

Annual Report and Accounts 2015

# Healthy progress

FRIDAY



\*A59UHEEJ\*

A30

24/06/2016

#238

COMPANIES HOUSE

NetScientific is a transatlantic healthcare technology group that funds and builds companies that significantly improve the health and well-being of people with chronic diseases

**NetScientific in brief**

We develop and manage early/mid-stage healthcare technology companies sourced from strategic partnerships and relationships in USA and Europe with a primary focus on Diagnostics, Digital health and Therapeutics. These represent highly attractive growth markets where breakthrough technology solutions are in high demand.

We are an active investor providing extensive management support. This can involve the senior management team initially taking leadership roles in companies and building dedicated management teams as the companies develop and grow.

---

## Strategic Report

- 02 Chairman's and Chief Executive Officer's joint Statement
- 04 Our markets
- 06 Strategy
- 08 Board of Directors
- 10 Executive management team
- 12 2015 performance
- 24 Risks and uncertainties
- 26 Financial review

# 04

**Healthy, high value markets**  
'We are focused on investing in companies targeting the high value, developed healthcare markets.'

# 02

## Chairman's and Chief Executive Officer's joint Statement

'Over the year, the Group made significant progress with its portfolio companies, and specifically with its lead investments.'

# 06

## Healthy strategy

'The Group aims to grow the equity value of its interests in its portfolio companies through various key value inflection points.'

---

## Corporate Governance

- 29 Report of the Directors
- 31 Corporate Governance report
- 33 Directors' Remuneration report
- 36 Independent Auditor's report

---

## Financial Statements

- 37 Consolidated Income Statement
- 38 Consolidated Statement of Comprehensive Income
- 39 Consolidated Statement of Financial Position
- 40 Consolidated Statement of Changes in Equity
- 41 Consolidated Statement of Cash Flows
- 42 Notes to the Consolidated Financial Statements
- 60 Parent Company Statement of Financial Position
- 61 Parent Company Statement of Changes in Equity
- 62 Notes to the Parent Company Financial Statements
- 72 Company Information

Strategic Report

Corporate Governance

Financial Statements



# Healthy outlook

'At 31 December  
2015 cash and  
deposit balances  
amounted to  
£23.2 million  
(2014: £16.9 million)'

**François R. Martelet, M.D. was appointed as Chief Executive Officer and Board Director in June 2015. He brings more than 25 years of biopharma experience and a proven track record of shaping and developing businesses to deliver returns. François has a broad experience in both large and small pharma and technology companies, deep knowledge of commercialisation, value creation and proven managerial capability. In April 2016, the Company announced that Ian Postlethwaite has accepted the role as Chief Financial Officer. Ian joins the Company from Allergy Therapeutics plc where he has held the position of Finance Director since 2002.**

Over the year, the Group made significant progress with its portfolio companies, and specifically with its lead investments, Vortex, which is developing a novel liquid biopsy technology that could revolutionise cancer diagnosis, monitoring and treatment and Wanda, a digital health company with technology that uses machine learning to derive a personalized risk score for congestive heart failure patients. Beyond Vortex and Wanda, other priority portfolio companies have attracted high calibre, experienced CEOs to drive the next phase of growth to commercialisation. In November 2015 the Group successfully completed an £18.2m (gross) capital raising supported by new and existing shareholders to accelerate the development of its lead portfolio companies.

## Finance

For the year the Group made a loss of £12.7 million (2014: loss £7.1 million) which is split between continuing and discontinued operations as follows:

- Continuing operations  
£11.2 million (2014: £6.2 million)
- Discontinued operations  
£1.5 million (2014: £0.9 million)

The loss principally reflects the business model where the portfolio companies are largely subsidiaries developing their technologies and are therefore currently loss making.

The loss from continuing operations includes £7.3 million (2014: £3.1 million) of research and development costs primarily incurred in Vortex and Wanda and reflects the increased level of investment to drive the underlying technologies/products of these key portfolio companies towards commercialisation.

General and administrative costs included within continuing operations of £3.2million (2014: £2.5 million) includes central costs incurred in managing the portfolio companies, corporate costs and sale and marketing/administrative costs incurred by the portfolio companies. The increase during the period represented the increased sales and marketing costs and administrative costs of the portfolio companies. Other costs of £1.1 million (2014: £0.7 million) incorporated in continuing operations included £0.5 million (2014: £nil) for redundancy costs associated with the restructure of the management team and review of operations. Headcount across the Group at end of year, excluding Non-Executive Directors, was 47 (2014: 28).

**Sir Richard Sykes**  
Non-Executive Director and Chairman

**François R. Martelet, M.D.**  
Chief Executive Officer

The loss from discontinued operations comprises the operating loss incurred by the discontinued subsidiaries during the year of £0.8 million (2014: £0.9 million), share of loss from associates and joint ventures of £0.4 million (2014: £0.1 million) and the net loss of £0.3 million (2014: £nil) recorded on the disposal of these entities. The principal entities disposed of during the year were Frontier BioSciences Limited, MOF Technologies Limited, Morphodyne SA, Qlida Diagnostics Limited and RoboScientific Limited. Group non-current liabilities which existed at 31 December 2014 of £0.7 million and represented loans and borrowing and other creditors of discontinued operations have been transferred with these entities on their disposal.

#### Cash

Cash on the balance sheet as at 31 December 2015 was £23.2 million (2014: £16.9 million). Cash used in operations, excluding net proceeds of £17.1m from capital raising, was £11.0 million (2014: £8.8 million). The cash balance as at 31 March 2016 was £19.5 million.

#### 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 subsidiaries which are identified in the business model and discussed in the Chairman's and Chief Executive Officer's joint Statement. The most important financial KPIs are the cash position and the operating loss of the Group. At 31 December 2015 cash and deposit balances amounted to £23.2 million (2014: £16.9 million).

Actual operating loss for the year was broadly in line with budget. Cash position at the end of year for the Group was higher than budget as a result of the capital raising completed in November 2015.

#### Board changes

Post year end, the Group was pleased to announce the appointment of Professor Stephen Smith as Non-Executive Director. Stephen 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 Medical Research Council, University of Cambridge, Imperial College, London and Imperial College Healthcare NHS Trust. During his career, Stephen has also spun two companies out of Cambridge -Metris Therapeutics Ltd and GNI Group Ltd. GNI was established as a start up in Japan in 2001 and successfully achieved an Initial Public Offering (IPO) on the Tokyo Stock Exchange six years later.

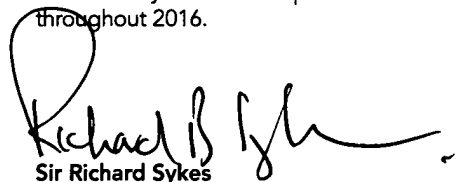
In addition, Ian Postlethwaite has accepted the role of Chief Financial Officer of the Group. Ian has been the Finance Director of Allergy Therapeutics plc for 14 years and has been a significant contributor to the success of the company. During this time Allergy Therapeutics became listed on AIM, achieved a number of financial goals, including two fund raisings in 2015 to support the company's clinical and other development plans, and has growing revenues from products on sale in Europe.

We wish to thank past Directors for their valuable contributions to NetScientific.

#### Outlook


In 2015 the Group underwent a significant transformation with key management changes, including the appointment of a new blue-chip Group CEO and CFO and streamlining of assets resulting in a tightly run, highly focused healthcare portfolio. Following the successful capital raising in November 2015 we are able to accelerate key portfolio companies towards major milestones and commercialisation. The prime focus in 2016 across the Group is on execution and delivery.

We remain very encouraged by the quality of our priority portfolio companies where we have been able to recruit outstanding CEOs in their respective fields to complete the process of bringing the cutting-edge technologies to commercialisation. We believe these leaders have the track record and experience needed to drive the next phase of commercial growth and attract additional third party validation capital, which will lead to significant shareholder value creation. We will continue to focus heavily in these companies throughout 2016.



**Sir Richard Sykes**

Non-Executive Director and Chairman  
6 April 2016



**François R. Martelet, M.D.**  
Chief Executive Officer  
6 April 2016

## Our markets

We are focused on investing in game-changing companies and disruptive technologies targeting the high value, developed healthcare markets.

# Healthy, high value markets

17.1%

Healthcare spend in US  
as percentage of GDP

### US presence

#### Priority portfolio

Vortex	Menlo Park, CA
Wanda	San Francisco, CA
Glycotest	Philadelphia, PA
PDS Biotechnology	North Brunswick, NJ

#### Seed portfolio

Neumitra	Boston, MA
Epibone	New York, NY
CytoVale	San Francisco, CA
G-Tech	Mountain View, CA
Longevity Biotech	Philadelphia, PA

### UK presence

#### Priority portfolio

Glucosense	Leeds
ProAxis	Belfast
UK HQ	London

# 9.1%

Healthcare spend in UK  
as percentage of GDP

# 10%

Healthcare spend in EU  
as percentage of GDP

# Healthy strategy

## Business model

The business strategy is based on funding and building game-changing healthcare technology companies towards value inflection points and eventual exit including through a trade sale or public listing.

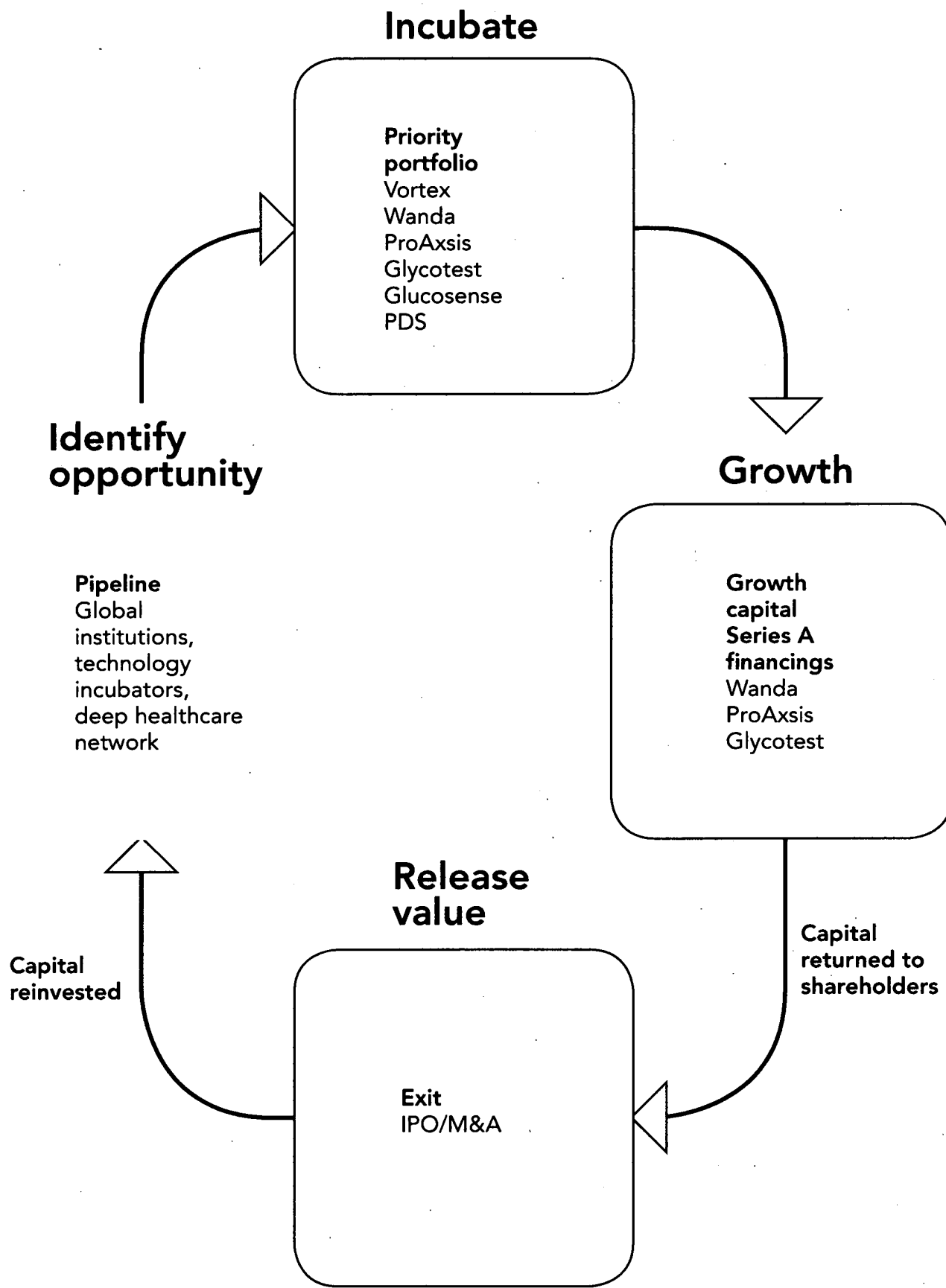
The Group sources opportunities from global institutions, leading technology incubators and its deep healthcare network. In the early stages of the company's development the Group provides extensive management support including technical guidance, administrative support, legal, IP and commercial expertise. As companies mature through key milestones the Group will recruit experienced industry leading CEOs to drive the next phase of growth, attract additional external capital and secure favourable exits.

The Group aims to grow the equity value of its interests in its portfolio companies through various key value inflection points such as clinical trials, regulatory approvals, collaborative funding arrangements, first revenues and follow-on growth. In turn, these value inflection points create exit or out-licensing opportunities for the Group through trade sales, licensing arrangements with larger market participants or IPOs.

## Portfolio review/investment focus

As at 31 December 2015, the Group had five core portfolio companies, including two lead assets, in which it has a controlling interest: Vortex Biosciences, Inc., Wanda, Inc., ProAxis Ltd, Glycotest, Inc. and Glucosense Diagnostics Limited. It also has a material investment in PDS Biotechnology Corporation., and five seed stage Investments: EpiBone Inc., G-Tech Inc., Longevity Biotech Inc., Neumitra Inc., CytoVale Inc.

The Group will continue to focus on the five core portfolio companies and actively manage the remaining portfolio, seeking to maximise shareholder return in the form of capital growth. 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 availability of funding, with a view to maximising shareholder value and generating funds for re-investment in the pipeline.



## Board of Directors

**Sir Richard Sykes**  
Non-Executive Director and Chairman

---

**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 Senior Independent Director and Chairman of Eurasian Natural Resources Corporation from 2007 to 2011, Chairman of NHS London from December 2000 to 2010, Rector of Imperial College from 2000 to 2008 and a Non-Executive Director of Rio Tinto plc from 1997 to 2007. 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.

**François R. Martelet, M.D.**  
Chief Executive Officer

---

**François joined the Company in June 2015 and brings over 25 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.**

Previously, François served as senior advisor to the CEO and Interim SVP at Stallergenes SA where he was responsible for international commercial strategies. During this period, sales revenues grew by more than 20% and various new products were launched, including Oralair<sup>®</sup>, into ex-US markets. Before this, he was CEO at Topotarget A/S, a publicly traded European biotech company specialised in oncology therapeutics which he successfully transformed from a research based organisation into a late-stage clinical development company ready for a European exit.

Prior to this, François served as CEO of Avax Technologies Inc., a US biotech company specialised in therapeutic oncology vaccines. He has also held senior level commercial positions at Merck & Co, Inc. (VP & Global Franchise Head-Oncology), Novartis Pharma (SVP & Head of Central & Eastern Europe, Middle East and Africa), Schering-Plough and Eli Lilly.

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.

François Martelet's awards include the Pasteur Institute medal (1989) and the Knight of the French National Order Merit (2011).

**Barry W. Wilson**  
Non-Executive Director

---

**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, President of Lederle International prior to its merger with Wyeth, and President of Bristol-Myers Squibb Europe. Additionally he had nine international assignments with Pfizer.

Barry is Chairman of Mindmaze and serves on the board of Anecova. He is a Member of the Advisory Board of the Wyss Center for Bio and Neuroengineering. Barry was a member of the Thematic Advisory Board of Lombard Odier Private Bank and he worked with DLJ Credit-Suisse Alternative Investments as their Healthcare Advisor. He also served on the public boards of Mallinckrodt Inc. (NYSE), Bausch & Lomb (NYSE) and Rezidor Hotel group AB (Swedish Stock Exchange).

