement of the Group;
c) 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; and
d) making a planned partial drawdown of the £700k line of credit towards the end of 2020.

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 to 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. 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.

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.

Discontinued operations / Non-current assets held for sale
A discontinued operation is a component of the Group’s business that represents a separate major line of business or area of operation that has been disposed of or is held for sale at balance sheet date. The results of operations disposed of during the year or are held for sale (management has a committed plan to sell and that it is available for immediate sale, also the sale needs to be highly probable) are included in the consolidated income statement a single line which comprises the post-tax profit or loss of the discontinued operations along with the post-tax gain or loss recognised on disposal of the operations. When a disposal group is classified as held for sale from the point it meets the conditions, comparatives are not restated.

2. ACCOUNTING POLICIES continued

Revenue

Revenue represents amounts receivable for goods or services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. Revenue from the supply of products is recognised when the Group has transferred control of goods to customers and it is probable that the Group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer. Revenue from services are recognised in full on completion of those services.

Grants

Grants for research and development activities are recognised as income over the periods in which the relevant research and development costs are to be incurred and expensed to the income statement. Grants for future research and development costs are recorded as deferred income. Grant income is included in other operating income. Grants where the Group purchase, construct or otherwise acquire capital expenditure are recognised as deferred revenue in the consolidated statements of financial position and credited to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Research and development

All on-going research expenditure is currently expensed in the period in which it is incurred. Due to the uncertainties inherent in the development of the Group's products, the criteria for development costs to be recognised as an asset, are not met until it is probable that future economic benefit will flow to the Group. The Group currently has no such qualifying expenditure. Property, plant and equipment used for research and development is capitalised and depreciated in accordance with the Group's policy. Refer to property, plant and machinery, furniture, fittings and equipment for more information.

Property, plant and machinery, furniture, fittings and equipment

Property, plant and machinery, furniture, fittings and equipment are stated at cost net of depreciation and provision for impairment. Depreciation is provided at the following annual rates in order to write off the cost of each asset, less its estimated residual value, over its estimated useful life.

The principal depreciation rates are:

	Straight line basis	Reducing balance basis
Furniture, fittings and equipment	20% or 33.3%	33.3%
Plant and machinery	20%	33.3%
Leasehold improvements	10%	

The carrying values of property, plant and machinery, furniture, fittings and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Inventory

Inventory is initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprised all cost of purchase, cost of conversion and other costs (materials and consumables) incurred in bringing the inventories to their present condition.

Cash and cash equivalents

The consolidated statements of cash flows and financial position, cash and cash equivalents includes cash in hand, deposits at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2. ACCOUNTING POLICIES continued

Financial instruments
Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets
The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Amortised cost
These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Impairment provisions for current trade receivables are recognised based on the simplified approach using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Fair value measurement
A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Fair value through other comprehensive income
The Group has two strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any change in fair value of equity investments classified as FVTOCI is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

2. ACCOUNTING POLICIES continued

Financial Instruments continued

Derivative financial instruments - Warrants
These are carried in the statement of financial position at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Fair value through profit or loss
The Group has a number of strategic seed investments in unlisted entities by way of convertible loan notes which are not accounted for as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised in profit or loss during the year and accumulated in retained earnings.

Financial liabilities
The Group classifies its financial liabilities as financial liabilities held at amortised cost. Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Taxation
Income tax is recognised or provided at amounts expected to be recovered or to be paid using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the reporting date except for differences arising on:

- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference could not reverse in the foreseeable future; and

- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities / (assets) are settled / (recovered).

Recognition of deferred tax assets is restricted to those instances where it is probable that a taxable profit will be available against which the temporary difference can be utilised. Deferred tax balances are not discounted.

R&D tax credit is recognised when it is considered probable that it will be recoverable based on experience of previous claims, and such credit has been recognised as a tax credit within tax expense in the income statement. Research and development tax credits are included as an income tax credit under current assets.

2. ACCOUNTING POLICIES continued

Leases
IFRS 16 is effective for periods beginning on or after 1 January 2019.

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

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

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the incremental borrowing rate on commencement of the lease.

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

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The Group does not have any finance leases. The comparative period has not been restated. The new IAS 17 policy is for the comparative period and for short-term or low-value leases going forward.

Foreign currencies
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities are denominated in foreign currencies at the Statement of Financial Position date are translated at the foreign exchange rate ruling at that date.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

2. ACCOUNTING POLICIES continued

Share-based payment
For all grants of share options, the fair value as at the date of the grant is calculated using an appropriate option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are likely to vest, except for options with market-based conditions where the likelihood of vesting is factored into the fair value attributed to those options. The expense is recognised over the vesting period of the option. The credit for any charge is taken to equity.

Changes in accounting policies
Details of the impact these standards have had are given below. Other new and amended standards and interpretations issued by the IASB that apply for the first time from 1 January 2019 have not affected the Group as they are either not relevant to the Group's activities or require accounting that 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. The Group does not have significant leasing activities acting as a lessor.

Transition Method and Practical Expedients Utilised

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 judgement that the Group was reasonably certain to extend for the full term of the lease beyond the contractual breaks in the third, fifth and seventh years of the lease have made a material difference to the carrying value of the asset/liability. The impact of this judgement is to increase the initial asset/liability amounts by £216k, £181k and £114k respectively.

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

2. ACCOUNTING POLICIES continued

Changes in accounting policies continued

IFRS 16 Leases continued

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.

	2019	2018
	£000's	£000's
Right-of-use asset		
Addition 1 January 2019	**253**	-
Less:		
Amortisation during the period	**(32)**	-
Balance at 31 December 2019	**221**	-
Lease Liability		
Initial recognition 1 January 2019	**(253)**	-
Add:		
Payments	**38**	-
Less:		
Interest charge during the period	**(9)**	-
Balance at end of period	**(224)**	-
Split as follows:		
Current Liability	**(30)**	-
Long Term Liability	**(194)**	-
	(224)	-

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 £54k for continuing operations. 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 six months in length where the Group will continue to spread the lease payments on a straight-line basis over the lease term.

New standards, interpretations and amendments not yet effective
There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

Management are currently assessing the impact of the new accounting standards and amendments, which are effective for periods beginning after 1 January 2020 and which have not been adopted early.

The Group does not expect any standards, amendments to standards and interpretations issued by the IASB, but not yet effective, to have a material impact on the group.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and assumptions that have the most significant effects on the carrying amounts of the assets and liabilities in the financial statements are discussed below.

Valuation of equity investments classified as (FVTOCI)

The fair value of unlisted securities is established using International Private Equity and Venture Capital Valuation Guidelines (IPEVCVG). Given the nature of the Group's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts.

