REGISTERED NUMBER: 08026888 (England and Wales)

NETSCIENTIFIC PLC

ANNUAL REPORT

AND

ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

NetScientific PLC ("NetScientific") is a transatlantic healthcare IP commercialisation Group focused on sourcing, funding and commercialising technologies and companies that have the potential to treat chronic disease and significantly improve the health and well-being of people.

The UK is the global hub for IP commercialisation with transatlantic businesses selecting the UK as listing destination due to the strength of the peer group and understanding of the sector. The Group is highly international in its approach and differentiated by its global network and majority shareholding positions in its portfolio assets.

In 2015 and 2016, the core portfolio was significantly rationalised to just 6 companies which included Glucosense. The decision to terminate investment in Glucosense was made in 2016 as the initial data set could not be replicated and the company was formally closed in February 2017, leaving the Group with 5 core portfolio companies. Over the course of 2017, the Group's core portfolio companies have continued to make significantly progress in driving their breakthrough technologies towards commercialisation.

The Group has been able to de-risk the core portfolio from a development standpoint – a significant achievement in a small company setting that few other companies in the sector have been able to achieve. By late 2017, three portfolio companies; ProAxsis, Vortex and Wanda, have reached the commercial stage, de-risking NetScientific's portfolio from a development standpoint which is an important achievement for the Company.

2017 saw continued progress across the portfolio as the companies strengthened their individual positions in working toward raising new funds and developing partnerships with industry leaders. In addition, NetScientific intends to explore potential transformational M&A opportunities for the Group with a view to gaining critical mass in the IP commercialisation sector, gaining access to new shareholders and adding additional investments to its current portfolio.

ProAxsis Ltd ("ProAxsis")

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

ProAxsis made significant operational progress during 2017. In September, ProAxsis was awarded European CE Mark for its NEATstik® platform, a first-in-class diagnostic tool for monitoring lung inflammation and infection in patients with respiratory diseases such as COPD and bronchiectasis. Post period end the Company recorded its first NEATstik® sale to a research laboratory conducting a respiratory clinical trial in collaboration with a pharmaceutical company. During 2017 the Company was awarded two grants from Innovate UK, demonstrating substantial external validation of ProAxsis' ProteaseTag® technology.

To support the commercialisation of its *ProteaseTag®* assays ProAxsis expanded its contract with Diagenics, which is currently selling the Neutrophil Elastase Immunoassay, to include the recently launched CE Marked Plasmin Immunoassay across the UK and Ireland.

ProAxsis plans further expansion of its product range, including the launch of assays for the research market: proteinase-3, cathepsin G, pancreatic elastase in addition to a high sensitivity Neutrophil Elastase Immunoassay which was registered with a CE mark in January 2018. To facilitate this further product expansion, the Company signed a second licensing agreement with Queen's University Belfast for exclusive IP rights.

During the period the Company signed a partnership agreement with National Jewish Health, a leading respiratory hospital in the United States, for the hospital to investigate ProteaseTag® technology in real-time, as a potential companion diagnostic for a variety a range of respiratory diseases including Cystic Fibrosis and COPD. The Company also partnered with a large US-based biotechnology company to develop immunoassays for two key respiratory proteases utilising ProteaseTag® technology. The Company also presented multiple abstracts on all products at the American Thoracic Society Conference in May 2017.

Glycotest, Inc. ("Glycotest")

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. During the year Glycotest successfully expanded its IP portfolio with 11 patents protecting multiple aspects of Glycotest's proprietary liver disease diagnostic platform.

Glycotest now holds patents that cover US, China, Europe, Japan and Australia based on the use of over 50 unique glycoprotein biomarkers and related assay technology for the diagnosis of liver cancers and other liver diseases.

Vortex Biosciences, Inc. ("Vortex")

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. Vortex formally launched VTX-1 in the R&D sector at Tri-Conference on Molecular Medicine on 21 February 2017. Since the launch, Vortex has now sold or placed the VTX-1 into four leading cancer centres in the US. Vortex continues to transition from being a pure device company to a clinical diagnostic company. During the period the company initiated two clinical trials in collaboration with UCLA to evaluate the use of CTC technology in stratifying suitable patients with Non-Small Cell Lung Cancer (NSCLC) for treatment with novel immuno-oncology therapeutics.

Vortex has been focused on building relationships with strategic partners and has published multiple peer-reviewed papers in publications. In November, a paper entitled *"Workflow optimization of whole genome amplification and targeted panel sequencing for CTC mutation detection"* was published in *Nature Partner Journals (npj) Genomic Medicine* in collaboration with Stanford University. Additionally, in March, Vortex announced the publication *"Profiling protein expression in circulating tumour cells using microfluidic western blotting"* in *Nature Communications* in collaboration with the University of California, Berkeley. The papers contribute to a growing body of research which highlights the potential for CTCs to provide deeper clinical insight in cancer biology.

In March 2018, Vortex announced a collaboration with BioView Ltd, a provider of automated cell imaging and analysis solutions, to develop an integrated workflow and identify biomarkers on circulating tumour cells (CTCs) from blood samples and the purpose is to provide deeper insights into cancer biology for clinicians. This represents a first step for Vortex as it transitions towards being able to address the clinical market through diagnostic insights.

Wanda, Inc. ("Wanda")

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).

Wanda, has developed an artificial intelligence (AI) platform for remote patient monitoring that enables care teams to help patients live longer, with more efficient and lower cost care. This is principally achieved through reducing the readmission rates of patients post treatment. Foad Dabiri, formerly CTO of Wanda, became CEO in December 2016 and good commercial progress was subsequently seen over the course of that year. During 2017, Wanda was able to successfully exit its first downstream application, OncoVerse, a digital health platform designed to allow cancer patients' care teams to collaborate and allow clinicians across all disciplines to work together to determine the most effective treatment plan for their patients. OncoVerse was initially conceived by a Dignity Health physician and two administrators, who wanted a tool to improve team collaboration, especially when evaluating complex cancer cases and determining the appropriate treatment plans for patients. Wanda was also granted two additional patents during 2017 which significantly extend protection for the core technology used in Wanda's software application for remote health and patient management.

PDS Biotechnology Corporation ("PDS")

PDS is a clinical stage immunotherapy company developing a next-generation of simpler, safer and more effective immunotherapies for cancer and infectious diseases. PDS Biotechnology Corporation ("PDS") continued to see strong progress with its T-cell activating technology platform, Versamune®, which combines three critical attributes for an effective immunotherapy: T-cell induction, reduced tumour suppression and priming of a potent anti-tumour response without the conventional associated toxicities.

PDS's oncology pipeline includes compounds for prostate, ovarian, breast and colorectal cancers, in addition to its lead PDS0101 programme for several HPV-related cancers. PDS made some important advances through the year in progressing its lead Versamune® T-cell Activating platform, and notably was able to initiate a clinical trial agreement with Merck & Co., Inc.'s anti-PD-1 therapy, KEYTRUDA® (pembrolizumab), a leading checkpoint inhibitor in oncology, in a Phase II clinical trial. Additionally, PDS filed for three new key patents in Q4 2017 which help bolster the company's patent position. The Group's interest in PDS Biotechnology is non-controlling.

Early stage Investments Portfolio

During the year the Group reviewed its five early stage investments (the 'Early Stage Portfolio'). The review concluded that there were no plans to invest additional funds in the Early Stage Portfolio because it does not fit with the firm's investment strategy of gaining majority control in early stage companies. Limited investment has been made to date, mostly in the form of convertible loans. Nevertheless, these investments are reviewed periodically in tandem with the Group's business plans and progress.

Finance

For the year, the Group made a loss of £9.4 million (2016: £13.1 million), split between continuing and discontinued operations as follows:

- Continuing operations £9.4 million (2016: £12.4 million)
- Discontinued operations £nil (2016: £0.7 million)

The loss reflects the business model, where the core portfolio companies are mainly subsidiaries. Three of the core portfolio companies are commercialising their products, with the other two still developing their technologies; therefore, the portfolio companies are currently loss making. The main factors contributing to the reduced loss reported is the sale of OncoVerse and restructuring of Wanda.

Cash

Cash on the balance sheet as at 31 December 2017 was £6.9 million (2016: £9.5 million). Cash used in operations, was £10.7 million (2016: £12.9 million). The Group gained cash from investing activities due to the sale of OncoVerse for £1.5 million and in June the Group placed a further 17,962,362 shares raising net funds of £7.5 million.

Going concern

The Directors have prepared and reviewed Budget cashflows which were approved by the Board of Directors in the Board meeting of December 2017. The budget considered amongst other things the timing of the Series A funding rounds of the subsidiary companies, potential fundraise of the company post year end and the cash position of the Group at the beginning of 2018. 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 12 months from the date of this report), and for this reason the financial statements have been prepared on a going concern basis.

Board changes

Jonathan Paisner stepped down from his position as a Non-Executive Director for NetScientific on 25 October 2017; the Board would like to thank him for his contribution to the Group.

Summary and Outlook

In 2017, the Group delivered on various development milestones critical to enhancing the competitiveness and value of the Portfolio Companies.

The focus of the Group during 2018 will be to continue progress across its Portfolio Companies by pursuing, where relevant, corporate deals and fundraises to help progression from technology success to commercial success. ProAxsis expects to reach over £1.0 million in revenue during 2018 and will review its financial requirements in the second half of 2018. Glycotest is continuing its series A discussions with a potential investor and is aiming to close a series A in H1 2018 following an encouraging 149 Patient study with its Chinese partner. Vortex is planning for a potential fundraise or commercial partnership in H2 2018. Health Resource Solution agreed to extend the use of Wanda's digital health technology to all of its patients, which Directors expect to complete in H1 2018.

NetScientific continues to believe that it has a world-class portfolio of companies with high-quality science and technology, experienced and relevant management teams, alongside business and financing strategies that support the ongoing development of these companies and enable them to attract third-party capital. NetScientific also continues to explore potential corporate development activities in order to gain scale and access to new portfolio companies. The Board and management team remain committed to bolstering the Group's opportunities and delivering products and services supporting the next generation of healthcare opportunities. NetScientific's overall mission remains to support life-changing innovation and deliver value to its shareholders.

Richard B Sykes

Sir Richard Sykes
Non-Executive Director and Chairman
28 March 2018

François R. Martelet, M.D.
Chief Executive Officer
28 March 2018

Strategy

The business strategy is based on funding and building game-changing healthcare technology companies towards value inflection points.