**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 Medical Research Council, University of Cambridge, Imperial College, London and Imperial College Healthcare NHS Trust.

He was responsible for the largest merger in the NHS, the creation of the UK's first Academic Health Science Centre in 2007. The merger brought together four London based NHS Trusts and ultimately led to the creation of Imperial College Healthcare NHS Trust, where Stephen served for four years as the first CEO. He also retained his position as Dean of the Faculty of Medicine at Imperial College, London and was responsible for facilitating the commercialisation of life sciences and healthcare.

During his career, Stephen has spun two companies out of Cambridge - Metris Therapeutics Ltd and GNI Group Ltd. GNI was established as a start up in Japan in 2001 and successfully achieved an Initial Public Offering (IPO) on the Tokyo Stock Exchange six years later.

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 \$1billion 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.

**Jonathan Paisner**  
Non-Executive Director

Jonathan was appointed to the board in February 2015 and is the principal of LMN Capital, which he established in 2011, as a capital introducer and corporate finance adviser for smaller companies, working closely with high net worth individuals and family offices. LMN was appointed as a co-manager to St Peter Port Capital Limited, a pre-IPO fund traded on AIM, in 2014.

Prior to setting up LMN Capital, Jonathan was a main board director of boutique investment bank Shore Capital. He had previously qualified, and was a corporate solicitor, at legacy BLP firm Berwin Leighton.

During his time on the board at Shore, Jonathan acted as Group Legal Counsel, director of the Group's principal finance and asset management divisions and co-head of the Group's German office. He was a key member of the management team, responsible for executing a wide range of transactions in all areas of the Group's activities. He also sat on numerous boards across a number of jurisdictions covering many sectors including hotels, real estate, hedge funds and other asset management companies.

Jonathan is also a consultant solicitor at law firm Mathias Gentle Page Hassan LLP.

He was appointed by the Azima Family Trusts pursuant to their rights under NetScientific's Articles of Association to nominate a director.

**Ian Postlethwaite**  
Incoming Chief Financial Officer

Ian Postlethwaite has accepted the role of Chief Financial Officer and will join the Board of NetScientific. An announcement concerning Ian's start date will be made in due course.

Ian has been the Finance Director of Allergy Therapeutics plc for 14 years and has been a significant contributor to the success of the company. During this time Allergy Therapeutics became listed on AIM, achieved a number of financial goals, including two fund raisings in 2015 to support the company's clinical and other development plans, and has growing revenues from products on sale in Europe.

Strategic Report

Corporate Governance

Financial Statements

## Executive management team

**François R. Martelet, M.D.**  
Chief Executive Officer

**Vijay Barathan**  
Chief Investment Officer

**In 2015 the Group underwent a successful transformation with the rationalisation of its portfolio and restructure of the management team, resulting in a streamlined Group focused on holding majority positions and maximising shareholder value from its investments in digital health, diagnostics and therapeutics.**

**François joined the Company in June 2015 and brings over 25 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.**

Previously, François served as senior advisor to the CEO and Interim SVP at Stallergenes SA where he was responsible for international commercial strategies. During this period, sales revenues grew by more than 20% and various new products were launched, including Oralair®, into ex-US markets. Before this, he was CEO at Topotarget A/S, a publicly traded European biotech company specialised in oncology therapeutics which he successfully transformed from a research based organisation into a late-stage clinical development company ready for a European exit.

Prior to this, François served as CEO of Avax Technologies Inc., a US biotech company specialised in therapeutic oncology vaccines. He has also held senior level commercial positions at Merck & Co, Inc. (VP & Global Franchise Head-Oncology), Novartis Pharma (SVP & Head of Central & Eastern Europe, Middle East and Africa), Schering-Plough and Eli Lilly.

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.

François Martelet's awards include the Pasteur Institute medal (1989) and the Knight of the French National Order Merit (2011).

**Vijay joined NetScientific in January 2014 to lead Corporate Development and Investments, before being appointed to Chief Investment Officer in July 2015.**

Previously, Vijay worked as a medical doctor in London hospitals before joining the European Healthcare Investment Banking team at Piper Jaffray. Then, in 2009, he helped form the Healthcare Investment Banking team at Peel Hunt. There he advised UK listed healthcare companies in medical technology, digital health, diagnostics and biotechnology, completing numerous IPO, M&A and fundraising transactions.

Vijay gained a degree in Medicine and a BSc. in Developmental Neurobiology from Guy's, King's, and St. Thomas' Medical School in London.

**Ernest Schneider**  
General Counsel and Company Secretary

**Mark Nanovich**  
Interim Chief Financial Officer

**Ian Postlethwaite**  
Incoming Chief Financial Officer

**Ernest joined NetScientific in August 2010. He is a solicitor, patent & trade mark attorney and accredited mediator.**

He was a partner with two large London law firms after which he established a successful international niche intellectual property firm. Ernest has negotiated and drafted numerous technology cross-licence, joint venture and M&A agreements. He has masterminded, put in place and maintained a worldwide licensing programme with hundreds of patent licence agreements. He has enforced, defended and challenged intellectual property rights around the world, conducting litigation, arbitration and mediation in most countries in Europe and in the USA, Canada, Hong Kong, Australia and New Zealand. Interwoven with his legal practice, Ernest has held executive and non-executive directorships and chairmanships in industry. He also has personal entrepreneurial experience, having set up and shut down a couple of business ventures of his own.

Ernest grew up in Lancaster, Florida and Luxembourg where he took his baccalauréat in sciences. He obtained his first degree in economics from Lancaster University Management School and then read law and postgraduate EU law at Leeds Business School. He is fluent in French, German and Lëtzebuergesch, has fluent but colloquial Hungarian and useful intermediate Spanish.

**Mark joined NetScientific in October 2014 and is a chartered accountant. Mark has considerable accounting, finance and management experience in growing entrepreneurial led technology businesses with international operations including successful exits, IPO's and capital raisings.**

Prior to joining NetScientific he was CFO of AmberFin Limited which he joined with the remit to facilitate an exit for its private equity backers, which was achieved by a trade sale in 2014. AmberFin develops software tools for the film and broadcast industry.

In 2002 he joined Cyberview Technology, Inc. (technology provider to the gaming/leisure industry) as Finance Director. Mark was instrumental in its listing on AIM in 2005 and its sale in 2008. During his period revenues grew from £1m to £30m. The company undertook a pre-ipo funding round on IPO and raised/placed shares totaling £38m. Prior to this role he was the Finance Director for another AIM listed company in the IT sector wherein he was responsible two overseas acquisitions.

From 1989 to 2000 Mark worked for Cortecs plc the biotechnology/pharma group which had a dual listing (LSE and ASX plus ADR's in the USA) in various roles. From 1993 he was Group Financial Controller and based in the UK. During this time the Group underwent considerable growth (Mkt cap £10m to £600m, employees 70 to 320). Mark qualified as a chartered accountant in 1988 with Grant Thornton where he worked across audit, tax and business services divisions.

Mark holds a Bachelor of Business Degree and post graduate qualification in Accounting and Taxation from Edith Cowan University and Curtin University respectively in Australia and was a member of the Australian Securities Institute. Mark is a member of both the England & Wales and Australian institute of chartered accountants.

**Ian Postlethwaite has accepted the role of Chief Financial Officer and will join the Board of NetScientific. An announcement concerning Ian's start date will be made in due course**

Ian has been the Finance Director of Allergy Therapeutics plc for 14 years and has been a significant contributor to the success of the company. During this time Allergy Therapeutics became listed on AIM, achieved a number of financial goals, including two fund raisings in 2015 to support the company's clinical and other development plans, and has growing revenues from products on sale in Europe.

Strategic Report

Corporate Governance

Financial Statements

**Gene Walther**  
Chief Executive Officer, Vortex Biosciences

**Dino Di Carlo Ph.D.**  
Board Member, Scientific Advisor  
& Co-founder, Vortex Biosciences  
UCLA, Professor of Bioengineering  
*Recipient of US Presidential Early Career Award for Scientists and Engineers (PECASE). The award is the highest honour bestowed by the US government for accomplishments in science and engineering.*

## Working to beat cancer

### Vortex Biosciences

NetScientific shareholding	95%
Investment as at 31 Dec 2015	£5.6m
Grant funding	£1.6m

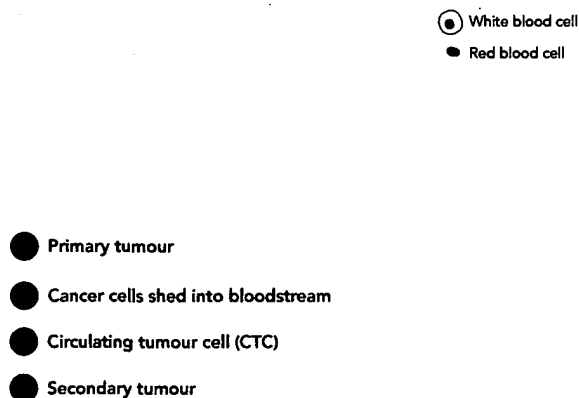
**Vortex Biosciences is a US based cancer diagnostic company, developing a novel liquid biopsy automated instrument (VTX-1) and microfluidic cartridge for the isolation of circulating tumour cells from whole blood without the need for any pre-treatment.**

**The label-free technology enables high purity and collection efficiency of intact circulating tumour cells in less than an hour. The technology enables researchers and clinicians to non-invasively capture, identify, analyse and enumerate tumour cells for use in downstream clinical applications, such as cancer diagnosis and monitoring, personalised medicine, drug development, and cancer research in the estimated US\$22 billion liquid biopsy market (JP Morgan Liquid Biopsy Report – 27 May, 2015).**

### Developments

Gene Walther was appointed as Chief Executive Officer on 4 January 2016. Gene brings over 20 years' impressive experience as a leading diagnostics executive. Gene was the Deputy Director, Diagnostics, for the Bill & Melinda Gates Foundation, Executive Chairman of the Board of GenturaDx where he led this start-up diagnostics firm through product development leading to its acquisition by Luminex. He spent 11 years at Novartis as President and Global Head of Diagnostics and several roles at Chiron including President and Vice President across the diagnostics and global commercial development teams. In addition, several key hires were made during the first quarter of 2016 including a Chief Commercial Officer, Vice President of Manufacturing and Director of Quality.

### Vortex liquid biopsy captures circulating tumour cells



### CTC potential

During 2015, Vortex made significant progress on both the development of VTX-1 instrument and the integrated microfluidic cartridge. In addition, Vortex was granted a critical US patent which covers its core technology of inertial microfluidics and its application to the separation and collection of cells of interest including circulating tumour cells. The patent also covers collection of circulating tumour cells from the chip for downstream analysis such as counting, cytology and DNA sequencing. Alongside three previously issued patents, this grant strengthens Vortex's global market position as the company prepares to commercialise VTX-1. ISO certified contract manufacturing partners for both the instrument and the microfluidic cartridge have been selected and will be transitioning to scale manufacturing to support placements. The new management team has reviewed previous commercialisation plans and now intends to ship the VTX-1 instrument to selected leading US researchers for Beta testing in the second quarter of 2016. Additionally, the VTX-1 will be introduced to the broader cancer research market at the American Association for Cancer Research in New Orleans on 17-20 April, 2016. Vortex continues to drive towards its key milestone of commercial launch into the clinical research market in 2017.

NetScientific shareholding in Vortex is 95% and as at 31 December 2015, the Group has invested £5.6 million. Grant funding received to develop the underlying technology, prior to Vortex's formation, was £1.6 million.

**Steve Curd**  
Chief Executive Officer, Wanda

**Majid Sarrafzadeh Ph.D.**  
Board Member, Scientific Advisory  
Board Member & founder, Wanda  
UCLA, Distinguished Professor of  
Computer Science

## Bringing healthcare into the digital age

### Wanda

NetScientific shareholding	71.3%
Investment as at 31 Dec 2015	£5.1m
Grant funding	£7.7m

**Wanda is a San Francisco based digital health company commercialising advanced clinical decision support software. Wanda aims to significantly reduce hospitalisation risk, and improve the quality of life, for people with chronic conditions, initially focused on congestive heart failure (CHF).**

**In the US chronic disease accounts for 80% of the total health care bill and represents a US\$1.4 trillion expenditure, a significant proportion of which is avoidable through better management and appropriate clinical interventions.**

### Developments

Steve Curd joined as Chief Executive Officer in September 2015. He has more than 20 years' experience in driving growth for digital health companies, commercialising products and delivering exits. Steve has helped secure 15 M&A transactions and numerous successful exits for digital health companies. Most recently, Steve was the COO of NantHealth, a healthcare company converging biomolecular medicine and bioinformatics with technology services, where he was responsible for advancing its product portfolio, driving improvements in efficiency and improving client satisfaction. Other notable positions include CIO at UnitedHealth Group, COO at WebMD and CEO at VantageMed. The existing team was strengthened during the year as headcount grew from 8 to 17, including the appointment of a Chief Collaboration Officer to drive commercialisation.

---

### Wanda - Congestive heart failure workflow

---

During 2015, Wanda completed development of its Congestive Heart Failure (CHF) algorithms, and added analytics for Chronic Obstructive Pulmonary Disease (COPD), as well as a combined CHF/COPD predictive capability. As oncology diagnostic and therapeutic techniques have continued to advance, Wanda added the capability to coordinate decision support for oncology care teams in an effort to help relegate most cancers to the category of chronic conditions. Subsequent to a complete business review by the new management team it was decided to restructure the Triventis collaboration with iMPak Health and it is likely that Triventis will be dissolved with there being no financial obligation to NetScientific with regards to dissolution.

The Triventis collaboration has provided valuable insight and learning about the market's expectations for the provision of a digital health solution for managing chronic diseases. This has enabled the team to clearly define the optimum solution for target end-users.

In 2016 Wanda signed a contract with a leading US hi-tech home nursing and therapy services group, Health Resource Solutions ('HRS') for the use of its CHF/COPD product. In addition, Wanda signed a collaborative agreement with the fifth largest health provider organisation in the United States (Dignity Health) to launch its new oncology platform (Oncoverse). With a new experienced CEO in place, a world-class Silicon Valley team formed and commercial products on the market, Wanda now plans to seek external funding in 2016 to capitalise on the significant opportunities in the digital healthcare space. NetScientific shareholding in Wanda is 71.3% and as at 31 December 2015, the Group has invested £5.1 million. Grant funding received to develop the underlying technology, prior to Wanda's formation, was £7.7 million.

**David Ribeiro**  
Chief Executive Officer, ProAxisis

**Brian Walker Ph.D.**  
Board Member, CSO &  
Co-founder, ProAxisis  
Queen's University Belfast,  
Professor of Biochemistry

## A new standard of care for respiratory disease

ProAxisis	
NetScientific shareholding	56.5%
Investment as at 31 Dec 2015	£0.1m
Grant funding	£1.0m

ProAxisis 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 diseases.

The rapid and easy-to-use tests ProAxisis has developed incorporate patented ProteaseTags®; smart molecules which trap an active protease within a complex biological sample and enable a visual readout of its presence. The initial applications for the technology are focused on managing the chronic respiratory diseases, Cystic Fibrosis (CF) and Chronic Obstructive Pulmonary Disease (COPD), where exacerbations have a major impact on the long-term prognosis of patients. There are 70,000 patients diagnosed with CF worldwide and 35.7m patients with COPD in the US and EU alone.

### Developments

Dr. David Ribeiro was recruited as Chief Executive Officer in October 2015. He has extensive experience in commercialising products within chronic diseases, having previously held senior management roles at Solvay Healthcare, Encysive Pharmaceuticals, Pfizer and Pharmaxis Pharmaceuticals Limited.

ProAxisis made excellent progress in 2015 with the commercial launch of its immunoassay kit for research labs, as well as securing its first customers, including a major pharma company. Separately, the company made significant progress with the development of its point-of-care test for neutrophil elastase, which is expected to be ready for commercialisation in early 2017. ProAxisis will seek to raise additional funds in 2016 to principally develop its point-of-care test (NEATstik) and fund a clinical trial for COPD.

NetScientific shareholding in ProAxisis is 56.5% and as at 31 December 2015, the Group has invested £0.1 million. Grant funding received to develop the underlying technology, the majority of which was received prior to ProAxisis's formation, was £1.0 million.