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

The fair value of PDS, now listed on the Nasdaq has used the share price as at 31 December 2019 to determine fair value as is based on level 1 information and is the most reliable. As at the 22 April 2020 the share price is at $0.91 per share valuing the investment in PDS at £0.8m. In the prior year fair value was based on information that came available as part of the merger discussions with Edge Therapeutics which was first announced to the market on 26 November 2018. The exchange ratio formula in the merger agreement meant the former PDS shareholders will own 70% of the new combined company and existing Edge shareholders will own 30% of the combined company. This was deemed the best and most reliable manner and methodology by which to derive the value of the investment in the unlisted PDS, by using the listed share price of Edge Therapeutics, Inc. as at balance sheet date as a proxy to value PDS. On the 18th March 2019 PDS announced the closing of its merger with Edge Therapeutics, Inc. following the approval of Edge stockholders on 14th March 2019.

The fair value of CytoVale at year end has been established using inputs from other than quoted prices that are observable as CytoVale is not quoted on an active market; i.e. the price of recent investments by third parties during December 2019. CytoVale raised $15.0m at the same valuation per share, the fundraise was restricted to a small group of sophisticated investors. At the time this was the only observable valuation on which to value CytoVale. If the fair value of the CytoVale equity investment were to decrease by 50%, the net assets figure would decrease by £319k with a corresponding increase if the inputs were to increase by 50%.

4. SEGMENTAL REPORTING

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

The Directors are of the opinion that, whilst each subsidiary (the operations of which are described in the Portfolio Companies section of the Strategic 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.

5. REVENUE

Revenue from contracts with customers

31 December 2019	**Delivered Goods £000's**	**Service Fee's £000's**	**Total £000's**
United Kingdom	**679**	**56**	**735**
	679	**56**	**735**

31 December 2018	Delivered Goods £000's	Service Fee's £000's	Total £000's
United Kingdom	241	4	245
	241	4	245

6. EMPLOYEES AND DIRECTORS

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

	2019 Number	2018 Number
Central Group functions *	**2**	6
Research and development and Engineering	**7**	17
Sales and other	**3**	7
	12	30

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

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

	2019 £000's	2018 £000's
Wages and salaries	**1,442**	3,350
Social security costs	**147**	308
Share-based payment charge	**51**	106
Pension costs	**34**	63
	1,674	3,827

The Group makes pension contributions for certain employees into money purchase schemes. The total expense relating to these plans in current year was £34k (2018: £63k). There were outstanding contributions at the end of the financial year of £1k (2018: £1k).

The aggregate remuneration of key management comprised:

	2019 £000's	2018 £000's
Wages and salaries	**301**	534
Pay in lieu of notice	**247**	-
Social security costs	**85**	71
Share-based payment charge	**39**	99
Pension costs	**22**	34
Benefits in kind	**5**	12
	699	750

7. OTHER COSTS

	2019 £000's	2018 £000's
Fair value movement on convertible debt in the current year	**-**	230
Estimated credit losses on trade receivables	**56**	-
Merger and acquisition costs	**160**	667
Share-based payments (note 29)	**53**	132
	269	1,029

During the year, the Group incurred transaction fees of £160k (2018: £667k) payable to lawyers and brokers for exploring potential merger and acquisition and disposal opportunities.

8. FINANCE INCOME

	2019 £000's	2018 £000's
Interest income arising from:		
Cash and cash equivalents	**7**	23
Loans	**14**	24
	21	47

9. FINANCE EXPENSE

	2019 £000's	2018 £000's
Interest expense on:		
Loans	**13**	12
Lease liabilities	**9**	-
	22	12

10. LOSS FROM CONTINUING OPERATIONS

The loss before income tax is stated after charging:

	2019 £000's	2018 £000's
Depreciation of property, plant and equipment (see note 14)	**42**	226
Amortisation of right-of-use assets (see note 15)	**32**	-
Loss on disposal of plant, property and equipment	**4**	24
Fair value movement during the year on convertible debts (see note 7)	**-**	230
Estimated credit losses on trade receivables	**56**	-
Short-term and low value leases:		
- land and buildings	**44**	152
Net foreign exchange losses	**3**	5
Fees payable to the Company's auditor for the audit of the Company's financial statements	**8**	8
Audit of the Company's subsidiaries pursuant to legislation	**32**	57
Fees payable to the Company's auditors for other services:		
- Audit related services	**14**	21

11. TAXATION

Analysis of tax credit	**2019 £000's**	2018 £000's
Current tax:		
UK research and development tax credit	**88**	73
Income tax credit on current year loss	**88**	73
Total income tax credit in the Consolidated Income Statement	**88**	73

Factors affecting the tax expense

The tax credit on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the losses of the consolidated entities as follows:

	2019 £000's	2018 £000's
Loss before taxation from continuing operations	**(3,634)**	(4,071)
Tax at domestic rates applicable to losses in the respective countries 19.42% (2018: 33.24%)	**706**	1,353
Effects of:		
Expenses not deductible for tax purposes	**(230)**	(875)
Additional deduction for R&D expenditure	**83**	45
Adjustments in respect of prior period	**7**	(13)
Capitalisation and amortisation of R&D in US – Timing difference	**(342)**	(43)
Loan interest tax deductible upon payment – Timing difference	**(21)**	(26)
Loan provision – Timing difference	**88**	(80)
Share based payments	**(3)**	-
Surrender of tax losses for R&D tax credit refund	**(103)**	-
Unutilised tax losses arising in the period	**(55)**	(559)
Rate change on deferred tax	**(42)**	33
Utilisation of unrecognised tax losses	**-**	238
Income tax credit	**88**	73
Total income tax credit in the Consolidated Income Statement	**88**	73

Tax effects relating to effects of other comprehensive income

There are tax losses available to carry forward against future trading profits from continuing operations of approximately £12,154k (2018: £11,322k). A deferred tax asset in respect of these losses of approximately £2,066k (2018: £1,925k) has not been recognised in the accounts, as the utilisation of these losses in the foreseeable future is uncertain. Deferred tax assets of approximately £4,708k and £1,118k relating to R&D costs capitalised for tax purposes and accrued loan interest respectively have not been recognised in the accounts as the utilisation of these assets in the foreseeable future is uncertain. The R&D capitalised cost will transfer to unutilised tax losses over a period of 15 years and the loan interest will transfer to unutilised tax losses upon settlement of the accrued interest.

12. 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:

	2019	2018
	£000's	£000's
Cash consideration received	**150**	-
Total consideration received	**150**	-
Cash disposed of	**(116)**	-
Net cash inflow on disposal of discontinued operation	**34**	-
Net liabilities disposed of (other than cash):		
Property, plant and equipment	**(2)**	-
Trade and other receivables	**(92)**	-
Trade and other payables	**162**	-
	68	-
Non-controlling interests	**(805)**	-
Pre-tax loss on disposal of discontinued operations	**(703)**	-
Post tax losses incurred to date of disposal	**(623)**	-
Loss on disposal of discontinued operations	**(1,326)**	-

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

Result of discontinued operations:

	2019	2018
	£000's	£000's
Revenue	**6**	95
Cost of sales	**(12)**	(45)
Gross (loss)/profit	**(6)**	50
Other Income	**-**	108
Research and development costs	**(374)**	(2,326)
General and administrative costs	**(243)**	(2,286)
Other costs	**-**	26
Impairment charges	**-**	(977)
Loss before tax	**(623)**	(5,405)
Attributable tax credit	**-**	-
Loss after tax	**(623)**	(5,405)
Loss on disposal of discontinued operations after tax	**(703)**	-
Loss for the year	**(1,326)**	(5,405)

