genedrive

genedrive plc
Annual Report and
Accounts 2021

Advancing molecular diagnostics to the point-of-care

Who We Are

genedrive plc is a commercial-stage molecular diagnostics business

What we do

Our Genedrive® device is a low cost, rapid, versatile, simple-to-use and robust point-of-need molecular diagnostics platform for the diagnosis of infectious diseases and for use in patient stratification (genotyping), pathogen detection and other indications.

We have developed innovative tests for the detection of HCV, Antibiotic Induced Hearing Loss detection for neonates, pathogen detection of biological military threats, a high throughput SARS-CoV-2 assay which could be used at the point-of-care for COVID-19 detection in areas such as healthcare, workplace screening, travel requirements, or confirmation of antigen tests.

Acronyms used throughout this document:

HCV	Hepatitis C Virus
DoD	US Department of Defense
AIHL	Antibiotic Induced Hearing Loss
CoV-2	SARS-CoV-2
CoV-POC	Genedrive® COV19-ID Kit
POC	Point of Care

Our Performance

Financial Highlights

- Revenue for the year to 30 June 2021 of £0.7m (2020: £1.1m)
- Loss for the year of £0.7m (2020: £19.4m loss)
- Year-end cash of £2.6m (2020: £8.2m)
- Balance sheet debt free following conversion of £2.5m Loan Notes
- Unaudited cash of £7.3m at 31 October 2021 after successful equity fundraise of £7.1m (gross) announced in September 2021

Operational Highlights

- Antibiotic Induced Hearing Loss trials successfully completed in June 2021 with 750 babies tested, accuracy confirmed at 100% and Key Opinion Leader launch ongoing
- Post year end new Genedrive® system CE marked and product launched 29 September 2021
- Mountain Horse Solutions appointed as specialist US military distributors in March 2021 to drive US military adoption
- Point of care COVID-9 studies to support final CE submission stage due to complete imminently

See pages 2 and 3

Contents

Company Assay Update

Responding to molecular diagnostic opportunities

On Market

Genedrive® MT-RNR1:
the only commercial test for Antibiotic Induced Hearing Loss. The assay meets the clinical needs of speed and accuracy – delivering a point-of-care molecular result within 1 hour of admission.

Commercial update:

- Independent hospital performance trials enrolled 750 neonates, completed June 2021
- New touchscreen Genedrive® unit developed and CE marked 29 September 2021
- Early adopter UK sites identified
- EU pilot site established
- Key Opinion Leader (KOL) and commercial roll-out beginning Autumn 2021

Genedrive® BioPlex:
for the rapid determination of military biothreats from pathogens.

Commercial update:

- Revenues of £0.3m in the year (2020: £0.4m)
- Mountain Horse Solutions appointed as specialist distributor in March 2021
- Mountain Horse's contractual relationship with the DoD expected to facilitate more rapid order placement and replenishment
- Responded to increased number of requests for information and quotes in the period
- Customer indicated an intention to procure circa 500 units over three years in Autumn 2020, expect decision in the new calendar year

Genedrive® HCV ID Kit:
Proven effective in the diagnosis of HCV infection in resource limited settings.

Commercial update:

- Product CE marked in 2017 and launched in 2018
- 2021 FIND study across 426 patients in two countries. Sensitivity 100% across all HCV genotypes
- Sales activity disrupted by COVID-19 pandemic
- There are difficulties with maintaining WHO pre-qualified status and this may be lost in the short term

Genedrive® 96 SARS-CoV-2 Kit:

96 well plate format of a COVID-19 molecular test for high throughput use that detect all known variants of COVID-19.

Commercial update:

- CE marked May 2020
- Excellent performance data in independent studies
- Sales to June 2021 of £0.3m (2020: £nil)
- Lack of Emergency Usage Authorisation from FDA is a major hurdle to adoption in the chosen market of the US

Soon to be launched

Genedrive® COV19-ID Kit:

an innovative rapid point-of-care molecular test for COVID-19

- Simple workflow test developed for use with nasal swabs
- Results in as little as 10 minutes
- Final studies to support CE marking expected to complete imminently. Product launch to follow successful outcome

Antibiotic Induced Hearing Loss ('AIHL')

Genedrive® MT-RNR1-ID Kit is the world's first rapid genetic test in an emergency neonatal care setting

> Despite the distractions of COVID-19, our clinical partners demonstrated dedication in keeping this important project on track, becoming the first in the world to generate valuable information on the utility of this test in an emergency care setting.

David Budd
Chief Executive Officer

750 babies tested

160 hospital staff trained to provide rapid testing

Market

Ototoxicity from antibiotics is a widely known issue with its own specific clinical guidance on genetic mutation management, given their role in hearing loss. Approximately 1 in 500 carry a mutation causing ototoxicity related to gentamicin. NHS clinicians approached genedrive to develop the test for use with infants in emergency care. This required a molecular screening test that could be concluded within the "golden hour" – the 1-hour window after admission in which antibiotics should be administered. Around 100,000 infants are admitted to intensive care each year in the UK. The Genedrive® MT-RNR1-ID Kit can support a new standard of care in the NHS to test all these infant intensive care admissions for ototoxicity before administering gentamicin.

Progress

The test was developed in 2019 using £0.6m of funding from a £1.1m grant from the National Institute of Health Research. A performance trial commenced in 2020 and, owing to some inevitable delays due to COVID-19, was completed in June 2021. The trial successfully tested 750 babies and the test was confirmed as 100% accurate using DNA sequencing to confirm the Genedrive® MT-RNR1-ID Kit results. The conclusion from the trial was that the test can be administered within the current admission pathway of an infant, allowing correct drug administration within the "golden hour" timeframe.

A number of product enhancements were developed following output from the 160 nurses who used the Genedrive® MT-RNR1 Kit test in the trial. These enhancements were primarily around ease of use, larger data input screen and combining the instrument parts into a single module. These changes were CE marked as a new product in September 2021.

Outlook

genedrive is starting the commercial launch and activities in the final quarter of the current calendar year. This is an exciting stage of the product and we are rolling out a focused plan to:

- Target key opinion leaders and early adopters in a first phase within the UK and Ireland via commercial partner Inspiration Healthcare plc (IHC), and expect those involved in trial and development work to date to be part of this group
- Expand the geographic focus into the EU, building on our already established EU pilot site
- Support roll out with a new business development team (2-3 FTEs) working alongside our specialist distributor IHC, to drive uptake and commercial traction
- Enter the US market (subject to funding) where the clinical and legal framework is positive for the adoption of this product.

COVID-19 Point of Care

A fast, easy-to-use and scalable point-of-care test to help us detect and manage COVID-19 infection

10 minutes
Positive result from nasal swab

Infections detected as quickly as 10 minutes

Market

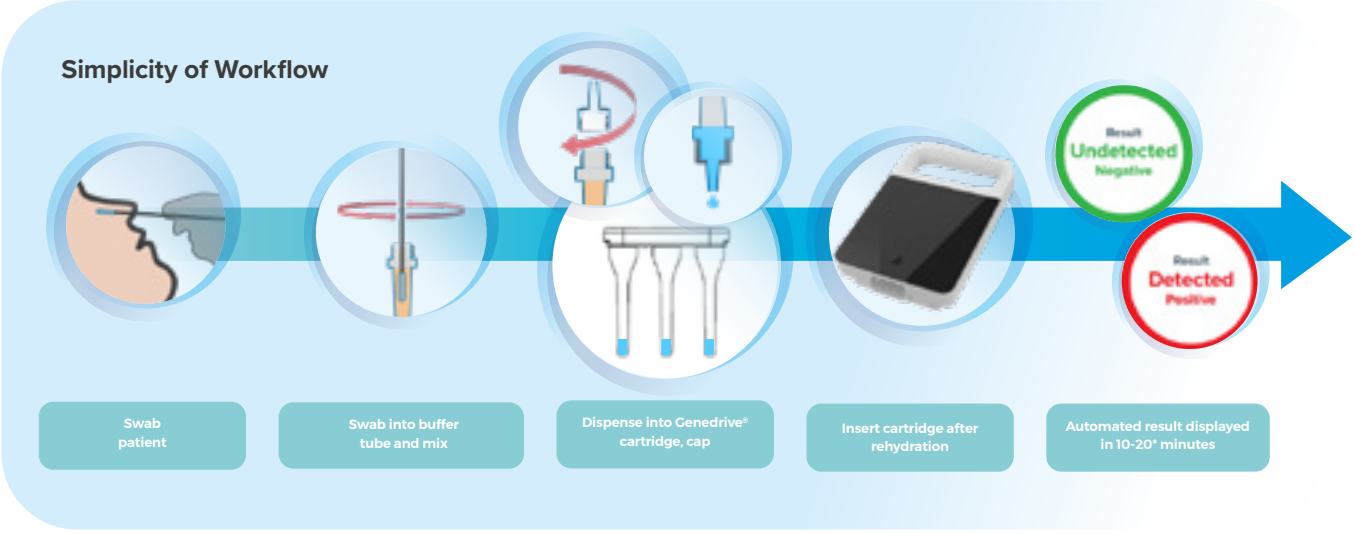
Despite good vaccination rates in the UK, much of the world remains unvaccinated and global vaccination thresholds are well below herd immunity requirements. Coupled with vaccine hesitancy, duration of vaccine protection and uneven roll-outs, we expect the market for point-of-care COVID-19 testing to continue to provide opportunities for genedrive.

Progress

genedrive has developed a test that provides a 'positive' result in as fast as 10 minutes. The test has a simple workflow, similar to lateral flow testing. Test performance to date on contrived samples has been excellent. There have been programme delays primarily related to the rate of receipt of clinical samples from our clinical partner site. Sample cohort recruitment is nearing completion, and we expect to complete the clinical studies imminently, which will inform the clinical performance parameter necessary for a CE mark application

Outlook

- Validation on patient samples is expected to complete imminently
- Primary service-provider partners have been identified and the product is due to be evaluated by a number of these
- We have development opportunities to transition to bead manufacture for lower cost and will aim to add a saliva sample option for further differentiation in the market



* Positives returned in 10 minutes; however, full cycle to confirm negative requires 20 minutes.
Final specifications subject to clinical performance.

Business Model

Committed to generating shareholder value by pushing the boundaries of innovation

Who we are

A highly specialised, agile company with a strong development, manufacturing and commercial track record developing highly accurate molecular diagnostic assays for use on our Genedrive® instrument.

We partner on manufacturing processes while retaining key value-add items in-house.

Our product is sold via a distributor network so that customers have local support.

How we create value

genedrive adds value through rapidly developing tests that lever the unique properties of the Genedrive® system.

