



NetScientific plc
(‘NetScientific or the ‘Company’ or the ‘Group’)

Half Year Results for the six months ended 30 June 2015

London, UK - 1 October 2015: NetScientific (AIM: NSCI), the transatlantic biomedical and healthcare technology group today announced its half year results for the six months ended 30 June 2015.

Highlights

- Vortex BioSciences – VTX-1 instrument scheduled for Beta launch by the end of 2015. Received critical grants for four of its ten patent families.
- Wanda has begun commercialisation activities, initially through Triventis Health, and expects first revenues from pilots in Q4 2015.
- François R. Martelet, M.D. appointed to the Board as CEO on 8 June 2015.
- Realignment of portfolio to solely focus on healthcare with a strategic focus on three main healthcare sub-sectors - digital health, diagnostics and therapeutics. Process of divestment begun of non-performing assets and assets which fall outside this area.
- Loss after tax of £5.3m (H1 2014: loss £2.6m).
- Available cash resources of £11.1m (31 December 2014: £16.9m).

Post period end

- On-going Group reorganisation commenced with the appointment of a CEO in Wanda, part of a focused effort on strengthening portfolio company management and streamlining central costs.
- Sale of investment in Frontier Biosciences Limited and repayment of loans for combined consideration of £0.75m.
- Announced separately today a proposed fundraising of £18.0 million (before expenses) to accelerate primarily development of the Group’s two lead portfolio companies, Vortex and Wanda.

Sir Richard Sykes, Chairman of NetScientific said:

“The past six months have been transformative for the Group with the appointment of a new Group CEO, a comprehensive review of the portfolio and overall strategy, and the resulting focus on digital health, diagnostics and therapeutics only.”

“Strong progress has been made in our portfolio companies, particularly Vortex and Wanda, which are about to enter into their commercialisation phases.”

“We have a clear road map for the development of our portfolio companies and with the proposed fundraising today, we will be well positioned to deliver significant shareholder value.”

- Ends -

About NetScientific

NetScientific is a transatlantic biomedical and healthcare technology group with a differentiated investment strategy focused solely on digital health, diagnostics and therapeutics. The Group’s objective is to source, fund and commercialise companies that significantly improve the lives of people with chronic diseases.

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

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CHAIRMAN'S STATEMENT

Overview

NetScientific is a transatlantic biomedical and healthcare technology group with a differentiated investment strategy focused solely on digital health, diagnostics and therapeutics. The Group's objective is to source, fund and commercialise companies that significantly improve the lives of people with chronic diseases.

For the six month period the Group made a loss of £5.3 million (H1 2014 loss: £2.6 million). This is a reflection of the business model where the Portfolio Companies (Vortex Biosciences, Inc., Wanda, Inc., ProAxis Ltd, Glycotest, Inc. and Glucosense Diagnostics Limited) are trading subsidiaries developing their technologies and are therefore currently loss making.

Cash on the balance sheet as at 30 June 2015 was £11.1 million (31 December 2014: £16.9 million).

The Group made significant progress with its Portfolio Companies, specifically, with its lead investments, Vortex and Wanda. Vortex, the US based cancer diagnostic company, has scheduled its VTX-1 instrument for Beta launch which should take place by the end of 2015. Wanda, the cloud based clinical decision support software solution, has begun commercialisation activities, initially through Triventis Health and is anticipating first revenues from pilots in Q4 2015.

At the operational level, it reorganised management and carried out a review of its investment strategy and overall portfolio.

Francois R. Martelet, M.D. was appointed as CEO and Board Director on 8 June 2015. He brings over 20 years of biopharma experience and a proven track record of shaping and developing businesses to deliver returns. He has a broad experience in both large and small pharma and technology companies, deep knowledge of commercialisation and proven managerial capability.

David Gough, Executive Director – Head of European Operations and Investments, has today announced his retirement and departure from the Board at the end of this year. David has been with the Group since September 2007 and his contribution has been significant and much appreciated. We wish him all the best in his retirement.

Today NetScientific separately announced it proposes to raise £18.0 million (before expenses) by way of a Placing of New Ordinary Shares with existing and new institutional investors and to raise up to a further £2.0 million through the additional fundraising. This funding will be used primarily to accelerate the development of the Group's two lead portfolio companies Vortex and Wanda. The Placing and the additional fundraising are conditional upon, inter alia, shareholder approval. Further information on the Placing and the additional fundraising can be found in the announcement released separately.