Earnings per share from discontinued operations

Basic loss per share	**(1.4p)**	(6.2p)

12. DISCONTINUED OPERATIONS continued

The major classes of assets and liabilities at the date of disposal was as follows:

	2019 £000's	2018 £000's
Net assets/(liabilities) held for sale		
Property, plant and equipment	2	-
Trade and other receivables	92	164
Cash and cash equivalents	116	405
Total assets	210	569
Trade and other payables	(162)	(158)
Total liabilities	(162)	(158)
Net assets	**48**	411

Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations:

	2019 £000's	2018 £000's
Net cash used in operating activities	**(541)**	(5,103)
Net cash used on investing activities	**(2)**	(98)
Net decrease in cash and cash equivalents	**(543)**	(5,201)
Cash and cash equivalents at beginning of year	**405**	160
Payments to subsidiaries by Group companies	**257**	5,423
Cash disposed of	**(116)**	-
Exchange (loss)/gains on cash and cash equivalents	**(3)**	23
Cash and cash equivalents at end of year	**-**	405

13. LOSS PER SHARE

The basic and diluted loss per share is calculated by dividing the loss for the financial year by the weighted average number of ordinary shares in issue during the year. Potential ordinary shares from outstanding options at 31 December 2019 of 3,475,984 (2018: 2,782,651) (see note 29) are not treated as dilutive as the entity is loss making.

	2019 **£000's**	2018 £000's
Loss attributable to equity holders of the Company		
Continuing operations	**3,409**	3,648
Discontinued operations	**1,082**	4,680
Total	**4,491**	8,328
Number of shares		
Weighted average number of ordinary shares in issue	**78,561,866**	75,796,048

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement £000's	Furniture, fittings and equipment £000's	Plant and machinery £000's	Totals £000's
Cost				
At 1 January 2018	100	190	1,054	1,344
Exchange adjustments	-	10	61	71
Additions	-	24	88	112
Disposals	-	(50)	(4)	(54)
At 31 December 2018	100	174	1,199	1,473
Exchange adjustments	-	-	-	-
Additions	-	5	1	6
Disposals	-	(157)	(1,061)	(1,218)
At 31 December 2019	100	22	139	261
Depreciation				
At 1 January 2018	12	86	355	453
Exchange adjustments	-	9	55	64
Charge for the year	10	44	208	262
Impairment Charge	-	51	504	555
Disposals	-	(27)	(3)	(30)
At 31 December 2018	22	163	1,119	1,304
Exchange adjustments	-	-	-	-
Charge for the year	10	4	28	42
Disposals	-	(152)	(1,061)	(1,213)
At 31 December 2019	32	15	86	133
Net book value				
At 31 December 2019	**68**	**7**	**53**	**128**
At 31 December 2018	78	11	80	169

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

(ii) During the year the property plant and equipment of Vortex and Wanda was sold. The impairment charge totalled £Nil (2018: £555k). This was made up of furniture, fittings and equipment £Nil (2018: £51k) and plant and machinery £Nil (2018: £504k).

15. RIGHT-OF-USE-ASSETS

	Total £000's
Cost	
Recognised on initial application of IFRS 16	253
At 31 December 2019	253
Amortisation	
At 1 January 2019	-
Charge for the year	(32)
At 31 December 2019	(32)
Net book value	
At 31 December 2019	**221**

There is 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.

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%.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset.

Short term leases still expensed as operating amount to £16k with a maturity of three to 12 months.

16. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

16(a) Subsidiaries

The Group had the following subsidiaries at 31 December 2019:

Name	Primary trading address	Country of incorporation or registration	Proportion of ownership interest at 31 December 2019	Proportion of ownership interest at 31 December 2018	Proportion of ownership interest held by non-controlling interests at 31 December 2019	Proportion of ownership interest held by non-controlling Interests at 31 December 2018
NetScientific UK Limited	(a)	UK	**100%**	100%	**-**	-
ProAxsis Ltd * (i)	(b)	UK	**56.5%**	56.5%	**43.5%**	43.5%
NetScientific America, Inc.	(c)	USA	**100%**	100%	**-**	-
Vortex BioSciences, Inc. ** (i)	(d)	USA	**-**	95%	**-**	5%
Wanda, Inc. ** (i)	(e)	USA	**-**	70.8%	**-**	29.2%
Glycotest, Inc. (i), (ii)	(f)	USA	**65.6%**	87.5%	**34.4%**	12.5%

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration.

* Held via an intermediate holding company.
** Sold to Deeptech in March 2019, a SPV of EMV Capita Ltd for total consideration of £150k.

All of the ownerships shown above relate to ordinary shareholdings.

(i) Options have been issued by ProAxsis Ltd and Glycotest, Inc. which if exercised would dilute the Company's shareholding by 3% and 14% respectively.
(ii) Following issue of further shares during the year the Group's interest was reduced to 77.5% on 14 February 2019 and then to 65.6% on the 21 November 2019.

(a) Anglo House, Bell Lane Office Village, Bell Lane, Amersham, Buckinghamshire, HP6 6FA
(b) Unit 1B, Concourse Building, 3, Catalyst Inc, Titanic Quarter, 6 Queens Road, Belfast, BT3 9DT, Northern Ireland
(c) 1650 Market Street, Suite 4900, Philadelphia, Pennsylvania, 19103-7300, United States of America
(d) 5627 Stoneridge Drive, Suite 312, Pleasanton, CA 94588, United States of America
(e) 350 Sansome Street, Unit 800, San Francisco, CA 94104, United States of America
(f) 77 Water Street, Suite 817, New York, NY 10005, United States of America

The addresses listed above are also the registered offices of the relevant entities.

16. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS continued

16(b) Non-controlling interests

The total non-controlling interest at 31 December 2019 is £361k (2018: £5,935k), of which £1,045k (2018: £993k) is for ProAxsis, debit £684k (2018: £520k) is for Glycotest, Inc., £Nil (2018: £3,299k) is for Wanda, Inc., and £Nil (2018: £1,123k) is for Vortex BioSciences, Inc.