- Attractive positions in growth markets
- Differentiated technology
- Deep instrument and molecular expertise
- Highly skilled people
- Entrepreneurial culture
- Experienced management team

Who benefits

Our people

- Reward and recognition
- Employee wellbeing
- Personal development and sense of belonging

Our partners

- Quality and innovation
- Rapid development of new products
- Contribution to healthcare fight

Our patients

- First-to-market solutions
- Availability of affordable testing

Underpinned by our values

Long-term delivery and growth underpinned by a set of values and frameworks that protect from unnecessary risk.

Robust risk management framework

- Appropriate risk management structure
- Risk managed to ensure the Group delivers its objectives
- Integrated approach to risk

See page 19

Effective governance structure

- High standard of corporate governance that aligns with the needs of the Company
- Experienced and knowledgeable Board
- A desire to 'punch above our weight' in terms of controls, processes and governance

See pages 20 to 35

Chairman's Statement

Resilient and innovative

> The Company is at an exciting stage with the imminent launch of two new products.

Ian Gilham, Ph.D.
Chairman

Dear Shareholder

During the past 12 months our development focus was on creating our POC COVID-19 test and completing the trials on our AIHL product. We are poised at an exciting position on both. 2020 did however bring challenges around sales of our high throughput COVID-19 test. Our commercial activities have been focused on seeking market opportunities for this COVID-19 test as well as our Military assays.

On Market Performance

It's appropriate that I first address our high throughput COVID-19 test that was the foundation of our equity raise in May 2020. We decided in early 2020 to bring a COVID-19 assay to market to capitalise on the emerging demand for PCR testing during the pandemic. The product, the Genedrive® 96 SARS-CoV-2 Kit, was CE marked in May 2020 and during the summer of 2020 we sought regulatory approvals in various territories. We had high expectations for the product that performed well in independent studies, but our commercial traction fell short of expectations. In hindsight our product was too late to the market to benefit from the rapid wave of regulatory approvals, despite the subsequent engagement of Beckman Coulter Life Sciences. The Company had focused on the US market owing to the commercial nature of that market, the high reimbursement rates and the number of private labs. Our distribution agreement with Beckman Coulter in late 2020 was designed to engage that market, however without FDA 'Emergency Use Authorisation', customers were unwilling to use non-authorised product, when other authorised products were available in the market. As such, we were unable to make any material progress in the US market. Looking forwards we see small pockets of demand globally and as we enter the winter months we are hopeful for additional sales. We are disappointed with falling short on expectation with this new product, but are taking the lessons learned into our commercial plans for our POC COVID-19 product.

The remainder of our revenues in the period came from our Military assays, sold to the US DoD. Our product for the DoD was initially developed in 2015 and we successfully incorporated their requirements to the Genedrive® unit. When the development ended in 2020 we moved to a commercial arrangement. Mountain Horse Solutions were appointed in March 2021 to support this commercial stage. Revenue in the year was £0.3m (2020: £0.4m) and we are working with Mountain Horse to try and successfully close the indictive order opportunity (previously announced as approximately 500 units over three years). We remain hopeful for this assay set in the medium term.

Development Update

AIHL

AIHL; we developed our Genedive® MT-RNR1 ID Kit in 2019 with funding from the National Institute of Health Research, and the assay's performance trial commenced at two Manchester neonatal settings in 2020. Despite extensions to the trial duration owing to COVID-19, our partners in the NHS worked throughout the pandemic and completed the study in June 2021. The study demonstrated that the test performed very well and can be accommodated in the care processes for urgent admissions prior to administering antibiotics. Various practical outputs from the trials were incorporated in the new Genedrive® system that was CE marked on the 29 September 2021. We are now moving into the commercial stage with key opinion leader launches across a small number of sites in the Autumn of 2021,

followed by a targeted site commercial plan in the new calendar year. We are complimenting Inspiration Healthcare's capabilities with targeted investments in our own business development team. The unique AIHL assay is new to the market and we will be proactive in promoting and educating clinicians and creating reimbursement/payment opportunities where needed, and see this investment in our own team as the best way to take ownership to drive adoption.

CoV-POC

CoV-POC; at the same time as the opportunistic development of a high throughput Coronavirus test in 2020 we announced the planned introduction of a POC COVID-19 test to exploit fully the opportunity for molecular testing for COVID-19. The Board sees the creation of a POC COVID-19 test on the Genedrive® as an excellent opportunity to exploit the fast, small and simple to use characteristics of our genedrive technology platform. Development began in late 2020 following the launch of the high throughput test. The product has a number of key competitive advantages that when taken together, we believe provides a very compelling product. We expect to complete the clinical studies imminently after some delays collecting clinical samples to support our studies. With positive performance data, we would then apply for CE marking, a process that now takes approximately two weeks post Brexit. Following this we will begin the commercial plan, and will be looking to sell the system to testing providers. The Company will continue to recruit and test clinical samples to meet the new and expanding requirements on the UK's DHSC. Based on preliminary interest received to date we are confident that we can make inroads into this market opportunity and generate attractive revenues in the short term and will plan to provide shareholders with further updates in due course.

Governance and People

It is vital to focus on governance and control during periods of rapid change and the Board has continued to review its governance framework to ensure that internal controls, values and culture align with our strategy and the objectives of the Company. This can be reviewed in our Corporate Governance Report on pages 20 to 23.

The Board remains focused on ensuring the effectiveness of the governance processes in the Group and that of its own performance. We will continue to review its effectiveness and believe we have a Board that appropriately reflects our strategy and ambition.

Funding

We completed a placing and open offer in early October 2021. The net proceeds of £6.6m extend our cash runway into 2023 using a prudent forecasting basis that excludes all material revenues, and position us well to successfully launch of our two POC products. Clearly generation of material revenues will further extend the Group's cash runway.

Outlook

Our short-term outlook is centered on the launch of two POC AIHL and CoV-POC.

The AIHL product is being launched in the Autumn of 2021 with appropriate short term expectations. We expect the assay to generate sales immediately and have targets for the number of settings that we will drive with Inspiration Healthcare. We expect reasonable penetration in the UK and the EU building on our pilot site in Greece. The true ramp in revenue will arrive when the product is written into UK care guidelines and we are working with our commercial and NHS partners to educate and promote these new capabilities to achieve this. We are also actively assessing opportunities for the AIHL test beyond the UK and will build a go to market strategy for these territories.

For CoV-POC we are truly excited by the potential of the product to make a short term impact. The expectation is that molecular testing will continue to move away from mass testing sites and more towards faster point-of-care testing, closer to the sample. While we still need to finalise the CE marking process and launch the product we believe our product profile is well positioned to capture this shift in requirements. As we learn to live with COVID-19, we believe this demand will continue for a considerable period of time and we will continue to maintain focus on commercialising our rapid point-of-care solution. Despite the continued use of lateral flow tests in the UK, given the published limitations of lateral flow COVID-19 tests, we still believe there is a significant market for molecular tests offering highly accurate results within rapid timescales both abroad and in the UK.

Outside of these two new assays there remains potential from our COVID-19 high throughput, Military and to a lesser extent HCV products. Each has the potential to provide attractive revenue streams in the short term, but without further clarity from customers our forecasts remain prudent. We expect HCV to provide a stream of revenue, but without funding to the developed world markets we do not foresee significant growth in the medium term. The Military assay set will continue to be promoted by Mountain Horse and we have moderate expectations from the opportunities they are identifying. The large sales opportunity for the product remains the fielding order of approximately 500 units over three years that the customer indicated in early 2020 – we expected the customer to decide on this procurement early in the new calendar year.

With the balance sheet strengthened by the post year end fund raise, our medium term strategy is around our new POC products and with a successful launch of the CoV-POC system we could generate sufficient cash to support the business until such time when we expect the AIHL product to be written into care guidelines. Once AIHL gains traction and momentum I believe we have the potential to grow the Company rapidly on the back of this niche, high margin assay. It has been a difficult period but I see the launch of our two new assays as pivotal for the future growth of the Company.

Dr Ian Gilham
Chairman
8 November 2021

Chief Executive's Review

Two exciting POC products at launch phase

> Despite a difficult year, we have continued to make great strides on product development and have two products due to be launched soon.

David Budd
Chief Executive Officer

Overview

Our AIHL test performed well in clinical trials and is now at its launch phase. And our second COVID-19 product, a point-of-care solution, is expected to come to market approximately at the same time as AIHL with a set of very attractive performance features that we believe will be differentiated in the market and see significant demand.

It has been a disappointing year for revenues and we have been unable to achieve the commercial traction on our high throughput COVID-19 test that we anticipated. There are a number of reasons for the performance and where relevant we are taking these issues forwards to focus and refine the launch of our new products.

Performance

In 2020, following the rapid shift of global healthcare systems towards testing and treatment of COVID-19, the Company made the strategic decision to develop two SARS-CoV-2 tests to detect active COVID-19 infections. The first test was a high throughput laboratory test and the second test a point-of-care test that will run on the Genedrive® instrument.

The high throughput test was CE marked in May 2020 and we commenced modest commercial sales in June 2020. Following the launch we saw the US market as key and applied for FDA emergency use authorisation (EUA) and outside of the US we focused our commercial attention on larger, more strategic opportunities that by their nature are higher risk. After applying for the FDA regulatory approvals in the US we began working with Beckman Coulter to validate their extraction chemistry with saliva and contracted with them to distribute our product shipping an initial £0.3m, which was a significant commendation for genedrive and our product. Despite the backing of Beckman, there was limited sales traction in the US without FDA EUA with customers unwilling to use unauthorised product when those earlier to the market were able to supply fully approved tests – it is our belief that once the FDA had sufficient approvals to supply their market there was little incentive for the regulator to approve more tests for the US market. Our application has not been approved or rejected, so we believe our test sits in abeyance, along with many others, despite our continuous and ongoing requests to the FDA. Similarly, our application to the WHO had a preliminary review, but Emergency Use Listing has not yet been received.

Despite encouraging early interest, our opportunities in India were undermined by in-market pricing that saw supply at a level close to our cost of goods. With the previously announced European Ministry of Health opportunity, discussions slowed over the summer months and despite being very positive on this opportunity in early 2021 it looks increasingly unlikely this will come to fruition. Looking to the future we do see small pockets of demand in Africa and we are hopeful for more demand as winter approaches – however we are clearly disappointed with progress made on the high throughput test and we are putting our experiences from this launch into our AIHL and CoV-POC tests.