**Proteases are involved in multiple diseases**

**Protease-Tags® offer a novel solution**

**NEATstik™ active NE as marker of lung disease activity  
– Sputum sample**

Lab-based version?	Yes
Detects all exacerbations?	Yes
Platform of respiratory biomarkers in development?	Yes
Anticipated launch	Q1/Q2 2017

**Larry Cohen**  
Chief Executive Officer, Glycotest

**Timothy Block Ph.D.**  
Board Member & Co-founder, Glycotest  
Drexel University College, Professor of  
Microbiology and Immunology. Director  
of the Drexel Institute for Biotechnology  
and Virology Research

## Revolutionising liver diagnostics

### Glycotest

NetScientific shareholding	87.5%
Investment as at 31 Dec 2015	£1.2m
Grant funding	£5.9m

**Glycotest is a US based liver diagnostics company seeking to commercialise new and unique blood tests for life threatening liver cancers and fibrosis-cirrhosis with exclusive world-wide rights to over 50 patent-protected serum protein biomarkers.**

**Glycotest's lead product is its HCC panel, a biomarker panel driven by a proprietary algorithm for curable early-stage hepatocellular carcinoma (HCC), the most common form of primary liver cancer. The market for HCC testing is large and growing with, currently three million patients and in excess of US\$800m in the US alone.**

### Developments

In late 2015, Larry Cohen was appointed Chief Executive Officer. Larry is a diagnostic industry leader who has held executive positions at large diagnostic companies such as Ortho-Clinical Diagnostics (J&J), International Technidyne Corporation (ITC), the diagnostic division of Thoratec and Beckman Instruments. He has also been CEO of venture backed start-ups such as HemoSense (acquired by Alere), SenGenix and Exalenz Bioscience (TASE).

In 2015, a 208 patient head-to-head clinical study was performed which demonstrated the excellent performance of the Glycotest HCC panel's ability to detect curable, early-stage liver cancer (HCC) versus currently used blood tests.

In the first quarter of 2016, Glycotest created a Medical Advisory Board consisting of experts in hepatology and molecular diagnostics. The aim for 2016 is to accelerate commercialisation by seeking additional external financing to develop commercial grade kits for use in a CLIA laboratory to be opened in late 2016 or early 2017.

NetScientific shareholding in Glycotest is 87.5% and as at 31 December 2015, the Group has invested £1.2 million. Grant funding received to develop the underlying technology, prior to Glycotest's formation, was £5.9 million.

---

**Different biomarker patterns for different liver diseases**

---

**Market Opportunity**

Huge and growing populations with viral and non-viral hepatitis - driving progressive fibrosis, liver cancer risk and need for effective disease surveillance

- Chronic hepatitis B: 2.2 MM US; 360 MM WW; incurable
- Chronic hepatitis C: 3.2 MM US; 170 MM WW; liver cancer risk persists despite cure
- Fatty liver disease and NASH / ASH: >100 MM US; >1.5 B WW; rapidly growing populations due to obesity and metabolic disease
- Cirrhosis: 3.2 MM US; 73 MM WW; secondary to hepatitis; proximate cause of most liver cancer

---

## Non-invasive continuous Glucose monitoring

### Glucosense

NetScientific shareholding	60.7%
Investment as at 31 Dec 2015	£0.7m

Glucosense is developing a non-invasive glucose sensor, which has a number of potential applications as a replacement for current invasive tests that are inconvenient and uncomfortable for the patient.

These include a partial replacement for finger-prick testing, continuous non-invasive glucose monitoring and as a wearable hypoglycaemia-alert device. According to the International Diabetes Federation, in 2015 there were an estimated 415 million adults worldwide with diabetes, including 193 million who are undiagnosed, and a further 318 million adults are estimated to have impaired glucose tolerance.

### Developments

In 2015 the company continued the development of a second generation prototype to support the next phase of clinical testing.

A full time Programme Director was appointed in July 2015 to oversee this work and a number of technical expert advisors have subsequently been engaged.

NetScientific shareholding in Glucosense is 60.7% and as at 31 December 2015, the Group has invested £0.7 million.

## Altering the landscape of immuno-therapy

### PDS

NetScientific shareholding	14.85%
Investment as at 31 Dec 2015	£1.8m

PDS is a clinical stage immunotherapy company developing a next-generation of simpler, safer and more effective immunotherapies for cancer and infectious diseases.

**Versamune<sup>®</sup>**, its novel synthetic nanoparticle platform technology, activates multiple immunological mechanisms which direct the targeting of cancer and infectious disease by the immune system.

### Developments

In May 2015 PDS announced positive preliminary data showing that its lead cancer immunotherapy treatment, PDS0101, has generated strong T-cell responses in pre-cervical cancer.

In February 2016 PDS signed a Cooperative Research and Development Agreement with the National Cancer Institute, a division of the US National Institutes of Health. The goal is to co-develop novel cancer immunotherapies through Phase II clinical trials that will start in 2016 and 2017. PDS has recently strengthened its senior management team with the recruitment of a Chief Medical Officer and VP of Drug Development and Manufacturing.

NetScientific has invested £1.76m for a 14.85% shareholding in PDS.

### Activate 3 critical mechanisms for additive immunological effect

1

Positively charged lipids from spherical, hollow nano-assemblies: **Versamune<sup>®</sup>** plus unique cancer proteins.

2

Facilitates entry of the cancer antigen into the cells.  
**Result: Effective priming of both Killer and Helper T-cells**

3

Reduces immune suppression in tumours.  
**Result: Efficient killing of tumour cells by T-cells**

Induces immune activators, eg. chemokines in lymphatic system.  
**Result: Efficient activation and expansion of primed T-cells**

Superior anti-tumour effect.  
High safety profile.  
Simple product.

### PDS Biotechnology pipeline

Product	Indication	Pre-clinical Development	Phase 1	Phase 2	Phase 3	Partner
PDS0101A	HPV Pre-cancer (cervical, anal, vulvar, vaginal)					National Cancer Institute
PDS0101B	HPV-related head and neck cancer					
PDS0101C	Cervical cancer					
PDS0102A	Ovarian cancer					National Cancer Institute
PDS0102B	Breast cancer					National Cancer Institute
PDS0103	Prostate cancer					National Cancer Institute
PDS0204	Pandemic influenza					

## 2015 performance

### Seed Investments

**Neumitra develops embedded biomodules to accurately and continuously measure how the autonomic nervous system is affected by daily stresses, to establish the relationship between brain health and performance. The company uses mobile software to link contextual data, such as events, locations, and activities, with the physiology of stress, sleep, and exercise. Their internet-based analytics platform is designed to preserve participant anonymity while uncovering health risk factors worldwide.**

Research has long linked excessive stress to a host of physical and mental health concerns, from heart disease, asthma, and fertility to anxiety disorders and depression. Neumitra's mission is to quantify brain health with a validated stress score for real-time managing of symptoms, identifying their causes, and aiding users and their doctors in managing follow-on health concerns.

Neumitra's biomodules, already available as the neuma biowatch, measure signals associated with the autonomic nervous system including heart rate, skin conductance, temperature, and physical activity to develop a library of personal and population algorithms. The company is currently licensing its biomodules to watch and jewellery manufacturers for widespread applications.

**EpiBone's pioneering technology uses a scan of the patient's bone defect and the patient's own stem cells to construct and cultivate a bone graft with the precise anatomical fit to the defect being treated. EpiBone will offer surgeons simplified procedures and patients improved bone formation and regeneration, with shorter recovery times, without the complications of synthetic implants.**

Based on 15 years of NIH-funded bone tissue engineering research, EpiBone's technology was developed by Columbia Professor Gordana Vunjak-Novakovic. The company is led by CEO, Nina Tandon, a former post-doctoral fellow in the Vunjak-Novakovic laboratory and Senior TED Fellow.

**CytoVale is pioneering a new class of biomarkers. Disease states dramatically alter cells' mechanical properties through changes in nuclear and cytoskeletal structure.**

Until now, it has been impossible to measure these changes quickly and reliably enough to translate basic research observations into clinical utility. Using microfluidics, CytoVale can measure >10 biophysical cell markers at rates >2000 cells/second, providing a high throughput, low cost method of detecting disease. This Mechanomics Platform, consisting of a benchtop instrument and disposable disease-specific sample cartridges, has been academically validated with clinical samples in the laboratory of co-founder (and UCLA Professor) Dino Di Carlo and published in Proceedings of the National Academy of Sciences. Commercialization is driven by co-founder and CEO Ajay Shah, a successful entrepreneur and an expert in cell-based diagnostics, and Mara MacDonald, a Harvard-trained scientist with a background in venture capital.

**G-Tech Medical is developing a wireless, wearable, disposable patch, which will help diagnose the root causes of Functional Gastrointestinal Disorders ('FGIDs').**

FGIDs afflict more than 60 million people annually in the US, and are a large burden to the health care system. The G-Tech patch will measure and characterize the activity of the main digestive organs under normal daily conditions to help pinpoint the source of the dysfunction. It will allow physicians to quickly determine that a functional problem exists, in many cases allowing them to skip the current invasive, expensive anatomic testing sequence. By identifying the specific source and nature of the dysfunction it will enable them to more effectively target their therapies, bringing relief to patients faster and at lower cost.

**Longevity Biotech is developing an entirely new approach to therapeutics development via artificial protein technology ("Hybridtides").**

Hybridtides® are peptide molecules that contain both  $\alpha$ - and  $\beta$ -amino acid subunits, which makes them resistant to breakdown by natural digestive enzymes, tunable to very stable conformations, and able to mimic information-rich surfaces displayed by natural proteins or peptides, enabling new drug designs which are more stable and more clinically active. Current work will establish the platform's potential in a clinically important indication in cardiovascular disease, pulmonary arterial hypertension.

## Risks and uncertainties

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

<b>Risk</b>	<b>Possible consequence</b>	<b>How the Board guards against risk</b>
<b>Investments made at an early stage</b>	To date the Group has invested in early-stage research and technologies that are generally regarded as higher risk than other forms of investment. In particular early stage companies 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 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. In addition the Group plans to continue an investment strategy where potential new investments have been de-risked by prior investment or due diligence.
<b>Clinical development risk</b>	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 monitor the progress of recruitment.
<b>Regulatory risk</b>	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, seeking advice from regulatory advisors, and holding consultations with appropriate regulatory bodies.

Risk	Possible consequence	How the Board guards against risk
<b>Intellectual property risk</b>	<p>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.</p>	<p>The Group seeks to reduce this risk by employing an experienced legal, patent and licensing team along with 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.</p>
<b>Competition risk</b>	<p>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.</p> <p>Also, although the market for software products that provide 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.</p>	<p>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.</p>
<b>Dependence on key executives and personnel</b>	<p>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.</p>	<p>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.</p>

Strategic Report

Corporate Governance

Financial Statements

**Mark Nanovich**  
Interim Chief Financial Officer

**'Headcount across the Group from continuing operations increased during the year reflecting the uplift in investment in portfolio companies.'**

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 37 to 59.

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 60 to 71.

**Consolidated Income Statement and Other Comprehensive Income**

The loss for the year ended 31 December 2015 was £12,746k (2014: £7,127k), which is split between the continuing and discontinued operations as follows:

Continuing operations	<b>£11,229k</b> (2014: £6,179k)
Discontinued operations	<b>£1,517k</b> (2014: £948k)

**Continuing operations**

Research and development costs	<b>£7,256k</b> (2014: £3,098k)
General and administrative costs	<b>£3,182k</b> (2014: £2,495k)
Other costs	<b>£1,077k</b> (2014: £717k)

Research and development costs were primarily incurred in Vortex and Wanda and reflect the increased level of investment to drive the underlying technologies/products of these key portfolio companies towards commercialisation.

General and administrative costs includes central costs incurred in managing the portfolio companies, corporate costs and sale and marketing/administrative costs incurred by the portfolio companies. The increase during the year represented the increased sales and marketing and administrative costs of the portfolio companies, in particular the costs incurred by the Triventis collaboration, which was established during the year.

The main components of other costs outlined in note 6 of the consolidated financial statements, include £539k (2014: £nil) for redundancy costs associated with the restructure of the management team and review of operations, impairment of intangible assets held by Triventis £191k (2014: £nil) and share-based payments charge of £171k (2014: £717k).

Headcount across the Group from continuing operations increased during the year reflecting the uplift in investment in portfolio companies. Headcount (excluding non-executive directors) at 31 December 2015 was 47 (2014: 28).

#### Discontinued operations

Following the review of the Group's strategy and portfolio to focus on core projects, various operations were discontinued. The loss incurred by discontinued subsidiaries during the year of £0.8 million (2014: £0.9 million), share of loss from associates and joint ventures of £0.4 million (2014: £0.1 million) and the net loss of £0.3 million (2014: £nil) recorded on the disposal of these entities. The principal entities disposed of were Frontier Biosciences Limited, MOF Technologies Limited, Morphodyne SA, Qlida Diagnostics Limited and RoboScientific Limited.

The exchange difference on translation of foreign operations primarily relates to subsidiaries in the USA. The exchange rate at 31 December 2015 was £1:\$1.4819 (2014: £1:\$1.5608).

#### Statement of Financial Position and Cash Flows

At 31 December 2015, net assets amounted to £24,538k (2014: £18,696k), including net funds of £23,189k (2014: £16,136k).

The principal elements of the £6,160k increase in cash and cash equivalents over the year ended 31 December 2015 (2014: decrease £8,820k) were:

— Net proceeds from fund raising	<b>£17,147k</b>	(2014: £nil)
— Cash used in operations	<b>£10,631k</b>	(2014: £6,631k)
— Cash used in investing activities	<b>£405k</b>	(2014: £2,399k)
— Funding from loans	<b>£50k</b>	(2014: £190k)

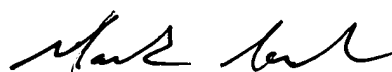
The balance of loans and borrowings and other creditors was £50k (2014: £731k). The decrease represents amounts from discontinued operations which have been transferred with these entities on their disposal.

#### Capital Structure and Funding

The Group is primarily funded by equity capital, reflecting the early stage nature of its portfolio companies. The Group considers its capital to be its total equity, which at 31 December 2015 amounted to £26.3 million (2014: £19.8 million). The Group's objectives when managing capital are 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 2015 amounted to £23.2 million (2014: £16.1 million) and comprised cash and cash equivalents and short-term deposits as shown below:

	31 December 2015 £000's	31 December 2014 £000's
Short-term deposits	<b>17,387</b>	13,820
Cash and cash equivalents	<b>5,852</b>	3,047
Loans and borrowings	<b>(50)</b>	(731)
<b>Net funds</b>	<b>23,189</b>	16,136



**Mark Nanovich**  
Interim Chief Financial Officer

6 April 2016

---

**Corporate Governance**

- 29 Report of the Directors
- 31 Corporate Governance report
- 33 Directors' Remuneration report
- 36 Independent Auditor's report

---

**Financial Statements**

- 37 Consolidated Income Statement
- 38 Consolidated Statement of Comprehensive Income
- 39 Consolidated Statement of Financial Position
- 40 Consolidated Statement of Changes in Equity
- 41 Consolidated Statement of Cash Flows
- 42 Notes to the Consolidated Financial Statements
- 60 Parent Company Statement of Financial Position
- 61 Parent Company Statement of Changes in Equity
- 62 Notes to the Parent Company Financial Statements
- 72 Company Information

# Report of the Directors

## for the year ended 31 December 2015

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 2015.

### Research and development

The Group incurred research and development expenditure from continuing operations of £7,256,285 in the year (2014 £3,098,067). Commentary on the major activities is given in the Chairman's and Chief Executive Officer's joint Statement.

### Dividend

The Directors do not propose the payment of a dividend.

### Future developments

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

### Post balance sheet events

On 26 February 2016 the Group's subsidiary company, Wanda Inc. subscribed for 35.9% of the share capital of Oncoverse LLC, a San Francisco digital health company. The price paid for the shares subscribed for was US\$500,000.

On 4 February 2016 the Company issued 270,000 options at an exercise price of £0.862, which vest on 4 February 2019.