Set out below is the summarised financial information for ProAxsis and Glycotest, Inc. which have non-controlling interests that are material to the Group:

Summarised balance sheet

	ProAxsis UK Ltd As at 31 December		Glycotest, Inc. As at 31 December	
	2019	2018	**2019**	2018
	£000's	£000's	**£000's**	£000's
Assets				
Non-current assets	**122**	160	**3**	2
Current assets	**597**	236	**2,293**	156
Total assets	**719**	396	**2,296**	158
Liabilities				
Current liabilities	**(3,071)**	(2,618)	**(304)**	(4,316)
Long term liabilities	**(50)**	(60)	**-**	-
Total liabilities	**(3,121)**	(2,678)	**(304)**	(4,316)
Net (liabilities)/assets	**(2,402)**	(2,282)	**1,992**	(4,158)
Non-controlling interests	**(1,045)**	(993)	**684**	(520)

Summarised statement of comprehensive income

	ProAxsis UK Ltd For the year ended 31 December		Glycotest, Inc. For the year ended 31 December	
	2019	2018	**2019**	2018
	£000's	£000's	**£000's**	£000's
Revenue	**735**	245	**-**	-
Loss for the year before and after taxation	**(208)**	(666)	**(2,112)**	(790)
Total comprehensive loss for the year	**(120)**	(587)	**(2,112)**	(790)
Total comprehensive loss attributable to non-controlling interests	**(52)**	(253)	**(477)**	(96)

16. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS continued

16(b) Non-controlling interests continued

Summarised cash flows

	ProAxsis UK Ltd		Glycotest, Inc.	
	31 December 2019 £000's	31 December 2018 £000's	**31 December 2019 £000's**	31 December 2018 £000's
Net cash used in operating activities	**(106)**	(274)	**(1,914)**	(567)
Net cash received in investing activities	**(1)**	(10)	**(2)**	(1)
Net cash inflows from financing activities	**100**	190	**4,131**	629
Net (decrease)/increase in cash and cash equivalents	**(7)**	(94)	**2,215**	61
Cash and cash equivalents at beginning of year	**9**	103	**65**	1
Exchange gain/(losses) on cash and cash equivalents	**-**	-	**(47)**	3
Cash and cash equivalents at end of year	**2**	9	**2,233**	65

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

Change 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.

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.

17. EQUITY INVESTMENTS CLASSIFIED AS FVTOCI

Represent equity securities classified as FVTOCI

	2019 £000's	2018 £000's
At 1 January	**2,768**	2,863
Remeasurement to fair value on initial application of IFRS 9	**-**	3,744
Change in fair value during the year	**(1,300)**	(3,839)
At 31 December	**1,468**	2,768

Name	Country of incorporation	% of issued share capital	Currency denomination	£000's
PDS Biotechnology Corporation	USA	10.28%	US$	1,089
CytoVale, Inc.	USA	1.00%	US$	379
				1,468

Refer to note 3 Significant accounting estimates and judgements for more information on the valuation of equity investments as FVTOCI.

The Company's ownership of the enlarged PDS Biotechnology Corporation, now trading on Nasdaq under the ticker PDSB, on a fully diluted basis is 8.15% (2018: 9.12%), which at the year-end listing price of $2.65 values NetScientific's holding in PDS at £1,097k (2018: £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's interest in PDS Biotechnology is non-controlling.

The fair value for the prior year end was derived from the listed entity Edge Therapeutics, Inc. and using its share price as a proxy to value PDS. On the 18 March 2019 PDS announced the closing of its merger with Edge Therapeutics, Inc. following the approval of Edge stockholders on 14 March 2019.

CytoVale Inc. remains not quoted on an active market at year end and fair value has been established initially using inputs from other than quoted prices that are observable; i.e. the price of recent investments by third parties during December 2019. CytoVale raised $15.0m all at the same valuation per share, the fundraise was restricted to a small group of sophisticated investors. At the time this was the only observable valuation on which to value CytoVale.

18. FINANCIAL ASSETS CLASSIFIED AS FVTPL

Warrants & Convertible Loans classified as FVTPL	2019 £000's	Restated 2018 £000's
Balance at 1 January	**297**	460
Change in fair value on initial application of IFRS 9	**-**	51
Change in fair value during the year	**(35)**	(214)
Balance at 31 December	**262**	297

The 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.

The Epibone convertible loan note is the only financial asset to have a material value individually or collectively the rest have been fully impaired.

Convertible loans FVTPL of £253k in the prior year have been moved out of trade and other receivables to financial assets classified as FVTPL see note 20. The amount was not material at 1 January 2018 and there is no impact on net assets.

19. INVENTORY

	2019 £000's	2018 £000's
Finished products	**30**	37
	30	37

Inventories are held at net realisable value. Finished products constitute VTX-1 machines and ProteaseTag active neutrophil elastase immunoassay kits.

During the year the impairment charge totalled £Nil (2018: £346k).

20. TRADE AND OTHER RECEIVABLES

	2019 £000's	Restated 2018 £000's
Current:		
Trade receivables	**376**	73
Taxation	**88**	73
Other receivables	**30**	88
Prepayments	**91**	187
Accrued income	**18**	24
	603	445
Non-current: other receivables	**-**	-
Aggregate amounts	**603**	445

The carrying value of trade and other receivables classified at amortised cost approximates fair value. The Group does not hold any collateral as security against any trade and other receivables.

Convertible loans FVTPL of £253k in the prior year have been moved out of trade and other receivables to financial assets classified as FVTPL see note 18. The amount was not material at 1 January 2018 and there is no impact on net assets.

At 31 December 2019 a breakdown of the gross carrying amounts and the impairments charge is as follows:

£000's	Current	More than 30 days past due	More than 60 days past due	Total
Gross carrying amount	397	28	7	432
Loss rate	10%	33%	100%	46%
Impairment provision	(40)	(9)	(7)	(56)
Trade Receivables	357	19	-	376

At 31 December 2018 a breakdown of the gross carrying amounts and the impairments charge is as follows:

£000's	Current	More than 30 days past due	More than 60 days past due	Total
Gross carrying amount	58	15	-	73
Loss rate	0%	0%	0%	0%
Impairment provision	-	-	-	-
Trade Receivables	58	15	-	73

21. CASH AND CASH EQUIVALENTS

	2019 £000's	2018 £000's
Short term deposits	**1,151**	1,260
Cash and cash equivalents	**2,302**	1,651
	3,453	2,911

The cash held within subsidiary Glycotest, Inc., of £2,233k (2018: £65k) is not freely available for use within the wider group as it would need the consent of a 40% minority shareholder.

22. TRADE AND OTHER PAYABLES

	2019 £000's	2018 £000's
Current:		
Trade payables	**291**	148
Other payables	**10**	-
Accruals	**322**	520
	623	668

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

23. LOANS AND BORROWINGS

	2019 £000's	2018 £000's
Total falling due within one year	**163**	140
Total falling due after more than one year	**50**	60
Total	**213**	200
The maturity of the loans are as follows:		
Amounts falling due within one year on demand	**163**	140
Amounts falling due between one and two years	**10**	10
Amounts falling due between two and five years	**40**	40
Amounts falling due over five years	**-**	10

Loans and borrowings represent:

An unsecured loan note of £100k has been issued by a UK subsidiary, of which £70k is outstanding as at 31 December 2019 (2018: £70k). There is no interest charged and is payable in equal instalments of £10k. First instalment upon signing of document and then equally over nine years.

An unsecured convertible loan note for £100k plus accrued interest of £43k has been issued by a UK subsidiary. The loan note carries an interest rate of 10% per annum, which is compounded annually. The loan note is able to be repaid at any time by the UK subsidiary and is repayable on demand by the noteholder. The loan note is convertible to equity upon certain events taking place at the election of the noteholder.

In April 2020 Netscientific entered into an 18-month secured £700,000 line of credit with Beckman Group. 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%, it can be extended by mutual agreement for an additional six months and is secured on the whole of NetScientific's interest in PDS.