During the year revenue to the US DoD was £0.3m (2020: £0.4m). The five year development project completed in 2020 bringing to an end the great development relationship we had with the US DoD team. However, now in need of building commercial relationships in the US market, we appointed Mountain Horse Solutions as our exclusive distributor in the US in March 2021. Mountain Horse have existing framework agreements, military contacts and a breadth of experience in the specialised field of Chemical, Biological, Radiological, Nuclear, and high yield

Explosives (CBRNE) and interact with the DoD on a frequent basis. Since March 2021 we have been involved in a number of tenders and requests for information developed by Mountain Horse. Mountain Horse have also been following up on the indicative order that was previously announced as a potential of 500 units over three years. There have been COVID-19 delays on this procurement and we are expecting a decision early in the new calendar year. Having Mountain Horse on the ground and close to the customer has been a very positive development and we are confident this new arrangement can help grow our DoD business.

Two POC products at launch

Antibiotic Induced Hearing Loss

In partnership with NHS clinicians, in 2019 we developed a POC test for the prevention of hearing loss in new born children when exposed to certain antibiotics. We commenced performance trials of that test in 2020 and the peer reviewed trial results are due to be published shortly. The trial enrolled 750 babies and was a success, demonstrating that the test can be accommodated in the current admission pathways and timescale.

At various stages in the trial we took feedback from nurses as to how the system was configured and operated and incorporated this feedback into a new version of the Genedrive® instrument platform. These changes are mainly ergonomic, providing a larger screen, integrated tablet and a modular 'single unit' look. A change was also made to the buffer chemistry of the kit. This product was CE marked on 29 September 2021 and is being launched on a targeted basis in the UK and Ireland with full commercial roll out planned for the new calendar year. In addition to our trial settings we expect a number of sites to adopt the product in the short term, but growth is anticipated to be modest until the test is written into paediatric care guidelines – something we will continue to push as a matter of urgency. To support our UK distributor, Inspiration Healthcare, we are investing in a small business development team to promote, market and drive the product. Inspiration Healthcare have excellent neonatal contacts but we want to supplement their skills with expertise in molecular diagnostics. Once UK care guidelines are updated we expect adoption to be more rapid as this would virtually mandate use of the test in the UK. This process may take a year or more to complete but clearly attaining it as soon as possible is a key objective for the Company and our commercial partner.

The market is potentially very attractive as it has high barriers to competitive entry, is high margin and is a large opportunity relative to genedrive's size. This opportunity is also well suited to the Genedrive® instrument, where a few, low-cost units can deliver fast testing at a point of need. Our medium term goals are focused on the UK and EU and we will continue to assess FDA entry for AIHL into the US. We remain very excited about the medium term prospects of the product.

CoV-POC

In early 2020 we made the decision to bring two COVID-19 assays to market, a high throughput test designed for use on third party machines and a POC test to run on Genedrive®. The POC product builds on the key characteristics of the Genedrive® being small, easy to use and economic for wide adoption.

Initial development was delayed as we attempted to produce a test on both saliva and nasal swab samples. We decided to bring a first version of the product to market and then review the need for a saliva based test in the future. We are due to bring our swab based testing product to the market in by the end of the calendar year with CE mark due around two weeks after finalising ongoing clinical studies which we expect imminently. The test benefits from a simple viral extraction free workflow, is rapid to report a positive (in as little as 10 minutes) and is anticipated to be as accurate as other gold standard molecular tests.

While first to market opportunities are significant, the underlying qualities and reliability of a test are also of significant importance. I therefore believe that customers are looking for accurate validated products and that the advantages of being deployable and rapid, mean we can address a global market flexibly with the Genedrive® device. Its collective features we believe make it unique among its competitors.

To date we have received a good degree of interest in the development product and intend to partner with test providers as soon as clinical data and CE marking are complete. The product will be positioned to opportunities where speed and accuracy are a necessity and where there is a need to pay the premium pricing associated with molecular testing vs antigen testing. The primary focus will be the UK and EU owing to the expected CE mark status. We have a high degree of confidence that a point-of-care COVID-19 testing opportunities will be a critical part of controlling the pandemic for a considerable period of time. We remain fully focused on exploiting the commercial opportunities arising on testing for both assays.

Outlook

Following completion of the £7.1m (gross) fund raise announced in September 2021 we are now in a strong position to launch our two new exciting POC products. There is potential for our high throughput COVID-19 test to generate some demand in the winter months and we are hopeful of a successful outcome on the indicative order with the US DoD however our current key commercial assets are with CoV-POC and AIHL, with the short term strategy for CoV-POC to support the cash requirements of the business until AIHL is sufficiently embedded in clinical process that uptake ramps aggressively. This strategy and our knowledge of these POC products provide us with confidence that we will deliver strong growth and increased shareholder value going forwards.

David Budd
Chief Executive Officer
8 November 2021

Engaging With Our Stakeholders

Section 172 ('S172') of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole.

In doing this, with respect to genedrive, S172 requires a Director to have regard, among other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the Group's employees;
- need to foster the Group's business relationships with suppliers, customers and other stakeholders;
- impact of the Group's operations on the community and environment;
- desirability of the Group maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Group.

In discharging its S172 duties, the Board has had regard to the factors set out above. The Chief Executive's Statement on pages 12 and 13 describes the Group's activities, strategy and future performance, including the considerations for long term decision making. In its decision making the Board gives appropriate regard to these factors and considers information from across the organisation to help it understand the impact of the Group's operations, and the interests and views of our key stakeholders. The Board also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance.

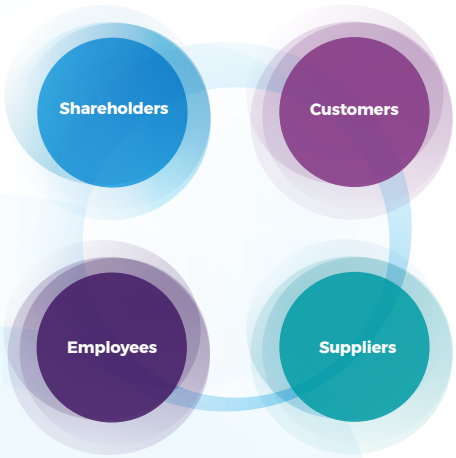
The principal decisions taken by the Board that may have a material impact on the Group's strategy can be grouped as follows:

- Financial results and the impacts on employees and shareholders
- Development expenditure and the impact on future products and commercial launches
- Strategy review and the effect on revenues, supplier and employees
- Funding opportunities and the considerations of existing shareholders

Further details on the decision making of the Board and the consideration of these matters can be found within the Corporate Governance section on pages 20 to 35.

The Board does not believe that the Group has a significant impact on the communities and environment in which it operates. The Board recognises that the Group has a duty to minimise harm to the environment and to contribute as far as possible to the local community in which it operates.

The Board recognises the importance of maintaining high standards of business conduct with customers, suppliers and other business partners. The Group operates appropriate policies on business ethics and provides mechanisms for whistle blowing and complaints in accordance with s172.



Shareholders

We create value for shareholders by delivering sustainable growth. We engage regularly with shareholders through a planned programme of investor relations activities to ensure that our strategy and market trends are clearly understood. Shareholder feedback along with details of movements in our shareholder base are regularly reported to and discussed by the Board and forms part of its decision-making.

Why we engage

- We want to ensure that our strategy and market trends are clearly understood
- To explain how we aim to grow and create shareholder value

How we engage

- Corporate website investor relations section
- AGM, Annual Report, trading updates and results presentations
- Press releases
- Specialist IR communication partner for private investors
- Investor roadshows with current and prospective institutional shareholders
- Meetings/consultation with shareholders on relevant matters

Stakeholder areas of interest

- Governance and transparency of Company vision and our strategy for growth

Customers

As a growing diagnostics group we innovate, design and manufacture diagnostics tests for customers worldwide. We engage with our customers, strengthening our understanding of their needs and the core markets we serve. We use our wealth of expertise and knowledge to support their requirements today and tomorrow. Updates and feedback from customers are regularly reported to the Board. This provides the Board with specific and general market intelligence, together with any potential impact or opportunities for the business.

Why we engage

- To understand and exceed customer expectations – delivering focused solutions that can meet the diverse and changing requirements of our global base
- To drive continuous improvement in customer service, by responding to feedback and changes in the wider industrial and healthcare markets we serve

How we engage

- Regular one-to-one interactions and meetings
- Industry exhibitions, customer site tours and presentations
- Company website
- LinkedIn communications
- Digital marketing

Stakeholder areas of interest

- Customer service/quality standards and compliance
- Research and development opportunities

Suppliers

Our network of innovative, reliable and quality-focused suppliers is critical to ensuring we can meet the needs of our customers. We work with our suppliers to balance economical requirements with environmental, social and ethical considerations. Information relating to the Group's supply chain is used by the Board to ensure that, in addition to business needs, social and ethical requirements are also being met.

Why we engage

- To meet the needs of our customers, ensuring and maintaining high-quality materials and resources
- To ensure high supplier standards, both ethical and otherwise
- To develop mutually beneficial and lasting partnerships

How we engage

- Regular communication
- Regular evaluation of quality, service and performance using onsite and offsite audits

Stakeholder areas of interest

- Quality and accreditations
- Sustainability
- Satisfaction/reputation
- Corporate social responsibility expectations

Employees

Creating value for our customers relies on the quality of the services and products that we provide, and the skills and knowledge of our employees. We appreciate the value of diversity and recognise the resilience, focus and innovation that our employees demonstrate, and have a desire to keep them safe, well trained and successful. A regular CEO Town Hall programme was maintained during the year.

Why we engage

- To ensure alignment of our culture and strategy
- To create a diverse and inclusive workplace where every employee can demonstrate entrepreneurship and help build our business
- To ensure we deliver and make the right business decisions, which in turn means we retain and develop the best talent
- To keep our staff safe and well trained

How we engage

- Company communications, town hall programmes, briefings, news bulletins
- Training and development
- Employee performance reviews

Stakeholder areas of interest

- Reward and recognition
- Internal communication
- Diversity and inclusion
- Personal development and sense of belonging
- Transparency of information
- Reputation management

Financial Review

Well positioned with the launch of two exciting new point-of-care products

Matthew Fowler
Chief Financial Officer

The financial results have been prepared under International Accounting Standards and the Group's accounting policies are set out on pages 46 to 52.

Revenue for the year was £0.7m (2020: £1.1m), with a broadly equal split across our Military and COVID-19 assays. Research and development costs were £4.5m (2020: £4.7m) and reflected the high level of activity in the first half of the year related to developing and launching the COVID-19 high throughput assay. Overall spend was £6.2m, down on the £6.7m in the prior year following reduced activity and tight cost control in the second half of the year. The operating loss for the year was £5.5m (2020: £5.6m).