Strategy

Following a review of its portfolio, the Group has re-aligned its portfolio to focus solely on healthcare with a strategic focus on three main healthcare sub-sectors - digital health, diagnostics and therapeutics. As a result the Group began the process of divesting all of its non-performing assets and assets which fall outside this area. The Directors believe these healthcare sub-sectors are in attractive growth markets, where demand from people living with chronic diseases is growing and the costs associated with dealing with such diseases is high.

The Group is now concentrating on accelerating the development of its actively managed Portfolio Companies, in particular Wanda and Vortex. It also intends to manage, in a controlled manner, its other majority-owned assets and minority investments.

The business strategy is based on advancing the Portfolio Companies towards value inflection points and eventual exit through a trade sale or public listing. The Group is an active investor providing extensive management support and taking board representation in its Portfolio Companies.

The Group's aim is to maintain, at any one time, a portfolio of a limited number of actively managed companies and a pipeline of smaller investments, the most successful of which will become part of the portfolio.

As at 30 June 2015, the Group had five actively managed Portfolio Companies: Vortex Biosciences, Inc., Wanda, Inc., ProAxis Ltd, Glycotest, Inc. and Glucosense Diagnostics Limited, and six Pipeline Investments: EpiBone Inc., G-Tech Inc., Longevity Biotech Inc., Neumitra Inc., CytoVale Inc and PDS Biotechnology Corporation.

NetScientific will continue actively to manage its Portfolio Companies, 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. This appraisal means that no realisation of assets will be attempted until optimum value has been developed through achievement of key technical and commercial milestones usually reflected in regulatory approvals or commercial traction. The Board will, however, actively manage the Portfolio Companies with a view to maximising shareholder value and generating funds for re-investment in the pipeline.

Portfolio Companies

- **Vortex Biosciences**

Vortex Biosciences is a US based cancer diagnostic company, developing a novel liquid biopsy diagnostic instrument for circulating tumour cell enrichment, collection and analysis. The technology enables researchers and clinicians to non-invasively capture, analyse, identify, and enumerate tumour cells for use in downstream clinical applications such as genetic analysis, monitoring disease progression and drug treatment effectiveness.

During the period, Vortex hired additional engineers and scientists to complete the development of its VTX-1 instrument, which is scheduled for shipment to Beta sites by the end of 2015. Collaborations with key opinion leaders including UCLA, Stanford and Harvard, in the field has resulted in demand for the new Beta VTX-1. In addition, Vortex filed new patent applications and received grant in four of its ten patent families.

- **Wanda**

Wanda is a US based company which provides a cloud-based clinical decision support software solution to help healthcare providers improve the quality of outpatient care and reduce the costs associated with managing chronic diseases.

Its software aims to reduce the economic burden of hospital readmissions by providing tools to monitor and manage patients with chronic diseases, initially patients with congestive heart failure. The platform technology builds upon a patented predictive analytics and knowledge engine that utilises information from in-home and remote monitoring devices used by patients.

Following successful pilots with Triventis Health since May, first revenues from pilot programmes are expected in Q4 2015.

As part of a focused effort on strengthening portfolio company management, Steve Curd was appointed CEO of Wanda on 14 September. He has more than 20 years' experience in driving growth in digital healthcare companies, commercialising products and delivering exits.

- **ProAxis**

ProAxis is a UK based medical diagnostics company developing a range of products for the capture, detection and measurement of active protease biomarkers of disease. Smart molecules known as ProteaseTag™ trap an active protease within a complex biological sample to enable visual readout of its presence, providing a novel tool to identify and quantify active protease biomarkers.

In August ProAxis launched its ProteaseTag™ ELISA test (an immunoassay kit) for Cystic Fibrosis (CF) and Chronic Obstructive Pulmonary Disease (COPD) to research laboratories and received its first two customer orders.

ProAxis will continue to focus on building its academic and pharma customer base and developing other products for different indications. The development of ProAxis's NEATstick™ point of care test for monitoring patients with CF and COPD is continuing to plan.

- **Glycotest**

Glycotest is a US based molecular diagnostics company, developing biomarkers for clinical laboratory services used in the diagnosis of liver cancers and fibrosis–cirrhosis. Its blood-based biomarkers take advantage of sugar-related disease signals and the company has exclusive world-wide rights to over 50 serum proteins with sugar structures that are altered in liver disease. The biomarkers are being developed into tests intended for the surveillance of patients for curable early stage serious liver disease.