24. CALLED UP SHARE CAPITAL

Authorised, issued and fully paid:	**2019** **£000's**	2018 £000's
78,561,866 ordinary shares of 5p each (2018: 78,561,866 of 5p each)	**3,928**	3,928

The Company issued no ordinary shares during 2019.

On 17 April 2018, the Company issued 9,523,809 of 5p ordinary shares at 52.5p per share respectively, raising net funds of £4,643k.

Details of share options can be found in note 29. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

25. CAPITAL AND RESERVES

Share capital
Share capital represents the nominal value of shares issued.

Share premium account
Share premium represents amounts subscribed for share capital in excess of nominal value less the related costs of shares issued.

Capital reserve account
Capital reserve represents the waiver of loan interest on conversion of the loans provided by the Group into ordinary shares.

Equity investment reserve account
Equity investment reserve is used to record the cumulative net gains and losses in fair value of equity securities classified as fair value through other comprehensive income under IFRS 9.

Foreign exchange reserve
The foreign exchange reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries of the Group.

Retained earnings
Retained earnings are in deficit and represent cumulative net gains and losses recognised in the consolidated statement of comprehensive income adjusted for cumulative share-based payments.

26. FINANCIAL INSTRUMENTS

	2019	2018
	£000's	£000's
Financial assets measured at amortised cost	**424**	293
Financial assets measured at fair value through other comprehensive income (note 17)	**1,468**	2,768
Financial assets measured at fair value through profit and loss (note 18)	**262**	297
Financial liabilities measured at amortised cost	**(1,060)**	(1,026)

Financial assets measured at amortised cost comprise trade receivables, other receivables and accrued income.

Financial assets measured at fair value through other comprehensive income comprises of equity investments classified as FVTOCI (note 17).

Financial assets measured at fair value through profit and loss include derivative financial assets and convertible loan notes (note 18).

Financial liabilities measured at amortised cost comprise trade payables, other payables, accruals and loans and borrowings.

The carrying values of the assets and liabilities detailed above are considered to represent a reasonable approximation of their fair value.

Currency risk
During the year under review, the Group was exposed to US dollar exposure as a significant amount of its research and development expenditure is denominated in this currency. The Group holds some of its cash in US dollars to reduce its exposure to movements in exchange rates.

The currency and interest rate exposure of the Group's borrowings is shown below.

	Total £000's	Floating borrowings £000's	Fixed borrowings £000's	Weighted average interest rate %
As at 31 December 2019				
Sterling	143	-	143	10%
Sterling	224	-	224	4%
Sterling	70	-	70	0%
	437	**-**	**437**	**5%**
As at 31 December 2018				
Sterling	130	-	130	10%
Sterling	70	-	70	0%
	200	-	200	7%

26. FINANCIAL INSTRUMENTS continued

Currency risk continued
The interest rate is fixed for the duration of the loans.

Interest rate and currency of cash balances
Floating rate financial assets of £3,453k (2018: £3,316k) comprises sterling £1,165k (2018: £1,030k) and US dollar US$3,023k (2018: US$2,917k) cash deposits with the banks current accounts. Interest receivable for the year ended 31 December 2019 was £21k (2018: £23k).

Interest rate and currency of loans
The Group has purchased loan notes totalling US$1,100k (2018: US$1,100k) which have accrued interest of US$228k (2018: US$211k). The interest rate on loan notes totalling US$850k is fixed at 6% and on loan notes for US$250k the rate is 7%. The loan notes are not part of Cash and Cash Equivalents.

Currency exposure
The exposures comprise the monetary assets and liabilities of the Group that are not denominated in the operating or 'functional' currency of the operating unit involved.

If GBP weakened by 10% against USD, with all other variables held constant, the following movements would be seen in balances:

	2019 **£000's**	2018 £000's
Cash balances	208	208
Trade receivables	-	1
Other receivables	24	32
Trade payables	(17)	(7)
Other payables	-	(2)
Accruals	(15)	(26)

Undrawn bank facilities
The Group did not have in place any undrawn committed bank borrowing facilities available to it during 2019 (2018: £Nil).

In April 2020 NetScientific entered into an 18-month secured £700,000 line of credit facility with Beckman Group. 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%, it can be extended by mutual agreement for an additional six months and is secured on the whole of NetScientific's interest in PDS.

26. FINANCIAL INSTRUMENTS continued

Credit risk
The Group follows a risk-averse policy of treasury management. Sterling and US dollar cash balances are held with reputable financial institutions to minimise credit risk. The Group's primary treasury objective is to minimise exposure to potential capital losses whilst at the same time securing prevailing market rates. Additionally, the Group has borrowings in Sterling. Credit risk attributable to trade and other receivables is detailed below. The carrying amount of these assets represents the maximum credit exposure:

	2019	2018
	£000's	£000's
Trade receivables	**376**	88
Other receivables	**30**	182
	406	270

The derivative financial assets are all net settled; therefore, the maximum exposure to credit risk at the reporting date is the fair value of the derivative assets which are included in the consolidated statement of financial position.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

Each business establishes a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer.

The Risk Management Committee determines concentrations of credit risk by monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future credit sales are made only with approval of the Risk Management Committee, otherwise payment in advance is required.

26. FINANCIAL INSTRUMENTS continued

Interest rate risk
The Group's cash held at bank is subject to the risk of fluctuating base rates. The interest rate on US dollar purchase loan notes is fixed. The Group has sterling fixed rate borrowings, see note 23 and below for profile of maturities.

Capital risk management
The Group is funded primarily by equity finance and has some short-term borrowings. Management regard the capital structure of the Company to consist of all elements of invested capital and non-controlling interests.

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

	2019 **£000's**	2018 £000's
1 year or less		
Trade payables	**291**	198
Other payables	**10**	22
Accruals	**322**	606
Lease liabilities	**30**	-
Loans and borrowings	**163**	140
Total	**816**	966
1-2 years		
Lease liabilities	**31**	-
Loans and borrowings	**10**	10
Total	**41**	10
2-5 years		
Lease liabilities	**100**	-
Loans and borrowings	**40**	40
Total	**140**	40
Over 5 years		
Lease liabilities	**63**	-
Loans and borrowings	**-**	10
Total	**63**	10

27. CONTINGENT LIABILITIES

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

28. COMMITMENTS

Short-term and low value lease commitments
At 31 December 2019, the Group had the following future value of minimum lease payments due as set out below:

	Land and buildings	
	2019	2018
	£000's	£000's
Within one year	**16**	144
In the second to fifth years inclusive	**-**	274
In the sixth to tenth year inclusive	**-**	104

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application 1 January 2019, without restatement of comparative figures. The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

29. SHARE-BASED PAYMENTS

The Group operates an equity settled share option scheme for certain Directors and employees of the Group. Options are exercisable at a price defined by the individual option agreement. The vesting period varies according to the individual employment contract. If the options remain unexercised during the specified period from the date of grant, the options expire. Options are generally forfeited if the employee leaves the Group before the options vest, however, this is at the discretion of the Board.