Financing costs and income

Financing income was £3.6m (2020: £14.7m cost) and included non-cash movements on the loan notes outstanding at 30 June 2020. These loan notes were held by the Business Growth Fund at the start of the financial year and were converted in part in September 2020 and then in full in December 2020. The finance income on the loan notes has two elements: one attached to the option to convert and the other related to the discount on these long term loan notes. The option to convert the loan notes to ordinary shares has a value that fluctuates as the share price of the entity rises and falls. Owing to share price movements between 30 June 2020 and the date of conversions the value of the option to convert fell and created a £3.9m gain (2020: £13.8m loss). Interest accruing and unwinding of the discount up to the point of conversion was £0.2m (2020: £0.8m), giving a net financing income of £3.6m (£14.7m cost). These movements are non-cash.

Taxation

The tax credit for the year was £1.2m (2020: £1.0m). The Group investment in R&D falls within the UK Government's R&D tax relief scheme for small and medium sized companies where it meets the qualifying criteria and as the Group did not make a profit in the year is collected in cash following submission of tax returns. The £1.2m is a receivable on the balance sheet at year end. In the prior year the total amount of qualifying costs for the research and development tax credit was restricted by grant income that the Group received. Despite the lower level of research and development costs in the year, there was no grant income restriction to the size of the claim in 2021.

Cash resources

Net cash outflow from operations before taxation was £6.2m (2020: £4.8m outflow). The operating loss cashflows were £5.2m (2020: £5.6m) with working capital consuming £0.9m (2020: £0.8m contributing) mainly from a decrease in trade and other payables, which was effectively the reversal of a high creditors position at June 2020.

The tax credit received was £1.0m (2020: £1.0m) and relates to cash received under the UK Government's R&D tax relief scheme.

Capex in the period was £0.1m (2020: £nil) and cash paid to settle the loan notes converted during the year was £0.4m (2020: £0.7m). The decrease in cash for the year was £5.6m (2020: £3.0m increase) meaning a closing cash position of £2.6m (2020: £8.2m). Post year end the Group completed an equity fund raise of £6.6m net of expenses and unaudited closing cash on the 31 October 2021 was £7.3m.

Balance sheet

Balance sheet net assets at 30 June 2021 were £3.6m (2020: £3.3m net liabilities). Fixed assets were £0.3m (2020: £0.1m) and include right-to-use lease assets of £0.2m (2020: £nil).

Current assets of £4.5m (2020: £10.3m) included cash of £2.6m (2020: £8.2m). The remainder of current asset values were in stock £0.6m (2020: £0.4m), receivables of £0.2m (2020: £0.4m) and tax. The tax receivable was £1.2m (2020: £1.0m) for the current year Corporation Tax Research and Development tax claim and this should be paid early in the new calendar year.

Current liabilities were £1.3m (2020: £2.2m) with the prior year balance abnormally high owing to purchases on COVID-19 materials as well as property rent that was deferred during lockdown and paid in the year to June 2021.

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There were no long-term liabilities (2020: £11.6m) following conversion of the loan notes during the period. As part of the conversions the Business Growth Fund was paid £0.4m in cash interest and received 11.2m newly issued shares.

This conversion extinguished the £11.6m loan note liability with £3.9m being credited to the income statement in the year as finance income and the residue being credited to reserves as follows: the £2.5m face value of the loan notes was credited £2.3m to share premium and £0.2m to share capital; the remaining balance, being the movement on the derivative element of the loan notes (the value of the option to convert the loan notes to shares) was credited to accumulated losses.

Net assets closed at £3.6m (2020: £3.3m net liabilities). The comprehensive loss for the year was £0.7m (2020: £19.4m) with credits directly in equity of £7.6m from the Business Growth Fund loan note conversions in the year giving a net credit to the balance sheet of £6.9m in the year.

Going concern

Following the equity fund raise in the September 2021 the Company has sufficient cash in the business for its current plans and forecasts. We are confident in these forecasts but securing commercial traction and initial revenues in the forthcoming months is necessary otherwise the Group will have to consider delaying development spend. Based on the current cash position and the forecasts, the Board continue to adopt a going concern basis for the preparation of the accounts.

Risk management and the year ahead

Risk is managed closely and is spread across our businesses and managed to individual materiality. The Board has considered all of the above factors in its review of going concern and has been able to conclude the review satisfactorily.

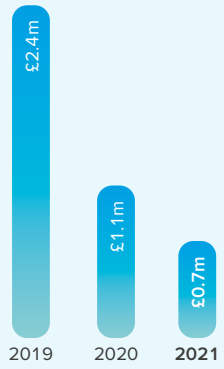
Matthew Fowler
Chief Financial Officer
8 November 2021

£4.5m
Research & Development costs

Key Performance Indicators

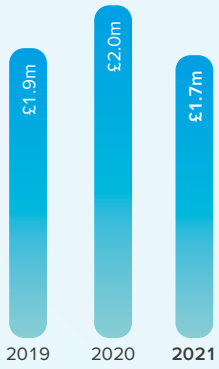
The Group has a small set of financial KPIs that are reviewed and discussed as part of the management of the business. These metrics are currently the most important to the business in its current stage of growth, i.e. managing cash, revenue and expenditures is vital to the business. These metrics are expected to change as the business grows and evolves.

Diagnostics revenue



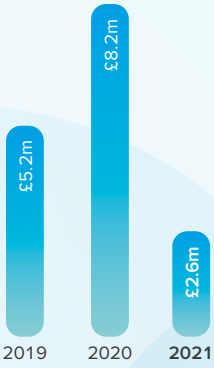
Diagnostics revenue down. impacted by the lack of Genedrive® 96 SARS-CoV-2 Kit sales.

Administration costs



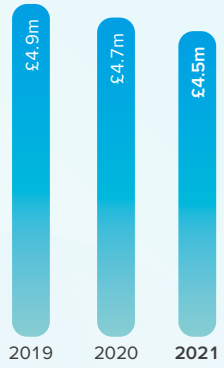
Administration costs amounted to £1.7m, down from the prior year that had been impacted by share price related costs.

Cash reserves



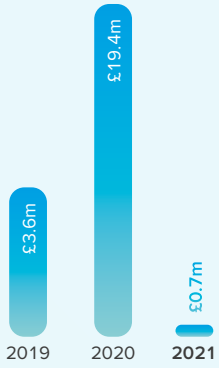
Cash reserves boosted post year end by an equity fund raise in September 2021.

Research and development costs



Research and development declined slightly to £4.5m as we managed cash in the latter part of the year; we continue to invest in the Genedrive® offering and raised cash in September 2021 to fund development.

Loss for the financial year



Much reduced loss owing to the conversion of loan notes in the year.

Principal Risks

for the year ended 30 June 2021

The Group's strategic objectives can only be achieved if certain risks are taken and managed effectively. It is important for us to identify and understand the key risks in our business and we have listed below the most significant risks that may affect our business.

genedrive records risks using the following risk management model that is centred around a corporate risk register. The Board has overall responsibility for ensuring that genedrive has an effective risk management framework which is aligned to our objectives. The Executive Team, Audit and Risk Committee and Board review risks which could affect the Group throughout the year. Risk and issue tracking systems are reviewed on a regular basis, to ensure that the framework is in line with good practice in risk management and that agreed mitigation plans are being followed.

In determining the relative importance of risks in our business, we use a scoring mechanism to identify the likelihood of a risk crystallising and the impact this would have on the achievement of our strategic objectives, assuming that no controls are in place (inherent risk score).

The table below outlines the principal risks and uncertainties which the Group faces together with relevant key controls and mitigating factors. The list does not constitute a list of all risks faced by the Group and is not presented in priority order.

Risk	Impact	Mitigation	Risk movement
Economic and political uncertainty COVID-19 outbreak and Brexit trade negotiations, which affect market and financial stability	Negative impact on long-term prospects	• Clear strategy for COVID-19 assays • Regular Board discussions on COVID-19 • Authorised key operators in place for key regulatory matters	◆
Business strategy The Board develops the wrong strategy or fails to implement strategy effectively	Negative impact on long-term prospects	• Clear strategy which the Board reviews regularly • Progress of strategy clear in KPIs and reporting	◆
Competitor entry Entry to the market of better performing or cheaper products remains a key risk to both the AIHL and COV-19-ID kits	Loss of first-to-market advantage and reduction of potential market share	• Product improvement projects to differentiate and protect Genedrive® • Cost programmes in place to support future price-down strategies • Constant market monitoring and competitor analysis	◆
Failure to develop COV-19-ID kit into a desirable product There are a number of clinical and regulatory hurdles that must be cleared before the test can be put onto the market. There are risks associated with clearing all these hurdles while at the same time producing a functioning and attractive product	Loss of revenue and profit Loss of brand value and reputation	• Independent clinical studies performed • Ongoing improvement programmes to refine and update • Close monitoring and review of in-field performance	**New risk**
Failure to commercialise COV-19-ID kit The Genedrive® COV-19-ID Kit does not achieve the desired market penetration/market approvals or the prevalence of the disease reduces	Loss of revenue and profit Loss of reputation	• Independent clinical studies performed • Ongoing improvement programmes to refine and update • Close monitoring and review of in-field performance	▲
AIHL sales slower than expected Delays in the uptake of the test owing to lack of funding or slow speed to get the test written into clinical guidance	Loss of revenue and profit Loss of reputation	• Close working relationship with Inspiration Healthcare • Employing direct sales and business development team to promote and progress product adoption • Close monitoring and reporting to the Board	◆
Supply chain The Company is reliant on certain key suppliers of raw materials and components including microchips that are currently under long lead time supply	Inability to fulfil demand Loss of revenue and profit	• Contractual arrangements exist where possible • Secondary suppliers scoped and in progress • Selective forward buying of key components	▲
Financial position The Company is loss-making and will continue to have going concern challenges until it builds a portfolio of profitable diagnostics assays	Negative impact on Company's prospects	• Company continues to seek non-dilutive sources of funding • Cash consumption is a key Board metric • Equity raise Sept-21	▼

This Strategic report was approved by the Board of Directors on 8 November 2021 and signed on its behalf by M J Fowler.

Introduction to Corporate Governance

Maintenance of good Corporate Governance

> As a board we fully acknowledge the importance of Corporate Governance and the expectations of stakeholders.

Dr Ian Gilham
Chairman

The statement of corporate governance practices set out on pages 20 and 21, including the reports of Board Committees, and information incorporated by reference, constitutes the Corporate Governance Report of genedrive plc.

genedrive plc's Corporate Governance Report for the year ended 30 June 2021 is presented here on behalf of the Board.