Commercialisation of Glycotest's lead product in the US, the HCC Panel for the predominant form of primary liver cancer, is progressing well and remains on track. Advances have been made across the board - in biomarker assay development, clinical validation planning, development of a potential path to coverage and reimbursement, and broadening the patent portfolio. In addition, the company has initiated a clinical key opinion leader engagement programme with the aim to form the Company's Medical Advisory Board.

- **Glucosense**

Glucosense is a UK based company, developing a non-invasive glucose monitoring device designed to provide a replacement to finger prick testing for patients with diabetes.

In July Glucosense was awarded a critical patent covering its core technology.

Following the demonstration of clinical proof of concept with an early prototype device the company has commenced development of a next generation prototype, which will be used for further clinical testing.

Pipeline Investments

• PDS Biotechnology

In May 2015 PDS Biotechnology, a US company developing a new generation of cancer and infectious disease immunotherapies, announced positive preliminary data.

Currently, pre-cervical cancer is treated by surgical removal of lesions however PDS0101 could offer an effective non-surgical alternative. Preliminary results show that it primes and activates the body's defence mechanisms (T-cells) to recognize, target, and kill precancerous and cancerous cells that display HPV viral proteins, which are responsible for over 99% of cervical cancers. The results represented an important milestone for the company. Phase II trials are planned to commence in 2016.

• Investments sourced from Breakout Labs

The majority of the Pipeline Investments have been sourced through the strategic alliance with San Francisco-based Breakout Labs, Peter Thiel's revolving philanthropic fund that supports early-stage companies working on technological breakthroughs.

Under the terms of the agreement, NetScientific will follow on Breakout Labs' initial investment in those biomedical and healthcare technologies companies that fit NetScientific's investment strategy of funding technologies that offer transformative benefits to peoples' lives and society.

The Group's most recent investment through Breakout Labs was in May 2015 with the investment in Neumitra Inc, a US digital health company, developing wearable devices and software applications, which quantify an individual's level of stress and provides real-time feedback to help with the management of stress and anxiety disorders.

Other current investments through Breakout Labs:

G-Tech:	US digital health company developing disposable wearable patches for monitoring functional gastric and intestinal disorders.
EpiBone:	US spin-out of Columbia University, focussed on producing patient specific, living bone and osteochondral tissues for anatomically challenging defects.
Longevity Biotech:	US company developing an approach to therapeutics via artificial protein technology.
CytoVale:	US diagnostics company developing an instrument to measure the mechanical properties of cells for use in diagnosing and monitoring certain conditions such as sepsis.

Financial Results

Research and development expenditure, which was largely in our subsidiary Portfolio Companies for the period was £3.6 million (H1 2014: £1.4 million) and reflects the increased level of investment undertaken to drive the underlying technologies/products towards commercialisation

Other administrative costs include central costs incurred in managing the Portfolio Companies and Pipeline Investments, corporate costs and sales and marketing/administrative costs incurred by the Portfolio Companies. These costs for the period increased to £1.8 million (H1 2014: £1.0 million). The increase was attributable to the sales and marketing costs associated with the formation of Triventis, reorganisation of the management team and overall increase in level of activity with Portfolio Companies and centrally.

Share of loss in associates and joint venture of £346k (H1 2014: £12k) primarily represents share of losses in Frontier BioSciences Limited, which has been subsequently sold, further details of which are set out below.

The after-tax loss was £5.3 million (H1 2014: £2.6 million) reflecting the growing expenditure in research and development, increased share of loss from associates and joint ventures and increase in administration costs.

Cash balance as at 30 June 2015 was £11.1million (30 June 2014: £22.5 million, 31 December 2015: £16.9 million) and the cash outflow for the period was £5.8 million (H1 2014: £2.8 million).

Post Balance Sheet events

On 17 September 2015 the Group sold its 49.9% holding in Frontier BioSciences Limited ('FrontierBio') to Zahra Holdings Limited for £24,999 in cash as part of its ongoing portfolio review. FrontierBio also agreed to repay £725,001 of its Loan of £875,001 from the Group. The balance of the Loan of £150,000 was written off on 17 September 2015 as part of the transaction. FrontierBio paid £420,000 on completion, with the balance of £330,000 to be paid by no later than 30 November 2015.

On 6 July 2015 the Group divested control of RoboScientific Limited to management and on 1 September 2015 sold its interest in Morphodyne SA. Further, it has discontinued supporting Qlida Diagnostics, Inc. and Advanced Biosensors, Inc.

These strategic decisions were made as part of the process of NetScientific continuing to re-align its portfolio to focus on its core areas.