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

Portfolio Review

As at 31 December 2017, the Group had four core portfolio companies, in which it has a controlling interest: Vortex Biosciences, Inc., Wanda, Inc., ProAxsis Ltd and Glycotest, Inc. It also has a material investment in PDS Biotechnology Corporation, and five early stage Investments: Neumitra, Inc., EpiBone, Inc., CytoVale, Inc., G-Tech, Inc. and Longevity Biotech, Inc.

The Group will continue to focus on the four core portfolio companies in which it has a controlling interest, 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.

Portfolio companies

ProAxsis Ltd

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

ProAxsis has developed rapid and easy-to-use tests incorporating 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 chronic respiratory diseases such as Bronchiectasis, Chronic Obstructive Pulmonary Disease (COPD) and Cystic Fibrosis (CF), where exacerbations have a major impact on the long-term prognosis of patients. In the future, the technology can be expanded for use in other therapy areas such as oncology and cardiovascular disease.

The company has a team of six permanent employees. ProAxsis remains at its purpose-built laboratory at Catalyst, Inc., in the Titanic Quarter of Belfast.

Developments
ProAxsis made significant operational progress during 2017, beginning in January with the award of a grant from the prestigious Innovate UK agency, followed by a second grant also from Innovate UK in July, demonstrating external validation of the technology.

During September, ProAxsis was awarded a European CE Mark for its NEATstik® platform, which is a first-in-class diagnostic tool for the monitoring of lung inflammation and infection in patients with respiratory diseases such as COPD and bronchiectasis. COPD is known to affect in excess of 24 million patients in Europe alone. NEATstik® utilises the company's proprietary ProteaseTag® technology, which permits specific and sensitive capture of only the active form of neutrophil elastase, and complements the laboratory-based Active NE Immunoassay, which was registered with a CE Mark in 2016. Diagenics Limited, was appointed in September to initiate sales of the NEIA across the UK and Ireland, which NetScientific has high confidence in to respond to the increase in demand for ProAxsis' immunoassays given its strong market reputation.

During September, ProAxsis signed a partnership with agreement to develop activity-based immunoassays for two key respiratory proteases, utilising its novel ProteaseTag® technology. The unnamed partner is a large biotechnology company, headquartered in the US with a focus on developing new therapeutic options for patients with rare diseases. Additionally, during October, entered into a clinical trial partnership with National Jewish Health ("NJH"), the leading respiratory hospital in the United States. Under the agreement ProAxsis and NJH will work together in validating ProAxsis' ProteaseTag® point-of-care technology for real-time management of small airway inflammation in a spectrum of respiratory diseases including cystic fibrosis and COPD.

During 2018, ProAxsis is aiming to build relationships with partners to commercially launch NEATstik®, further expand its product range, including the launch of assays for the research market: proteinase-3, cathepsin G, pancreatic elastase and a high sensitivity NEIA. The above developments will assist ProAxsis in reaching its £1m in revenue target over 2018, with the potential to become free cash flow positive by the end of the year.

NetScientific shareholding in ProAxsis is 56.5%, fully diluted being 54.0% and as at 31 December 2017, the Group has invested £1.9 million. Grant funding received to develop both the underlying technology and new applications has exceeded £1.1 million.

Portfolio companies continued

Glycotest, Inc.

Glycotest, Inc. 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 a total worldwide market estimated at over $2 billion annually.

Developments

In 2017, Glycotest successfully expanded its patent portfolio, with 11 granted or allowed patents, protecting multiple aspects of Glycotest's proprietary liver disease diagnostic platform. Glycotest holds patents in the US, China, Europe, Japan and Australia covering the use of over 50 unique glycoprotein biomarkers and related assay technology for the diagnosis of liver cancers and other liver diseases. These patents have been licensed exclusively on a worldwide basis to Glycotest by Drexel University College of Medicine and the Blumberg Institute of the Hepatitis B Foundation.

During early 2018, Glycotest successfully completed a clinical evaluation which has been ongoing since mid-2017, with its diagnostic panel to detect Hepatocellular Carcinoma (HCC), the most common form of liver cancer, in China.
In a blind evaluation of 149 HCC positive patients and control samples, Glycotest's HCC Panel achieved an AUROC* of 0.97 and exhibited 93% sensitivity at 92% specificity, which indicates a high predictability on a statistical basis as to whether liver cancer is present in patients or not. In the cohort of HCC patients whose tumours had not been detected by an alpha-fetoprotein (AFP) blood test, the most common blood test used for initial liver cancer diagnosis, the HCC Panel was able to identify 86% of patients with liver cancer. In an early-stage cohort of patients with HCC, the HCC Panel was able to identify 78% of patients with liver cancer undetected by AFP.

Post finishing the successful evaluation in China, Glycotest aims to close a series A during the first half of 2018 with its Chinese partner, to begin commercialising the HCC platform.

NetScientific's shareholding in Glycotest is 87.5%, fully diluted being 66.7% and as at 31 December 2017, the Group has invested £2.9 million. Grant funding received to develop the underlying technology, prior to Glycotest's formation, was £5.9 million.

Portfolio companies continued

Vortex Biosciences, Inc.

Vortex Biosciences, Inc. is a US-based cancer diagnostic company, with a commercially ready 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 efficiency in the collection 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

Vortex launched VTX-1 in the R&D sector at Tri-Conference on Molecular Medicine on 21 February 2017. An experienced commercial team has been hired to support the Q1 2017 launch. Since the launch, Vortex has now sold or placed the VTX-1 into four leading cancer centres in the US. The VTX-1 and the company has previously been registered with the U.S. Food and Drug Administration (FDA) as a Class 1 medical device for use in the research market and is currently designated as RUO. Additionally, the CE Mark was established for the VTX-1 Liquid Biopsy System. During 2017, Vortex released a series of high profile research, including in November: “Workflow optimization of whole genome amplification and targeted panel sequencing for CTC mutation detection” in Nature Partner Journals (npj) Genomic Medicine, collaborating with Stanford University. Additionally, in March, Vortex announced the publication of "Profiling protein expression in circulating tumour cells using microfluidic western blotting" in Nature Communications in collaboration of with the University of California, Berkeley. The papers contribute to a growing body of research which highlights the potential for CTCs to give clinical insight.

Vortex has a very strong Scientific Advisory Board comprised of Massimo Cristofanilli M.D (Northwestern University) as Chairman, Jonathan Goldman M.D. (UCLA), Stanley Frankel M.D. (Celgene) and Dino Di Carlo Ph.D. (UCLA).

Vortex will seek to develop relationships with commercial partners during 2018 to enable entrance into the clinical market with a complete sample to answer solution. To achieve this, Vortex is currently building relationships with key strategic partners and initiating several novel research studies, several of which are ongoing and Vortex expects early data read outs in May 2018.

NetScientific shareholding in Vortex is 95.0%, fully diluted being 66.1% and as of 31 December 2017, the Group has invested £16.4 million. Grant funding received to develop the underlying technology, prior to Vortex’s formation, was £1.6 million.

Portfolio companies continued

Wanda, Inc

Wanda, Inc. is a San Francisco-based digital health company commercialising advanced clinical decision support software focused on patients with chronic health conditions. Wanda aims to significantly reduce hospitalisation risk, and improve the quality of life, for people with conditions, such as CHF, COPD and patients with comorbidities.

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

Developments

During 2017, Wanda was able to successfully exit its first downstream application, OncoVerse, which is a digital health platform designed to allow cancer patients' care teams to collaborate and allow clinicians across all disciplines to work together to determine the most effective treatment plan for their patients. OncoVerse was initially conceived by a Dignity Health physician and two administrators, who wanted a tool to improve team collaboration, especially when evaluating complex cancer cases and determining the appropriate treatment plans for patients. Dignity Health, one of the nation's largest health care systems, prototyped and tested the platform internally and then partnered with Wanda to further develop the software. Dignity Health has also been a co-investor in the joint venture since the platform's inception and will continue to be a shareholder alongside BTG. NetScientific sees the exit which yielded a 3x return on capital invested as proof of the IP Commercialisation business model and will continue to manage its portfolio to maximise value for shareholders.

Wanda also strengthened its intellectual property position, with 3 additional patents granted during 2017 in the US. The first patent, announced in October is titled: “Context-aware prediction in medical systems” is among the technologies developed at UCLA which aim to better assess and predict medical events by defining and using contextual data on top of medical information. In December, Wanda was awarded two patents, titled, “Apparatus, System, and Method for Detecting Activities and Anomalies in Time Series Data” and “Efficient Searching of Stationary Datasets” are the result of research on clinical time-series data at UCLA. The two patents enable Wanda to identify and act upon clinical and patient behaviour subtleties which are frequently overlooked, often leading to adverse events.

Following a successful trial evaluation involving high-risk, co-morbid Congestive Heart Failure patients with HRS, Wanda will now be rolled out to all HRS patients. The trial reported a 72% lower readmission rate for patients using Wanda, in addition to a high compliancy of 74%, which we see as very positive data for Wanda going forward. During 2018, the primary strategy for Wanda will be to initiate pilots with other Home Health providers, Hospital Systems and ACOs. During the second half of the year, we expect Wanda to begin to operate fully with new partners following the pilot evaluations. We believe the market for digital health companies is still emerging and remains highly fractured, which we believe offers a great opportunity for Wanda to increase efficiency and create a differentiated offering the fractured market. We believe Wanda is well positioned to succeed in this market with its class leading machine learning based platform. Having streamlined its workforce during 2017, Wanda is currently hiring across its core commercial and engineering functions.

NetScientific’s shareholding in Wanda is 70.8%, fully diluted being 61.8% and as at 31 December 2017, the Group has invested £9.5 million. Grant funding received to develop the underlying technology, prior to Wanda’s formation, was £7.7 million.

Portfolio companies continued

PDS Biotechnology Corporation

PDS is a clinical stage immunotherapy company developing the next-generation of simpler, safer and more effective immunotherapies for cancer and infectious diseases. Versamune®, 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 July 2017, PDS announced a clinical trial collaboration with a subsidiary of Merck & Co., Inc. (known as MSD outside the United States and Canada). The agreement will enable PDS to evaluate the combination of its Versamune®-based PDS0101 immunotherapy treatment with Merck & Co., Inc.'s anti-PD-1 therapy, KEYTRUDA® (pembrolizumab) in a Phase II clinical trial. The trial will focus on the safety and efficacy of the combination treatment in patients with recurrent or metastatic head and neck cancer and high-risk human papillomavirus-16 (HPV16) infection after failure with platinum-based chemotherapy. PDS also filed for 3 new key patents in Q4 2017 which help bolster the company's patent position.

PDS is currently speaking to investors and aims to announce a financing during the second half of 2018, which will enable PDS to fund its planned phase IIB clinical trials. The planned trials will be highly capital efficient due to the relationships PDS has built with leading research centres, including the National Cancer Institute, MD Anderson and Merck.