Dear Shareholders,

This is our third year applying the principles of good governance as set down in the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). As a board we fully acknowledge the importance of Corporate Governance and the expectations of stakeholders and this report seeks to provide shareholders and stakeholders with a clear understanding of how we discharge our governance duties. How we meet the principles and where further information can be found is covered as follows:

- We have a clear and well established strategy that can be read in our business model and strategic review.
- We embed effective risk management in our business and maintain a fit for purpose governance structure. The business has a structure of risk registers, control frameworks and policies that are appropriate to our size and to the healthcare sector we work within. The top corporate level risks can be viewed within the Strategic Report and the Board gets assurance that the risks are under management by reviewing the risks and plans for each risk on a regular basis.
- We maintain a well-functioning Board, with appropriate skills and frequent evaluations. This year, for the first time, we reviewed Board effectiveness through an internal process using confidential questionnaires developed by each Committee Chair, the Company Secretary and myself. The review was a productive exercise and I am pleased to confirm that the review found that the Board and its Committees continue to perform effectively. In addition to the effectiveness, during the year the composition of the Board was reviewed to ensure we have the right skill set to achieve our strategic objectives. We believe that the Board has the appropriate mix of skills and as we progress through these periods of rapid change Board stability will remain a benefit to the Group.
- We promote an ethical culture and take account of wider stakeholder and social responsibilities. We adhere to high ethical standards as demanded by the healthcare markets in some of our territories.
- Our engagement with our key stakeholders, shareholders, customers, suppliers and employees, is described in our s172 statement on pages 14 to 15.
- We aim to understand and meet shareholder needs and communicate how the Group is governed and maintain dialogues with relevant shareholders. Our investor relations strategy is appropriate to our size and we attempt to use innovative platforms to reach a wider investor base.

Please see our website for further information on Corporate Governance: www.genedriveplc.com/investor-relations/corporate-governance.php

In line with our historical practice all Directors will be proposed for re-election at the Annual General Meeting of the Company to be held on 30 December 2021. Details of how shareholders may submit questions into the AGM will be issued as part of the AGM notices. We look forward to hearing from you.

Dr Ian Gilham
Chairman
8 November 2021

Board of Directors

Skills and experience suited to our business

Ian Gilham Ph.D.
Chairman

Ian was appointed a Director on 24 November 2014 and as Non-Executive Chairman on 11 May 2015. He is currently Non-Executive Director of Cytox Group Limited who provide risk assessment and stratification tools for Alzheimer's disease and dementia. Dr Gilham was formerly Chief Executive Officer of Axis-Shield Plc.

David Budd
Chief Executive Officer

David was appointed a Director and Chief Executive on 1 March 2016. He has over 20 years of international commercial and operational experience in the diagnostics and medical devices field. He previously served as General Manager of Leica Biosystems Amsterdam and Commercial Director at Leica Biosystems Newcastle, with global responsibility for marketing, product development, and commercial launches for diagnostic tests. Prior to Leica, David's roles included point-of-care, molecular, and central laboratory marketing and commercialisation responsibilities at Siemens Healthcare Diagnostics, Bayer Diagnostics, and Visible Genetics.

Matthew Fowler
Chief Financial Officer

Matthew was appointed Chief Financial Officer on 13 December 2016. He has almost 20 years of experience in senior positions in the manufacturing, power and support services industries. Prior to joining genedrive, Matthew spent eight years as Group Financial Controller of Scapa Group plc, a multinational manufacturing AIM-quoted business. Prior to that, Matthew spent three years at British Nuclear Group as Finance Manager for the corporate centre. Matthew trained and qualified in the audit department of Deloitte & Touche before spending four years working for Deloitte Consulting.

Tom Lindsay
Non-Executive Director

Tom was appointed to the Board on 9 April 2018. He has 35 years of global sales and marketing experience in the diagnostics sector. He most recently worked for Alere Inc. in Africa, where he held a range of executive posts including President of Africa, President Commercial Operations Africa and Business Development Director for Africa. Prior to Alere, Tom held senior commercial roles at Trinity Biotech (Ireland) including Marketing and Sales Director (Global) and Business Development Director for Africa, Middle East and India. Tom studied microbiology at Glasgow Caledonian University and completed a national diploma in microbiology at the South African Institute of Medical Research in Johannesburg, South Africa.

Chris Yates
Non-Executive Director

Chris was appointed to the Board on 22 August 2018. He is CEO of Abingdon Health plc, a position he has held since July 2015. Chris co-founded Abingdon in 2008 and was a Non-Executive of the Company prior to his appointment as CEO. Chris has over 20 years' experience of working in listed environments, and prior to working at Abingdon, was CFO at Immunodiagnostic Systems Holdings PLC and Cozart plc. Chris is a Chartered Accountant and has a degree in economics from Cambridge University.

Committee Membership

- *Audit and Risk Committee*
- *Remuneration Committee*
- *Nominations Committee*
- *Denotes Committee Chair*

Corporate Governance

The Board has delegated certain responsibilities to the following Board Committees:

- the Audit and Risk Committee
- the Nominations Committee
- the Remuneration Committee

The reports of the Audit and Risk Committee and Remuneration Committee are set out on pages 26 to 33. There is no separate report provided for the Nominations Committee.

Each Committee operates under clearly defined Terms of Reference. Each Committee provides update reports to the Board via the Chairman of the Committee. Each Committee has sufficient resources to undertake their duties, including access to the Company Secretary and external advisers, where appropriate

Audit and Risk Committee

The Audit and Risk Committee's main responsibilities are to monitor the integrity of the Group's financial statements, to review internal and external audit activity and to monitor the effectiveness of risk management and internal controls.

Remuneration Committee

The Remuneration Committee is responsible for determining all elements of remuneration for the Executive Directors and Executive Team and for reviewing the appropriateness and relevance of the Group's remuneration policy.

Nominations Committee

The Nominations Committee is responsible for Board recruitment and succession planning, to ensure that the Board is balanced and comprises the correct skill sets.

Leadership

The role of the Board

The Board is responsible for the long-term success of the Group and is ultimately accountable for the Group's strategy, risk management and performance. The Board's primary roles are: to provide leadership to the Group within a framework of prudent and effective control which enables risk to be assessed and managed; to set the Group's strategic objectives; and to ensure that the necessary resources are made available so that those objectives can be met. The Board also sets the Group's values and standards and is responsible for ensuring that its obligations to shareholders and other stakeholders, including employees, suppliers, customers and the community, are understood and met.

The Board has adopted an annual programme ensuring that key matters are routinely considered in addition to non-standard items. The annual programme includes:

- approval of the annual budget;
- review of performance of the Company against the approved budget;
- review of key advisers;
- review of insurance premiums and coverage;
- review of governance issues affecting the Company; and
- assessment of the corporate risk register.

The Board currently comprises two Executive Directors, a Non-Executive Chairman and two Non-Executive Directors. The names, biographical details and Committee memberships of the current Board members are set out on pages 22 and 23 of this report. Given the size and strategy of the Company, the Board believes that two Non-Executive Directors as well as a Non-Executive Chairman is an appropriate structure going forwards.

Division of responsibilities of the Chairman and Chief Executive

There is a clear division of responsibilities between the Chairman and the Chief Executive. Each role has its own formal written description of specific responsibilities.

The Chairman's principal responsibility is to lead the Board in the determination of its strategy, its objective setting and monitoring the achievement of those objectives.

The Chairman is responsible for organising the business of the Board, ensuring its effectiveness by facilitating full and constructive contributions to the development and determination of the Group's strategy and its overall commercial objectives from each member of the Board.

The Chief Executive is directly responsible for all executive management matters affecting the Group. His principal responsibility is ensuring achievement of the agreed strategic objectives and leadership of the business on a day-to-day basis. The Chief Executive is accountable to the Board for the financial and operational performance of the Group.

The role of the Non-Executive Directors

The Non-Executive Directors bring independence and a wide range of experience to the Board. Their role is to help develop strategy and to promote constructive debate and challenge in Board discussions. The Non-Executive Directors ensure that the financial controls and systems of risk management are robust and defensible.

The role of the Company Secretary

The Company Secretary advises the Board through the Chairman on all governance matters. All Directors have access to the services of the Company Secretary and may take independent professional advice at the Company's expense in conducting their duties.

Operation of the Board

The Board held 13 Board meetings during the year to 30 June 2021. The normal pattern of meetings is to hold six main in-person meetings every other month, with video conference meeting in between, with no meetings scheduled in August and December. However with heightened monitoring over cash forecasts and the business's performance three additional meeting were held to ensure time was not lost on decision making. In a similar fashion to 2020, owing to COVID-19 social distancing issues Board meetings and Committee meetings took place by video conference with the exception of the September 2020 meeting that was a face to face meeting in Manchester. The provision of relevant, up-to-date information is fundamental to the effective leadership delivered by the Board. Reports from the Executive Directors, which focus on major operational matters, are circulated in advance of every board meeting. To ensure that the Board is kept fully informed on the status of the business, reports and presentations are also produced by key Executive management. Attendance at each meeting is set out below. The Board evaluates its performance annually in a formal review and via a performance questionnaire.

Attendance at meetings

The following table sets out the attendance of each Director at Board and Committee meetings held during the year, along with the maximum number of meetings that it was possible to attend:

	Board	Audit and Risk Committee	Remuneration Committee[a]	Nominations Committee
Ian Gilham	13/13	3/3	3/3	1/1
Tom Lindsay	13/13	3/3	3/3	1/1
Chris Yates	13/13	3/3	3/3	1/1
David Budd[a]	13/13	3/3	3/3[a]	1/1
Matthew Fowler[a]	13/13	3/3	3/3[a]	1/1

a Attendance via invite.

Although not members of the Committees, the Executive Directors attend meetings of the Audit and Risk Committee, Remuneration Committee and Nominations Committee as invited attendees when appropriate.

Key matters considered at each main meeting of the Board during the year included:

July 2020

- Review and approval of 2019/20 bonus pay-outs
- Review of Board effectiveness and plan for the year
- Review of annual budgets following fund raise

September 2020

- Reviewed auditor's report on the year ending June 2020
- Commercial presentation
- Reviewed Board effectiveness and the plan for 2020/21

November 2020

- Reviewed and approved Annual Report 2019/20
- Review of large contract tenders

January 2021

- Commercial presentation
- Update on Covid response and product performance
- Reviewed long-term forecasts

March 2021

- Reviewed and approved Interim Results
- Reviewed controls and policy of the Group

June 2021

- Review of cashflows and funding opportunities
- Annual review of insurance risks

Report of the Audit and Risk Committee

Chris Yates
Non-Executive Director

The Audit and Risk Committee ('the Committee') report for the year ended 30 June 2021 is set out on pages 26 and 27.