Outlook

Over the six month period under review, the Portfolio Companies made significant progress. The Group underwent a reorganisation and management has been strengthened with the appointment of a new CEO. The team undertook a thorough review of the investment strategy and overall portfolio, leading to realignment of the strategy and divestment of non-core assets.

With the funds from the proposed fundraising announced today, the Group will be well placed to progress its Portfolio Companies to significant value inflection points.

Sir Richard Sykes
Chairman
1 October 2015

**UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENT
FOR SIX MONTHS ENDED 30 JUNE 2015**

	Notes	Unaudited Six months ended 30 June 2015	Unaudited Six months ended 30 June 2014	Audited Year ended 31 December 2014
		£	£	£
Other operating income		452,473	175,218	343,126
Research and development expenditure		(3,550,097)	(1,389,622)	(3,674,939)
Other administrative expenses		(1,843,947)	(952,866)	(2,535,028)
Share-based payments		(92,758)	(425,198)	(717,001)
Impairment of intangible assets		-	-	(641,767)
Total administrative expenses		(5,486,802)	(2,767,686)	(7,568,735)
Loss from operations		(5,034,329)	(2,592,468)	(7,225,609)
Finance income		37,549	36,316	77,465
Finance expense		(28,010)	(19,588)	(45,671)
Share of loss of associates and joint venture		(345,823)	(11,889)	(119,991)
Loss before taxation		(5,370,613)	(2,587,629)	(7,313,806)
Income tax credit	3	53,396	3,616	187,008
Loss for the Period		(5,317,217)	(2,584,013)	(7,126,798)
Loss attributable to:				
Owners of the parent		(4,633,101)	(2,260,103)	(6,425,011)
Non-controlling interests		(684,116)	(323,910)	(701,787)
		(5,317,217)	(2,584,013)	(7,126,798)
Basic and diluted loss per ordinary share	4	(13)p	(6)p	(18)p

**UNAUDITED CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME
FOR SIX MONTHS ENDED 30 JUNE 2015**

	Unaudited Six Months ended 30 June 2015 £	Unaudited Six Months ended 30 June 2014 £	Audited Year ended 31 December 2014 £
Loss for the year	(5,317,217)	(2,584,013)	(7,126,798)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations	<u>30,179</u>	<u>(197,807)</u>	<u>295,989</u>
Total comprehensive loss for the year	<u>(5,287,038)</u>	<u>(2,781,820)</u>	<u>(6,830,809)</u>
Attributable to:			
Owners of the parent	(4,602,922)	(2,457,910)	(6,129,022)
Non-controlling interests	(684,116)	<u>(323,910)</u>	<u>(701,787)</u>
	<u>(5,287,038)</u>	<u>(2,781,820)</u>	<u>(6,830,809)</u>

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Unaudited 30 June 2015	Unaudited 30 June 2014	Audited 31 December 2014
	£	£	£
Assets			
Non-current assets			
Intangible assets	235,376	628,211	10,244
Property, plant and equipment	350,086	208,711	348,245
Investments in equity accounted associates	-	-	228,883
Investments in equity accounted joint ventures	-	76,834	-
Available for sale investments	1,806,608	149,578	1,806,608
Derivative financial assets	526,159	-	100,159
Other receivables	907,697	-	545,606
Total non-current assets	<u>3,825,926</u>	<u>1,063,334</u>	<u>3,039,745</u>
Current assets			
Stock	78,655	-	-
Trade and other receivables	664,955	452,788	853,022
Cash and cash equivalents	11,057,681	22,512,191	16,867,198
Total current assets	<u>11,801,291</u>	<u>22,964,979</u>	<u>17,720,220</u>
Total assets	<u>15,627,218</u>	<u>24,028,313</u>	<u>20,759,965</u>
Liabilities			
Current liabilities			
Trade and other payables	(1,317,172)	(796,107)	(1,281,242)
Loans and borrowings	(3,250)	(3,250)	(43,250)
Total current liabilities	<u>(1,320,422)</u>	<u>(799,357)</u>	<u>(1,324,492)</u>
Non-current liabilities			
Trade and other payables	(52,133)	(47,962)	(52,537)
Loans and borrowings	(712,656)	(484,760)	(687,369)
Provision for deferred tax	-	(103,176)	-
Total non-current liabilities	<u>(764,789)</u>	<u>(635,898)</u>	<u>(739,906)</u>
Total liabilities	<u>(2,085,211)</u>	<u>(1,435,255)</u>	<u>(2,064,398)</u>
Total net assets	<u>13,542,007</u>	<u>22,593,058</u>	<u>18,695,567</u>
Issued capital and reserves			
Attributable to the parent			
Called up share capital	1,795,101	1,795,101	1,795,101
Share premium account	30,844,552	30,844,552	30,844,552
Capital reserve account	236,745	236,745	236,745
Foreign exchange reserve	476,299	(47,676)	446,120
Retained earnings	(18,143,043)	(9,774,684)	(13,529,442)
Equity attributable to the owners of the parent	15,209,654	23,054,038	19,793,076
Non-controlling interests	(1,667,647)	(460,980)	(1,097,509)
Total equity	<u>13,542,007</u>	<u>22,593,058</u>	<u>18,695,567</u>