NetScientific shareholding in PDS is 17.1%, fully diluted being 14.3% and as of 31 December 2017, the Group has invested £2.7 million.

Business Model

The business strategy is based on funding and building game changing healthcare technology companies towards value inflection points. The Group sources opportunities from global universities, 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 recruits experienced industry-leading Chief Executive Officers to drive the next phase of growth, attracting additional external capital and to commercialise the opportunities.

The Group aims to develop its portfolio companies through various key value inflection points such as clinical trials, regulatory approvals, collaborative funding arrangements, first revenues and follow-on growth. Any capital returned to the business can then be used to promote, in turn, further investment into new opportunity companies with novel intellectual property.

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 Statement.

The financial KPIs are the cash position and the operating loss of the Group. At 31 December 2017 cash and deposit balances amounted to £6.9 million (2016: £9.5 million). Loss for the year was £9.4 million (2016: loss £13.1 million).

Risks and Uncertainties

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

Risk	Possible Consequence	How the Board guards against risk
Investments made at an early stage	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.

Risk	Possible Consequence	How the Board guards against risk
Clinical development risk	Potential clinical trials for the Group's subsidiaries' products may not begin on time, may not be completed on schedule, or at all, or may not be sufficient for registration of the products or result in products that can receive necessary clearances or approvals. Numerous unforeseen events during, or as a result of, clinical testing could delay or prevent commercialisation of such products.	The Group seeks to reduce this risk by drawing on the experience of its Executive Directors and senior management team to have input on the clinical trial design and closely monitor the progress of recruitment.
Regulatory risk	Potential regulatory approvals and clearances of the Group's subsidiaries' products may not be achieved on schedule, or at all. Failure to achieve regulatory approval or clearances could delay or prevent commercialisation of such products.	The Group seeks to reduce this risk by drawing on the experience of its Executive Directors and senior management team, seeking advice from regulatory advisors, and holding consultations with appropriate regulatory bodies.
Intellectual property risk	The commercial success of the Group depends on its ability to obtain patent protection for its own discoveries and for technology it has licensed from universities and research institutes. The intellectual property ("IP") licensed to the Group is protected by patent, trademark, copyright, as well as confidentiality procedures. These laws, procedures and restrictions provide only limited protection and any such intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated. In particular, patents might not contain claims that are sufficiently broad to prevent others from utilising the covered IP. Third parties may independently develop similar or superior IP that does not infringe any protection afforded to the IP licensed to the Group. There can be no assurance that unauthorised use, disclosure or reverse engineering of the IP licensed to the Group will not take place.	The Group seeks to reduce this risk by employing an experienced legal 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.

Risk	Possible Consequence	How the Board guards against risk
Competition risk	There is intense competition among biomedical and healthcare technology companies. The Group is aware of competitors in both the US and abroad who have developed or are developing products that address the same applications that the Group's subsidiaries are targeting. These companies' products or services could be more effective and / or cost-effective than the products offered by the Group's subsidiaries. Also, although the market for 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.	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.
Dependence on key executives and personnel	A significant part of the Group's value and the key to its future technology creation also lies with the scientists and engineers who partner with the Group. Retention of key executives and personnel, and the maintenance of such a qualified workforce, is a high priority for the Group. However, it is not possible to guarantee retention of the services of key personnel and a failure to attract or retain key executives could have an adverse effect on the Group's business.	The Group seeks to reduce this risk by a balanced compensation package consisting of salary, benefits, performance-related bonuses and equity incentive schemes. The equity incentive schemes are implemented at a Group level for NetScientific staff and in specific schemes for subsidiary employees.
Brexit	There are two possible areas of impact. The first being foreign exchange, as the company raises money in sterling but most of its expenditure is in US dollars. The second impact is the increased difficulty in accessing EU research grants.	The Group seeks to reduce the foreign exchange risk by hedging its US dollar position. The Government increasing access to grant funding in the UK will minimise the impact of grant funding.

Business Review

The business review has been covered in the Chairman's and Chief Executive Officer's Statement on pages 1 to 4 and in the Financial Review on pages 15 to 16.

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

Sir Richard Sykes
Non-Executive Director and Chairman
28 March 2018

FINANCIAL REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2017

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 34 to 67. 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 68 to 77.

Consolidated Income Statement and Other Comprehensive Income

Overall the Group recorded a reduced loss for the year of £9,378k (2016: £13,076k). A gain on sale of its associate, OncoVerse and reduced research and development activity are the main reasons to the reduction. A summary analysis of the Group's financial performance is provided below.

Revenue comprises sales made by the subsidiary companies, decreasing for the year to £386k (2016: £518k). The decrease is due to reduced software development activity in Wanda, whereas in the previous year Wanda was creating the software platform for OncoVerse. However, ProAxsis increased its kit sales by 50% and undertook an immunoassay development project together contributing 44% of the Group's sales. Vortex sold its first VTX-1 machine in the year.

Other income increased to £238k (2016: £68k). The increase is attributable to ProAxsis being more successful with grant applications compared to last year. Additionally, there was non-recurring income from Glycotest earning evaluation fees for its prototype and NetScientific UK selling its shares in an investment and partially recovering a previously fully provided for loan.

The Group has a controlling stake in 4 out of 5 of its core portfolio companies and consolidates their results.

Research and development costs decreased to £5,177k (2016: £7,443k). The decrease in cost is primarily due to Vortex completing its prototype development in 2016 and Wanda restructuring in the year to making the company more cost efficient and providing more focus on commercial activities.

In addition to central costs incurred in managing the portfolio companies and corporate costs, general and administrative costs also include portfolio companies' management staff costs, sales and marketing and other operating expenses. The costs marginally increased to £5,281k (2016: £5,001k) consistent with the subsidiaries maturing to commercial stage.

Other costs of £514k (2016: £316k) represent provisions against recoverability of loans £306k (2016: £75k) and charges for share based payments £208k (2016: £241k); this cost reduced in the year as fewer options were issued to those receiving them and because of the lower headcount.

In April 2017, the Group sold its entire holding of 35.9% in its associate company OncoVerse LLC, a San Francisco digital health company. The gross sale value was £1,477k, and generated a gain of £1,026k (2016: £nil).

The average headcount across the Group reduced during the year reflecting the streamlining of the head office and the Wanda restructuring. Headcount (excluding non-executive directors) in 2017 was 41 (2016: 53).

With most of the Group's activities in the US and the exchange rate strengthened against the US at 31 December 2017 to £1: \$1.3579 (2016: £1: \$1.2303) the translation of foreign operations resulted in an exchange loss of £374k (2016: gain £634k).

Statement of Financial Position and Cash Flows

The Group ended the year with net assets of £10,798k, representing a decrease of £2,038k from the position at 1 January 2017 (£12,836k). The decrease in net assets resulted from the £9,378k loss in the year mitigated by a successful equity placing in June 2017 raising a total of £7,504k net.

The building of 5 VTX-1 machines for in-house use and furniture for the additional office space in Vortex are the primary contributors to the increase in property plant and equipment to £1,344k (2016: £1,049k).

The sale of OncoVerse in April 2017 has reduced investment in equity accounted associates to £nil (2016: £357k).
There have been no further investments in available for sale investments, which has remained at £2,863k, the same as 2016. The investments are held at cost and will be fair valued from 2018 when IFRS 9 comes into force. It is currently estimated that a gain will be included within other comprehensive income, if the investments remains owned by the Group.

The Group's current liabilities reduced significantly to £905k (2016: 2,172k). This is due to the reduced research and development activity affecting year end trade creditors and accruals, and a lower incentive based accrual at the year end.

Cash, cash equivalents and short-term deposits

At 31 December 2017, the Group's cash totalled £6,868k, a decrease of £2,588k from a total of £9,456k at 31 December 2016. The cash outflow from subsidiaries continuous development and operating expenses was mitigated by the share placement and proceeds from sale of investments.

The Group gained cash from investing activities due to the sale of OncoVerse for £1,477k and in June the Group placed a further 17,962,362 shares raising net funds of £7,504k.

At 31 December 2017, the Group has a total of £2,949k held in US$ to meet the short-term requirements of it US operations. It remains the Group's policy to hedge its US$ position as most of the portfolio companies are US based.

Capital Structure and Funding

The Group is primarily funded by equity capital, reflecting the fact that its portfolio companies are just reaching commercialisation after a period of investment in development. The Group considers its capital to be its total equity before amounts attributable to minority shareholders, which at 31 December 2017 amounted to £15.4 million (2016: £16.7 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 2017 amounted to £6.7 million (2016: £9.2 million) and comprised cash and cash equivalents as well as loans and borrowings as shown below:

	31 December	
	2017	2016
	£000's	£000's
Cash and cash equivalents (page 37)	**6,868**	9,456
Loans and borrowings (note 21)	**(198)**	(208)
Net funds	**6,670**	9,248

Ian Postlethwaite
Chief Financial Officer
28 March 2018

BOARD OF DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 a Senior Independent Director of Rio Tinto plc from 1997 to 2007, Rector of Imperial College from 2000 to 2008, Chairman of NHS London from December 2008 to 2010 and a Senior Independent Director of Eurasian Natural Resources Corporation from 2007 to 2011. He holds a BSc in Microbiology from the University of London, a PhD in Microbial Biochemistry from Bristol University and a DSc from the University of London.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***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 (the world's leading medical device company), President of Lederle International prior to its merger with Wyeth, and President of Bristol-Myers Squibb Europe. Additionally, he has served as Chairman of Mindmaze and served on the board of Anecova, as well as 9 international assignments with Pfizer (the world's largest drug company).

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

Professor Stephen Smith, *Non-Executive Director.*

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

He was responsible with Sir Richard Sykes for creating the first Academic Health Science Centre in the United Kingdom, that involved the largest merger at the time in the NHS of three famous hospitals, St Marys Hospital, Charing Cross Hospital and the Hammersmith Hospital with Imperial College London, creating Imperial College Healthcare NHS Trust. He was the inaugural CEO of the Trust whilst retaining his position as Principal of the Faculty of Medicine.

During his career he has been a keen advocate of the commercialisation of ideas in Life Sciences and Healthcare and actively pursued this strategy in Cambridge and Imperial College. He “spun-out” two companies from the university of Cambridge, Metris Therapeutics and GNI Group Ltd, the later now being a successful Mid Cap, Sino-Japanese company, having completed its IPO on the Tokyo Stock Exchange in 2007 and on whose public board he served for four years in Tokyo.

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

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

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 2017.

RESEARCH AND DEVELOPMENT

The Group incurred research and development expenditure of £5,117k in the year (2016 £7,443k). Commentary on the major activities is given in the Chairman's and Chief Executive Officer's Statement.