### Directors

The Directors shown below have held office during the period from 1 January 2015 to the date of this report:

#### Sir Richard Sykes

**François R. Martelet, M.D.** – appointed 8 June 2015

**Barry W Wilson**

**Professor Stephen Smith** – appointed 17 February 2016

**Jonathan Paisner** – appointed 26 February 2015

**Peter Thoms** – resigned 26 January 2016

**Dr. Michael T Boyce-Jacino** – resigned 31 December 2015

**David Gough** – resigned 31 December 2015

**Nicholas Heckford** – resigned 22 September 2015

**Lady Barbara Judge** – resigned 23 March 2015

**Farad Azima** – removed 16 January 2015.

### Directors' shareholdings and other interests

	Number of shares as at 31 December 2015	Number of shares as at 31 December 2014
Sir Richard Sykes	62,500	62,500
Barry W Wilson	36,358	15,525
Peter Thoms	1,563	1,563

Between 31 December 2015 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, apart from 200,000 options which were granted on 4 February 2016 to François R. Martelet, M.D. at an exercise price of £0.862, which vest on 4 February 2019.

The shareholdings of Sir Richard Sykes are held by nominees.

### Former Directors' shareholdings and other interests

	Number of shares as at date of removal/resignation	Number of shares as at 31 December 2014
Dr. Michael Boyce-Jacino	1,563	1,563
David Gough	6,250	6,250
Nicholas Heckford	3,125	3,125
Lady Barbara Judge	3,125	3,125
Farad Azima	156,250	156,250

Additionally Farad Azima and members of his family are beneficiaries of trusts who own 100% of the issued share capital in the following companies who are shareholders in NetScientific plc.

	Number of shares as at date of removal	Number of shares as at 31 December 2014
Zahra Holdings Limited	11,795,000	11,795,000
White Mustard Investments Limited	3,430,000	3,430,000
Cyrus Holdings Limited	1,927,020	1,927,020

Subsequent to Farad Azima's removal the number of shares held by these entities changed. See Substantial Holdings below.

### Directors' remuneration and share options

Details of the Directors' remuneration and share options are given in the Directors' Remuneration Report on pages 33 to 35.

### 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 24 to the financial statements.

### Substantial holdings

As at 6 April 2016 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	Percent of voting rights
Woodford Investment Management LLP	23,045,125	45.1%
Invesco Asset Management Limited	9,225,000	18.1%
Zahra Holdings Limited	5,991,567	11.7%
JO Hambro Capital Management Limited	4,700,000	9.2%
White Mustard Investments Limited	3,180,000	6.2%
Cyrus Holdings Limited	1,230,453	2.4%

## Report of the Directors (continued) for the year ended 31 December 2015

### Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Report of the Directors 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 of 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 they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors 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 financial forecasts. After due consideration of these forecasts and current cash resources, the Directors consider that the Company and Group have adequate financial resources to continue in operational existence for the foreseeable future (being at least twelve 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:



**Ernest Schneider**  
Company Secretary

6 April 2016

## Corporate Governance report for the year ended 31 December 2015

The Board is accountable to the Company's shareholders for good corporate governance and it is the objective of the Board to attain a high standard of corporate governance. The Company is not required to comply with the UK Corporate Governance Code and it is not giving any statement of compliance. However, the Company has regard to the Code when determining its corporate governance processes which are set out below.

### Board of Directors

It is the Board's intention that the posts of Chairman and Chief Executive Officer are held by different Directors. Nevertheless from the departure of Farad Azima on 16 January 2015, these roles were jointly held by Sir Richard Sykes until 8 June 2015 when François R. Martelet, M.D. joined as Chief Executive Officer. The Board is balanced by there being an appropriate non-executive element 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 2015, the board met 10 times, with each member attending as follows.

Director	Number of meetings held whilst a Board Member	Number of meetings attended
Sir Richard Sykes	10	10
François R. Martelet, M.D.	5	5
Barry W Wilson	10	7
Jonathan Paisner	7	7
Peter Thoms	10	10
Dr. Michael Boyce-Jacino	10	9
David Gough	10	9
Nicholas Heckford	7	7
Lady Barbara Judge	4	3
Farad Azima	0	0

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

### Audit Committee

The Audit Committee is chaired by Barry W Wilson, and its other members were Sir Richard Sykes and Lady Barbara Judge – until her departure on 23 March 2015. On his appointment to the Board on 17 February 2016, Professor Stephen Smith joined the Audit Committee. 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 2015 the Audit Committee met 3 times with each member attending as follows.

Director	Number of meetings held whilst a Board Member	Number of meetings attended
Barry W Wilson	3	3
Sir Richard Sykes	3	3
Lady Barbara Judge	1	1

### Remuneration Committee

The Remuneration Committee is chaired by Sir Richard Sykes and its other members were Barry W Wilson, Farad Azima (until his departure on 16 January 2015) and Lady Barbara Judge, who was a member and chaired the committee from 16 January 2015 until her departure on 23 March 2015. On his appointment to the Board on 17 February 2016, Professor Stephen Smith joined the Remuneration Committee. 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 2015, the committee met twice and Sir Richard Sykes and Barry W Wilson attended.

The full board approved the remuneration of François R. Martelet, M.D. who was appointed as Chief Executive Officer during the year.

## Corporate Governance report (continued) for the year ended 31 December 2015

### Nomination Committee

The Nomination Committee was chaired by Lady Barbara Judge, until her departure on 23 March 2015 and thereafter by Sir Richard Sykes. Its other members were Barry W Wilson and Farad Azima until his departure on 16 January 2015. On his appointment to the Board on 17 February 2016, Professor Stephen Smith joined the Nomination Committee. 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 Officer are matters for the whole board. During the year ended 31 December 2015, the committee met once and Lady Barbara Judge and Barry W Wilson attended.

The full board approved the appointment of François R. Martelet, M.D. who was appointed as Chief Executive Officer during the year.

### Investor relations

The Directors seek to build a mutual understanding of objectives between the Company and its shareholders by meeting with major institutional investors after the Company's preliminary announcement of its year end results and its interim results. The Company also maintains investor relations pages on its website ([www.netscientific.net](http://www.netscientific.net)) to increase the amount of information available to investors.

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

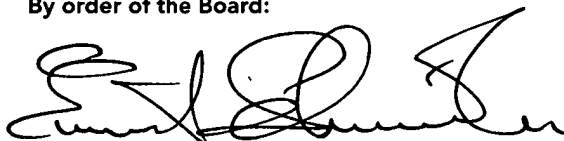
The Directors are responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness.

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
- 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:



**Ernest Schneider**  
Company Secretary

6 April 2016

## Directors' Remuneration report for the year ended 31 December 2015

This report is non-mandatory for AIM-quoted companies and has been produced on a voluntary basis. It includes and complies with the disclosure obligations of the AIM Rules and with the principal disclosure requirements of Schedule 5 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008.

### 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 31 to 32.

The Committee, which is required to meet at least twice in the year, met twice during the year ended 31 December 2015.

### 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 Officer and Executive Directors consists of an annual salary, an annual performance-related bonus, contributions to pension schemes 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. The basic salary is determined by reference to relevant market data and the individual's experience, responsibilities and performance.

### Chairman and Non-Executive Directors' remuneration.

The Chairman Sir Richard Sykes receives a fixed fee of £36,000 per annum. Barry W Wilson, Jonathan Paisner and Lady Barbara Judge receive a fixed fee of £24,000 per year, prorated for the period of service during the year. 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, Barry W Wilson and Lady Barbara Judge were granted options in the Company's share option scheme on the Company's admission to AIM in September 2013.

### 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 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 5 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 2015	Options as at 31 December 2014
Sir Richard Sykes	160p	359,020	359,020
François R. Martelet, M.D.	119.5p	359,020	–
Barry W Wilson	160p	179,510	179,510
Peter Thoms	160p	359,020	359,020

## Directors' Remuneration report (continued)

for the year ended 31 December 2015

### Former Directors' interests in share options

	Option price	Options as at date of removal/resignation	Options as at 31 December 2014
Dr. Michael Boyce-Jacino	160p	359,020	359,020
David Gough	160p	359,020	359,020
Nicholas Heckford	160p	359,020	359,020
Lady Barbara Judge <sup>(i)</sup>	160p	119,674	179,510
Farad Azima <sup>(i)</sup>	160p	279,347	359,020

(i) Movement represents options which lapsed at the date of the Directors' resignation/removal.

Other than those options to François R. Martelet, M.D. the options were 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 for the Directors 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 and vest on 8 June 2018, being the third anniversary of his appointment as Chief Executive Officer.

### 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 2015 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 2015 is set out below.

Year ended 31 December 2015	Note	Salaries and fees £000's	Benefits £000's	Bonus £000's	Pension £000's	Other £000's	Total £000's
<b>Executive Directors</b>							
François R. Martelet, M.D.		133	15	34	4	–	187
Peter Thoms	(i)	148	5	10	–	152	315
Dr. Michael Boyce-Jacino	(ii)	162	11	13	–	129	315
David Gough		144	1	44	–	–	189
Nicholas Heckford		104	1	–	–	–	105
Farad Azima	(iii)	7	–	–	–	80	87
<b>Non-Executive Directors</b>							
Sir Richard Sykes		36	–	–	–	–	36
Barry W Wilson		24	–	–	–	–	24
Jonathan Paisner		20	–	–	–	–	20
Lady Barbara Judge		5	–	–	–	–	5
<b>Total</b>		<b>783</b>	<b>33</b>	<b>101</b>	<b>4</b>	<b>361</b>	<b>1,282</b>

(i) On 26 January 2016 it was announced that Peter Thoms would step down as Chief Financial Officer with immediate effect. The Company entered into an agreement with Peter Thoms and, pursuant to this agreement, Peter Thoms will receive payments and benefits totalling £151,812 as settlement of his legal entitlement. This sum comprises of salary (£75,000) and benefits (£2,966) as compensation for his six-month contractual notice period, accrued holiday entitlement (£2,596) and a termination payment of £61,250 covering all other legal entitlements. In addition the Company made a contribution of £10,000 towards Peter Thoms' legal fees.

(ii) On 14 December 2015 it was announced that Dr. Michael Boyce-Jacino will step down as an Executive Director and leave the Group with effect from 31 December 2015. The Company entered into an agreement with Dr. Michael Boyce-Jacino and, pursuant to this agreement, Dr Michael Boyce-Jacino will receive payments and benefits totalling £129,158 as settlement of his legal entitlement. This sum comprises of salary (£85,342) and benefits (£10,390) as compensation for his six-month contractual notice period and a termination payment of £33,426 covering all other legal entitlements, such as bonus entitlement for the financial year ending 31 December 2015.

(iii) On 16 January 2015 it was announced that Farad Azima had been removed as Chief Executive Officer with immediate effect. The Company entered into an agreement with Farad Azima and, pursuant to this agreement, Farad Azima received a payment of £80,461 as settlement of his legal entitlement. This covered payment in lieu of salary and benefits during his six-month contractual notice period and his accrued holiday entitlement.

**Directors' Remuneration report (continued)**  
for the year ended 31 December 2015

Year ended 31 December 2014	Note	Salaries and fees £000's	Benefits £000's	Bonus £000's	Total £000's
<b>Executive Directors</b>					
Peter Thoms	(i)	135	12	–	147
Dr. Michael Boyce–Jacino		150	5	–	155
David Gough		100	3	–	103
Nicholas Heckford		100	3	10	113
Farad Azima		150	2	–	152
<b>Non-Executive Directors</b>					
Sir Richard Sykes		36	–	–	36
Barry W Wilson		24	–	–	24
Lady Barbara Judge		24	–	–	24
<b>Total</b>		<b>719</b>	<b>25</b>	<b>10</b>	<b>754</b>

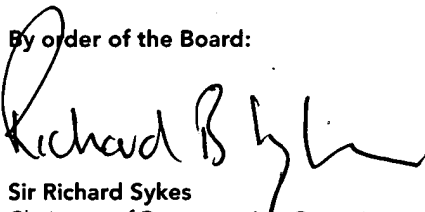
(i) Includes fee of £6,697 charged by related party.

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

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
<b>Executive Directors</b>		
François R. Martelet, M.D.	9	–
Peter Thoms	25	86
Dr. Michael Boyce–Jacino	25	86
David Gough	25	86
Nicholas Heckford	25	86
Farad Azima <sup>(i)</sup>	(22)	86
<b>Non-Executive Directors</b>		
Sir Richard Sykes	25	86
Barry W Wilson	13	44
Lady Barbara Judge <sup>(i)</sup>	(23)	44
<b>Total</b>	<b>102</b>	<b>604</b>

(i) Credit arises on options which lapsed at the date the Directors' resigned or were removed.

By order of the Board:



**Sir Richard Sykes**  
Chairman of Remuneration Committee

6 April 2016

Strategic Report

Corporate Governance

Financial Statements

# Independent Auditor's report to the members of NetScientific plc for the year ended 31 December 2015

We have audited the financial statements of NetScientific plc for the year ended 31 December 2015 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has also been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and Auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 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's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

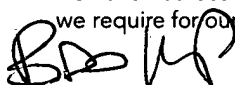
## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where 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.



**Malcolm Thixton** (Senior Statutory Auditor)  
for and on behalf of BDO LLP, statutory auditor

Southampton  
United Kingdom

6 April 2016

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

**Consolidated Income Statement**  
for the year ended 31 December 2015

	Notes	2015 £	2014 £
<b>Continuing Operations</b>			
Revenue		78,577	–
Cost of sales		(6,447)	–
<b>Gross profit</b>		<b>72,130</b>	<b>–</b>
Other operating income		43,864	24,338
Research and development costs		(7,256,285)	(3,098,067)
General and administrative costs		(3,182,454)	(2,495,450)
Other costs	6	(1,077,110)	(717,001)
<b>Loss from operations</b>	9	<b>(11,399,855)</b>	<b>(6,286,180)</b>
Finance income	7	77,692	77,435
Finance expense	8	(137)	–
<b>Loss before taxation</b>		<b>(11,322,300)</b>	<b>(6,208,745)</b>
Income tax credit	10	93,550	29,821
<b>Loss for the year from continuing operations</b>		<b>(11,228,750)</b>	<b>(6,178,924)</b>
<b>Discontinued Operations</b>			
<b>Loss for the year from discontinued operations</b>	11	<b>(1,517,696)</b>	<b>(947,874)</b>
<b>Loss for the year</b>		<b>(12,746,446)</b>	<b>(7,126,798)</b>
<b>Loss attributable to:</b>			
Owners of the parent		(10,841,924)	(6,425,011)
Non-controlling interests		(1,904,522)	(701,787)
		<b>(12,746,446)</b>	<b>(7,126,798)</b>
<b>Basic and diluted loss per share from continuing and discontinued operations attributable to owners of the parent during the year:</b>			
	12		
Continuing operations		(25.4p)	(15.7p)
Discontinued operations		(3.0p)	(2.2p)
<b>From loss for the year</b>		<b>(28.4p)</b>	<b>(17.9p)</b>

Strategic Report

Corporate Governance

Financial Statements

**Consolidated Statement of Comprehensive Income**  
for the year ended 31 December 2015


Notes	2015 £	2014 £
<b>Loss for the year</b>	<b>(12,746,446)</b>	<b>(7,126,798)</b>
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Exchange differences on translation of foreign operations	134,340	124,437
<b>Total comprehensive loss for the year</b>	<b>(12,612,106)</b>	<b>(7,002,361)</b>
<b>Attributable to:</b>		
Owners of the parent	(10,596,481)	(6,129,022)
Non-controlling interests	(2,015,625)	(873,339)
	<b>(12,612,106)</b>	<b>(7,002,361)</b>


All other comprehensive income will be reclassified to retained earnings on the ultimate sale of any relevant subsidiary company.

