



netScientific

NetScientific plc

Interim Condensed Consolidated Financial Statements

(Unaudited)

Six months ended June 30, 2013

NetScientific plc

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NetScientific plc

Operational Review

Introduction

The six months ended 30 June 2013 saw the Group continue to make progress with several portfolio companies.

During the period, the Group also deployed a significant amount of its internal resource to preparing the Group for its IPO, which culminated in the successful Admission of NetScientific to AIM in September 2013. The Group raised £30.0 million (£28.1 million net of cash expenses relating to the placing) through the issue of 18,750,000 new shares at a placing price of 160p. The market capitalisation of the Group at the placing price amounted to £57.5 million.

NetScientific Overview

NetScientific is a healthcare medical technology group that identifies, develops and commercialises research and technologies originating from leading universities, teaching hospitals and research institutes globally, particularly in the United Kingdom and the United States. The Group is primarily focused on identifying and developing research and technologies for use in five chronic disease areas within the healthcare diagnostics sector: (i) cardiovascular; (ii) liver; (iii) cancer; (iv) metabolic; and (v) digital health.

The Group's core strategy is to fund and develop translational technologies that offer transformative benefits to peoples' lives and society through improved diagnosis, monitoring and treatment of chronic disease. Chronic diseases account for more than 70 per cent. of healthcare expenses in each of the United States and the United Kingdom, according to the Centers for Disease Control and Prevention and the UK Department of Health. Accordingly, reducing the cost of diagnosing, monitoring and treating chronic disease has become one of the key challenges to the global healthcare sector. Consequently, the Directors believe the Group's five areas of focus represent highly attractive growth markets with significant unmet medical need for technological development, and in which the Group's management has a significant amount of experience, expertise and strong existing networks. The Directors also believe that focusing on these areas will provide the Group with a competitive advantage over private equity funds and generalised IP commercialisation companies, enabling it to create value for shareholders.

The Group's current portfolio contains five standalone subsidiaries at a more advanced stage, two of which are close to key value inflection points and are currently the primary focus of the Group:

- WANDA, which is developing a virtual patient engagement system that aims to improve the effectiveness of remote monitoring of chronic disease patients; and
- Vortex, which is developing a blood-based cancer test that detects circulating tumour cells.

Within the Group's Portfolio there are also ten pipeline opportunities currently undergoing evaluation and development.

Business Model

The Group aims to identify promising research projects and technologies that have the potential to be translated from research laboratory to clinical and commercial application.

The Group provides researchers and technologists with funding and funding support, technical guidance and commercial expertise in return for rights over their project IP. The Group aims to develop each project and IP through the proof of concept stage and onward to full commercialisation. As part of the process, the most attractive opportunities are formed into Portfolio companies, in which the Group typically takes a majority equity interest in return for further funding and guidance.

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.

The Group has active collaborations with a number of US and UK institutions and has established dialogues with several other institutions that may lead to future pipeline projects.

Financial Review

Corporate Restructuring

In March 2013 NetScientific plc was registered as a public company and a reorganisation undertaken to bring all the NetScientific companies under the control of NetScientific plc. The Azima Family Trusts subscribed for 100% of the equity in the new plc and set off existing loan notes previously issued to fund the NetScientific companies thereby extinguishing the debt of £4,062,497. Accrued interest of £236,745 due to the Azima Trusts was waived in the period to 30 June 2013 and taken to Capital Reserves.

Comparative financial information for the period to 30 June 2012 and the year to 31 December 2012 incorporates the entities under common control at those dates.

Comprehensive Income

The pre-tax loss for the six months ended 30 June 2013 was £1,040k (six months ended 30 June 2012: £840k).

Administrative costs for the period amounted to £1,017k including legal costs and tax advice for re-organising and preparing the Group for the IPO (six months ended 30 June 2012 £787k)

The exchange difference on translation of foreign operations relates to subsidiaries in the USA and the change in exchange rate from 31 December 2012 \$1:1.626 to 30 June 2013 \$1:1.521

Statement of Financial Position and Cash Flows

At 30 June 2013, net liabilities amounted to £1,269k (H1 2012: £3,626k) including net funds of £117k (H1 2012: £122k).