**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Share Capital	Share Premium	Capital Reserve	Retained Earnings Reserved	Foreign Exchange Reserve	Total Attributable To equity Holders of Parent	Non- Controlling Interest	Total Equity
	£	£	£	£	£	£	£	£
Balance at 1 January 2014	1,795,101	30,844,552	236,745	(7,459,726)	150,131	25,566,803	(667,271)	24,899,532
Comprehensive income								
Loss for the period	-	-	-	(2,260,103)	-	(2,260,103)	(323,910)	(2,584,013)
Other comprehensive income	-	-	-	-	(197,807)	(197,807)	-	(197,807)
Acquisition of subsidiary	-	-	-	-	-	-	52,000	52,000
Increase in subsidiary shareholding	-	-	-	(489,893)	-	(489,893)	489,893	-
Dilution in subsidiary shareholding	-	-	-	9,840	-	9,840	(9,840)	-
Foreign exchange differences	-	-	-	-	-	-	(1,852)	(1,852)
Share based payments	-	-	-	425,198	-	425,198	-	425,198
Total comprehensive income	-	-	-	(2,314,958)	(197,807)	(2,512,765)	206,291	(2,306,474)
Balance at 30 June 2014	1,795,101	30,844,552	236,745	(9,774,684)	(47,676)	23,054,038	(460,980)	22,593,058
Balance at 1 July 2014	1,795,101	30,844,552	236,745	(9,774,684)	(47,676)	23,054,038	(460,980)	22,593,058
Comprehensive income								
Loss for the period	-	-	-	(4,164,908)	-	(4,164,908)	(377,877)	(4,542,785)
Other comprehensive income	-	-	-	-	493,796	493,796	-	493,796
Dilution in subsidiary shareholdings	-	-	-	118,347	-	118,347	(118,347)	-
Acquisition of subsidiary	-	-	-	-	-	-	26,580	26,580
Disposal of subsidiaries	-	-	-	-	-	-	2,785	2,785
Foreign exchange differences	-	-	-	-	-	-	(169,670)	(169,670)
Share based payments	-	-	-	291,803	-	291,803	-	291,803
Total comprehensive income	-	-	-	(3,754,758)	493,796	(3,260,962)	(636,529)	(3,897,491)
Balance at 31 December 2014	1,795,101	30,844,552	236,745	(13,529,442)	446,120	19,793,076	(1,097,509)	18,695,567
Balance at 1 January 2015	1,795,101	30,844,552	236,745	(13,529,442)	446,120	19,793,076	(1,097,509)	18,695,567
Comprehensive income								
Loss for the period	-	-	-	(4,633,101)	-	(4,633,101)	(684,116)	(5,317,217)
Other comprehensive income	-	-	-	-	30,179	30,179	-	30,179
Changes in non-controlling interests	-	-	-	(45,465)	-	(45,465)	86,185	40,720
Foreign exchange differences	-	-	-	(27,793)	-	(27,793)	27,793	-
Share based payments	-	-	-	92,758	-	92,758	-	92,758
Total comprehensive income	-	-	-	(4,613,601)	30,179	(4,583,422)	(570,138)	(5,153,560)
Balance at 30 June 2015	1,795,101	30,844,552	236,745	(18,143,043)	476,299	15,209,654	(1,667,647)	13,542,007