## Consolidated Statement of Financial Position as at 31 December 2015

	Notes	2015 £	2014 £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	13	513	10,244
Property, plant and equipment	14	285,015	348,245
Investments in equity accounted associates	16	–	228,883
Investments in equity accounted joint ventures	16	–	–
Available for sale investments	17	1,806,608	1,806,608
Derivative financial assets	18	100,159	100,159
Other receivables	19	753,583	545,606
		<b>2,945,878</b>	<b>3,039,745</b>
<b>Current assets</b>			
Trade and other receivables	19	559,775	853,022
Cash and cash equivalents		23,239,047	16,867,198
		<b>23,798,822</b>	<b>17,720,220</b>
<b>Total assets</b>		<b>26,744,700</b>	<b>20,759,965</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	(2,156,180)	(1,281,242)
Loans and borrowings	21	(50,137)	(43,250)
		<b>(2,206,317)</b>	<b>(1,324,492)</b>
<b>Non-current liabilities</b>			
Trade and other payables	20	–	(52,537)
Loans and borrowings	21	–	(687,369)
		–	(739,906)
<b>Total liabilities</b>		<b>(2,206,317)</b>	<b>(2,064,398)</b>
<b>Net assets</b>		<b>24,538,383</b>	<b>18,695,567</b>
<b>Issued capital and reserves</b>			
<b>Attributable to the parent</b>			
Called up share capital	22	2,553,785	1,795,101
Share premium account	23	47,232,755	30,844,552
Capital reserve account	23	236,745	236,745
Foreign exchange reserve	23	691,563	446,120
Retained earnings	23	(24,371,018)	(13,529,442)
Equity attributable to the owners of the parent		<b>26,343,830</b>	<b>19,793,076</b>
<b>Non-controlling interests</b>	15	<b>(1,805,447)</b>	<b>(1,097,509)</b>
<b>Total equity</b>		<b>24,538,383</b>	<b>18,695,567</b>

The financial statements on pages 37 to 59 were approved and authorised for issue by the Board of Directors on 6 April 2016 and were signed on its behalf by:

  
François R. Martelet, M.D.  
Chief Executive Officer

  
Mark Nanovich  
Interim Chief Financial Officer

## Consolidated Statement of Changes in Equity for the year ended 31 December 2015

	Shareholders' equity							Non-controlling interests £	Total equity £
	Share capital £	Share premium £	Capital reserve £	Retained earnings £	Foreign exchange reserve £	Total £			
<b>1 January 2014</b>	<b>1,795,101</b>	<b>30,844,552</b>	<b>236,745</b>	<b>(7,459,726)</b>	<b>150,131</b>	<b>25,566,803</b>	<b>(667,271)</b>	<b>24,899,532</b>	
Loss for the year	-	-	-	(6,425,011)	-	(6,425,011)	(701,787)	(7,126,798)	
Other comprehensive income	-	-	-	-	295,989	295,989	-	295,989	
Acquisition of subsidiary	-	-	-	-	-	-	78,580	78,580	
Increase in subsidiary shareholding	-	-	-	(489,893)	-	(489,893)	489,893	-	
Dilution in subsidiary shareholdings	-	-	-	128,187	-	128,187	(128,187)	-	
Disposal of subsidiaries	-	-	-	-	-	-	2,785	2,785	
Foreign exchange differences	-	-	-	-	-	-	(171,552)	(171,552)	
Share-based payments	-	-	-	717,001	-	717,001	-	717,001	
	-	-	-	(6,069,716)	295,989	(5,773,727)	(430,238)	(6,203,965)	
<b>31 December 2014</b>	<b>1,795,101</b>	<b>30,844,552</b>	<b>236,745</b>	<b>(13,529,442)</b>	<b>446,120</b>	<b>19,793,076</b>	<b>(1,097,509)</b>	<b>18,695,567</b>	
Loss for the year	-	-	-	(10,841,924)	-	(10,841,924)	(1,904,522)	(12,746,446)	
Other comprehensive income	-	-	-	-	245,443	245,443	-	245,443	
Increase in subsidiary shareholding	-	-	-	(170,520)	-	(170,520)	220,240	49,720	
Disposal of subsidiaries	-	-	-	-	-	-	1,087,447	1,087,447	
Foreign exchange differences	-	-	-	-	-	-	(111,103)	(111,103)	
Issue of share capital	758,684	17,449,727	-	-	-	18,208,411	-	18,208,411	
Costs of share issue	-	(1,061,524)	-	-	-	(1,061,524)	-	(1,061,524)	
Share-based payments	-	-	-	170,868	-	170,868	-	170,868	
	758,684	16,388,203	-	(10,841,576)	245,443	6,550,754	(707,938)	5,842,816	
<b>31 December 2015</b>	<b>2,553,785</b>	<b>47,232,755</b>	<b>236,745</b>	<b>(24,371,018)</b>	<b>691,563</b>	<b>26,343,830</b>	<b>(1,805,447)</b>	<b>24,538,383</b>	

## Consolidated Statement of Cash Flows for the year ended 31 December 2015

	Notes	2015 £	2014 £
<b>Cash flows from operating activities</b>			
Loss before income tax including discontinued operations		(12,854,407)	(7,313,806)
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	14	129,831	65,981
Amortisation of intangible assets	13	55,336	1,614
Loss on disposal of property, plant and equipment	9	3,432	768
Share of loss of associates and joint venture	16	399,656	119,991
Gain on sale of associates and joint venture	11	(214,331)	–
Loss on disposal of subsidiaries	11	508,046	–
Impairment of intangible assets	6	190,631	641,767
Provision against recoverability of loan	6	176,677	–
Share-based payments	6	170,868	717,001
Bad debt written off	9	3,557	–
Foreign exchange gains		(84,145)	–
Finance income	7	(77,695)	(77,465)
Finance costs	8	51,397	45,671
		(11,541,147)	(5,798,478)
<b>Changes in working capital:</b>			
Increase in trade and other receivables		(54,880)	(962,051)
Increase in trade and other payables		881,717	129,757
<b>Cash used in operations</b>		<b>(10,714,310)</b>	<b>(6,630,772)</b>
Income tax received		83,119	19,399
<b>Net cash used in operating activities</b>		<b>(10,631,191)</b>	<b>(6,611,373)</b>
<b>Cash flows from investing activities</b>			
Investment in joint venture	16(b)	(34,981)	(35,119)
Investment in associate		(24,999)	(239,189)
Proceeds from sale of associate		24,999	–
Purchase of derivative financial assets		(426,000)	(100,159)
Proceeds from sale of derivative financial assets		426,000	–
Disposal of discontinued subsidiaries, net of cash disposed of	11	(109,431)	–
Purchase of property, plant and equipment	14	(136,460)	(337,469)
Proceeds from sale of property, plant and equipment		650	1,054
Purchase of intangible assets		(163,672)	–
Interest received		37,786	66,661
Proceeds on change in subsidiary shareholding		720	–
Cash acquired on acquisition of subsidiary		–	52,000
Purchase of available for sale investments		–	(1,806,606)
<b>Net cash used in investing activities</b>		<b>(405,388)</b>	<b>(2,398,827)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		50,000	190,000
Proceeds from share issue	22	18,208,411	–
Share issue cost		(1,061,524)	–
<b>Net cash from financing activities</b>		<b>17,196,887</b>	<b>190,000</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>6,160,308</b>	<b>(8,820,200)</b>
Cash and cash equivalents at beginning of year		16,867,198	25,546,951
Exchange gains on cash and cash equivalents		211,541	140,447
<b>Cash and cash equivalents at end of year</b>		<b>23,239,047</b>	<b>16,867,198</b>

Strategic Report

Corporate Governance

Financial Statements

# Notes to the Consolidated Financial Statements

## for the year ended 31 December 2015

### 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.

### 2. Accounting policies

#### Basis of preparation

The Group financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union that are effective for accounting periods beginning on or after 1 January 2015. The principal accounting policies adopted in the preparation of the financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The Group financial information is presented in sterling.

#### 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 and are deconsolidated from the date control ceases.

#### Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate line of business or area of operation that has been disposed of or is held for sale. The results of operations disposed during the year are included in the consolidated income statement up to the date of disposal and are presented in the consolidated income statement as 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 an operation is classified as a discontinued operation, the comparative consolidated income statement is presented as if the operations operation had discontinued from the start of the comparative period.

### Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

### Joint ventures

Jointly controlled entities are included in the financial statements using the equity method, with the accounts reflecting the Group's investment in the joint venture less its share of its losses.

### 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 the significant risks and rewards of ownership to the buyer 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 or the services provided. Revenue is recognised at the fair value of consideration received or receivable.

### 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 the profit and loss on a systematic and rational basis over the useful lives of the related assets.

# Notes to the Consolidated Financial Statements (continued)

## for the year ended 31 December 2015

### Goodwill

Purchased goodwill (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. The carrying amount is subject to an impairment review by the Directors at the end of each accounting period in accordance with International Accounting Standard 36, Impairment of Assets.

### Intangible assets

Acquired in process research and development (IPRD) is an indefinite-lived asset, subject to impairment testing until the completion or abandonment of the related project. No further costs will be capitalised in respect of this IPRD unless it meets the criteria for research and development capitalisation as set out below. Once the incremental research and development is completed, the carrying value of the acquired IPRD is reclassified as a finite-lived asset and amortised over its useful life. Licences separately acquired are originally recorded at cost and are amortised over their estimated useful lives. The current licences have a useful economic life of three years using the straight-line basis.

### 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, as set out in IAS 38 "Intangible Assets", 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.

### Property, plant 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%

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.

### 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.

### Financial instruments

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

### Financial assets

#### Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable; the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

The Group's loans and receivables comprise trade and other receivables, other financial assets and cash and cash equivalents in the consolidated statement of financial position. Cash and cash equivalents includes cash in hand and deposits held at call with banks.

#### Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value, other than those arising due to exchange rate fluctuations and interest calculated using the effective interest rate, recognised in other comprehensive income and accumulated in the available-for-sale reserve.

Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognised in other comprehensive income, is recognised in profit or loss.

Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available-for-sale reserve.

On sale, the cumulative gain or loss recognised in other comprehensive income is reclassified from the available-for-sale reserve to profit or loss.

## Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2015

### **Derivative financial instruments**

These are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of consolidated income in the finance income or expense line.

### **Financial liabilities**

The Group classifies its financial liabilities as financial liabilities held at amortised cost. Trade 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. Research and development tax credits are included as an income tax credit under current assets.

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.

### **Leases**

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The Group does not have any finance leases.

### **Foreign currencies**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities are denominated in foreign currencies at the balance sheet 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, including goodwill arising on the acquisition of those 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.

### **Non-controlling interests**

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.

### **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.

### **Accounting developments**

a) New standards, interpretations and amendments effective from 1 January 2015.

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2015. None of the amendments to Standards that are effective from that date had a significant effect on the Group's financial statements.

b) New standards, interpretations and amendments not yet effective.

Management are currently assessing the impact of the new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2016 and which have not been adopted early.

## Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2015

### 3. Significant accounting estimates 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 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.

#### Impairment of intangible assets (including goodwill)

Goodwill is not subject to amortisation but is tested for impairment annually and whenever events or circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment when events or a change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cash flows. Following the review of the Group's strategy and portfolio to focus on core projects and the uncertainty and timing of the commercialisation of the underlying technology an impairment charge was made in 2014 for goodwill and in process research and development. An impairment charge was made during the current year against the book value of externally acquired licence rights due to the decision to dissolve Triventis (see note 13).

#### Valuation of unquoted equity investments

The judgements required in order to determine the appropriate valuation methodology of unquoted equity investments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. These judgements include making assessments of the future earnings potential of portfolio companies, appropriate earnings multiples to apply, and marketability and other risk discounts. At present their fair value cannot be reliably measured so these investments are held at cost.

#### Share-based payments

The critical accounting estimates, assumptions and judgements underpinning the valuation of the option are disclosed in note 27.

#### Loans to non-group companies

The Group assesses at the end of each reporting period whether there is objective evidence that the loans made to non-group companies (disclosed as non-current other receivables) are impaired. Given the pre revenue nature of the entities to which these loans are made the assessment is based on the carrying value of each company's assets and the progress of their scientific programmes. During the year a provision of £176,677 was made against recoverability of loans receivable (see note 6).

### 4. Segmental reporting

IFRS 8 "operating segments" defines operating segments as those activities of an entity about which separate financial information is available and which 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 under IFRS 8 the Group has only one operating segment, being the development of intellectual property. 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. Employees and Directors

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

	31 December 2015 Number	31 December 2014 Number
Central Group functions *	11	12
Research and development	29	11
Sales and other	2	–
	<b>42</b>	<b>23</b>

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

Their aggregate remuneration (including Non-Executive Directors) comprised:

	2015 £	2014 £
Wages and salaries	3,964,193	2,398,316
Social security costs	349,434	223,196
Share-based payment charge	170,868	717,001
Pension costs	23,641	–
	<b>4,508,136</b>	<b>3,338,513</b>

In addition to the above aggregate remuneration, redundancy costs of £494,294 and associated social security costs of £45,202 were incurred during the year.

The Group makes defined pension contributions for certain employees into money purchase schemes. The total expense relating to these plans in current year was £23,641 (2014: £nil). There were outstanding contributions of £16,612 (2014: £nil) and no prepaid contributions (2014: £nil) at the end of the financial year.

The aggregate remuneration of key management comprised:

	2015 £	2014 £
Wages and salaries	1,308,378	728,697
Social security costs	160,699	75,515
Share-based payments charge	124,003	643,550
Pension costs	9,750	–
	<b>1,602,830</b>	<b>1,447,762</b>

Strategic Report

Corporate Governance

Financial Statements

## Notes to the Consolidated Financial Statements (continued)

### for the year ended 31 December 2015

Key management comprises the Board, Chief Executive Officers of subsidiaries and certain members of the Executive Management Team.

In addition to the above aggregate remuneration, redundancy costs of £435,398 and associated social security costs of £39,366 were incurred during the year.

In respect of Directors' remuneration, the disclosures required by Schedule 5 to Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are included in the detailed disclosures in the audited section of the Remuneration Report on pages 33 to 35, which are ascribed as forming part of these financial statements.

#### 6. Other costs

	2015 £	2014 £
Restructure costs <sup>(i)</sup>	538,934	–
Impairment of intangible asset (note 13)	190,631	–
Provision against recoverability of loan	176,677	–
Share-based payments (note 27)	170,868	717,001
	<b>1,077,110</b>	<b>717,001</b>

(i) Represents redundancy costs associated with the restructure of the management team and review of portfolio to focus on core projects.

#### 7. Finance income

	2015 £	2014 £
Interest income arising from:		
Cash and cash equivalents	37,599	67,631
Loans and receivables	40,093	9,804
	<b>77,692</b>	<b>77,435</b>

#### 8. Finance expense

	2015 £	2014 £
Interest payable on loans	137	–

#### 9. Loss from operations

The loss before income tax is stated after charging:

	2015 £	2014 £
Depreciation of property, plant and equipment (see note 14)	129,831	65,981
Amortisation of intangible assets (see note 13)	55,336	1,614
Loss on disposal of property, plant and equipment	3,432	768
Impairment of intangible assets (see note 13)	190,631	641,767
Provision against recoverability of loan	176,677	–
Impairment of joint venture (see note 16(b))	–	91,880
Bad debt written off	3,557	–
Operating lease charges:		
– land and buildings	385,607	90,550
Net foreign exchange (gains)/losses	(93,247)	1,923

Fees payable to the company's auditor for the audit of the company's financial statements	8,000	8,000
Audit of the company's subsidiaries pursuant to legislation	33,950	27,000

Fees payable to the company's auditors for other services:		
Tax compliance services	9,963	21,512
Tax advisory services	1,050	7,000
Audit related services	11,750	11,500
Other non-audit related services	–	600

#### 10. Taxation

	2015 £	2014 £
<b>Analysis of tax credit</b>		
<b>Current tax:</b>		
UK research and development tax credit for the year	93,550	21,777
UK research and development tax credit in respect of prior periods	–	8,044
Income tax credit on continuing operations	93,550	29,821
Income tax credit on discontinued operations	14,411	44,168
Reversal of deferred tax on acquired intangibles on discontinued operations	–	113,019
Income tax credit on discontinued operations	14,411	157,187
<b>Total income tax credit in the Consolidated Income Statement</b>	<b>107,961</b>	<b>187,008</b>

## Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2015

### 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:

	2015 £	2014 £
Loss before taxation – continuing operations	<b>(11,322,300)</b>	(6,208,744)
Tax at domestic rates applicable to losses in the respective countries 26.5% (2014: 28.2%)	<b>(3,063,741)</b>	(1,749,508)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>204,995</b>	43,550
Share-based payments	<b>39,052</b>	140,836
Movement on fixed assets – timing differences	<b>16,003</b>	2,727
Movement on other – timing differences	<b>977,452</b>	439,628
Unutilised tax losses arising in the period	<b>1,833,490</b>	1,108,499
Research and development adjustment	<b>(40,801)</b>	(7,509)
Research and development tax credit in respect of prior period	–	(8,044)
Income tax credit – continuing operations	<b>93,550</b>	29,821
Income tax credit – discontinued operations	<b>14,411</b>	157,187
<b>Total income tax credit in the Consolidated Income Statement</b>	<b>107,961</b>	187,008
<b>Tax effects relating to effects of other comprehensive income</b>		
Exchange differences on translation of foreign operations	<b>245,443</b>	295,989
Gross Tax	–	–
<b>Net</b>	<b>245,443</b>	295,989

There are tax losses and research and development tax credits available to carry forward against future trading profits from continuing operations of approximately £18,307,000 (2014: £7,476,000). A deferred tax asset in respect of these losses of approximately £5,468,000 (2014: £2,097,000) has not been recognised in the accounts, as the utilisation of these losses in the foreseeable future is uncertain.