DIVIDEND

The Directors do not propose the payment of a dividend currently, however fully intend to review this policy in the future.

FUTURE DEVELOPMENTS

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

POST BALANCE SHEET EVENTS

The Group intends to raise at least £5 million before costs via a conditional placing and subscription of new ordinary shares in the company with existing and new investors.

DIRECTORS

The Directors shown below have held office during the period from 1 January 2017 to the date of this report:

Sir Richard Sykes
François R. Martelet, M.D.
Ian Postlethwaite
Barry W Wilson
Professor Stephen Smith
Jonathan Paisner – resigned 25 October 2017

Directors' shareholdings and other interests

	No. of shares as at 31 December 2017	No. of shares as at 31 December 2016
Sir Richard Sykes	**62,500**	62,500
Barry W Wilson	**36,358**	36,358

Between 31 December 2017 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.

The shareholdings of Sir Richard Sykes are held by nominees.

DIRECTORS' REMUNERATION AND SHARE OPTIONS

Details of the Directors' remuneration and share options are given in the Directors' Remuneration Report on pages 26 to 28.

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 14 March 2018 the Directors were aware of the following interests of 3 per cent or more in the issued ordinary share capital of the Company and have not been notified, pursuant to the provisions of the Companies Act 2006, of any further such interests.

Name	No. of shares	Per cent. of voting rights
Woodford Investment Management LLP	31,072,902	45.01%
Invesco Asset Management Limited	13,362,206	19.75%
Cyrus Holdings Limited	10,389,520	15.05%
JO Hambro Capital Management Limited	5,735,000	8.31%
Hargreaves Lansdown Asset Management	3,877,162	5.62%

DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

Going concern
The Directors have prepared and reviewed Budget cashflows which were approved by the Board of Directors in the Board meeting of December 2017. The budget considered amongst other things the timing of the Series A funding rounds of the subsidiary companies, potential fundraise of the company post year end and the cash position of the Group at the beginning of 2018. 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 12 months from the date of this report), and for this reason the financial statements have been prepared on a going concern basis.

AUDITORS

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

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

BY ORDER OF THE BOARD:

Ian Postlethwaite
Company Secretary
28 March 2018

Board of Directors

The posts of Chairman and Chief Executive Officer are held by different Directors. The Board is balanced by there being an appropriate 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 2017, the board met 6 times, with each member attending as follows.

Director	Number of meetings held whilst a Board Member	Number of meetings attended
Sir Richard Sykes	6	6
François R. Martelet, M.D.	6	6
Ian Postlethwaite	6	5
Barry W Wilson	6	6
Jonathan Paisner – resigned 25 October 2017	5	4
Professor Stephen Smith	6	6

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 member has been Professor Stephen Smith. 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 2017 the Audit Committee met 4 times with each member attending as follows.

Director	Number of meetings held whilst a board member	Number of meetings attended
Barry W Wilson	4	4
Professor Stephen Smith	4	4

Remuneration Committee
The Remuneration Committee is chaired by Sir Richard Sykes and its other members have been Barry W Wilson and Professor Stephen Smith. 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 2017 the Remuneration Committee met 3 times with each member attending as follows.

Director	Number of meetings held whilst a board member	Number of meetings attended
Sir Richard Sykes	3	3
Barry W Wilson	3	3
Professor Stephen Smith	3	3

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

The committee has responsibility, within its Terms of Reference approved by the Board on 9 May 2013, for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise, save that appointments as Chairman or Chief Executive are be matters for the whole board. During the year ended 31 December 2017, the committee did not meet formally.

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

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

Internal control

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

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

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

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

BY ORDER OF THE BOARD:

Ian Postlethwaite
Company Secretary
28 March 2018

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

The Committee, which is required to meet at least twice in the year, met twice during the year ended 31 December 2017.

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

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

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

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

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 (resigned 25 October 2017) and Professor Stephen Smith 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 and Barry W Wilson were granted options in the Company's share option scheme on the Company's admission to AIM in September 2013. Professor Stephen Smith was granted options in June 2016.

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

The NetScientific 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 2017**	Options as at 31 December 2016
Sir Richard Sykes	160p	359,020	359,020
François R. Martelet, M.D.	119.5p	359,020	359,020
François R. Martelet, M.D.	86.2p	200,000	200,000
François R. Martelet, M.D.	65.5p	200,000	-
Ian Postlethwaite	79.7p	180,000	180,000
Ian Postlethwaite	65.5p	180,000	-
Barry W Wilson	160p	179,510	179,510
Professor Stephen Smith	79.7p	30,000	30,000

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

Audited information
The following section (Directors' remuneration) contains the disclosures required by Schedule 5 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the financial statements for the year ended 31 December 2017 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 2017 is set out below.

Year ended 31 December 2017	**Salaries and fees £000's**	**Benefits £000's**	**Bonus £000's**	**Pension £000's**	**Total £000's**
Executive Directors					
François R. Martelet, M.D.	240	4	59	18	321
Ian Postlethwaite	200	3	37	15	255
Non-Executive Directors					
Sir Richard Sykes	36	-	-	-	36
Barry W Wilson	24	-	-	-	24
Jonathan Paisner – resigned 25 October 2017	20	-	-	-	20
Professor Stephen Smith	24	-	-	-	24
Total	**544**	**7**	**96**	**33**	**680**

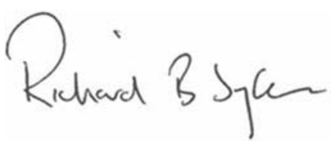
Directors' remuneration continued

Year ended 31 December 2016	Salaries and fees £000's	Benefits £000's	Bonus £000's	Pension £000's	Total £000's
Executive Directors					
François R. Martelet, M.D.	243	3	95	18	359
Ian Postlethwaite	111	2	33	8	154
Non-Executive Directors					
Sir Richard Sykes	36	-	-	-	36
Barry W Wilson	24	-	-	-	24
Jonathan Paisner	24	-	-	-	24
Professor Stephen Smith	21	-	-	-	21
Total	**459**	**5**	**128**	**26**	**618**

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

	Year ended 31 December 2017 £000's	Year ended 31 December 2016 £000's
Executive Directors		
François R. Martelet, M.D.	**96**	82
Ian Postlethwaite	**25**	7
Non-Executive Directors		
Professor Stephen Smith	**2**	1
Total	**123**	90

BY ORDER OF THE BOARD:



Sir Richard Sykes
Chairman of Remuneration Committee
28 March 2018

Independent auditor's report to the members of NetScientific plc

Opinion

We have audited the financial statements of NetScientific plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated income statement, Consolidated income statement and other comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the Parent company statement of financial position, the Parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

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

Key audit matters relating to the group financial statement

We have determined that there are no key audit matters to communicate in our report that relate to the group financial statements.

Key audit matters impacting the parent company financial statements

Investments in/loans to subsidiaries: impairment review

As at 31 December 2017, the company holds investments of £1.2m and had loans of £29.5mil owing from its subsidiaries (as set out in note 8 and note 10 respectively of the parent company financial statements). At each reporting date, management carries out an impairment review that involves assessing the recoverable amount of the investment by estimating future cash flows and discounting to present value. Based on management's assessment, they have not made any further impairment during the year. There is inherent uncertainty in estimating the timing and extent of future cash flows as well as probability of success of these subsidiaries in respect of commercialising its technology for a favourable return which can then allow the company to recover its investment.

The degree of estimation and complexity involved in the impairment review, for example in determining the appropriate discount rate and clinical commercial risk weighting to be applied to the cash flows, causes us to consider this a significant audit risk.

How We Addressed the Key Audit Matter in the Audit

We reviewed management's assessment of the recoverable amount for each subsidiary. This included corroborating the key assumptions and discount rates used in deriving each investment's net present value to available market information when they are fully commercialised. We have re-performed the calculation of management's discounted cash flow workings as well as performed sensitivity analysis on the key assumptions used.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Group Materiality: £460,000 (2016: £560,000)

Parent Company Materiality: £345,000 (2016: £113,000)

Our application of materiality continued

Our group materiality, or both current and prior year, has been based upon 5% of the loss for the year. We consider this to be one of the principal considerations for members of the company in assessing the financial performance of the group, since the group's activities are currently principally in relation to expenditure on developing forms of intellectual property which can be exploited commercially to generate income and growth in the future.

Materiality levels used for each significant component ranged from £2,000 to £345,000. Materiality levels are not significantly different from those applied in the previous year.

In considering individual account balances and classes of transactions we apply a lower level of materiality (performance materiality) in order reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

Performance materiality was set at 75 per cent of the above materiality levels.

We agreed with the audit committee that we would report to the committee all individual audit differences in excess of £18,000 (2016: £22,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group comprised of the parent company and 3 subsidiaries in the UK and 4 subsidiaries in the US. A full scope audit was carried out on the parent company and the 3 UK subsidiaries. A full scope audit was performed on 2 out of 4 US entities as they are significant components. Desktop reviews were performed on other 2 non-significant components based on component materiality. Our audit approach meant that we covered 100% of total group revenue, 86% of total group loss before and after tax, as well as 87% of total group assets.