Dear shareholders, I am pleased to present the report of the Audit and Risk Committee for the year ended 30 June 2021.

In what has been an unusual year, the Committee completed its planned agenda of work and has continued to play a key role within the Group's governance framework. In this report I have sought to provide genedrive stakeholders, including investors and prospective investors, with an understanding of the approach we have taken to provide assurance on the integrity of the 2020/21 Annual Report and financial statements, and how we have supported the Board in matters relating to financial reporting, internal control and risk management. In terms of the work performed in the year, I can confirm that there are no matters to bring to your attention.

Looking forwards we will continue to provide meaningful disclosure of the Committee's activities in line with our Terms of Reference, which are set out in the Corporate Governance section of our website, and on ensuring that the Committee's agenda is kept under review in light of internal and external developments. Should there be any questions about the Committee or this Audit Committee report, I will be available to answer any questions at the Annual General Meeting.

Chris Yates
Chairman of the Audit and Risk Committee
8 November 2021

Terms of Reference for all Board Committees can be found on www.genedrive.com

Aims and objectives

The overall aim of the Committee is to monitor the integrity of the Group's financial statements and announcements, its accounting processes, and the effectiveness of internal controls and risk management.

Main responsibilities of the Committee

- Reviewing the financial statements and the Company's announcements relating to financial performance, including reporting to the Board on the significant issues considered by the Committee in relation to the financial statements and how these were addressed;
- Reviewing the scope and results of the annual audit and reporting to the Board on the effectiveness of the audit process and how the independence and objectivity of the auditors have been safeguarded;
- Reviewing significant legal and regulatory matters;
- Reviewing matters associated with the appointment, terms, remuneration, independence, objectivity and effectiveness of the external audit process and reviewing the scope and results of the audit; and
- Reporting to the Board on how the Committee has discharged its responsibilities as set out in the Committee's Terms of Reference.

At this stage of the Group's size and development the Committee has decided that an internal audit function is not required as the Group's internal controls system in place is appropriate for its size. This will continue to be reviewed on a periodic basis as the Group's operations develop.

Composition

The Audit and Risk Committee is comprised of Ian Gilham, Tom Lindsay and myself. In addition, David Budd and Matthew Fowler were invited and attended meetings during the year.

All members of the Committee are independent Non-Executive Directors and the Committee as a whole has competence relevant to our sector. Since July 2015 I have been the CEO of Abingdon Health plc, an AIM-listed company. Prior to this I served as CFO at two AIM-listed medical diagnostic companies: Immunodiagnostic Systems Holdings PLC and Cozart plc. I am a Fellow of the Institute of Chartered Accountants of England and Wales.

Ian Gilham is Chairman of Cytox Group Ltd and previously was CEO at Axis Shield Plc as well as having held a number of independent director roles at various life sciences and healthcare businesses. Tom Lindsay has held a number of senior roles within major diagnostics businesses, with specific focus and knowledge of the Africa region. This relevant experience allows the members to:

- oversee the relationship with the external auditor;
- understand the risks facing a pre-profit diagnostics business and approaches to managing these risks;
- maintain an oversight of the Group's internal control environment through the internal audit plan and risk management framework;

- review strategic financial management and provide constructive challenge to the reports and assurances given by management, and guide the design and implementation of a suitable assurance framework; and
- provide practical insights on the Group's approach to corporate governance.

Audit and Risk Committee's agenda 2020/21

During the year the Committee met three times and undertook the following activities:

Governance

- Reviewed and revised the Audit Committee's Terms of Reference
- Reported to the Board on how it has discharged its responsibilities; and
- Checked at each Committee meeting individual Directors' conflicts of interest

Financial statements and reports

- Reviewed and considered the significant issues, including key accounting judgements, in relation to the financial statements and how these have been addressed, including:
  - Requirements around going concern and the Company's viability; and
  - Adjustment and treatment of Convertible Loans on the Balance Sheet and at their conversion
- Advised the Board that, taken as a whole, the Annual Report and accounts are fair, balanced and understandable
- Reviewed the interim financial statements and related statements and reviewed and considered key accounting judgements

External auditor and auditor independence

- Reviewed and agreed the statutory audit fee for the year ending 30 June 2021
- Monitored the independence and objectivity of the external auditor
- Confirmed the independence of the external auditors and recommended to the Board the reappointment of RSM UK Audit LLP at the upcoming AGM
- Reviewed and approved the scope and methodology of the external audit strategy for 2020/21

Cash position

- Considered the cash position and forecast spending of the Company
- Reviewed the potential for equity fund raising
- Reviewed and considered alternative financing options available to the Company

Risk management

- Reviewed and approved the key internal controls in the business and the effectiveness of these controls.
- Reviewed and considered the Group's Whistleblowing Arrangements and Anti-Bribery Policy.

Going concern

The Committee reviewed whether it was appropriate to adopt the going concern basis for the preparation of the Annual Report. Consideration was given to the Group's forecasts and the current and anticipated cash resources following the announcement in September 2021 of an equity fund raise. The forecasts were stress tested and factors affecting revenues and commercial traction were reviewed in detail. The Committee also reviewed the mitigating actions available to the business to delay its planned development spend and if necessary reduce its discretionary overheads. Following the Committee's review, it recommended to the Board that it was appropriate to adopt the going concern basis. (See note 1 to these accounts).

External audit

The Committee continues to monitor the external auditor's compliance with applicable guidance and guidelines and considers the independence and objectivity of the external auditor as part of the Committee's duties.

The Committee received and reviewed written confirmation from the external auditor on all relationships that, in their judgement, may bear on their independence. The external auditor has also confirmed that they consider themselves independent within the meaning of UK regulatory and professional requirements.

In all services purchased, the Group selects the provider best placed to deliver the work in terms of quality and cost. As a general principle the external auditor is excluded from consultancy work and other non-audit work except for assurance services. The Group adhere to The Financial Reporting Council Revised Ethical Standard 2019 which prohibits the auditor from providing non-audit services to listed companies except for certain assurance-related services. The external auditor reviewed the interim accounts under agreed upon procedures that were not part of the statutory audit – they did not undertake any other non-audit services during the year.

Tendering policy and review of auditor effectiveness

Following a tender process undertaken by the Committee the Group appointed RSM UK Audit LLP ('RSM') as the Group's and Company's auditors in December 2019. The Committee continues to review the performance and effectiveness of the auditors and has no plans to tender in the forthcoming 12-month period.

Report of the Remuneration Committee

Proven to be resilient and innovative

Ian Gilham, Ph.D.
Chairman of the Remuneration Committee

Dear shareholders, on behalf of the Remuneration Committee I am pleased to introduce the Directors' remuneration report for the year ended 30 June 2021. This report sets out the activities of the Remuneration Committee for the year ended 30 June 2021. The report is divided into three sections: this statement, a summary table of our Remuneration Policy and our Annual Report on Remuneration for the year ended 30 June 2021.

As detailed in the Strategic Report, the past year has provided some unique challenges to the business and in certain areas performance of the business has not been to expectation. Despite some great achievements in bringing products to market, the lack of revenue from our high-throughput Covid test is a key driver in setting the overall remuneration outcomes for the year to 30 June 2021.

I hope it is clear from the way we have applied our remuneration policy in FY 2020/21 that we continue to take account of the feedback of our shareholders and we look forward to receiving your support for the Directors' Remuneration Report at the upcoming Annual General Meeting. As in previous years I will be available to answer any questions before the Annual General Meeting. The following Remuneration Committee report was approved by the Committee at its meeting held on 27 October 2021.

Our strategy

We aim to shape the success of genedrive by maintaining a disciplined approach in executing our strategy to create a focused molecular diagnostics business. We are focused on bringing at least three revenue-generating assays to market in the near term to address significant market opportunities.

Executive remuneration and link to strategy

Our Remuneration Policy focuses on rewarding sustained performance. It is our belief that Executives should be rewarded on the basis of their individual performance and the value created for shareholders. Variable elements of pay are therefore focused on simple and transparent measures of key strategic objectives, sales, cash and building shareholder value. Bonus and long-term incentive scheme targets are purposely designed to be challenging and drive the long-term success of the Group.

Remuneration outcomes of 2021

Full details of the decisions of the Committee made in 2021 are set out in the Directors' Annual Report on Remuneration on pages 28 to 33.

The Committee agreed to increase the salary of the Chief Executive to £238,170 per annum and the salary of the Chief Financial Officer to £178,500 per annum effective from 1 July 2021. These 2% increases are in line with the general workforce increase for the same period.

The annual bonus targets for the Executive Directors and Executive Team were set by the Committee at the beginning of the financial year. The Chief Executive Officer and Chief Financial Officer could receive an annual bonus equivalent to 100% and 80% of salary for 2021. Having reviewed the targets, there was no bonus award for this financial year for either the CEO or CFO.

Remuneration Committee

The Remuneration Committee is responsible for determining reviews of the scale and structure of the Executive Directors' and senior management's remuneration and the terms of their service contracts. The remuneration and terms of appointment of the Non-Executive Directors are set by the Board. The Remuneration Committee also approves the issue of share options under schemes approved by the Board. None of the Committee members have any personal financial interest (other than as shareholders), conflicts of interest arising from cross-directorships or day-to-day involvement in the running of the business. No Director plays a part in any final decision about his or her own remuneration.

Meeting frequency and attendance

The Committee is scheduled to meet at least twice a year, with other meetings taking place as required; there were three meetings in the year to June 2021. Only members of the Committee have the right to attend Committee meetings. However, other individuals including the Group Chief Executive and external advisers may be invited to attend for all or part of any meetings, as and when appropriate and necessary, at the discretion of the Chair.

Transparency

The Committee seeks to operate in a clear and transparent manner and to demonstrate good practice in Executive remuneration. The Committee's report comprises two sections, namely:

- this statement, which sets out a summary of and explains the major decisions on Directors' remuneration;
- the Directors' Annual Report on Remuneration, which provides details on how the proposed amended Remuneration Policy will operate in the forthcoming year and states the remuneration earned by the Directors in the year to 30 June 2021.

The Directors' Annual Report on Remuneration will be subject to an advisory vote by shareholders at the 2021 Annual General Meeting. As Chairman of the Committee, I will be available to respond to any questions you may wish to raise on any of the Committee's activities.

Dr Ian Gilham
Chairman of the Remuneration Committee
8 November 2021

Remuneration Policy

This report sets out the Company's policy on the remuneration of its Executive Directors and Non-Executive Directors (the 'policy').