### 11. Discontinued operations

Following a review of the Group's strategy and portfolio to focus on core projects, certain subsidiaries, associates and joint ventures were disposed of during the year.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows.

	Year ended 31 December 2015 £	Year ended 31 December 2014 £
Revenue	<b>50,928</b>	51,921
Cost of sales	<b>(24,244)</b>	(17,732)
Gross profit	<b>26,684</b>	34,189
Other operating income	<b>404,001</b>	266,867
Research and development costs	<b>(1,149,716)</b>	(542,949)
General and administrative costs	<b>(68,448)</b>	(55,768)
Impairment of intangible assets	–	(641,767)
<b>Loss from operations</b>	<b>(787,479)</b>	(939,428)
Finance income	<b>3</b>	29
Finance expenses	<b>(51,260)</b>	(45,671)
Share of loss of associates and joint venture	<b>(399,656)</b>	(119,991)
<b>Loss before taxation</b>	<b>(1,238,392)</b>	(1,105,061)
Attributable tax credit	<b>14,411</b>	157,187
<b>Loss after tax</b>	<b>(1,223,981)</b>	(947,874)
Gain on sale of associates and joint venture	<b>214,331</b>	–
Loss on divestment of subsidiaries	<b>(508,046)</b>	–
Attributable tax expense	–	–
<b>Loss from sale of discontinued operations after tax</b>	<b>(293,715)</b>	–
<b>Loss for the year</b>	<b>(1,517,696)</b>	(947,874)

Strategic Report

Corporate Governance

Financial Statements

**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31 December 2015

**Subsidiaries disposed of during the year:**

Name	Country of incorporation or registration	Proportion of ownership interest at 31 December 2014*	Proportion of ownership interest held by non-controlling interests at 31 December 2014*
MOF Technologies Limited	UK	51%	49%
RoboScientific Limited	UK	80%	20%
Nearfield Communications Limited	UK	100%	–
Watermass Limited	UK	100%	–
Advanced BioSensors, Inc.	USA	37%	63%
Advanced Cardiotech, Inc.	USA	87.5%	12.5%
Cardio-Scientific, Inc.	USA	100%	–
Moftek, Inc.	USA	100%	–
Qlida Diagnostics, Inc.	USA	51.2%	48.8%
Morphodyne SA	Swiss	60%	40%

\* Interests were unchanged at time of disposal.

**Associates disposed of during the year:**

Name	
DName-iT NV	(see note 16)
Frontier BioSciences Limited	(see note 16)

**Joint venture disposed of during the year:**

Name	
Butterfly BioSciences LLC	(see note 16)

**The major classes of assets and liabilities comprising the operations of subsidiaries disposed of during the year:**

	£	£
Cash consideration		40,983
Loan repayments		104,490
Cash balances of subsidiaries disposed of		(254,904)
		(109,431)
Loan written off		(26,582)
		(136,013)
Net (assets)/liabilities sold		
Property, plant and equipment	(78,531)	
Intangibles	(8,854)	
Trade and other receivables	(143,879)	
Total assets	(231,264)	
Trade and other payables	132,208	
Other non-current liabilities	55,334	
Loans	759,136	
Total liabilities	946,678	
Net liabilities		715,414
Non-controlling interests		(1,087,447)
Loss on disposal		(508,046)
Tax		–
<b>Loss recognised in year</b>		<b>(508,046)</b>

**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31 December 2015

	2015 £	2014 £
<b>Cash flows from subsidiaries disposed of</b>		
Net cash used in operating activities	(728,383)	(467,079)
Net cash used in investing activities	(11,066)	(167,062)
Net cash inflows from financing activities	(137,158)	1,560,026
Net decrease in cash and cash equivalents	(876,667)	925,885
Cash and cash equivalents at beginning of year	995,803	83,944
Loan repayments to Group companies by subsidiaries disposed of	104,490	-
Cash balances of subsidiaries disposed of	(254,904)	-
Exchange gains on cash and cash equivalents	31,218	(14,026)
Cash and cash equivalents at end of year	-	995,803

**12. 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 2015 of 3,081,936 (see note 27) are not treated as dilutive as the entity is loss making.

	2015 £	2014 £
<b>Loss attributable to equity holders of the Company</b>		
Continuing operations	9,697,459	5,636,685
Discontinued operations	1,144,465	788,326
<b>Total</b>	<b>(10,841,924)</b>	<b>(6,425,011)</b>

**Number of shares**

Weighted average number of ordinary shares in issue	38,228,552	35,902,020
---	------------	------------

**13. Intangible assets**

	Goodwill £	In process research and development £	Patents and licences £	Total £
<b>Cost</b>				
At 1 January 2014	359,220	267,414	15,230	641,864
Exchange adjustments	-	15,133	-	15,133
At 31 December 2014	359,220	282,547	15,230	656,997
Addition	-	-	245,088	245,088
Disposal	(359,220)	(282,547)	(13,833)	(655,600)
Exchange adjustments	-	-	8,832	8,832
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>255,317</b>	<b>255,317</b>
<b>Amortisation</b>				
At 1 January 2014	-	-	3,372	3,372
Charge for the year	-	-	1,614	1,614
Impairment charge <sup>(i)</sup>	359,220	282,547	-	641,767
At 31 December 2014	359,220	282,547	4,986	646,753
Charge for the year	-	-	55,336	55,336
Disposal	(359,220)	(282,547)	(4,980)	(646,747)
Impairment charge <sup>(ii)</sup>	-	-	190,631	190,631
Exchange adjustments	-	-	8,831	8,831
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>254,804</b>	<b>254,804</b>
<b>Net book value</b>				
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>513</b>	<b>513</b>
At 31 December 2014	-	-	10,244	10,244
At 31 December 2013	359,220	267,414	11,858	638,492

(i) The goodwill and in process research and development arose on the acquisition of Qlida Diagnostics, Inc., which was sold during the year (see note 11).

(ii) Following a review of the Triventis Health LLC's digital health sales and marketing partnership with iMPak Health, LLC, and the uncertainty and timing surrounding the commercialisation of the underlying licences to certain devices, an impairment charge was made.

**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31 December 2015

**14. Property, plant and equipment**

	Furniture, fittings and equipment £	Plant and machinery £	Totals £
<b>Cost</b>			
At 1 January 2014	19,677	57,998	77,675
Exchange adjustments	931	12,008	12,940
Additions	21,788	315,681	337,469
Disposals	(4,927)	-	(4,927)
<b>At 31 December 2014</b>	<b>37,469</b>	<b>385,687</b>	<b>423,156</b>
Exchange adjustments	2,952	13,563	16,515
Additions	77,825	58,635	136,460
Disposals	(19,706)	(174,053)	(193,759)
<b>At 31 December 2015</b>	<b>98,540</b>	<b>283,832</b>	<b>382,372</b>
<b>Depreciation</b>			
At 1 January 2014	8,612	1,962	10,574
Exchange adjustments	172	1,288	1,460
Charge for the year	7,554	58,427	65,981
Disposals	(3,104)	-	(3,104)
<b>At 31 December 2014</b>	<b>13,234</b>	<b>61,677</b>	<b>74,911</b>
Exchange adjustments	543	3,138	3,681
Charge for the year	14,065	115,766	129,831
Disposals	(10,989)	(100,077)	(111,066)
<b>At 31 December 2015</b>	<b>16,853</b>	<b>80,504</b>	<b>97,357</b>
<b>Net book value</b>			
<b>At 31 December 2015</b>	<b>81,687</b>	<b>203,328</b>	<b>285,015</b>
At 31 December 2014	24,235	324,010	348,245
At 31 December 2013	11,065	56,036	67,101

## Notes to the Consolidated Financial Statements (continued)

### for the year ended 31 December 2015

#### 15. Investments in subsidiary undertakings

##### 15(a) Subsidiaries

The Group had the following subsidiaries at 31 December 2015:

Name	Country of incorporation or registration	Proportion of ownership interest at 31 December 2015	Proportion of ownership interest at 31 December 2014	Proportion of ownership interest held by non-controlling interests at 31 December 2015	Proportion of ownership interest held by non-controlling interests at 31 December 2014
NetScientific UK Limited	UK	100%	100%	–	–
ProAxis Ltd *	UK	56.5%	56.5%	43.5%	43.5%
Glucosense Diagnostics Limited * <sup>(iv)</sup>	UK	60.7%	100%	39.3%	–
Healthbox Israel LLP * <sup>(ii)</sup>	UK	50%	50%	50%	50%
IsraelScientific Ltd *	UK	100%	100%	–	–
NetScientific America, Inc.	USA	100%	100%	–	–
Vortex BioSciences, Inc. <sup>(i)</sup>	USA	95%	95%	5%	5%
Wanda, Inc. <sup>(i)</sup>	USA	71.3%	71.3%	28.7%	28.7%
Glycotest, Inc. <sup>(i)</sup>	USA	87.5%	87.5%	12.5%	12.5%
Triventis Health LLC * <sup>(iv)</sup>	USA	55%	–	45%	–
SwissScientific SA <sup>(iii)</sup>	Swiss	100%	100%	–	–

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.

(i) Options have been issued by Vortex BioSciences, Inc., Wanda, Inc. and Glycotest, Inc. which if exercised would dilute the Company's shareholding by 19%, 14% and 14% respectively.

(ii) The Group holds 50% of the voting shares and has the casting vote. The Group is entitled to 80% of profits subsequent to repayments of capital and member operational expenses.

(iii) An application to de-register SwissScientific SA was filed during the year.

(iv) On 27 April 2015, the Group subscribed for a 55% interest in Triventis Health LLC, a digital health sales and marketing company. The price paid for the interest was US\$0.55. Triventis Health LLC was formed on 20th April 2015 and was dormant and did not trade until 27 April 2015.

The Group had the following dormant subsidiaries at 31 December 2015:

Name	Country of incorporation	Proportion of ownership interest at 31 December 2015	Nature of business
Health Innovation Capital Limited (formerly EcoScience Limited) <sup>(i)</sup>	UK	100%	Dormant
NetScientific Technologies, Inc. <sup>(ii)</sup>	USA	100%	Dormant

(i) Held via an intermediate holding company.

(ii) During the year an application for de-registration was filed for NetScientific Technologies, Inc., which has been dormant since it was formed in August 2009.

Strategic Report

Corporate Governance

Financial Statements

**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31 December 2015

**15(b) Non-controlling interests**

The total non-controlling interest at 31 December 2015 is £1,805,447 (2014: £1,097,509), of which £1,102,391 (2014: £333,539) is for Wanda, Inc. and £287,132 (2014: £94,021) for Vortex BioSciences, Inc.

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

**Summarised balance sheet**

	Wanda, Inc. as at 31 December		Vortex BioSciences, Inc. as at 31 December	
	2015 £	2014 £	2015 £	2014 £
<b>Assets</b>				
Non-current assets	76,885	6,770	209,909	204,246
Current assets	400,854	681,166	57,902	366,476
	<b>477,739</b>	<b>687,936</b>	<b>267,811</b>	<b>570,722</b>
<b>Non-current</b>				
Current liabilities	(4,232,558)	(1,838,072)	(6,010,451)	(2,356,077)
	<b>(4,232,558)</b>	<b>(1,838,072)</b>	<b>(6,010,451)</b>	<b>(2,356,077)</b>
<b>Net liabilities</b>	<b>(3,754,819)</b>	<b>(1,150,136)</b>	<b>(5,742,640)</b>	<b>(1,785,355)</b>
<b>Non-controlling interests</b>	<b>(1,102,391)</b>	<b>(333,539)</b>	<b>(287,132)</b>	<b>(94,021)</b>

**Summarised statement of comprehensive income**

	Wanda, Inc. for the year ended 31 December		Vortex BioSciences, Inc. for the year ended 31 December	
	2015 £	2014 £	2015 £	2014 £
Revenue	–	–	1,172	–
Loss for the year before and after taxation	(2,570,134)	(1,496,163)	(3,728,855)	(1,349,969)
Other comprehensive income	–	–	–	–
Total comprehensive loss for the year	<b>(2,570,134)</b>	<b>(1,496,163)</b>	<b>(3,728,855)</b>	<b>(1,349,969)</b>
Total comprehensive loss attributable to non-controlling interests	<b>(728,484)</b>	<b>(435,462)</b>	<b>(186,397)</b>	<b>(67,167)</b>

**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31 December 2015

**Summarised cash flows**

	Wanda, Inc. 31 December		Vortex BioSciences, Inc. 31 December	
	2015 £	2014 £	2015 £	2014 £
Net cash used in operating activities	(2,154,201)	(1,339,455)	(3,241,694)	(1,262,973)
Net cash used in investing activities	(44,181)	(7,621)	(51,042)	(212,820)
Net cash inflows from financing activities	1,877,939	977,299	3,030,726	1,673,264
Net (decrease)/increase in cash and cash equivalents	(320,443)	(369,777)	(262,010)	197,471
Cash and cash equivalents at beginning of year	648,346	983,075	257,084	–
Exchange gains on cash and cash equivalents	31,625	35,048	5,202	59,613
Cash and cash equivalents at end of year	359,528	648,346	276	257,084

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

**16. Investments in associates and joint venture**

The losses/(profits) recognised in the income statement within discontinued operations in respect of associates and joint venture are as follows:

	2015 £	2014 £
Associates	456,661	10,306
Joint venture	(57,005)	17,805
Impairment of joint venture	–	91,880
	399,656	119,991

**16(a) Investments in associates**

	2015			2014
	Frontier BioSciences Limited £	DName-iT NV £	Total £	DName-iT NV £
At 1 January	–	228,883	228,883	–
Additions	900,000	–	900,000	239,189
Loss after tax recognised in the consolidated income statement	(446,563)	(10,098)	(456,661)	(10,306)
	453,437	218,785	672,222	228,883
Consideration on disposal of interest	750,000	230,000	980,000	–
Gain on disposal after tax recognised in the consolidated income statement	296,563	11,215	307,778	–
<b>At 31 December</b>	–	–	–	228,883

Set out below are the associates of the Group during the year ended 31 December 2015:

Name	Country of incorporation	Place of business	% of ownership interest		Measurement method
			2015	2014	
DName-iT NV	Belgium	Belgium	–	38%	Equity
Frontier BioSciences Limited	UK	UK/Belgium	–	–	Equity

DName-iT NV is developing solutions to improve the quality and workflow on next generation genetic sequencing diagnostic tests. The Group sold its interest on 23 March 2015.

## Notes to the Consolidated Financial Statements (continued)

### for the year ended 31 December 2015

The Group acquired a 49.9% interest in Frontier BioSciences Limited on 23 March 2015. The other 50.1% was controlled Zahra Holdings Limited ("Zahra"), a company wholly-owned by a family trust connected with Farad Azima, a former Director of NetScientific plc. At this date Zahra with two other companies controlled by the Azima family trusts held 47.8% of the shares of NetScientific plc (in addition Farad Azima had a personal holding of 0.4%). As part of the Group's review of its portfolio it reduced its commitment but retained an interest in three sponsored research agreements with Leuven University, Belgium (the "SRAs") and its 38% shareholding in DName-iT NV. These SRAs and its DName-iT NV shareholding were transferred to Frontier BioSciences Limited. The price paid for the shares subscribed for in Frontier BioSciences Limited was £24,999. In addition, the Group agreed to a funding commitment of £875,001 which was satisfied by the monies spent to date on the SRAs (£300,000), the agreed value of its interest in DName-iT NV (£230,000) and a further cash transfer of £370,000.