Total options existing over 5p ordinary shares in the Company as of 31 December 2019 are summarised below:

Date of Grant	Restated Number of shares at 1 January 2019	Granted during the year	Lapsed during the year	**Number of shares as at 31 December 2019**	Note	Exercise price	Date of expiry *
September 2013	2,373,631	-	-	**2,373,631**	1	£1.60	September 2023
January 2014	-	-	-	**-**	2	£1.60	January 2024
November 2015	409,020	-	-	**409,020**	4	£1.195	November 2025
February 2016	200,000	-	-	**200,000**	3	£0.862	February 2026
June 2016	260,000	-	-	**260,000**	3	£0.797	June 2026
January 2017	380,000	-	(50,000)	**330,000**	3	£0.655	January 2027
June 2018	500,000	-	(216,667)	**283,333**	5	£0.455	June 2028
	4,122,651	-	(266,667)	**3,855,984**			

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

1. Options were granted on 16 September 2013, the date of the Company's Admission to AIM. The vesting terms were one third on date of grant, the next third on the first anniversary of the date of Admission and the final third on the second anniversary of the date of Admission.
2. Options vest at the rate of one third per year commencing one year after the date of grant.
3. Options vest in three years after the date of grant.
4. 50,000 options vested on 30 January 2018 and 359,020 options vested on 8 June 2018.
5. Options vest in three years after the date of grant.

29. SHARE-BASED PAYMENTS continued

Movement in the number of share options outstanding are as follows:

	2019 Weighted average exercise price £	**2019 Number**	2018 Weighted average exercise price £	2018 Number
Outstanding at 1 January	**1.25**	**4,122,651**	1.35	3,647,358
Granted during the year	**-**	**-**	0.46	500,000
Lapsed during the year	**0.49**	**(266,667)**	1.08	(24,707)
Outstanding at 31 December	**1.30**	**3,855,984**	1.25	4,122,651

	2019 Weighted average exercise price £	**2019 Number**	2018 Weighted average exercise price £	2018 Number
Amounts exercisable at 31 December	**1.38**	**3,475,984**	1.54	2,782,651

Fair value charge

No options were issued during 2019.

The fair value charge for the share options have been based on the Black-Scholes model with the following key assumptions:

Date of Grant	**Exercise price £**	**Share price at date of grant £**	**Risk free rate %**	**Assumed time to exercise Years**	**Assumed volatility %**	**Fair value per option £**
2018						
June 2018	0.455	0.455	0.87	4	40%	0.15

No dividends are assumed. The risk-free rate is taken from the yield on zero coupon UK government bonds on a term consistent with the expected life. Assumed volatility is based on a review of comparators and analysis of movements to the share price since the Company's listing.

The Group did not enter into any share-based payment transactions with parties other than Directors or employees during the current or previous year.

The total charge for the year in respect of continuing operations share-based payments for share options granted to Directors and employees was £53k (2018: £132k) (see note 7). £12 (2018: credit £2k) of this sum represents the share-based charge on options granted by subsidiary entities. The charge in respect of discontinued operations held for sale was £Nil (2018: £26k).

30. RELATED PARTY DISCLOSURES

An interest free loan of £10k has been extended to Francois Martelet, the Chief Executive Officer of the Group of which £5k has been repaid during the year. The balance outstanding as at 31 December 2019 is £Nil (2018: £5k).

Melvin Lawson, who is interested in 29.98% of the issued share capital of NetScientific, is also the principal provider of finance to the EMV Capital Ltd SPV Deeptech. Accordingly, the sale of subsidiaries Vortex and Wanda represents a related party transaction in accordance with AIM rule 13. The Company will utilise the proceeds of the sale towards its ongoing working capital requirements.

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.

31. EVENTS AFTER THE REPORTING PERIOD

On the 15 January 2020 it was announced that Ian Postlethwaite had served six months' notice to step down as CEO, CFO and Company Secretary. Ian's departure date is scheduled for 14 July 2020.

On the 23 January 2020, Epibone an early stage investment announced a Series A funding round raising $8 million. NetScientific's convertible loan note and accrued interest valued at £0.3m at year end converted into preferred shares valued at £0.3m on the closing of the financing.

On the 12 February 2020, it was announced that PDS had issued 9,230,770 new shares of common stock to raise gross proceeds of approximately US$12 million ("New Issue"), before deducting underwriting discounts, commissions and other offering expenses. The offering closed on Friday, February 14, 2020, subject to customary closing conditions.

Netscientific plc subscribed for $650,000 for 500,000 shares of PDS common stock in the new issue. Upon completion of the new issue, Netscientific expects to own 1,042,833 shares of PDS' common stock, representing approximately 7.18% of the undiluted share capital.

NetScientific had cash to fund this investment, however on the 7 April 2020 for prudent financial management, the Group entered into an 18-month secured £700,000 line of credit facility with the Beckman Group. 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 the 31 March 2020, it was announced that Sir Richard Sykes will retire from the Board following nine years as Chairman. John Clarkson, took over as the Chairman of the Board with immediate effect. In addition, Ian Postlethwaite will retire from the Board and step down as CEO/CFO and Company Secretary following four years at Netscientific during April 2020. It is expected that Dr. Ilian Iliev, currently a Non-Executive Director, will become a part time Executive Director and interim CEO and Stephen Crowe, currently Financial Controller, will take over as interim CFO.

During February, March and April 2020, the world has seen and reacted to the impact of Covid-19 which continues to unfold. To date there has been minimal impact to the Group, however, a number of clinical trials have been delayed. 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.

On the 14 April 2020 Ilian Iliev was appointed to the Board of PDS Biotechnolgy

31. EVENTS AFTER THE REPORTING PERIOD continued

On the 16 April PDS announced that it had expanded its infectious disease pandemic development program, including novel vaccines for COVID-19 and universal influenza, in addition to its previously announced tuberculosis development collaboration with Farmacore Biotechnology. PDS also announced that initiation of its multi-center Phase 2 VERSATILE-002 trial for PDS0101 in advanced/metastatic head and neck cancer had been delayed due to the severe adverse impact on clinical trial operations from the Covid-19 pandemic.

32. ULTIMATE CONTROLLING PARTY

The Directors believe there to be no ultimate controlling party.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** **£000's**	2018 £000's
Fixed assets			
Tangible assets	7	**3**	8
Investment in subsidiary undertakings	8	**3,828**	-
Other investments	9	**1,472**	2,812
Loans to subsidiary undertakings	10	**105**	7,693
Total non-current assets		**5,408**	10,513
Current assets			
Debtors: amounts falling due within one year	11	**32**	164
Cash at bank		**1,219**	1,021
Total current assets		**1,251**	1,185
Creditors			
Amounts falling due within one year	12	**(82)**	(346)
Net current assets		**1,169**	839
Net assets		**6,577**	11,352
Capital and reserves			
Called up share capital	13	**3,928**	3,928
Share premium account	14	**58,006**	58,006
Capital redemption account	14	**237**	237
Equity Investment account	14	**(1,408)**	(68)
Retained earnings	14	**(54,186)**	(50,751)
Total equity		**6,577**	11,352

The notes on pages 78 to 87 are an integral part of these financial statements.