The Executive Directors have written terms of engagement with no fixed expiry date. Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the necessary calibre and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration package is undertaken by the Remuneration Committee.

Directors' remuneration policy table

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Target
Base Salary	To provide competitive and fixed remuneration. To attract and retain the right calibre of Executive.	Salaries are usually determined by reference to market data and taking into account the responsibilities of the Executive. All increases and changes are at the discretion of the Committee. Salaries are normally reviewed annually in July.	Executive Directors normally receive a salary increase in line with the general workforce.	None.
Benefits	To provide market consistent benefits.	Current benefits are: • life assurance • Group income protection • private health insurance	There is no maximum and the costs of these benefits can vary year over year. The same benefits are provided to the general workforce.	Not applicable.
Pension	To attract and retain the right calibre of Executive. To provide a level of benefits that allows for retirement planning.	Executives are offered a contribution into a defined contribution pension scheme. A cash allowance in lieu of pension. A combination of contribution and cash.	The maximum Company pension contribution is 3% – this is consistent with the general workforce	Not applicable.
Annual Bonus	To incentivise performance against personal objectives and selected KPIs linked to business strategy.	Company and Individual bonus targets are set in July of each year. Achievement of both Company and Individual targets are assessed in the September following the end of the financial year with payment following shortly thereafter.	The current maximum percentages are 100% for the Chief Executive, and 80% for the Chief Financial Officer. A maximum pay-out requires an Executive's personal performance to be maximum and the Company bonus achievement to be maximum as well.	An overall Company achievement is based on financial and operational KPIs. A summary of the current year KPIs is contained on page 18.
Long Term Incentive Plans	Designed to align the strategic objective of delivering sustainable earnings growth over the longer term with the interests of shareholders.	Awards are rights to receive shares in the Company. Each award is measured over at least three years. All awards are issued with an exercise price equal to the prevailing share price on the day prior to the award.	Awards are made annually up to a maximum percentage of 100% of salary. The overall policy allows for up to 200% of salary in exceptional circumstances.	Targets are based on one or more financial and non-financial measures linked to the long-term strategy of the business as deemed appropriate by the Committee.

Service contracts: Executive Directors' service contracts are subject to six months' notice of termination by either party.

External appointments: Executive Directors are entitled to accept appointments outside the Company provided the Board's permission is sought. Neither Executive Director currently holds an external appointment.

Non-Executive Directors' terms of engagement

The remuneration of the Non-Executive Directors is determined by the Board within limits set out in the Articles of Association. Each Non-Executive Director has specific terms of engagement. Their remuneration is determined by the Board. Both Chris Yates and Tom Lindsay received increases to their fixed remuneration in the year following an increased involvement in the business. In the event that a Non-Executive undertakes additional assignments for the Company, the Non-Executive's fee will be agreed by the Company in respect of each assignment. No additional assignments were performed by the Non-Executive Directors during the year.

Annual Report on Remuneration

Audited information

Single figure for total remuneration

The following table sets out the single figure for total remuneration for Directors for the financial years ended 30 June 2021 and 2020.

		Salary and fees £	Bonus £	Benefits in kind £	Pension £	Total £
Executive						
David Budd	**2021**	**233,500**	**–**	**1,683**	**7,005**	**242,188**
	2020	230,650	207,044	1,100	6,422	444,615
Matthew Fowler	**2021**	**175,000**	**–**	**941**	**5,178**	**181,119**
	2020	146,395	79,054	–	4,087	229,536
Non-Executive						
Ian Gilham	**2021**	**65,000**	**–**	**–**	**–**	**65,000**
	2020	65,000	–	–	–	65,000
Tom Lindsay	**2021**	**30,000**	**–**	**–**	**–**	**30,000**
	2020	24,000	–	–	–	24,000
Chris Yates	**2021**	**30,000**	**–**	**–**	**–**	**30,000**
	2020	24,000	–	–	–	24,000

Additional disclosures for single figure of total remuneration to 30 June 2021

Salary

The Chief Executive's salary from 1 July 2020 to 30 June 2021 was £233,500 and was increased by 2.0% from 1 July 2021 to £238,700. The CFO's salary from 1 July 2020 to 30 June 2021 was £175,000 and was increased by 2.0% from 1 July 2021 to £178,500. The Committee believes that the increase of 2.0% awarded was in line with wage inflation in the market, the performance of the Group and the individual, as well as being entirely consistent with the pay increases awarded to other members of staff.

Annual performance bonus

The 2021 bonus for the Executive Directors and senior management was based on:

- Revenue targets on sales of Genedrive® units and assays
- The cash position of the Group at 30 June 2021
- The EBITDA result for the year
- Milestone achievements on the SARS-CoV-2 test
- Milestone achievements on the AIHL project
- A number of loss time accidents in the year

The specific targets have not been disclosed. There was no payment in the year.

Annual Report on Remuneration continued

Long Term Incentive Plans

No options were issued in the year. Details of the options for Directors who served during the year are as follows:

	Outstanding 30 June 2021	Date granted	Exercised	Lapsed	Exercise price	Earliest exercise date	Expiry date
Executive							
David Budd	1,056,982	03/04/2020	–	–	£0.090	04/04/2023	03/04/2030
	540,000	04/04/2019	–	–	£0.235	05/04/2022	04/04/2029
	222,260	19/07/2018	–	–	£0.305	20/07/2021	19/07/2028
	397,590	04/04/2017	–	–	£0.430	05/04/2020	04/04/2027
	244,444	07/04/2016	–	–	£0.900	07/04/2019	06/04/2026
Matthew Fowler	672,626	03/04/2020	–	–	£0.090	04/04/2023	03/04/2030
	340,000	04/04/2019	–	–	£0.235	05/04/2022	04/04/2029
	264,046	19/07/2018	–	–	£0.305	20/07/2021	19/07/2028
	141,666	22/12/2016	–	–	£0.600	14/12/2019	13/12/2026
Non-Executive							
Ian Gilham	50,000	07/04/2016	–	–	£2.78	07/04/2019	06/04/2026
	100,000	17/12/2014	–	–	£2.78	17/12/2018	16/12/2025

The Company issues long-term incentives under the management incentive plan dated July 2017. The incentive plan has the following key features:

- Executives may be awarded up to 100% of salary per annum in the form of options, with allowance for up to 200% in exceptional circumstances
- The exercise price of options will not be below market price
- Awards vest over three years subject to performance criteria being met
- The Board retains the right to scale back or reduce to zero the size of vesting awards if they are not satisfied that the status and performance of the business is sufficient or the individual has not met an acceptable level of personal performance

The Company has a policy to issue awards to the Executive Directors and other senior management annually.

Directors and their interests in shares

The Directors of the Company who held office throughout the year, unless otherwise stated, and their interests in the share capital of the Company, including family and pension scheme trust interests, were as follows:

	30 June 2021	30 June 2020
Executive		
David Budd	**213,710**	145,380
Matthew Fowler	**99,457**	86,957
Non-Executive		
Ian Gilham	**503,174**	266,424
Tom Lindsay	**202,217**	65,217
Chris Yates	**41,304**	16,304

All the Directors participated in the September 2021 fund raise.

Share Investment Plan

The details of the Epistem Share Investment Plan ('SIP') are outlined in note 20 to the financial statements. None of the current Directors participate in the SIP.

Advice received by the Committee

The Committee has access to advice when it considers it appropriate. In the current year the Committee did not receive any external advice on remuneration.

This Remuneration Report was approved by a duly authorised Committee of the Board of Directors on 8 November 2021 and signed on its behalf by:

Dr Ian Gilham
Chairman of the Remuneration Committee
8 November 2021

Directors' Report

The Directors present their Annual Report for genedrive plc ('the Company') and its subsidiaries (together 'Genedrive' or 'the Group') for the year ended 30 June 2021. genedrive plc is the holding company for a group of companies operating in the disease diagnostics markets. A review of the performance of the Group's businesses is contained on pages 1 to 18 and forms part of this report.

Principal activities and business review

genedrive plc is the holding company for a Group operating in the design, development and manufacture of molecular diagnostics testing equipment for applications in the Healthcare and other markets. A review of the performance and future development of the Group's business is contained on pages 1 to 18 and forms part of this report.

Results

The trading results for the year and the Group's financial position at the end of the financial year are shown in the financial statements on pages 42 to 45 of this report. The Directors do not recommend paying a dividend, (2020: £nil).

Going concern

The Board believe it is appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements. These financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern. (See note 1 to these financial statements).

Annual General Meeting

The Annual General Meeting will be held on 30 December 2021. In accordance with the recent UK Government easing of restrictions on travel and large social gatherings in England as a result of the COVID-19 pandemic, at the time of writing it is expected that it will be possible to offer an in-person Annual General Meeting this year. However, in view of the AGM being held at the offices of the Company and given the importance of the health and safety of all our colleagues and shareholders, attendance at the AGM will be limited. Shareholders should be aware that the Company may also require to limit or restrict the number of people attending in person or cancel attendance in person at short notice, if circumstances change or maximum capacity is reached. The Company may also put in place other safety and security measures as a condition of admission to the AGM to align with UK government guidelines or as a safety measure at the time of the meeting, where appropriate. We, therefore, ask shareholders to monitor the Company's website and regulatory news for any further updates in relation to the AGM.

As an alternative to attending the meeting in person or in the event that restrictions on public gatherings are re-introduced before the date of the AGM or the Company requires to take steps to restrict attendance at the AGM with a view to the protection of Directors, shareholders and employees, shareholders are encouraged to ensure they make their views known on the proposed resolutions by using their ability to vote by proxy. In order to ensure that their vote will be effective, shareholders should appoint the 'Chairman of the Meeting' as their proxy, rather than any other person. The outcome of the resolutions to be proposed at the AGM will be determined by the proxy votes received ahead of the AGM.

Shareholders are also encouraged to submit any questions they may have for the Board by addressing them to the following email address at least two days prior to the Annual General Meeting: info@genedrive.com. All emails submitted should contain 'AGM Question' in the email subject line.

If you do wish to be admitted to the meeting, you will need to register your intention to attend in advance of the meeting by emailing info@genedrive.com and putting 'AGM Attendance' in the subject line. Attendees on the day will be asked for evidence of vaccination.

Details of the business to be considered at the Annual General Meeting, how shareholders may submit questions into the Meeting and the Notice of Meeting are included in a separate document to be sent to shareholders.