The principal elements of the £294k decrease in net funds over the six months ended 30 June 2013 (H1 2012: £709k) were:

Cash used in operations £599k (H1 2012: £717k)

Additional loans received of £334k (H1 2012: £Nil)

Current Trading & Outlook

Trading remains in line with market expectations and the Board looks ahead with confidence and expects to achieve significant progress with several portfolio companies in the second half of the year.

NetScientific plc
Unaudited Consolidated Statement of Comprehensive Income
For the 6 months ended 30 June 2013

	6 months ended 30 June 2013	6 months ended 30 June 2012	Year ended 31 December 2012
	£	£	£
Other operating income	10,000	-	16,000
Administrative expenses	(1,017,412)	(787,431)	(1,423,159)
	<hr/>	<hr/>	<hr/>
Loss from operations	(1,007,412)	(787,431)	(1,407,159)
Share of loss in joint venture	(22,051)	(3,319)	(13,623)
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	(1,029,463)	(790,750)	(1,420,782)
Finance expense	(28,396)	(49,342)	(111,344)
Finance income	17,603	-	-
	<hr/>	<hr/>	<hr/>
Loss before taxation	(1,040,256)	(840,092)	(1,532,126)
Taxation	-	-	-
	<hr/>	<hr/>	<hr/>
Loss for the period/year	(1,040,256)	(840,092)	(1,532,126)
Other comprehensive income			
Exchange differences on translation of foreign operations	(29,796)	12,888	87,429
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the period / year	(1,070,052)	(827,204)	(1,444,697)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Loss for the period/year attributable to:			
Owners of the parent	(895,949)	(757,354)	(1,423,145)
Non-controlling interest	(144,307)	(82,738)	(108,981)
	<hr/>	<hr/>	<hr/>
	(1,040,256)	(840,092)	(1,532,126)
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Total comprehensive expense attributable to:			
Owners of the parent	(925,745)	(744,466)	(1,335,716)
Non-controlling interest	(144,307)	(82,738)	(108,981)
	<hr/>	<hr/>	<hr/>
	(1,070,052)	(827,204)	(1,444,697)
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Loss per Ordinary Share attributable to the ordinary equity holders of the parent	(8)p	£(374.93)	£(704.53)

NetScientific plc

Unaudited Consolidated Statement of Changes in Equity

	Retained Earnings Reserve	Foreign Exchange Reserve	Capital Reserve	Share Capital	Share premium	Total attributable to equity holders of parent	Non- controlling interest	Total equity
	£	£	£	£	£	£	£	£
Balance at 1 January 2012	(2,641,250)	(24,675)	-	1	-	(2,665,924)	(133,054)	(2,798,978)
Comprehensive income								
Loss for the period	(757,354)	-	-	-	-	(757,354)	(82,738)	(840,092)
Other comprehensive income	-	12,888	-	-	-	12,888	-	12,888
Total comprehensive income	(757,354)	12,888	-	-	-	(744,466)	(82,738)	(827,204)
Balance at 30 June 2012	(3,398,604)	(11,787)	-	1	-	(3,410,390)	(215,792)	(3,626,182)
Balance at 1 July 2012	(3,398,604)	(11,787)	-	1	-	(3,410,390)	(215,792)	(3,626,182)
Comprehensive income								
Loss for the period	(665,791)	-	-	-	-	(665,791)	(26,244)	(692,035)
Other comprehensive income	-	74,541	-	-	-	74,541	-	74,541
Total comprehensive income	(665,791)	74,541	-	-	-	(591,250)	(26,244)	(617,494)
Balance at 31 December 2012	(4,064,395)	62,754	-	1	-	(4,001,640)	(242,036)	(4,243,676)
Balance at 1 January 2013	(4,064,395)	62,754	-	1	-	(4,001,640)	(242,036)	(4,243,676)
Comprehensive income								
Loss for the period	(895,949)	-	-	-	-	(895,949)	(144,307)	(1,040,256)
Other comprehensive income	-	(29,796)	-	-	-	(29,796)	-	(29,796)
Acquisition of subsidiary	-	-	-	-	-	-	(267,159)	(267,159)
Issue of share capital	-	-	-	857,500	3,217,497	4,074,997	-	4,074,997
Capital contribution	-	-	236,745	-	-	236,745	-	236,745
Total comprehensive income	(895,949)	(29,796)	236,745	857,500	3,217,497	3,385,997	(411,466)	2,974,531
Balance at 30 June 2013	(4,960,344)	32,958	236,745	857,501	3,217,497	(615,643)	(653,502)	(1,269,145)