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The loss dealt with in the financial statements of the Parent Company for the year ended 31 December 2019 was £3,476k (2018: loss of £30,812k).

The financial statements on pages 76 to 87 were approved by the Board of Directors on 24 April 2020 and signed on its behalf by:

Ian Postlethwaite
Chief Executive Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £000's	Share premium £000's	Capital redemption reserve £000's	Equity investment reserve £000's	Retained earnings £000's	**Total equity £000's**
Balance at 1 January 2018	3,452	53,839	237	-	(20,113)	37,415
Issue of share capital	476	4,524	-	-	-	5,000
Costs of share issue	-	(357)	-	-	-	(357)
Loss and total comprehensive loss for the year	-	-	-	(68)	(30,744)	(30,812)
Share-based payments	-	-	-	-	106	106
Balance at 31 December 2018	**3,928**	**58,006**	**237**	**(68)**	**(50,751)**	**11,352**
Loss and total comprehensive loss for the year	-	-	-	(1,340)	(3,476)	(4,816)
Share-based payments	-	-	-	-	41	41
Balance at 31 December 2019	**3,928**	**58,006**	**237**	**(1,408)**	**(54,186)**	**6,577**

1. GENERAL INFORMATION

NetScientific Plc is a public limited company incorporated in England and Wales. The address of the registered office is Anglo House, Bell Lane Office Village, Bell Lane, Amersham, Buckinghamshire HP6 6FA.

Basis of preparation
The financial statements have been prepared under the historical cost convention in accordance with the FRS 102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland".

Exemptions
The parent company has taken advantage of the following exemptions available under FRS 102:

- the exemption from preparing a statement of cash flows;
- the exemption from disclosing key management personnel compensation; and
- reduced disclosures for share-based payments (as equivalent disclosures have been given in the Consolidated Financial Statements presented alongside the parent company's own financial statements).

2. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's financial statements.

Going concern
The Directors have prepared and reviewed budget cashflows which were approved by the Board of Directors in the Board meeting of 5 December 2019, and further reviewed at the Board meeting on 18 March 2020 for the impact of Covid-19 and subsequently approved on the 25 March 2020. The budgeted cash flows included a number of implemented cash saving initiatives, including:

a) 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 and reviewing all expenditure commitments;
b) selling Vortex and Wanda for net proceeds of £0.15 million on 22 March 2019 and consequently reducing the operational cost base and funding requirement of the Group;
c) 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; and
d) making a planned partial drawdown of the £700k line of credit towards the end of 2020.

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 to 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. 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.

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

2. ACCOUNTING POLICIES continued

Investment in subsidiary undertakings
Investments in subsidiary undertakings where the Company has control are stated at cost less any provisions for impairment. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Provisions are based upon an assessment of events or changes in circumstances that indicate that an impairment has occurred such as the performance and/or prospects (including the financial prospects) of the investee company being significantly below the expectations on which the investment was based, a significant adverse change in the markets in which the investee company operates or a deterioration in general market conditions.

Intercompany loans
All intercompany loans are initially recognised at fair value and subsequently measured at amortised cost. Where intercompany loans are intended for use on a continuing basis in the Company's activities and there is no intention of their settlement in the foreseeable future, they are presented as fixed assets.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Fixtures, fitting and equipment	-	33.3% reducing balance

Valuation of quoted and unquoted fair value equity investments "other investments"
Financial assets measured at fair value through profit and loss include the Companies unquoted equity investments not held for trading. The current portion relates to those assets the Company expects to sell within the next 12 months.

Investments in listed company shares, which have been classified as other investments as the Group intends to hold them on a continuing basis, are remeasured to fair value at each balance sheet date. Movements in fair value on remeasurement are recognised through profit and loss for the period. Investments in unlisted company shares, which have been classified as other investments as the Group intends to hold them on a continuing basis, are remeasured to fair value at each balance sheet date. Movements in fair value on remeasurement are recognised through profit and loss for the period.

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

Share-based payments
For all grants of share options, the fair value as at the date of the grant is calculated using an appropriate option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are likely to vest, except for options with market-based conditions where the likelihood of vesting is factored into the fair value attributed to those options. The expense is recognised over the vesting period of the option. The credit for any charge is taken to equity. The details are disclosed in note 29 of the Consolidated Financial Statements.

2. ACCOUNTING POLICIES continued

Financial instruments

Basic financial assets, including other debtors, cash and bank balances and investments, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less.

The Company's investments in entities not qualifying as subsidiaries, associates or jointly controlled entities are carried at fair value with changes in fair value, recognised through profit and loss and accumulated in reserves. If there is a significant range of possible fair value estimates and the probabilities of the various estimates cannot be reliably measured, then the investments are measured at cost less accumulated impairment.

Basic financial liabilities, including trade and other payables and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The Directors make judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The most significant judgements related to the going concern assumption (see note 2).

The estimates and assumptions that have the most significant effects on the carrying value of the assets and liabilities in the financial statements are discussed below.

Valuation of unquoted fair value equity investments
The fair value of unlisted securities is established using International Private Equity and Venture Capital Valuation Guidelines (IPEVCVG). Given the nature of the Company's investments in seed, start-up and early-stage companies, where there are often no current and no short-term future earnings or positive cash flows, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts.

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

The PDS Biotechnology equity investment is now list on Nasdaq from the 18 March 2019 following the merger with Edge Therapeutics and the listed share price as at 31 December 2019 has been used to determine fair value. The fair value of PDS Biotechnolgy for the prior year end was based on information that came available as part of the merger discussions with Edge Therapeutics which was first announced to the market on 26 November 2018. Under the exchange ratio formula in the merger agreement, immediately following the merger the former PDS shareholders will own 70% of the combined company and existing Edge shareholders will own 30% of the combined company. This was deemed the best and most reliable manner and methodology by which to derive the value of the investment in the unlisted PDS, by using the listed share price of Edge Therapeutics, Inc. as at balance sheet date as a proxy to value PDS.

CytoVale Inc. is not quoted on an active market at year end and fair value has been established initially using inputs from other than quoted prices that are observable; i.e. the price of recent investments by third parties during December 2019. CytoVale raised $8.0m all at the same valuation per share, the fundraise was restricted to a small group of sophisticated investors. At the time this was the only observable valuation on which to value CytoVale.

Valuation of investments in, and loans to subsidiary undertakings
The Company assesses at the end of each reporting period whether there is objective evidence that the investment in, and loans to, subsidiary undertakings are impaired. Given the pre-revenue nature of the investments the assessment is based on the carrying value of each subsidiary companies' assets and the progress of their scientific programmes. Management has stress tested its fundamental investment valuation models for each of the investee companies and management have reviewed that any changes to the fundamentals would give rise to a material impact to the Company financial statements. During the year, a provision of £Nil (2018: £1,208k) was made against the investment in subsidiary undertakings and net £1,355k (2018: £30,257k) against loans to subsidiary undertakings. This has no impact to the Group financials.