The scope of our group audit was established by obtaining an understanding of the group, including its control environment and assessing the risks of material misstatements.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Malcolm Thixton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom
28 March 2018

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

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

Continuing Operations	Notes	2017 £000's	2016 £000's
Revenue		**386**	518
Cost of sales		**(245)**	(255)
Gross profit		**141**	263
Other operating income		**238**	68
Research and development costs		**(5,177)**	(7,443)
General and administrative costs		**(5,281)**	(5,001)
Other costs	6	**(514)**	(316)
Loss from operations	9	**(10,593)**	(12,429)
Finance income	7	**43**	94
Finance expense	8	**(11)**	(8)
Share of loss of associate	15	**(45)**	(49)
Gain on sale of associate	15	**1,026**	-
Loss before taxation		**(9,580)**	(12,392)
Income tax credit / (charge)	10	**202**	(18)
Loss for the year from continuing operations		**(9,378)**	(12,410)
Discontinued Operations			
Loss for the year from discontinued operations	11	**-**	(666)
Total loss for the year		**(9,378)**	(13,076)
Owners of the parent		**(8,318)**	(11,195)
Non-controlling interests		**(1,060)**	(1,881)
		(9,378)	(13,076)
Basic and diluted loss per share from continuing and discontinued operations attributable to owners of the parent during the year:	12		
Continuing operations		**(13.6p)**	(20.8p)
Discontinued operations		**(-)**	(1.1p)
From loss for the year		**(13.6p)**	(21.9p)

The notes form part of these financial statements

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £000's	2016 £000's
Loss for the year		**(9,378)**	(13,076)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(374)**	634
Total comprehensive loss for the year		**(9,752)**	(12,442)
Attributable to:			
Owners of the parent		**(9,057)**	(10,084)
Non-controlling interests		**(695)**	(2,358)
		(9,752)	(12,442)

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

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	**2017** **£000's**	2016 £000's
Assets			
Non-current assets			
Property, plant and equipment	13	**891**	779
Investments in equity accounted associates	15	**-**	357
Available for sale investments	16	**2,863**	2,863
Derivative financial assets	17	**18**	18
Other receivables	19	**33**	37
Total non-current assets		**3,805**	4,054
Current assets			
Inventory	18	**86**	-
Trade and other receivables	19	**1,014**	1,578
Cash and cash equivalents		**6,868**	9,456
Total current assets		**7,968**	11,034
Total assets		**11,773**	15,088
Liabilities			
Current liabilities			
Trade and other payables	20	**(777)**	(2,044)
Loans and borrowings	21	**(128)**	(128)
Total current liabilities		**(905)**	(2,172)
Non-current liabilities			
Loans and borrowings	21	**(70)**	(80)
Total non-current liabilities		**(70)**	(80)
Total liabilities		**(975)**	(2,252)
Net assets		**10,798**	12,836
Issued capital and reserves			
Attributable to the parent			
Called up share capital	22	**3,452**	2,554
Share premium account	23	**53,839**	47,233
Capital reserve account	23	**237**	237
Foreign exchange reserve	23	**1,063**	1,802
Retained earnings	23	**(43,220)**	(35,115)
Equity attributable to the owners of the parent		**15,371**	16,711
Non-controlling interests	14	**(4,573)**	(3,875)
Total equity		**10,798**	12,836

The financial statements on pages 33 to 66 were approved and authorised for issue by the Board of Directors on 28 March 2018 and were signed on its behalf by:

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

Ian Postlethwaite
Chief Financial Officer

The notes form part of these financial statements

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £000's	Share premium £000's	Capital reserve £000's	Retained earnings £000's	Foreign exchange reserve £000's	Total £000's	Non-controlling interests £000's	Total equity £000's
1 January 2016	2,554	47,233	237	(24,371)	691	26,344	(1,805)	24,539
Loss for the year	-	-	-	(11,195)	-	(11,195)	(1,881)	(13,076)
Other comprehensive income								
Foreign exchange differences	-	-	-	-	1,111	1,111	(477)	634
Total comprehensive loss	-	-	-	(11,195)	1,111	(10,084)	(2,358)	(12,442)
Decrease in subsidiary shareholding	-	-	-	39	-	39	(20)	19
Disposal of subsidiaries	-	-	-	171	-	171	308	479
Share-based payments	-	-	-	241	-	241	-	241
31 December 2016	**2,554**	**47,233**	**237**	**(35,115)**	**1,802**	**16,711**	**(3,875)**	**12,836**
Loss for the year	-	-	-	(8,318)	-	(8,318)	(1,060)	(9,378)
Other comprehensive loss								
Foreign exchange differences	-	-	-	-	(739)	(739)	365	(374)
Total comprehensive loss	-	-	-	(8,318)	(739)	(9,057)	(695)	(9,752)
Issue of shares to a non-controlling interest	-	-	-	5	-	5	(3)	2
Issue of share capital	898	7,185	-	-	-	8,083	-	8,083
Cost of share issue	-	(579)	-	-	-	(579)	-	(579)
Share-based payments	-	-	-	208	-	208	-	208
31 December 2017	**3,452**	**53,839**	**237**	**(43,220)**	**1,063**	**15,371**	**(4,573)**	**10,798**

The notes form part of these financial statements

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017**	2016
		£000's	£000's
Cash flows from operating activities			
Loss after income tax including discontinued operations		**(9,378)**	(13,076)
Adjustments for:			
Depreciation of property, plant and equipment	13	**221**	141
Share of loss of associate	15	**45**	49
Gain on sale of associate	15	**(1,026)**	-
Loss on disposal of subsidiaries	11	**-**	483
Provision against recoverability of loan	6	**306**	75
Share-based payments	6	**208**	241
Foreign exchange gains		**103**	(121)
Finance income	7	**(43)**	(94)
Finance costs	8	**11**	8
Tax (credit) / charge	10	**(202)**	18
		(9,755)	(12,276)
Changes in working capital			
Increase in inventory		**(87)**	-
Decrease / (Increase) in trade and other receivables		**308**	(238)
Decrease in trade and other payables		**(1,158)**	(364)
Cash used in operations		**(10,692)**	(12,878)
Income tax received		**71**	94
Net cash used in operating activities		**(10,621)**	(12,784)
Cash flows from investing activities			
Investment in associate		**-**	(363)
Proceeds from sale of associate	15	**1,477**	-
Costs on sale of associate	15	**(167)**	-
Purchase of property, plant and equipment	13	**(399)**	(470)
Proceeds from sale of property, plant and equipment		**2**	13
Interest received		**21**	46
Purchase of available for sale investments		**-**	(898)
Net cash from / (used in) investing activities		**934**	(1,672)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** **£000's**	2016 £000's
Cash flows from financing activities			
(Repayment) / proceeds from borrowings		**(20)**	50
Proceeds on change in subsidiary shareholding		**2**	20
Proceeds from share issue		**8,083**	-
Share issue cost		**(579)**	-
Net cash from financing activities		**7,486**	70
Decrease in cash and cash equivalents		**(2,201)**	(14,386)
Cash and cash equivalents at beginning of year		**9,456**	23,239
Exchange differences on cash and cash equivalents		**(387)**	603
Cash and cash equivalents at end of year		**6,868**	9,456

1. GENERAL INFORMATION

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

2. ACCOUNTING POLICIES

Basis of preparation
The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2017. 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.

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

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

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

Going concern
The group made a loss in the financial year of £9,378k and has been reliant on the continued financial support of its existing institutional investors.

The Directors have prepared and reviewed Budget cashflows which were approved by the Board of Directors in the Board meeting of December 2017. The budget considered amongst other things the timing of the Series A funding rounds of the subsidiary companies, potential fundraise of the company post year end and the cash position of the Group at the beginning of 2018. 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 12 months from the date of this report), and for this reason the financial statements have been prepared on a going concern basis.

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.

2. ACCOUNTING POLICIES continued

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 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.

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. Each service contract stipulates clearly defined sub projects and revenue is recognised as and when each of these projects are completed.

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

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

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

The principal depreciation rates are:

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

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

2. ACCOUNTING POLICIES continued

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

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

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

Financial assets
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.

Available-for-sale
The Group’s investments in entities not qualifying as subsidiaries, associates or jointly controlled entities are classified as available-for-sale. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in reserves.

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.

If there is a significant range of possible fair value estimates and the probabilities of the various estimates cannot be reliably measured, then the investments are measured at cost less accumulated impairment.

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.

2. ACCOUNTING POLICIES continued

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

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

R&D tax credit is recognised when it is considered probable that it will be recoverable based on experience of previous claims, and such credit has been recognised as a tax credit within tax expense in the income statement.

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 Statement of Financial Position date are translated at the foreign exchange rate ruling at that date.

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

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

2. ACCOUNTING POLICIES continued

Accounting developments

a) New standards, interpretations and amendments effective from 1 January 2017.

The adoption of the new standards and amendments effective from 1 January 2017 have not impacted the classification or measurement of the Group's assets and liabilities, nor has it resulted in any additional disclosures.

b) Management are currently assessing the impact of the new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2018 and which have not been adopted early.

IFRS 9 (Financial Instruments) – IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The standard introduces a new approach to how financial assets and liabilities are classified and an expected loss impairment model. The Group has decided on transition to IFRS 9, to classify all of its equity investments as being at fair value through other comprehensive income, which are currently classified as available-for-sale in the group balance sheet. This will mean that all changes in the fair value of such assets up to the point of disposal will be recorded in other comprehensive income. Therefore, in contrast to the current accounting treatment, significant or prolonged declines in value below cost will not be recognised in the income statement, and the income statement will not reflect gains or losses on disposal because gains and losses recognised in other comprehensive income will not be recycled to profit or loss on any such disposal.

Loans to third parties are classified as financial assets held at amortised cost. The Group expect this classification to remain under IFRS 9 and no adjustments on transition are anticipated. The Group has assessed the impact of adopting IFRS 9 and the requirement to review historic, current and forward-looking information when assessing the level of credit losses that may be incurred. Provisions for credit losses are currently measured in accordance with an incurred loss model under IAS 39. The Group does not consider that this change in approach will have a significant impact on the carrying value of these loans.

In accordance with the transitional exemption available under IFRS 9, the Group does not intend to restate comparatives in its 2018 financial statements. The difference between the cost and fair value of the equity investments currently carried at cost under IAS 39 will be included in opening retained earnings. The first set of interim accounts that will be prepared in accordance with IFRS 9 will be the 30 June 2018 interims.

IFRS 15 (Revenue from Contracts with Customers) – IFRS 15 is effective for annual periods beginning on or after 1 January 2018. Revenues for the group are growing but the contracts with customers are not complex. Majority of the sales in 2018 is expected to be derived from fixed revenue for delivery of a specific quantity of goods. There is a small element of service provision but the contract stipulates the work in clearly defined sub projects. Revenue is currently recognised when the service is transferred to the customer. The service revenue is currently immaterial and point of recognition is not expected to change under IFRS 15.

IFRS 16 (Leases) – IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard establishes principles for the recognition, measurement, presentation and disclosure of leases and expands the use of the right-of-use asset and corresponding lease liability.

For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

2. ACCOUNTING POLICIES continued

As there is only 1 long term lease expected from 1 January 2019, the Group has decided it will apply the modified retrospective approach in IFRS 16, and therefore will only recognise leases on balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date. At 31 December 2017 operating lease commitments amounted to £696k, which is not expected to be materially different to the anticipated position on 31 December 2018. Assuming the Group's lease commitments remain at this level, the effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately £200k being recognised on 1 January 2019.

Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost, which for the year ended 31 December 2017 was £684k. Due to the short terms of the Group’s leases, approximately there will only be a nominal charge to interest of approximately £5k with the rest of the charge being recognised as amortisation.

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

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 most significant judgements related to the going concern assumption (see note 2) and to the non-recognition of deferred tax assets (see note 10).

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

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

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

If there are no material recent investments, the group employs a valuation methodology to determine fair value. Where a fair value cannot be estimated reliably due to the range of reasonably possible fair value measurements and/or an inability to reasonable assess the probabilities of various fair value measurements, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired.