NetScientific plc
Unaudited Consolidated Statements of Financial Position
As at 30 June 2013

	30 June 2013	30 June 2012	31 December 2012
	£	£	£
Assets			
Non-current assets			
Intangible assets	427,494	10,419	13,474
Property, plant and equipment	9,746	11,568	11,747
Available for sale investments	2	2	2
Investments in equity-accounted joint ventures	62,099	32,740	37,350
	<hr/>	<hr/>	<hr/>
	499,341	54,729	62,573
Current assets			
Trade and other receivables	170,147	191,341	221,626
Cash and cash equivalents	116,544	121,704	410,788
	<hr/>	<hr/>	<hr/>
	286,691	313,045	632,414
	<hr/>	<hr/>	<hr/>
Total assets	786,032	367,774	694,987
	<hr/>	<hr/>	<hr/>
Liabilities			
Current liabilities			
Loans and borrowings	(165,646)	(3,328,979)	(4,138,800)
Trade and other payables	(1,578,739)	(664,977)	(799,864)
	<hr/>	<hr/>	<hr/>
	(1,744,385)	(3,993,956)	(4,938,664)
Non-current liabilities			
Loans and borrowings	(223,363)	-	-
Trade and other payables	(87,429)	-	-
	<hr/>	<hr/>	<hr/>
	(310,792)	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	(2,055,177)	(3,993,956)	(4,938,664)
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Total net liabilities	(1,269,145)	(3,626,182)	(4,243,677)
	<hr/>	<hr/>	<hr/>
Issued capital and reserves attributable to the parent			
Called up Share Capital	857,501	1	1
Share Premium Account	3,217,497	-	-
Capital Reserve Account	236,745	-	-
Retained earnings reserve	(4,960,344)	(3,398,604)	(4,064,395)
Foreign exchange reserve	32,958	(11,787)	62,754
	<hr/>	<hr/>	<hr/>
	(615,643)	(3,410,390)	(4,001,640)
	<hr/>	<hr/>	<hr/>
Non-controlling interests	(653,502)	(215,792)	(242,036)
	<hr/>	<hr/>	<hr/>
	(1,269,145)	(3,626,182)	(4,243,676)
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NetScientific plc
Unaudited Consolidated Statements of Cash Flows
For the 6 months ended 30 June 2013

	6 months ended 30 June 2013	6 months ended 30 June 2012	Year ended 31 December 2012
	£	£	£
Cash flows from operating activities			
Loss before tax	(1,040,256)	(840,092)	(1,532,126)
Adjustments for:			
Depreciation	2,001	790	2,888
Amortisation	808	593	1,256
Share of loss in joint venture	22,051	3,319	13,623
Impairment of unlisted investments	-	2	2
Finance income	(17,603)	-	-
Finance expense	28,396	49,342	111,344
	<hr/>	<hr/>	<hr/>
Cash flows from operations before changes in working capital	(1,004,603)	(786,046)	(1,403,013)
Change in trade and other receivables	(104,147)	(75,225)	(105,509)
Change in trade and other payables	509,302	143,978	278,866
	<hr/>	<hr/>	<hr/>
Cash used in operations	(599,448)	(717,293)	(1,229,656)
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities			
Investment in joint venture	(46,800)	(3,354)	(18,269)
Purchase of property, plant and equipment	-	-	(3,162)
Purchase of intangible assets	-	(883)	(3,718)
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	(46,800)	(4,237)	(25,149)
	<hr/>	<hr/>	<hr/>
Cash flows from financing activities			
Cash acquired from acquisition of subsidiary	2,013	-	-
Proceeds from loans	333,749	-	861,475
	<hr/>	<hr/>	<hr/>
Net cash from financing activities	335,762	-	861,475
	<hr/>	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(310,486)	(721,530)	(393,330)
Cash and cash equivalents at beginning of year	410,788	830,211	830,211
Exchange gains/ (losses) on cash and cash equivalents	16,242	13,023	(26,093)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of period	116,544	121,704	410,788
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NetScientific plc