4. PROFIT OF THE PARENT COMPANY

Auditors' remuneration
The remuneration of the auditors is disclosed in note 10 to the Consolidated Financial Statements.

Share-based payments
Full details of the Company's share-based payments are set out in note 29 of the Consolidated Financial Statements.

5. DIRECTORS' REMUNERATION

The remuneration of the Directors is disclosed in the Directors' Remuneration Report on pages 26 to 29 of the Consolidated Financial Statements.

6. EMPLOYEES AND DIRECTORS

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

	2019 Number	2018 Number
Central Group functions *	**2**	6
	2	6

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

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

	2019 £000's	2018 £000's
Wages and salaries	**559**	1,004
Social security costs	**74**	134
Share-based payment charge	**39**	106
Pension costs	**23**	52
	695	1,296

The Company makes defined pension contributions for certain employees into money purchase schemes. The total expense relating to these plans in the current year was £24k (2018: £52k). There were outstanding contributions of £1k (2018: £1k) and no prepaid contributions (2018: £nil) at the end of the financial year.

7. TANGIBLE ASSETS

	Fixtures, fittings and equipment £000's
COST	
At 1 January 2019	27
Additions	2
Disposals	(20)
At 31 December 2019	**9**
DEPRECIATION	
At 1 January 2019	19
Charge for the year	2
Disposals	(15)
At 31 December 2019	**6**
NET BOOK VALUE	
At 31 December 2019	**3**
At 31 December 2018	8

8. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	£000's
At 1 January 2019	-
Glycotest Series A Preferred Stock	3,828
At 31 December 2019	**3,828**

Details of the Company's subsidiary undertakings at 31 December 2019 are included in note 16 to the Consolidated Financial Statements on page 59.

On the 14 February 2019, as part of the Fosun series A financing, existing group loans converted into 20,109,155 preferred series A shares of Glycotest at a cost of £3,828k.

Shares in subsidiary Wanda Inc. were impaired down to £Nil in 2018. Post balance sheet date on the 22 March 2019, the shares in Wanda Inc were sold for £1 as part of the total consideration of £37,001 to Deeptech a SPV of EMV Capital Ltd.

9. OTHER INVESTMENTS

	2019 £000's	2018 £000's
At 1 January	**2,812**	2,880
Change in fair value during the year	**(1,340)**	(68)
At 31 December	**1,472**	2,812

Name	Country of incorporation	% of issued share capital	Currency denomination	Fair value £000's
PDS Biotechnology Corporation	USA	10.28%	US$	1,093
CytoVale, Inc.	USA	1.00%	US$	379
				1,472

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

The equity investment of PDS is now quoted on Nasdaq while the investment in CytoVale is not quoted in an active market at year end and fair value has been established initially using inputs from other than quoted prices that are observable; i.e. the price of recent investments by third parties during December 2019. CytoVale raised $15.0m all at the same valuation per share, the fundraise was restricted to a small group of sophisticated investors. At the time this was the only observable valuation on which to value CytoVale.

On the 18 March 2019, PDS announced the closing of its merger with Edge Therapeutics, Inc. following the approval of Edge stockholders on 14 March 2019. The fair value of PDS Biotechnology Inc. at year end was based on the listed share price of $2.65 per share as at 31 December 2019.

For more information on other investments refer to note 17 to the Consolidated Financial Statements on page 62.

10. LOANS TO SUBSIDIARY UNDERTAKINGS

	2019 £000's	2018 £000's
At 1 January	**7,693**	29,461
Additions	**571**	11,038
Repayments	**(2,443)**	-
Conversion	**(3,828)**	-
Releases	**880**	-
Provisions	**(2,235)**	(30,257)
Exchange movement	**(533)**	(2,549)
At 31 December	**105**	7,693

The amounts due from subsidiary undertakings are unsecured and repayable on demand. Interest has been charged on certain loans. A provision in the year was made for Vortex Biosciences, Inc. £Nil (2018: £18,876k), Wanda, Inc. £Nil (2018: £4,011k), Glycotest, Inc. release of £677k (2018: £Nil), NetScientific UK Ltd £2,235k (2018: £Nil) and NetScientific America, Inc. release of £203k (2018: £7,370k).

On the 14 February 2019, as part of the Fosun series A financing, existing group loans of £3,828k converted into 20,109,155 preferred series A shares of Glycotest an investment in subsidiary undertakings see note 8.

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £000's	2018 £000's
Other receivables	**-**	22
Prepayments	**17**	90
Accrued income		-
Other taxes and social security	**15**	52
	32	164

Financial assets measured at amortised costs comprise other receivables.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £000's	2018 £000's
Trade creditors	**21**	103
Accruals	**61**	243
	82	346

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

13. CALLED UP SHARE CAPITAL

	2019	2018
	£000's	£000's
Issued and fully paid:		
78,561,866 ordinary shares of 5p each (2018: 78,561,866)	**3,928**	3,928

Details of new ordinary shares issued during the prior year are shown in note 24 of the Consolidated Financial Statements.

Share options
Details of outstanding share options over ordinary shares of 5p each at 31 December 2019 are shown in note 29 of the Consolidated Financial Statements.

14. RESERVES

A description of each reserve is set out below.

Share premium
The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

Capital redemption reserve
This reserve relates to the nominal value and share premium amounts for shares repurchased or cancelled, as required under the Companies Act 2006.

Equity investment reserve account
Equity investment reserve is used to record the cumulative net gains and losses in fair value of quoted and unquoted equity securities.

Retained earnings
This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

15. RELATED PARTY TRANSACTIONS

The following balances are due to NetScientific plc from fellow non-wholly owned subsidiary undertakings:

	Amount due from as at 2019 £000's	Amount due from as at 2018 £000's
Glycotest, Inc.	**-**	3,442
ProAxsis UK Limited	**105**	-

The following management fees were charged by NetScientific plc to fellow non-wholly owned subsidiary undertakings:

	2019 £000's	2018 £000's
Vortex BioSciences, Inc.	**-**	152
Wanda, Inc.	**-**	112
Glycotest, Inc.	**-**	104

Interest was charged by NetScientific plc to the following non-wholly owned subsidiary undertakings:

	2019 £000's	2018 £000's
Vortex BioSciences, Inc.	**79**	335
Wanda, Inc.	**15**	246
Glycotest, Inc	**7**	74
ProAxsis UK Limited	**5**	-

Other related parties have been disclosed in note 30 to the Consolidated Financial Statements.

DIRECTORS:		J Clarkson I Postlethwaite S Smith I Iliev
SECRETARY:		I Postlethwaite
REGISTERED OFFICE:		Anglo House, Bell Lane Office Village Bell Lane Amersham Buckinghamshire HP6 6FA
REGISTERED NUMBER:		08026888 (England and Wales)
AUDITORS:		BDO LLP Arcadia House Maritime Walk Ocean Village Southampton Hampshire SO14 3TL
SOLICITORS:		
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NOMINATED ADVISOR AND BROKER:		WH Ireland Ltd 24 Martin Lane London EC4R 0DR