At present, there is a significant range of possible fair value estimates and the probabilities of the various estimates cannot be reliably measured. Hence, the investments are measured at cost less accumulated impairment.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS continued

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 current trade and 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 £306k (2016: £75k) was made against recoverability of loans receivable (see note 6).

4. SEGMENTAL REPORTING

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

The Directors are of the opinion that, whilst each subsidiary (the operations of which are described in the Portfolio Companies section of the Strategic Report) meets the definition of an operating segment, they can be aggregated into one single reportable segment as they share similar economic characteristics. Each subsidiary is engaged in the development of intellectual property and are largely pre-revenue. The Board of Directors assess the performance of the operating segment using financial information which is measured and presented in a manner consistent with that in the financial statements.

5. EMPLOYEES AND DIRECTORS

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

	2017 Number	2016 Number
Central Group functions *	**8**	9
Research and development and Engineering	**23**	33
Sales and other	**10**	11
	41	53

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

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

	2017 £000's	2016 £000's
Wages and salaries	**4,468**	5,751
Social security costs	**360**	464
Share-based payment charge	**208**	241
Pension costs	**110**	101
	5,146	6,557

The Group makes pension contributions for certain employees into money purchase schemes. The total expense relating to these plans in current year was £110k (2016: £101k). There were no outstanding contributions at the end of the financial year.

The aggregate remuneration of key management comprised:

	2017 £000's	Restated 2016 £000's
Wages and salaries	**536**	618
Social security costs	**72**	83
Share-based payment charge	**121**	98
Pension costs	**33**	36
Benefits in kind	**7**	8
Consultancy fees	**-**	10
	769	853

6. OTHER COSTS

	2017 £000's	2016 £000's
Provision against recoverability of loan	**306**	75
Share-based payments (note 26)	**208**	241
	514	316

7. FINANCE INCOME

	2017 £000's	2016 £000's
Interest income arising from:		
Cash and cash equivalents	**12**	43
Loans	**31**	51
	43	94

8. FINANCE EXPENSE

	2017 £000's	2016 £000's
Interest payable on loans	**11**	8

9. LOSS FROM OPERATIONS

The loss before income tax is stated after charging:

	2017 £000's	2016 £000's
Depreciation of property, plant and equipment (see note 13)	**221**	141
Loss / (Profit) on disposal of plant, property and equipment	**3**	(1)
Provision against recoverability of loan	**306**	75
Operating lease charges:		
- land and buildings	**684**	546
Net foreign exchange gains / (loss)	**4**	(184)
Fees payable to the Company's auditor for the audit of the Company's financial statements	**8**	8
Audit of the Company's subsidiaries pursuant to legislation	**39**	35
Fees payable to the Company's auditors for other services:		
- Tax compliance services	**-**	1
- Tax advisory services	**-**	7
- Audit related services	**14**	12

10. TAXATION

Analysis of tax credit / (charge)	**2017 £000's**	2016 £000's
Current tax:		
UK research and development tax credit	**96**	-
UK research and development tax credit in respect of prior years	**88**	-
UK tax credit in respect of prior year	**18**	-
UK tax charge for the year	**-**	(18)
Income tax credit / (charge) on current year loss	**202**	(18)
Total income tax credit /(charge) in the Consolidated Income Statement	**202**	(18)

Factors affecting the tax expense

The tax credit / (charge) 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:

	2017 £000's	2016 £000's
Loss before taxation	**(9,580)**	(12,392)
Tax at domestic rates applicable to losses in the respective countries 28.32% (2016: 39.3%)	**2,714**	4,871
Effects of:		
Expenses not deductible for tax purposes	**(76)**	(1,876)
Income not taxable	**1,008**	-
Adjustments in respect of prior period	**106**	-
Capitalisation and amortisation of R&D in US – Timing difference	**(207)**	(675)
Loan interest tax deductible upon payment – Timing difference	**(240)**	(223)
Unutilised tax losses arising in the period	**(3,103)**	(2,614)
Deferred tax not recognised	**-**	499
Income tax credit / (charge)	**202**	(18)
Total income tax credit / (charge) in the Consolidated Income Statement	**202**	(18)

Tax effects relating to effects of other comprehensive income

There are tax losses available to carry forward against future trading profits from continuing operations of approximately £32,997k (2016: £14,480k). A deferred tax asset in respect of these losses of approximately £8,492k (2016: £4,660k) has not been recognised in the accounts, as the utilisation of these losses in the foreseeable future is uncertain. Deferred tax assets of approximately £2,247k and £495k relating to R&D costs capitalised for tax purposes and accrued loan interest respectively have not been recognised in the accounts as the utilisation of these assets in the foreseeable future is uncertain. The R&D capitalised cost will transfer to unutilised tax losses over a period of 15 years and the loan interest will transfer to unutilised tax losses upon settlement of the accrued interest.

11. DISCONTINUED OPERATIONS

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

	Year ended 2017 £000's	Year ended 2016 £000's
Research and development costs	-	(238)
General and administrative costs	-	(36)
Loan write-off	-	91
Loss from operations	-	(183)
Loss before taxation	-	(183)
Attributable tax credit	-	-
Loss after tax	-	(183)
Loss on divestment of subsidiaries	-	(483)
Loss from sale of discontinued operations after tax	-	(483)
Loss for the year	-	(666)

Subsidiaries disposed of in the prior year were Glucosense Diagnostics Limited, Triventis Health LLC and SwissScientific SA.

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

		2017 £000's	**2016 £000's**
Loan written off		-	(684)
		-	(684)
Net (assets)/liabilities sold			
Trade and other receivables		-	(4)
Total assets		-	(4)
Loans		-	684
Total liabilities		-	684
Net (assets) / liabilities		-	680
Gains arising from changes in minority shareholdings	*	-	(171)
Non-controlling interests	**	-	(308)
Loss on disposal		-	(483)
Tax		-	-
Loss recognised in year		-	(483)

* Minority shareholdings in relation to Glucosense Diagnostics Limited.
** Non-controlling interests in relation to Triventis Health LLC.

11. DISCONTINUED OPERATIONS continued

Cash flows from subsidiaries disposed of	31 December 2017 £000's	31 December 2016 £000's
Net cash used in operating activities	-	(297)
Tax received	-	82
Net decrease in cash and cash equivalents	-	(215)
Cash and cash equivalents at beginning of year	-	354
Loan repayments to Group companies by subsidiaries disposed of	-	(150)
Exchange gains on cash and cash equivalents	-	11
Cash and cash equivalents at end of year	-	-

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 2017 of 1,812,257 (see note 27) are not treated as dilutive as the entity is loss making.

	2017 £000's	2016 £000's
Loss attributable to equity holders of the Company		
Continuing operations	**8,318**	10,623
Discontinued operations	**-**	572
Total	**8,318**	11,195
Number of shares		
Weighted average number of ordinary shares in issue	**61,016,509**	51,075,695

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvement £000's	Furniture, fittings and equipment £000's	Plant and machinery £000's	Totals £000's
Cost				
At 1 January 2016	-	98	285	383
Exchange adjustments	-	21	90	111
Additions (I)	100	72	398	570
Disposals	-	(15)	-	(15)
At 31 December 2016	100	176	773	1,049
Exchange adjustments	-	(15)	(81)	(96)
Additions	-	37	362	399
Disposals	-	(8)	-	(8)
At 31 December 2017	100	190	1,054	1,344
Depreciation				
At 1 January 2016	-	17	81	98
Exchange adjustments	-	6	28	34
Charge for the year	3	37	101	141
Disposals	-	(3)	-	(3)
At 31 December 2016	3	57	210	270
Exchange adjustments	-	(7)	(28)	(35)
Charge for the year	9	39	173	221
Disposals	-	(3)	-	(3)
At 31 December 2017	12	86	355	453
Net book value				
At 31 December 2017	**88**	**104**	**699**	**891**
At 31 December 2016	97	119	563	779
At 31 December 2015	-	81	204	285

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

14. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

14(a) Subsidiaries

The Group had the following subsidiaries at 31 December 2017:

Name	Primary trading address	Country of incorporation or registration	Proportion of ownership interest at 31 December 2017	Proportion of ownership interest at 31 December 2016	Proportion of ownership interest held by non-controlling interests at 31 December 2017	Proportion of ownership interest held by non-controlling Interests at 31 December 2016
NetScientific UK Limited	(a)	UK	**100%**	100%	**-**	-
ProAxsis Ltd *	(b)	UK	**56.5%**	56.5%	**43.5%**	43.5%
Healthbox Israel LLP * (ii)	(g)	UK	**50%**	50%	**50%**	50%
IsraelScientific Ltd *	(a)	UK	**100%**	100%	**-**	-
NetScientific America, Inc.	(c)	USA	**100%**	100%	**-**	-
Vortex BioSciences, Inc. (i)	(d)	USA	**95%**	95%	**5%**	5%
Wanda, Inc. (i), (iii)	(e)	USA	**70.8%**	70.9%	**29.2%**	29.1%
Glycotest, Inc. (i)	(f)	USA	**87.5%**	87.5%	**12.5%**	12.5%

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

* Held via an intermediate holding company.

All of the ownerships shown above relate to ordinary shareholdings.

(i) Options have been issued by ProAxsis Ltd, Vortex BioSciences, Inc., Wanda, Inc. and Glycotest, Inc. which if exercised would dilute the Company's shareholding by 3%, 29%, 9% and 21% respectively.
(ii) A Deed of Termination was entered into as of 14 November 2017, with dissolution of the entity to take place following final accounting in early 2018. 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) Following issue of further shares during the year the Group's interest was reduced to 70.8% on 1 May 2017.