Notes to the Unaudited Financial Statements

1. Accounting Policies

Basis of Preparation

NetScientific plc was incorporated on 12 April 2012. On 8 March 2013 NetScientific plc acquired the entire issued share capital of NetScientific UK Limited and NetScientific America Inc via a share for share exchange with Cyrus Holdings Limited. The acquisitions of the subsidiaries are deemed to be 'combinations under common control' as ultimate control before and after the acquisition was the same. As a result, these transactions are outside the scope of IFRS 3 "Business combinations" and have been included under the principles of merger accounting as set out under UK GAAP.

Accordingly, although the companies which comprise the Group did not form a legal group for the entire period, the current period and comparative results comprise the results of the subsidiary companies and NetScientific plc, as if the Group had been in existence throughout the entire period.

The interim financial statements, which are unaudited, have been prepared on the basis of the accounting policies expected to apply for the financial year to 31 December 2013 and in accordance with recognition and measurement principles of International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The accounting policies applied in the preparation of these interim financial statements are consistent with those used in preparing the NetScientific plc results for the year ended 31 December 2012, for inclusion in the AIM admission document.

The IFRSs that will be effective in the financial statements for the year to 31 December 2013 are still subject to change and to the issue of additional interpretation(s) and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the IFRS financial statements are prepared at 31 December 2013.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting'. Accordingly, the interim statements cannot be construed as being in full compliance with IFRSs.

The financial information for the year ended 31 December 2012 does not constitute the full statutory accounts for that period. The financial information for the year ended 31 December 2012 has been derived, on the basis described above, from the financial records of the companies under common control during the year.

The financial statement of the UK entity for the year ended 31 December 2012 has been filed with the Registrar of Companies.

Going Concern

The directors have prepared projected cash flow forecasts for the next twelve months. On the basis of these cash flow forecasts, and the IPO which raised £30m (£28.1m net of transaction costs) in September 2013, the Directors believe that the NetScientific Group will be able to continue to trade for the foreseeable future (being a period of at least 12 months from the date of this report).

2. Acquisition

During the period the Group acquired a controlling interest in QLIDA Diagnostics Inc, through the conversion of loans into equity. Provisional fair values have been calculated, resulting in the recognition of goodwill and other intangibles of £415k.

NetScientific plc
Notes to the Unaudited Financial Statements *continued*

3. Loss per Ordinary Share

	6 months ended 30 June 2013	6 months ended 30 June 2012	Year ended 31 December 2012
	£	£	£
Loss attributable to equity holders of the company	(895,949)	(757,354)	(1,423,145)
Weighted average number of ordinary shares in issue	10,899,692	2,020	2,020

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per share as the parent company has no share options in existence. On 10 May 2013, there was a 1 for 20 share split and accordingly, this has been reflected in the weighted average number of ordinary shares in issue in the comparative periods.

4. Post balance sheet events

On the 16th of September, the Group listed on AIM and raised £30.0 million (£28.1 million net of cash transaction costs) via a placing of 18,750,000 shares at a price of 160p per share.

INDEPENDENT REVIEW REPORT TO NETSCIENTIFIC PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and the related notes 1 to 4.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP

Chartered Accountants and Registered Auditors

Southampton

United Kingdom

26 September 2013

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

List of Advisers and Registered Office

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