On 17 September 2015 the Group sold its 49.9% interest to Zahra for £24,999 and Frontier BioSciences Limited agreed to repay £725,001 of its loan account balance. The balance of £150,000 was written off.

Set out below is the summarised financial information of DName-iT NV and Frontier BioSciences Limited which have been accounted for using the equity method. The investment in Frontier BioSciences Limited was made during the year ending 31 December 2015 and as such no comparative financial information has been disclosed.

#### Summarised balance sheet

	Frontier BioSciences Limited As at 17 September 2015 (i) £	DName-iT NV As at 23 March 2015 (i) £	DName-iT NV As at 31 December 2014 £
<b>Current assets</b>			
Cash and cash equivalents	924,474	170,414	233,691
Other	40,074	11,362	-
<b>Non-current assets</b>			
Intangible assets	-	395,922	389,378
Investments	372,611	-	-
<b>Current liabilities</b>			
Trade and other payables	(429,673)	(79)	(27,186)
<b>Non-current liabilities</b>			
Loans	(1,750,000)	-	-
<b>Net (liabilities)/assets</b>	<b>(842,514)</b>	<b>577,619</b>	<b>595,883</b>

#### Summarised statement of comprehensive income

	Frontier BioSciences Limited 23 March to 17 September 2015 (i) £	DName-iT NV for the period ending 23 March 2015 (i) £	DName-iT NV for the year ending 31 December 2014 £
Expenses	(893,162)	(26,928)	(27,121)
Loss for the period before and after taxation	(893,162)	(26,928)	(27,121)
Other comprehensive income	-	-	-
<b>Total comprehensive loss for the period</b>	<b>(893,162)</b>	<b>(26,928)</b>	<b>(27,121)</b>

(i) For the period 23 March 2015, when the Group acquired its interest, to 17 September 2015 being the date the Group sold its interest.

(ii) For the period 1 January 2015 to 23 March 2015, being the date the Group sold its interest.

**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31 December 2015

**16(b) Investment in joint venture**

*Interest in joint venture*

The Group had a 50% interest in a jointly controlled entity, Butterfly BioSciences LLC, which has been included in the consolidated accounts using the equity method. Butterfly BioSciences LLC was an early-stage drug discovery company that employed a proprietary random library-based technology for the discovery of novel RNAi drugs with innovative targeting properties and improved therapeutic indices. Its principal place of business was in the USA. In 2014 following the review of the Group's strategy and portfolio to focus on core projects and the uncertainty and timing of the commercialisation of the underlying technology an impairment charge was made. In 2015 Butterfly BioSciences LLC was de-registered.

	2015 £	2014 £
At 1 January	-	69,872
Exchange adjustments	1,461	4,694
Additions	34,981	35,119
Profit/(loss) after tax recognised in the consolidated income statement	57,005	(17,805)
Impairment charge	-	(91,880)
Loss on disposal after tax recognised in the consolidated income statement	(93,447)	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>

Set out below is the summarised financial information for Butterfly BioSciences LLC.

**Summarised balance sheet**

	At 14 December 2015 (i) £	At 31 December 2014 £
Current liabilities	-	(477,035)
Net liabilities	-	(477,035)

**Summarised statement of comprehensive income**

	Period to 14 December 2015 (i) £	Year ended 31 December 2014 £
Other income	146,553	-
Expenses	(32,543)	(35,610)
Profit/(loss) before tax	114,010	(35,610)
Taxation	-	-
Profit/(loss) for the period	114,010	(35,610)
Other comprehensive income	-	(25,421)
<b>Total comprehensive profit/(loss) for the period</b>	<b>114,010</b>	<b>(61,031)</b>

(i) Being period to/date when Butterfly BioSciences LLC was de-registered.

**17. Available for sale investments**

Represent unquoted equity securities

	2015 £	2014 £
At 1 January	1,806,608	2
Additions	-	1,806,606
<b>At 31 December</b>	<b>1,806,608</b>	<b>1,806,608</b>

Name	Country of incorporation	% of issued share capital	Currency denomination	£
PDS Biotechnology Corporation	USA	14.85%	US\$	1,657,030
CytoVale, Inc.	USA	2.15%	US\$	149,576
Other				2
				1,806,608

The shares in the above investments are not quoted in an active market and their fair value cannot be reliably measured. As such the investments have been measured at cost less accumulated impairment.

The Group does not intend to dispose of these investments in the foreseeable future.

## Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2015

### 18. Derivative financial assets

	2015 £	2014 £
Warrants	100,159	100,159

The Group have warrants to acquire equity shares in PDS Biotechnology Corporation at an agreed price at any time prior to 15 December 2016. The warrants have been valued using the Black-Scholes Model and a level 3 fair value hierarchy, given the unobservable data for volatility. This valuation has not changed in the year as the market value of the equity shares in PDS Biotechnology Corporation cannot be reliably measured.

### 19. Trade and other receivables

	2015 £	2014 £
<b>Current:</b>		
Trade receivables	37,180	57,265
Taxation	190,495	105,598
Other receivables	29,779	145,189
Prepayments and accrued income	302,321	544,970
	<b>559,775</b>	<b>853,022</b>

<b>Non-current:</b>		
Other receivables	753,583	545,606

Aggregate amounts	<b>1,313,358</b>	<b>1,398,628</b>
-------------------	------------------	------------------

### 20. Trade and other payables

	2015 £	2014 £
<b>Current:</b>		
Trade payables	667,681	636,608
Accruals	1,484,639	609,715
Deferred income	3,860	27,564
Other payables	-	7,155
	<b>2,156,180</b>	<b>1,281,242</b>

<b>Non-current:</b>		
Other creditors	-	52,537

Aggregate amounts	<b>2,156,180</b>	<b>1,333,779</b>
-------------------	------------------	------------------

### 21. Loans and borrowings

	2015 £	2014 £
Total falling due within one year	50,137	43,250
Total falling due after more than one year	-	687,369
Total	<b>50,137</b>	<b>730,619</b>

The maturity of the loans are as follows:

Amounts falling due within one year on demand	50,137	43,250
Amounts falling due between one and two years	-	221,096
Amounts falling due between two and five years	-	466,273

Financial liabilities and borrowings represent:

The loans falling due within one year are interest free, unsecured and repayable on demand.

An unsecured convertible loan note for £50,000 plus accrued interest of £137 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 the opinion of the Directors, materially these constitute debt instruments and therefore no element has been reallocated as equity.

### 22. Called up share capital

Issued and fully paid:

	2015 £	2014 £
51,075,695 ordinary shares of 5p each		
(2014: 35,902,020 of 5p each)	<b>2,553,785</b>	<b>1,795,101</b>

On 6 November 2015 and 16 November 2015, the Company issued 15,119,508 and 54,167 ordinary shares at £1.20 per share respectively, raising £18,208,411.

Details of share options can be found in note 27. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

### 23. 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 to the group into ordinary shares.

#### 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.

## Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2015

### 24. Financial instruments

#### Currency risk

During the year under review, the Group was exposed to US dollar exposure as a significant element of its research and development expenditure is denominated in this currency. The Group holds an element of its cash in US dollars to reduce its exposure to movements in exchange rates. Similarly, the Group had exposure to the Swiss franc on discontinued research and development activities in Switzerland. Cash was held in Swiss francs to reduce exposure to movements in exchange rates.

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

	Total £	Floating borrowings £	Fixed borrowings £	Weighted average interest rate %
<b>As at 31 December 2015</b>				
Sterling	50,137	–	50,137	10%
	<b>50,137</b>	<b>–</b>	<b>50,137</b>	<b>10%</b>
<b>As at 31 December 2014</b>				
Sterling	43,250	–	43,250	0.0%
Sterling	377,346	–	377,346	10.0%
US Dollar	310,023	–	310,023	8.0%
	<b>730,619</b>	<b>–</b>	<b>730,619</b>	<b>8.5%</b>

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

#### Interest rate and currency of cash balances

Floating rate financial assets of £23,239,047 (2014 £16,867,198) comprises sterling £18,162,725 (2014: £13,693,170), US dollar US\$7,394,012 (2014: US\$3,997,494) and Swiss Franc CHF 127,782 (2014: CHF 946,171) cash deposits with the banks current accounts. Interest receivable for the year ended 31 December 2015 was £36,637 (2014 £67,661).

The Group has purchased loan notes totalling US\$1,100,000 (2014: US\$750,000) which have accrued interest of US\$77,402 (2014: US\$16,146). The interest rate on loan notes totalling US\$850,000 is fixed at 6% and on loan notes for US\$250,000 the rate is 7%.

#### Currency exposure

The Group's currency exposure, i.e. those exposures arising from transactions, the net currency gains and losses from which will be recognised in the profit and loss account, is shown below.

#### Function of currency of group operations

	Euro £	US Dollar £	CHF £	Total £
<b>As at 31 December 2015</b>				
Sterling	–	3,711,894	140	3,712,034
US Dollar	–	–	906	906
	<b>–</b>	<b>3,711,894</b>	<b>1,046</b>	<b>3,712,940</b>
<b>As at 31 December 2014</b>				
Sterling	65,415	280	41,929	107,424
US Dollar	10,210	–	–	10,210
	<b>75,625</b>	<b>280</b>	<b>41,929</b>	<b>117,634</b>

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.

#### Undrawn bank facilities

The Group does not have in place any undrawn committed bank borrowing facilities available to it.

## Notes to the Consolidated Financial Statements (continued)

### for the year ended 31 December 2015

#### Credit risk

The Group follows a risk-averse policy of treasury management. Sterling, US dollar and Swiss Franc 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.

#### 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 21 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.

#### 25. Contingent liabilities

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

#### 26. Commitments

##### (a) Capital commitments

	2015 £	2014 £
Contracted but not provided for in the financial statements	<b>69,851</b>	–

##### (b) Operating lease commitments

At 31 December 2015 the Group had the following future value of minimum lease payments due as set out below:

	2015 £	2014 £
Land and buildings		
Within one year	<b>289,354</b>	216,608
In the second to fifth years inclusive	<b>373,951</b>	–

#### 27. Share-based payments

The Group operates a 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 2015 are summarised below:

Date of Grant	Number of shares at 1 Jan. 2015	Granted during the year	Lapsed during the year	Number of shares as at 31 Dec. 2015	Note	Exercise price	Date of expiry *
September 2013	2,513,140	–	(139,509)	<b>2,373,631</b>	1	£1.60	Sep. 2023
January 2014	179,510	–	–	<b>179,510</b>	2	£1.60	Jan. 2024
January 2014	89,775	–	–	<b>89,775</b>	3	£1.60	Jan. 2024
November 2015	–	439,020	–	<b>439,020</b>	4	£1.195	Nov. 2025
	<b>2,782,425</b>	<b>439,020</b>	<b>(139,509)</b>	<b>3,081,936</b>			

On 4 February 2016, a further 270,000 options, which vest on 4 February 2019, were granted at an exercise price of £0.862.

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

## Notes to the Consolidated Financial Statements (continued)

### for the year ended 31 December 2015

- 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.
- Options vest at the rate of one third per year commencing one year after the date of grant.
- Options vest in three years after the date of grant.
- 80,000 options vest on 30 January 2018 and 359,020 options vest on 8 June 2018.

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

	2015 Weighted average exercise price £	2015 Number	2014 Weighted average exercise price £	2014 Number
Outstanding at 1 January	1.60	2,782,425	1.60	2,513,140
Granted during the year	1.195	439,020	1.60	269,285
Forfeited during the year	1.60	(139,509)	-	-
<b>Outstanding at 31 December</b>	<b>1.54</b>	<b>3,081,936</b>	<b>1.60</b>	<b>2,782,425</b>

#### Fair value charge

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

Date of Grant	Exercise price £	Share price at date of grant £	Risk free rate %	Assumed time to exercise Years	Assumed volatility %	Fair value per option £
September 2013	1.60	1.60	1.66	5	40%	0.59
January 2014	1.60	1.60	1.59	4	40%	0.39
January 2014	1.60	1.60	1.15–1.98	2–4	40%	0.38
November 2015	1.195	1.185	1.10–1.22	3.5–4	50%	0.44–0.47

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 share-based payments for share options granted to Directors and employees was £170,868 (2014: £717,001) (see note 6). £33,060 (2014: £61,951) of this sum represents the share-based charge on options granted by subsidiary entities.

#### 28. Related party disclosures

Thoms International Limited, a company controlled by the P Thoms family, charged fees in respect of services provided by Peter Thoms, a Director of NetScientific plc, of £nil (2014: £6,697).

H Azima, a close relative of Farad Azima a former Director of NetScientific plc, charged fees in respect of services in the USA of £1,628 (2014: £9,104). No amounts were outstanding at year end (2014: £nil).

On a rent free basis the Group used premises provided by entities connected with Farad Azima for office space and as accommodation for visiting employees up to 16 February 2015. The Group paid the service charges, utilities and cleaning expenses on these premises which totalled £1,516 (2014: £28,300).

Jonathan Paisner, a Non-Executive Director was appointed by the Azima Family Trusts pursuant to their rights under NetScientific plc Articles of Association to nominate a Director.

See note 16(a) for details of further related party transactions with Zahra Holdings Limited, a company wholly-owned by a family trust connected with Farad Azima, which is connected with Frontier BioSciences Limited.

#### 29. Events after the reporting period

On 26 February 2016 the Group's subsidiary company, Wanda, Inc. subscribed for 35.9% of the share capital of Oncoverse LLC, a San Francisco digital health company. The price paid for the shares subscribed for was US\$500,000.

On 4 February 2016, the Company issued 270,000 options at an exercise price of £0.862, which vest on 4 February 2019.

#### 30. 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 2015

	Notes	2015 £	2014 £
<b>Fixed assets</b>			
Tangible assets	6	17,121	1,446
Investment in subsidiary undertakings	7	1,291,935	1,886,934
Other investments	8	1,906,765	1,906,765
Loans to subsidiary undertakings	9	12,792,237	7,821,514
		<b>16,008,058</b>	<b>11,616,659</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	244,670	131,216
Cash at bank		21,395,467	13,131,868
		<b>21,640,137</b>	<b>13,263,084</b>
<b>Creditors</b>			
Amounts falling due within one year	11	(850,318)	(185,171)
<b>Net current assets</b>		<b>20,789,819</b>	<b>13,065,913</b>
<b>Net assets</b>		<b>36,797,877</b>	<b>24,682,572</b>
<b>Capital and reserves</b>			
Called up share capital	12	2,553,785	1,795,101
Share premium account	13	47,232,755	30,844,552
Capital redemption account	13	236,745	236,745
Retained earnings	13	(13,225,408)	(8,193,826)
<b>Total equity</b>		<b>36,797,877</b>	<b>24,682,572</b>

The notes on pages 62 to 71 are an integral part of these financial statements.

The financial statements on pages 60 to 61 were approved and authorised for issue by the Board of Directors on 6 April 2016 and were signed on its behalf by:



**François R. Martelet, M.D.**  
Chief Executive Officer



**Mark Nanovich**  
Interim Chief Financial Officer

**Parent Company Statement of Changes in Equity**  
for the year ended 31 December 2015

	Share capital £	Share premium £	Capital redemption reserve £	Retained earnings £	Total equity £
1 January 2014	1,795,101	30,844,552	236,745	(4,151,399)	28,724,999
Loss and total comprehensive income for the year	-	-	-	(4,697,477)	(4,697,477)
Share based payments	-	-	-	655,050	655,050
<b>31 December 2014</b>	<b>1,795,101</b>	<b>30,844,552</b>	<b>236,745</b>	<b>(8,193,826)</b>	<b>24,682,572</b>
Loss and total comprehensive income for the year	-	-	-	(5,169,390)	(5,169,390)
Issue of share capital	758,684	17,449,727	-	-	18,208,411
Cost of share issue	-	(1,061,524)	-	-	(1,061,524)
Share-based payments	-	-	-	137,808	137,808
<b>31 December 2015</b>	<b>2,553,785</b>	<b>47,232,755</b>	<b>236,745</b>	<b>(13,225,408)</b>	<b>36,797,877</b>

Strategic Report

Corporate Governance

Financial Statements

# Notes to the Parent Company Financial Statements

## for the year ended 31 December 2015

### 1. Basis of preparation

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.