(a) Anglo House, Bell Lane Office Village, Bell Lane, Amersham, Buckinghamshire, HP6 6FA.
(b) Unit 1B, Concourse Building, 3, Catalyst Inc, Titanic Quarter, 6 Queens Road, Belfast, BT3 9DT, Northern Ireland.
(c) 1650 Market Street, Suite 4900, Philadelphia, Pennsylvania, 19103-7300, United States of America.
(d) 1505 O'Brien Drive, Suite C, Menlo Park, CA 94025, United States of America.
(e) 95 Third Street, San Francisco, CA 94103, United States of America.
(f) 77 Water Street, Suite 817, New York, NY 10005, United States of America.
(g) Ground Floor, Bury House, 31 Bury Street, London, England, EC3A 5AR

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

14. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS continued

14(b) Non-controlling interests

The total non-controlling interest at 31 December 2017 is £4,573k (2016: £3,875k), of which £2,608k (2016: £2,481k) is for Wanda, Inc. and £831k (2016: £661k) 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**	
	2017	2016	**2017**	2016
	£000's	£000's	**£000's**	£000's
Assets				
Non-current assets	**27**	452	**660**	491
Current assets	**72**	222	**310**	434
Total assets	**99**	674	**970**	925
Liabilities				
Current liabilities	**(9,045)**	(9,199)	**(17,594)**	(14,146)
Total liabilities	**(9,045)**	(9,199)	**(17,594)**	(14,146)
Net liabilities	**(8,946)**	(8,525)	**(16,624)**	(13,221)
Non-controlling interests	**(2,608)**	(2,481)	**(831)**	(661)

Summarised statement of comprehensive income

	Wanda, Inc. For the year ended 31 December		**Vortex BioSciences, Inc. For the year ended 31 December**	
	2017	2016	**2017**	2016
	£000's	£000's	**£000's**	£000's
Revenue	**110**	517	**105**	11
Loss for the year before and after taxation	**(1,303)**	(3,554)	**(4,960)**	(5,628)
Other comprehensive income	**-**	-	**-**	-
Total comprehensive loss for the year	**(1,303)**	(3,554)	**(4,960)**	(5,628)
Total comprehensive loss attributable to non-controlling interests	**(379)**	(1,021)	**(246)**	(281)

14. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS continued

14(b) Non-controlling interests continued

Summarised cash flows

	Wanda, Inc.		Vortex BioSciences, Inc.	
	31 December 2017 £000's	31 December 2016 £000's	**31 December 2017 £000's**	31 December 2016 £000's
Net cash used in operating activities	**(2,128)**	(3,402)	**(4,816)**	(5,028)
Net cash received / (used) in investing activities	**1,313**	(369)	**(391)**	(321)
Net cash inflows from financing activities	**743**	3,466	**5,314**	5,393
Net decrease in cash and cash equivalents	**(72)**	(305)	**107**	44
Cash and cash equivalents at beginning of year	**92**	360	**49**	-
Exchange (losses) / gains on cash and cash equivalents	**(6)**	37	**(10)**	5
Cash and cash equivalents at end of year	**14**	92	**146**	49

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

15. INVESTMENTS IN ASSOCIATE

The losses recognised in the income statement in respect of associate are as follows:

	2017 £000's	2016 £000's
Associate	**45**	49
	45	49

15(a) Investments in Associate

	2017 OncoVerse LLC £000's	2016 OncoVerse LLC £000's
At 1 January	**357**	-
Exchange movement	**(20)**	-
Additions	**-**	406
Loss after tax recognised in the consolidated income statement	**(45)**	(49)
	292	357
Consideration on disposal of interest	**(1,477)**	-
Cost incurred on disposal of interest	**167**	-
Exchange movement	**(8)**	-
Gain on disposal after tax recognised in the consolidated income statement	**1,026**	-
At 31 December	**-**	357

On 20 April 2017, the Groups subsidiary company Wanda, Inc. disposed of its entire holding of 35.9% in OncoVerse LLC, a San Francisco based digital health company.

15. INVESTMENTS IN ASSOCIATE continued

15(a) Investments in Associate continued

Set out below is the summarised financial information of OncoVerse LLC which has been accounted for using the equity method.

Summarised balance sheet	OncoVerse LLC As at 31 December 2017 £000's	OncoVerse LLC As at 31 December 2016 £000's
Fixed Assets		
Intangibles	-	313
Current assets		
Cash and cash equivalents	-	395
Trade receivables	-	27
Current liabilities		
Trade and other payables	-	(75)
Net assets	-	660

Summarised statement of comprehensive income	OncoVerse LLC 1 January to 20 April 2017 (ii) £000's	OncoVerse LLC 26 February to 31 December 2016 (i) £000's
Revenue	-	70
Loss for the period before and after taxation	**(130)**	(137)
Other comprehensive income	-	-
Total comprehensive loss for the period	**(130)**	(137)

(i) For the period 26 February, when the Group acquired its interest, to year end.
(ii) For the period to 20 April 2017, when the Group disposed of its interest.

16. AVAILABLE FOR SALE INVESTMENTS

Represent unquoted equity securities

	2017	2016
	£000's	£000's
At 1 January	**2,863**	1,807
Warrant exercised	**-**	100
Additions	**-**	956
At 31 December	**2,863**	2,863

Name	Country of incorporation	% of issued share capital	Currency denomination	£000's
PDS Biotechnology Corporation	USA	17.1%	US$	2,713
CytoVale, Inc.	USA	2.15%	US$	150
Other				-
				2,863

The shares in the above investments are not quoted in an active market. At present, there is a significant range of possible fair value estimates and the probabilities of the various estimates cannot be reliably measured. As such the investments have been measured at cost less accumulated impairment.

17. DERIVATIVE FINANCIAL ASSETS

Warrants	2017 £000's	2016 £000's
Balance at 1 January	**18**	100
Warrants issued	**-**	18
Warrants exercised	**-**	(100)
Balance at 31 December	**18**	18

The warrant has been previously valued using the Black-Scholes Model and a level 3 fair value hierarchy, given the unobservable data for volatility and its fair value. These warrants may be exercised at any time prior to May 2021.

18. INVENTORY

	2017 £000's	2016 £000's
Raw materials and consumables	**26**	-
Finished products	**60**	-
	86	-

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

19. TRADE AND OTHER RECEIVABLES

	2017 £000's	2016 £000's
Current:		
Trade receivables	**73**	80
Taxation	**207**	107
Other receivables	**584**	933
Prepayments	**108**	429
Accrued income	**42**	29
	1,014	1,578
Non-current: other receivables	**33**	37
Aggregate amounts	**1,047**	1,615

20. TRADE AND OTHER PAYABLES

	2017	2016
	£000's	£000's
Current:		
Trade payables	**233**	617
Other payables	**21**	-
Accruals	**490**	1,409
Deferred income	**33**	-
Tax payable	**-**	18
	777	2,044

21. LOANS AND BORROWINGS

	2017	2016
	£000's	£000's
Total falling due within one year	**128**	128
Total falling due after more than one year	**70**	80
Total	**198**	208
The maturity of the loans are as follows:		
Amounts falling due within one year on demand	**128**	128
Amounts falling due between one and two years	**10**	10
Amounts falling due between two and five years	**40**	40
Amounts falling due over five years	**20**	30

Loans and borrowings represent:

An unsecured loan note of £100k has been issued by a UK subsidiary, of which £80k is outstanding as at 31 December 2017. There is no interest charged and is payable in equal instalments of £10k. First instalment upon signing of document and then equally over 9 years.

An unsecured convertible loan note for £100k plus accrued interest of £18k 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, it is materially correct to recognise these instruments at amortised cost based on their nominal value and therefore no element has been reallocated as equity.

22. CALLED UP SHARE CAPITAL

Authorised, issued and fully paid:	**2017** **£000's**	2016 £000's
69,038,057 ordinary shares of 5p each (2016: 51,075,695 of 5p each)	**3,452**	2,554

On 12 June 2017, the company issued 17,962,362 of 5p ordinary shares at 45p per share respectively, raising net funds of £7,504k.

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 by 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.

24. FINANCIAL INSTRUMENTS

	2017	Restated 2016
	£000's	£000's
Financial assets measured at amortised cost	**732**	1,079
Available for sale financial assets (note 16 and 17)	**2,881**	2,881
Financial liabilities measured at amortised cost	**(942)**	(2,234)

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

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

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

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

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

	Total	Floating borrowings	Fixed borrowings	Weighted average interest rate
	£000's	£000's	£000's	%
As at 31 December 2017				
Sterling	118	-	118	10%
Sterling	80	-	80	0%
	198	**-**	**198**	**6%**
As at 31 December 2016				
Sterling	108	-	108	10%
Sterling	100	-	100	0%
	208	-	208	5%

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

Interest rate and currency of cash balances
Floating rate financial assets of £6,868k (2016: £9,456k) comprises sterling £3,882k (2016: £4,281k) and US dollar US$4,054k (2016: US$6,367k) cash deposits with the banks current accounts. Interest receivable for the year ended 31 December 2017 was £12k (2016: £43k).

Interest rate and currency of loans
The Group has purchased loan notes totalling US$1,100k (2016: US$1,600k) which have accrued interest of US$178k (2016: US$123k). The interest rate on loan notes totalling US$850k is fixed at 6% and on loan notes for US$250k the rate is 7%. The loan notes are not part of Cash and Cash Equivalents.

24. FINANCIAL INSTRUMENTS continued

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

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

	2017 **£000's**	**2016** **£000's**
Cash balances	(271)	(300)
Trade receivables	(1)	(7)
Other receivables	(51)	(81)
Trade payables	18	37
Other payables	2	-
Accruals	32	92

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

Credit risk
The Group follows a risk-averse policy of treasury management. Sterling and US dollar cash balances are held with reputable financial institutions to minimise credit risk. The Group's primary treasury objective is to minimise exposure to potential capital losses whilst at the same time securing prevailing market rates. Additionally, the Group has borrowings in Sterling. Credit risk attributable to trade and other receivables is detailed below. There are no assets past their due date that have not been impaired. The carrying amount of these assets represents the maximum credit exposure:

	2017 **£000's**	2016 £000's
Trade receivables	**73**	80
Other receivables	**584**	933
	657	1,013

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 and below for profile of maturities.

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

24. FINANCIAL INSTRUMENTS continued

Liquidity Risk

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

	2017	2016
	£000's	£000's
1 year or less		
Trade payables	**186**	617
Other payables	**21**	-
Accruals	**537**	1,409
Loans and borrowings	**128**	128
Total	**872**	2,154
1-2 years		
Loans and borrowings	**10**	10
Total	**10**	10
2-5 years		
Loans and borrowings	**40**	40
Total	**40**	40
Over 5 years		
Loans and borrowings	**20**	30
Total	**20**	30

25. CONTINGENT LIABILITIES

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

26. COMMITMENTS

Operating lease commitments

At 31 December 2017, the Group had the following future value of minimum lease payments due as set out below:

	Land and buildings	
	2017	2016
	£000's	£000's
Within one year	**368**	407
In the second to fifth years inclusive	**166**	257
In the sixth to tenth year inclusive	**142**	180

27. SHARE-BASED PAYMENTS

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

Total options existing over 5p ordinary shares in the Company as of 31 December 2017 are summarised below:

Date of Grant	Number of shares at 1 January 2017	Granted during the year	Lapsed during the year	**Number of shares as at 31 December 2017**	Note	Exercise price	Date of expiry *
September 2013	2,373,631	-	(1,835,101)	**538,530**	1	£1.60	September 2023
January 2014	119,673	-	(119,673)	**-**	2	£1.60	January 2024
November 2015	439,020	-	(14,173)	**424,847**	4	£1.195	November 2025
February 2016	220,000	-	(11,120)	**208,880**	3	£0.862	February 2026
June 2016	260,000	-	-	**260,000**	3	£0.797	June 2026
January 2017	-	380,000	-	**380,000**	3	£0.655	January 2027
	3,412,324	380,000	(1,980,067)	**1,812,257**			

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

1. Options were granted on 16 September 2013, the date of the Company's Admission to AIM. The vesting terms were one third on date of grant, the next third on the first anniversary of the date of Admission and the final third on the second anniversary of the date of Admission.
2. Options vest at the rate of one third per year commencing one year after the date of grant.
3. Options vest in three years after the date of grant.
4. 65,827 options vest on 30 January 2018 and 359,020 options vest on 8 June 2018.