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Unaudited Six months ended 30 June 2015	Unaudited Six months ended 30 June 2014	Audited Year ended 31 December 2014
	£	£	£
Cash flows from operating activities			
Loss before income tax	(5,370,613)	(2,587,629)	(7,313,806)
Adjustments for:			
Depreciation of property, plant and equipment	67,288	24,376	65,981
Amortisation of intangible assets	14,538	807	1,614
Loss on disposal of property, plant and equipment	1,663	-	768
Share of loss of associates and joint venture	345,823	11,889	119,991
Gain on sale on associate	(11,215)	-	-
Impairment of intangible assets	-	-	641,767
Share-based payments	92,758	425,198	717,001
Finance income	(37,549)	(36,316)	(77,465)
Finance costs	28,010	19,588	45,671
	<u>(4,869,297)</u>	<u>(2,142,087)</u>	<u>(5,798,478)</u>
Changes in working capital:			
Change in trade and other receivables	(212,331)	(141,883)	(962,051)
Change in trade and other payables	(195,816)	(293,034)	129,757
Change in inventories	(78,655)	-	-
	<u>(486,802)</u>	<u>(434,917)</u>	<u>(832,294)</u>
Cash used in operations	<u>(5,356,099)</u>	<u>(2,577,004)</u>	<u>(6,630,772)</u>
Income tax received	<u>33,456</u>	<u>14,153</u>	<u>19,399</u>
Net cash used in operating activities	<u>(5,322,643)</u>	<u>(2,562,851)</u>	<u>(6,611,373)</u>
Cash flows from investing activities			
Investment in joint venture	(14,033)	(21,413)	(35,119)
Investment in associate	(24,999)	-	(239,189)
Cash acquired on dilution / acquisition of subsidiary	720	-	52,000
Purchase of available for sale investments	-	(149,576)	(1,806,606)
Purchase of derivative financial assets	(426,000)	-	(100,159)
Purchase of property, plant and equipment	(73,616)	(169,382)	(337,469)
Proceeds from sale of property, plant and equipment	500	-	1,054
Interest received	22,074	36,517	66,661
	<u>(515,354)</u>	<u>(303,854)</u>	<u>(2,398,827)</u>
Net cash used in investing activities	<u>(515,354)</u>	<u>(303,854)</u>	<u>(2,398,827)</u>
Cash flows for financing activities			
Proceeds from loans	-	-	190,000
Cash acquired from acquisition of subsidiary	-	52,000	-
	<u>-</u>	<u>52,000</u>	<u>190,000</u>
Net cash from financing activities	<u>-</u>	<u>52,000</u>	<u>190,000</u>
Decrease in cash and cash equivalents	<u>(5,837,997)</u>	<u>(2,814,705)</u>	<u>(8,820,200)</u>
Cash and cash equivalents at the beginning of period	<u>16,867,198</u>	<u>25,546,951</u>	<u>25,546,951</u>
Exchange gains / (losses) on cash and cash equivalents	<u>28,480</u>	<u>(220,055)</u>	<u>140,447</u>
Cash and cash equivalents at end of period	<u><u>11,057,681</u></u>	<u><u>22,512,191</u></u>	<u><u>16,867,198</u></u>

NOTES TO THE ACCOUNTS

1. Accounting Policies

Basis of preparation

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 2015 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 the financial statements for the year ended 31 December 2014.

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, whilst the interim statements have been prepared in accordance with IFRSs, they cannot be construed as being in full compliance with IFRSs.

The financial information for the year ended 31 December 2014 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 December 2014 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Report and Financial Statements for the year ended 31 December 2014 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Going Concern

The Directors have prepared and reviewed financial forecasts. After due consideration of these forecasts, current cash resources and the announcement made separately today of the proposed fundraising of £18.0 million (before expenses) the Directors consider that NetScientific has 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.

2. Investments

a) Subsidiaries

During the period the Group holding in Glucosense Diagnostics Limited decreased from 100% to 51.26%.

b) Associates

During the period the Group acquired a 49.99% interest in Frontier BioSciences Limited and sold its 37.58% interest in DName-iT NV. On 17 September the Group sold its interest in Frontier BioSciences Limited.

3. Tax Credit

The tax credit of £53,396 (six months ended 30 June 2014: £3,616; year ended 31 December 2014: £187,008) is in relation to research and development income tax credit.

4. Loss per Ordinary Share

Basic loss per share is calculated by dividing the loss for the financial period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Diluted loss per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

	Unaudited Six months ended 30 June 2015 £	Unaudited Six months ended 30 June 2014 £	Audited Year ended 31 December 2014 £
Loss attributable to equity holders of the Company	(4,633,101)	(2,260,103)	(6,425,011)
Weighted average number of ordinary shares in issue	35,902,020	35,902,020	35,902,020

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted loss per ordinary share are identical to those used for basic loss per share. Whilst the parent company has share options in existence they are not dilutive as their exercise would have the effect of reducing the loss per ordinary share.