These financial statements are the first annual financial statements of the company prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The first date at which FRS 102 was applied was 1 January 2014. In accordance with FRS 102 the company has:

- provided comparative information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied FRS 102 as required; and
- applied certain optional exemptions and mandatory exceptions as applicable for first time adopters of FRS 102.

Further information about the transition to FRS 102 can be found in note 16.

The financial statements have been prepared under the historical cost convention in accordance with the company's accounting policies.

#### 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.

#### Revenue

Turnover represents management fees charged to subsidiary undertakings, excluding value added tax.

Interest income is recognised on an accruals basis.

#### 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
---------------------------------	------------------------

#### 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 critical accounting estimates, assumptions and judgements underpinning the valuation of options are disclosed in note 27 of the Consolidated Financial Statements.

#### Financial instruments

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

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

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value which is normally transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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 and bank overdrafts which are an integral part of the company's cash management.

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.

## Notes to the Parent Company Financial Statements (continued) for the year ended 31 December 2015

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.

### Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences between taxable profits and total comprehensive income that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for timing differences arising on investments in subsidiaries, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited total comprehensive income, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle on a net basis.

### 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 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 equity investments

The judgements required in order to determine the appropriate valuation methodology of unquoted equity investments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. These judgements include making assessments of the future earnings potential of portfolio companies, appropriate earnings multiples to apply, and marketability and other risk discounts. At present their fair value cannot be reliably measured so these investments are held at cost.

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 company's assets and the progress of their scientific programmes. During the year a provision of £595,000 was made against the investment in subsidiary undertakings and £3,045,000 against the loans to subsidiary undertakings.

#### Share-based payments

The critical accounting estimates, assumptions and judgements underpinning the valuation of the option are disclosed in note 27 to the Consolidated Financial Statements.

### 4. Profit of the parent company

#### Loss in the year

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 2015 was £5,169,390 (2014 - £4,697,477).

#### Auditors' remuneration

The remuneration of the auditors is disclosed in note 9 to the Consolidated Financial Statements.

#### Share-based payments

Full details of the Company's share-based payments are set out in note 27 of the Consolidated Financial Statements.

### 5. Directors' remuneration

The remuneration of the Directors is disclosed in the Directors' Remuneration Report on pages 33 to 35 of the Consolidated Financial Statements.

**Notes to the Parent Company Financial Statements (continued)**  
for the year ended 31 December 2015

**6. Tangible assets**

	Fixtures, fittings and equipment £
<b>Cost</b>	
At 1 January 2015	1,652
Additions	18,410
Disposals	(1,652)
<b>At 31 December 2015</b>	<b>18,410</b>
<b>Depreciation</b>	
At 1 January 2015	206
Charge for the year	1,289
Disposals	(206)
<b>At 31 December 2015</b>	<b>1,289</b>
<b>Net book value</b>	
<b>At 31 December 2015</b>	<b>17,121</b>
At 31 December 2014	1,446

**7. Investments in subsidiary undertakings**

	£
At 1 January 2015	1,886,934
Impairment	(595,000)
<b>At 31 December 2015</b>	<b>1,291,935</b>

## Notes to the Parent Company Financial Statements (continued) for the year ended 31 December 2015

Details of the Company's subsidiary undertakings at 31 December 2015 are as follows:

Name	Country of incorporation or registration	Proportion of ownership interest under common control at 31 December 2015	Nature of business
<b>Held directly by NetScientific plc</b>			
NetScientific UK Limited	UK	100%	IP commercialisation and holding company.
Glycotest, Inc. <sup>(iii)</sup>	USA	87.5%	See table note <sup>(i)</sup>
NetScientific America, Inc.	USA	100%	Holding company
Vortex BioSciences, Inc. <sup>(iii)</sup>	USA	95%	See table note <sup>(i)</sup>
Wanda, Inc. <sup>(iii)</sup>	USA	71.3%	See table note <sup>(i)</sup>
SwissScientific SA <sup>(v)</sup>	Switzerland	100%	Holding company
<b>Held via subsidiary companies</b>			
Glucosense Diagnostics Limited <sup>(ii)</sup>	UK	61%	See table note <sup>(i)</sup>
ProAxis Ltd	UK	56.5%	See table note <sup>(i)</sup>
IsraelScientific Ltd	UK	100%	Holding company
Healthbox Israel LLP <sup>(iv)</sup>	UK	50%	Healthcare business accelerator
Triventis Health LLC <sup>(vi)</sup>	USA	55%	Digital health sales and marketing

(i) Nature of business – Digital healthcare or diagnostics research and product development.

(ii) Following a restructure during the year the Group's interest was reduced to 51.2% in February 2015 and then increased to 60.71% in November 2015.

(iii) Options have been issued by Vortex BioSciences, Inc., Wanda, Inc. and Glycotest, Inc. which if exercised would dilute the Company's shareholding by 19%, 14% and 14% respectively.

(iv) The Group holds 50% of the voting shares and has the casting vote. The Group is entitled to 80% of profits subsequent to repayments of capital and member operational expenses.

(v) An application to de-register Swiss Scientific SA was filed during the year.

(vi) On 27 April 2015 the Group subscribed for a 55% interest in Triventis Health LLC. The price paid was US\$0.55. Triventis Health LLC was formed on 20 April 2015 and was dormant and did not trade until 27 April 2015.

During the year the following companies were de-registered or sold:

Name	Country of incorporation or registration	Proportion of ownership interest under common control at 31 December 2015	Nature of business
<b>Held directly by NetScientific plc</b>			
Advanced Cardiotech, Inc.	USA	87.5%	See table note (i)
Qlida Diagnostics, Inc.	USA	51.2%	See table note (i)
Moftek, Inc.	USA	100%	Holding company
SwissScientific SA <sup>(ii)</sup>	Switzerland	100%	Holding company
<b>Held via subsidiary companies</b>			
RoboScientific Limited	UK	80%	Development and commercialisation of sensor products
MOF Technologies Limited	UK	51%	CleanTech research and product development
Watermass Limited	UK	100%	CleanTech research and product development
Nearfield Communications Limited	UK	100%	Security research and product development
Advanced BioSensors, Inc.	USA	37%	See table note <sup>(i)</sup>
Cardio-Scientific, Inc.	USA	100%	See table note <sup>(i)</sup>
Morphodyne SA	Switzerland	60%	See table note <sup>(i)</sup>

(i) Nature of business – Digital healthcare or diagnostics research and product development.

(ii) An application to de-register Swiss Scientific SA was filed during the year.

## Notes to the Parent Company Financial Statements (continued)

### for the year ended 31 December 2015

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

During the year an application for de-registration was filed for NetScientific Technologies, Inc., a company incorporated in USA which has been dormant since it was formed in August 2009.

The following dormant companies are also held via subsidiaries:

Name	Country of incorporation	Proportion of ownership interest at 31 December 2015	Nature of business
Health Innovation Capital Limited (formerly EcoScience Limited)	UK	100%	Dormant

#### 8. Other investments

	2015 £	2014 £
At 1 January	1,906,765	–
Additions	–	1,906,765
<b>At 31 December</b>	<b>1,906,765</b>	<b>1,906,765</b>

Name	Country of incorporation	% of issued share capital	Currency denomination	£
PDS Biotechnology Corporation	USA	14.85%	US\$	1,757,189
CytoVale, Inc.	USA	2.15%	US\$	149,576
				<b>1,906,765</b>

The shares in the above investments are not quoted in an active market and their fair value cannot be reliably measured. As such the investments have been measured at cost less accumulated impairment.

#### 9. Loans to subsidiary undertakings

	2015 £	2014 £
At 1 January	7,821,514	1,207,511
Additions	8,465,866	1,490,353
Written off	(450,143)	–
Provisions	(3,045,000)	(2,922,017)
Transferred from debtors falling due within one year	–	9,253,178
Conversion of loan to equity	–	(1,207,511)
<b>At 31 December</b>	<b>12,792,237</b>	<b>7,821,514</b>

The amounts due from subsidiary undertakings are unsecured and repayable on demand. Interest has been charged on certain loans.

#### 10. Debtors: amounts falling due within one year

	2015 £	2014 £
Other receivables	40,840	39,770
Prepayments and accrued income	125,332	73,798
Other taxes and social security	78,498	17,648
	<b>244,670</b>	<b>131,216</b>

Financial assets measured at amortised costs comprise other receivables and other taxes and social security.

**Notes to the Parent Company Financial Statements (continued)**  
for the year ended 31 December 2015

**11. Creditors: amounts falling due within one year**

	2015 £	2014 £
Trade creditors	172,827	30,276
Accruals and deferred income	677,491	166,895
	<b>850,318</b>	<b>197,171</b>

Financial assets measured at amortised costs comprise trade creditors and deferred income.

**12. Called up share capital**

	2015 £	2014 £
Issued and fully paid: 51,075,695 ordinary shares of 5p each (2014: 35,902,020 of 5p each)	<b>2,553,785</b>	1,795,101

Details of new ordinary shares issued during the year are shown in note 22 of the Consolidated Financial Statements.

**Share options**

Details of outstanding share options over ordinary shares of 5p each at 31 December 2015 are shown in note 27 of the Consolidated Financial Statements.

**13. 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.

**Retained earnings**

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

Strategic Report

Corporate Governance

Financial Statements

## Notes to the Parent Company Financial Statements (continued)

for the year ended 31 December 2015

### 14. Financial instruments

The Company's financial instruments comprise cash and cash equivalents and items such as trade creditors and trade debtors which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Company's operations.

The Company's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk, and foreign currency exchange rate risk. Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the Board of Directors are implemented by the Company's finance department.

#### Credit risk

The Company's credit risk is primarily attributable to its trade debtors. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

The carrying amount of financial assets represents the maximum credit exposure.

#### Liquidity risk

The Company's financial liabilities (none of which are derivative financial liabilities) comprise trade creditors which are measured at amortised cost. The trade creditors are all payable within six months.

#### Interest rate risk

The Company has interest bearing assets. Interest bearing assets comprise only cash and cash equivalents which earn interest at a variable rate. The impact of a 1% change in interest rates on interest bearing assets would have been negligible.

The Company's cash and cash equivalents earned interest at a variable rate of less than 1%.

#### Equity price risk

The company is exposed to equity price risk because of investments held by the Company. To manage the price risk arising from these investments the Company diversifies its portfolio in accordance with limits set by the Board of Directors.

#### Foreign currency exchange rate risk

The Company is exposed to foreign currency exchange rate risk as a result of trade creditors which will be settled in US\$.

#### Capital risk management

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

**Notes to the Parent Company Financial Statements (continued)**  
for the year ended 31 December 2015

**15. Related party transactions**

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

	Amount due from as at 31 December 2015 £	Amount due from as at 31 December 2014 £
Vortex BioSciences, Inc.	5,305,025	1,866,361
Wanda, Inc.	3,868,682	1,596,777
Glycotest, Inc.	1,157,467	515,120
ProAxis Limited	1,080	-
Advanced Cardiotech, Inc.	-	451,205
Qlida Diagnostics, Inc.	-	320,812

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

	2015 £	2014 £
Wanda, Inc.	278,685	167,854
Vortex BioSciences, Inc.	354,595	85,869
Glycotest, Inc.	90,192	46,361

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

	2015 £	2014 £
Vortex BioSciences, Inc.	161,354	67,737
Wanda, Inc.	120,608	25,471
Glycotest, Inc.	39,487	2,563
Advanced Cardiotech, Inc.	20,173	2,242
Moftek Inc.	17,508	-
Qlida Diagnostics, Inc.	9,610	1,602

Other related parties have been disclosed in note 28 to the consolidated financial statements.

**16. Transition to frs 102 – parent company**

These Financial Statements are NetScientific plc's first financial statements that comply with FRS 102. The date of transition to FRS 102 was 1 January 2014.

The transition to FRS 102 has resulted in a small number of changes in accounting policies compared to those used previously. The following tables describe the differences between the amounts presented previously under UK GAAP and as restated to comply with FRS 102:

- in the balance sheet for the year ended 31 December 2014 (i.e. comparative information); and
- in the opening balance sheet (i.e. at 1 January 2014, the date of transition).

**Notes to the Parent Company Financial Statements (continued)**  
for the year ended 31 December 2015

**Reconciliation of Company balance sheet at 31 December 2014**

	UK GAAP £	Note 1 £	Total adjustments £	FRS 102 £
<b>Fixed assets</b>				
Tangible assets	1,446			1,446
Investment in subsidiary undertakings	1,886,934			1,886,934
Other investments	1,906,765			1,906,765
Loans to subsidiary undertakings	7,821,514			7,821,514
	<b>11,616,659</b>			<b>11,616,659</b>
<b>Current assets</b>				
Debtors: amounts falling due within one year	131,216			131,216
Cash at bank	13,131,868			13,131,868
	<b>13,263,084</b>			<b>13,263,084</b>
<b>Creditors</b>				
Amounts falling due within one year	(185,171)	(12,000)	(12,000)	(197,171)
<b>Net current assets</b>	<b>13,077,913</b>			<b>13,065,913</b>
<b>Net assets</b>	<b>24,694,572</b>			<b>24,682,572</b>
<b>Capital and reserves</b>				
Called up share capital	1,795,101			1,795,101
Share premium account	30,844,552			30,844,552
Capital redemption account	236,745			236,745
Profit and loss account	(8,181,826)	(12,000)	(12,000)	(8,193,826)
<b>Total shareholders' funds</b>	<b>24,694,572</b>			<b>24,682,572</b>

**Notes**

1. Represents accrual for employee's holiday entitlement.

**Notes to the Consolidated Financial Statements (continued)**  
for the year ended 31 December 2015

**Reconciliation of Company balance sheet at 1 January 2014**

	UK GAAP £	Note 1 £	Total adjustments £	FRS 102 £
<b>Fixed assets</b>				
Tangible assets	1,658			1,658
Investment in subsidiary undertakings	501			501
Other investments	–			–
Loans to subsidiary undertakings	1,207,511			1,207,511
	<b>1,209,670</b>			<b>1,209,670</b>
<b>Current assets</b>				
Debtors: amounts falling due within one year	9,388,153			9,388,153
Cash at bank	18,291,771			18,291,771
	<b>27,679,924</b>			<b>27,679,924</b>
<b>Creditors</b>				
Amounts falling due within one year	(159,095)	(5,500)	(5,500)	(164,595)
<b>Net current assets</b>	<b>27,520,829</b>			<b>27,515,329</b>
<b>Net assets</b>	<b>28,730,499</b>			<b>28,724,999</b>
<b>Capital and reserves</b>				
Called up share capital	1,795,101			1,795,101
Share premium account	30,844,552			30,844,552
Capital redemption account	236,745			236,745
Profit and loss account	(4,145,899)	(5,500)	(5,500)	(4,151,399)
<b>Total shareholders' funds</b>	<b>28,730,499</b>			<b>28,724,999</b>

**Notes**

1. Represents accrual for employee's holiday entitlement.

## Company Information

### Directors

Sir R Sykes  
F R Martelet M.D.  
B W Wilson  
J Paisner  
S Smith

### Secretary

E Schneider

### 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

DLA Piper LLP  
3 Noble Street  
London  
EC2V 7EE

### Press contact

Consilium Strategic Communications  
Mary-Jane Elliott  
Tel: +44 (0)20 3709 5700  
[netscientific@consilium-comms.com](mailto:netscientific@consilium-comms.com)

This report has been designed and produced by thinkerdoer.  
[www.thinkerdoer.co.uk](http://www.thinkerdoer.co.uk)

**thinker/doer**

Printed by Pureprint Group using their pureprint® environmental print technology, a guaranteed, low carbon, low waste, independently audited process that reduces the environmental impact of the printing process. Pureprint Group is a CarbonNeutral® company and is certified to Environmental Management System, ISO 14001 and registered to EMAS, the Eco Management and Audit Scheme.  
[www.pureprint.com](http://www.pureprint.com)

The papers used for the production of this 2014 report are certified by the Forest Stewardship Council®.  
[www.fsc-uk.org](http://www.fsc-uk.org)



**NetScientific plc**  
30 St Mary Axe  
London EC3A 8BF

Tel: +44 20 3514 1800  
info@netscientific.net

**netscientific.net**