27. SHARE-BASED PAYMENTS continued

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

	2017 Weighted average exercise price £	**2017 Number**	2016 Weighted average exercise price £	2016 Number
Outstanding at 1 January	**1.44**	**3,412,324**	1.54	3,081,936
Granted during the year	**0.66**	**380,000**	0.83	530,000
Lapsed during the year	**1.59**	**(1,980,067)**	1.42	(199,612)
Outstanding at 31 December	**1.11**	**1,812,257**	1.44	3,412,324

	2017 Weighted average exercise price £	**2017 Number**	2016 Weighted average exercise price £	2016 Number
Amounts exercisable at 31 December	**1.58**	**561,583**	1.60	2,493,304

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 £**
January 2017	0.665	0.665	0.54	4	40%	0.21

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 £208k (2016: £241k) (see note 6). £72k (2016: £170k) of this sum represents the share-based charge on options granted by subsidiary entities.

28. RELATED PARTY DISCLOSURES

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. Jonathan Paisner resigned from the Board on 25 October 2017.

Revenue includes £92k of sales to Oncoverse LLC which was an associate of the Group.

29. EVENTS AFTER THE REPORTING PERIOD

The Group intends to raise at least £5.0 million before costs via a conditional placing and subscription of new ordinary shares in the company with existing and new investors.

30. ULTIMATE CONTROLLING PARTY

The Directors believe there to be no ultimate controlling party.

NETSCIENTIFIC PLC (REGISTERED NUMBER: 08026888)

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017**	2016
		£000's	£000's
Fixed assets			
Tangible assets	7	**14**	19
Investment in subsidiary undertakings	8	**1,208**	1,208
Other investments	9	**2,880**	2,880
Loans to subsidiary undertakings	10	**29,461**	26,406
Total non-current assets		**33,563**	30,513
Current assets			
Debtors: amounts falling due within one year	11	**211**	252
Cash at bank		**3,779**	4,219
Total current assets		**3,990**	4,471
Creditors			
Amounts falling due within one year	12	**(138)**	(522)
Net current assets		**3,852**	3,949
Net assets		**37,415**	34,462
Capital and reserves			
Called up share capital	13	**3,452**	2,554
Share premium account	14	**53,839**	47,233
Capital redemption account	14	**237**	237
Retained earnings	14	**(20,113)**	(15,562)
Total equity		**37,415**	34,462

The notes on pages 69 to 76 are an integral part of these financial statements.

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The loss dealt with in the financial statements of the Parent Company for the year ended 31 December 2017 was £4,687k (2016: £2,406k).

The financial statements on pages 67 to 76 were approved by the Board of Directors on 28 March 2018 and signed on its behalf by:

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

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £000's	Share premium £000's	Capital redemption reserve £000's	Retained earnings £000's	**Total equity £000's**
Balance at 1 January 2016	2,554	47,233	237	(13,226)	36,798
Loss and total comprehensive loss for the year	-	-	-	(2,406)	(2,406)
Share-based payments	-	-	-	70	70
Balance at 31 December 2016	**2,554**	**47,233**	**237**	**(15,562)**	**34,462**
Issue of share capital	898	7,185	-	-	8,083
Costs of share issue	-	(579)	-	-	(579)
Loss and total comprehensive loss for the year	-	-	-	(4,687)	(4,687)
Share-based payments	-	-	-	136	136
Balance at 31 December 2017	**3,452**	**53,839**	**237**	**(20,113)**	**37,415**

1. GENERAL INFORMATION

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

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

Exemptions

The parent company has taken advantage of the following exemptions available under FRS 102:
- the exemption from preparing a statement of cash flows;
- the exemption from disclosing key management personnel compensation; and
- reduced disclosures for share-based payments (as equivalent disclosures have been given in the Consolidated Financial Statements presented alongside the parent Company's own financial statements).

2. ACCOUNTING POLICIES

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

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

Interest income
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

2. ACCOUNTING POLICIES continued

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 26 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.

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.

The Company's investments in entities not qualifying as subsidiaries, associates or jointly controlled entities are carried at fair value with changes in fair value, 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 reserves.

If there is a significant range of possible fair value estimates and the probabilities of the various estimates cannot be reliably measured, then the investments are measured at cost less accumulated impairment.

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

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

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 Statement of Financial Position 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 Statement of Financial Position 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 Statement of Financial Position date.

2. ACCOUNTING POLICIES continued

Taxation continued

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 most significant judgements related to the going concern assumption (see note 2) and to the non-recognition of deferred tax assets (see note 10).

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

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

If there are no material recent investments, the group employs a valuation methodology to determine fair value. Where a fair value cannot be estimated reliably due to the range of reasonably possible fair value measurements and/or an inability to reasonable assess the probabilities of various fair value measurements, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS continued

Valuation of investments in, and loans to subsidiary undertakings

The Company assesses at the end of each reporting period whether there is objective evidence that the investment in, and loans to, subsidiary undertakings are impaired. Given the pre-revenue nature of the investments the assessment is based on the carrying value of each subsidiary Company's assets and the progress of their scientific programmes. Management does not currently view an impairment of any subsidiary investment as likely under foreseeable circumstances over the next 12 months. This belief is based on stress testing the fundamental investment valuations for each of the investee companies and management have reviewed that any changes to the fundamentals would not give rise to a material impact to the Company financial statements. During the year, a provision of £nil (2016: £84,000) was made against the investment in subsidiary undertakings and £137k released (2016: £5,956k increased) against the loans to subsidiary undertakings. This has no impact to the Group financials.

4. PROFIT OF THE PARENT COMPANY

Auditors' remuneration

The remuneration of the auditors is disclosed in note 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 26 to 28 of the Consolidated Financial Statements.

6. EMPLOYEES AND DIRECTORS

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

	2017 Number	2016 Number
Central Group functions *	**8**	9
	8	9

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

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

	2017 £000's	2016 £000's
Wages and salaries	**1,011**	1,192
Social security costs	**129**	151
Share-based payment charge	**136**	70
Pension costs	**60**	61
	1,336	1,474

The Company makes defined pension contributions for certain employees into money purchase schemes. The total expense relating to these plans in current year was £60k (2016: £61k). There were outstanding contributions of £nil (2016: £nil) and no prepaid contributions (2016: £nil) at the end of the financial year.

7. TANGIBLE ASSETS

	Fixtures, fittings and equipment £000's
COST	
At 1 January 2017	24
Additions	3
Disposals	(1)
At 31 December 2017	**26**
DEPRECIATION	
At 1 January 2017	5
Charge for the year	7
Disposals	-
At 31 December 2017	**12**
NET BOOK VALUE	
At 31 December 2017	**14**
At 31 December 2016	19

8. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	£000's
At 1 January 2017	1,208
Movement	-
At 31 December 2017	**1,208**

Details of the Company's subsidiary undertakings at 31 December 2017 are included in note 14 to the Consolidated Financial Statements on page 52.

9. OTHER INVESTMENTS

	2017	2016
	£000's	£000's
At 1 January	**2,880**	1,907
Additions	**-**	973
At 31 December	**2,880**	2,880

Name	Country of incorporation	% of issued share capital	Currency denomination	Cost £000's
PDS Biotechnology Corporation	USA	17.1%	US$	2,730
CytoVale, Inc.	USA	2.15%	US$	150
				2,880

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.

10. LOANS TO SUBSIDIARY UNDERTAKINGS

	2017	2016
	£000's	£000's
At 1 January	**26,406**	12,792
Additions	**6,377**	14,803
Provisions	**137**	(5,956)
Exchange movement	**(3,459)**	4,767
At 31 December	**29,461**	26,406

The amounts due from subsidiary undertakings are unsecured and repayable on demand. Interest has been charged on certain loans. A provision in the year was made for Wanda, Inc. £nil (2016: £5,000k), NetScientific UK Ltd £137k release (2016: £237k increase) and NetScientific America, Inc. £nil (2016: £719k).

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£000's	£000's
Other receivables	**49**	51
Prepayments	**61**	139
Accrued income	**1**	-
Other taxes and social security	**100**	62
	211	252

Financial assets measured at amortised costs comprise other receivables.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£000's	£000's
Trade creditors	**27**	192
Accruals	**111**	314
Corporation tax	**-**	16
	138	522

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

13. CALLED UP SHARE CAPITAL

	2017	2016
	£000's	£000's
Issued and fully paid:		
69,038,057 ordinary shares of 5p each (2016: 51,075,695)	**3,452**	2,554

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 2017 are shown in note 27 of the Consolidated Financial Statements.

14. RESERVES

A description of each reserve is set out below.

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

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

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

15. RELATED PARTY TRANSACTIONS

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

	Amount due from as at 2017 £000's	Amount due from as at 2016 £000's
Vortex BioSciences, Inc.	**17,278**	13,181
Wanda, Inc.	**8,134**	8,792
Glycotest, Inc.	**3,066**	2,409

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

	2017 £000's	2016 £000's
Vortex BioSciences, Inc.	**195**	317
Wanda, Inc.	**196**	297
Glycotest, Inc.	**77**	76

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

	2017 £000's	2016 £000's
Vortex BioSciences, Inc.	**350**	328
Wanda, Inc.	**257**	241
Glycotest, Inc.	**77**	72

Other related parties have been disclosed in note 28 to the Consolidated Financial Statements.

DIRECTORS:	Sir R Sykes F R Martelet M.D. I Postlethwaite B W Wilson S Smith
SECRETARY:	I Postlethwaite
REGISTERED OFFICE:	Anglo House, Bell Lane Office Village Bell Lane Amersham Buckinghamshire HP6 6FA
REGISTERED NUMBER:	08026888 (England and Wales)
AUDITORS:	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton Hampshire SO14 3TL
SOLICITORS:	DLA Piper UK LLP 3 Noble Street London EC2V 7EE