Share capital

Details of the issued share capital, together with details of movements in the Company's issued share capital during the year, are shown in note 23 to the Company's financial statements on page 69. The Company has one class of ordinary share which carries the right to one vote at General Meetings of the Company. The nature of the Directors' holdings is disclosed on page 32. No person has any special rights of control over the Company's share capital and all issued shares are fully paid. Subject to the provisions of the Company's Articles of Association and the Companies Act 2006, at a General Meeting of the Company the Directors may request authority to allot shares and the power to disapply pre-emption rights and the authority for the Company to purchase its own ordinary shares in the market. The Board requests such authority at each Annual General Meeting. Details of the authorities to be sought are set out in the Notice of Annual General Meeting.

Share options

Details of the Company's share capital and options over the Company's shares under the Company's employee share plans are given in notes 20 and 23.

Significant agreements

All of the Company's share plans contain provisions relating to a change of control. On a change of control, outstanding awards would normally vest and become exercisable, subject to the satisfaction of any performance criteria. There are no agreements between the Company and its Directors or employees that provide for compensation for loss of office on a change of control.

On 10 December 2018 the Company amended the terms of the sale and purchase agreement related to the acquisition of Visible Genomics Limited in July 2010. As part of the amendment 500,000 shares will be issued to the former owner of Visible Genomics on 10 December 2021. No price is attached to these shares.

Board of Directors

The names of the present Directors and their biographical details are shown on pages 22 to 23. At the Annual General Meeting, to be held on 30 December 2021, all the Directors will offer themselves for re-election.

Significant shareholdings

In addition to the Directors' holdings, the Company has been advised of the following interests of over 5% of the issued ordinary shares at 30 June 2021:

	Holding
Calculus Capital	5.62%

Research and development

During the year ended 30 June 2021 the Group has incurred research and development costs of £4.5m (2020: £4.7m). Expenditure on Intangible Assets (relating to research and development activities) was £nil (2020: £nil). A review of this expenditure is included within the Strategic Report on pages 1 to 19.

Strategic Report

The information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the separate Strategic Report in accordance with section 414C (11) of the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. It has done so in respect of likely future developments, activities related to research and development and the business's relationship with suppliers, customers and other stakeholders.

Financial risk management

The Company's approach to managing financial risk is covered in note 21 to the financial statements.

Provision of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 22 to 23. Having made enquiries of fellow Directors each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no relevant audit information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware; and
- each Director has taken all the steps that a Director might reasonably be expected to be taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

Independent auditors

The independent auditors, RSM UK Audit LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the 2021 Annual General Meeting.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Group and Company financial statements for each financial year.

The Directors have elected under company law to prepare Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and applicable law.

The Group financial statements are required by law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the genedrive plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Post year end events

Post year end the Group successfully raised £7.1m (gross) as part of a placing announced in September 2021 and an associated open offer in October 2021.

By order of the Board,

Matthew Fowler
Company Secretary
8 November 2021

Independent Auditor's Report to the members of genedrive plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of genedrive plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2021 which comprise consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated and company statements of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance International Accounting Standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. For an explanation of how we evaluated management's assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting and our key observations arising in respect to that evaluation, please see the going concern key audit matter.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Summary of our audit approach

Key audit matters	**Group** • Accounting for conversion of loan notes • Going concern
Materiality	**Group** • Overall materiality: £285,000 (2020: £328,000) • Performance materiality: £214,000 (2020: £246,000) **Parent Company** • Overall materiality: £2,190 (2020: £114,000) • Performance materiality: £1,640 (2020: £86,000)

Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of loss before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company 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 group and parent company financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for conversion of loan notes

Key audit matter description

(Refer to page 51 regarding the accounting policy in respect of financial instruments, including convertible bond, and note 19 in respect of the accounting treatment of the convertible bond).

The group issued convertible debt instruments in 2014, which were subsequently amended in 2016 and 2018, and a convertible loan note issued in 2018. The group's accounting policies require the derivative components to be recorded at fair value.

The treatment of such instruments is complex, and the measurement requires use of judgement. The bonds issued in 2014 were converted into shares in the previous financial year under the terms of the instrument.

In September 2020 and December 2020, the holder of the remaining £2.5 million of convertible bonds exercised its right to convert all of its bonds for the maximum number of shares under the terms of the instrument.

Management measured the fair value of the derivative components of the instruments at the dates of conversion. An aggregate gain on revaluation of the derivative components prior to conversion of £3.9m has been recorded in the statement of comprehensive income.

How the matter was addressed in the audit

We read the agreements relating to the conversion of the convertible debt instrument held by the British Growth Fund and assessed management's proposed accounting treatment.

We used valuation specialists in the previous year to review and challenge the valuations of the loan note instruments performed by management's expert. The specialists reviewed the valuation techniques and confirmed that they were appropriate. There being no changes in the instrument in the current year, we re-performed the valuations at the dates of conversion that had been performed by management using the same techniques as the previous year.

We assessed the inputs into the measurement of derivatives by:

- comparing share price volatility assumptions to movements in the company's own share price and those of peer companies;
- comparing the risk free rate used to UK Government bond yields for appropriate maturities;
- comparing the number of shares.

We inspected the evidence relating to the conversion of loan notes to equity and assessed whether the transactions were recognised in the financial statements in accordance with IAS 32, IFRS 9 and Companies Act 2006.

We have reviewed the disclosures in the financial statements relating to the conversion of the loan notes to assess whether they met the requirements of the accounting framework.

Independent Auditor's Report to the members of genedrive plc continued

Going concern

Key audit matter description	*(Refer to page 46 regarding the accounting policy in respect going concern).* The Group reported operating losses of £5.5m for the year ended 30 June 2021 and had cash resources of £2.6m at the reporting date. The Group raised funds of £6.6m (net of costs) in September 2021 as part of a placing and open offer to shareholders. In considering the going concern basis of accounting management should make and document an assessment of the Group's ability to continue as a going concern which must cover a period of at least twelve months from the date of approval of the financial statements. When making their assessment, if management are aware of material uncertainties related to events or conditions that may cast significant doubt upon the ability to continue as a going concern, then those uncertainties shall be disclosed. In relation to management's going concern assessment, we required a detailed and robust review of up to date forecasts, cash flows, sensitivity analyses and reviews of contingency plans and impact assessments to be conducted by management.
How the matter was addressed in the audit	We reviewed and evaluated the cash flow and profit forecasts prepared by the directors, along with sensitivity of those numbers to changes in assumptions relating to revenues, costs and plans regarding any additional sources of funding. We assessed whether the forecasts and sensitivity analysis have been prepared on a reasonable and appropriate basis and performed our own stress testing of the forecasts. We evaluated whether the plans identified by the directors as part of the forecasts are feasible and within the control of management. We agreed the receipt of funds from the placing and open offer in September 2021 to bank statements and compared it to the amounts included in the forecasts. We compared the budgeted results for the year ended 30 June 2021 to the actual outturn to inform our assessment regarding the accuracy of forecasts and management's ability to control costs. We considered the actual cash outflows that had occurred since the date the forecasts were prepared to determine whether the actual cashflows were in line with those budgeted. We concluded on the reasonableness of the directors preparing the accounts on a going concern basis and considered the appropriateness of disclosure surrounding going concern in the financial statements.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent Company
Overall materiality	£285,000 (2020: £328,000). Overall materiality for the group changed from £275,000 to £285,000 during the course of the audit as the initial measure was based on forecast results.	£2,190 (2020: £114,000).
Basis for determining overall materiality	5% of loss before tax adjusted for exceptional items such as changes in fair value of derivatives embedded in convertible bond.(2020: same).	3% of total assets (2020: 1% of net liabilities).
Rationale for benchmark applied	We believe that loss before tax, adjusted for exceptional items and changes in fair value of derivatives embedded in convertible bonds, is an important measure of performance and is consistent with the expectations of the users of the financial statements of an AIM listed entity.	Following the conversion of its loan notes during the period, we believe that total assets is an important measure in assessing the performance of the parent company.
Performance materiality	£214,000 (2020: £246,000).	£1,640 (2020: £86,000).
Basis for determining performance materiality	75% of overall materiality.	75% of overall materiality.
Reporting of misstatements to the Audit Committee	Misstatements in excess of £14,200 (2020: £16,400) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £109 (2020: £6,000) and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 3 components, all of which are based in the UK. The coverage achieved by our full scope audit procedures was 100% of revenue, 100% loss before tax and 100% of net assets. No work was undertaken by component auditors.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Independent Auditor's Report to the members of genedrive plc continued

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 their 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 35, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS, Companies Act 2006 and AIM Rule 19 relating to the preparation of annual accounts	Review of the financial statement disclosures and testing to supporting documentation. Completion of disclosure checklists to identify areas of non-compliance with the financial reporting framework.
Tax compliance regulations relating to R&D tax credits	Inspection of advice received from external tax advisors. Inspection of correspondence with tax authorities in respect of the R&D tax credits claim for the previous year.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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.

Graham Bond FCA (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
14th Floor,
20 Chapel St,
Liverpool
L3 9AG
8 November 2021

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2021

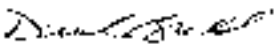
	Note	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Continuing operations			
Revenue	2	**687**	1,059
Research and development costs	4	**(4,509)**	(4,673)
Administrative costs	4	**(1,660)**	(2,026)
Operating loss	4	**(5,482)**	(5,640)
Finance income/(costs)	7	**3,630**	(14,744)
Loss on ordinary activities before taxation		**(1,852)**	(20,384)
Taxation	7	**1,161**	965
Loss for the financial year		**(691)**	(19,419)
Loss/total comprehensive expense for the financial year		**(691)**	(19,419)
Loss per share (pence)			
– Basic and diluted	10	**(1.2p)**	(55.0p)

Consolidated Balance Sheet

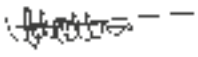
as at 30 June 2021

	Note	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Assets			
Non-current assets			
Plant and equipment	11	**301**	147
Contingent consideration receivable	12	**47**	47
		348	194
Current assets			
Inventories	13	**556**	413
Trade and other receivables	14	**158**	398
Contingent consideration receivable	12	**75**	212
Current tax asset		**1,166**	1,018
Cash and cash equivalents	15	**2,574**	8,218
		4,529	10,259
Total assets		**4,877**	10,453
Liabilities			
Current liabilities			
Deferred revenue	16	**–**	(67)
Trade and other payables	17	**(1,166)**	(2,129)
Lease liabilities	18	**(119)**	–
		(1,285)	(2,196)
Non-current liabilities			
Convertible bonds	19	**–**	(11,599)
Total liabilities		**(1,285)**	(13,795)
Net assets/(liabilities)		**3,592**	(3,342)
Equity			
Called-up equity share capital	23	**950**	780
Other reserves	24	**45,000**	42,620
Accumulated losses		**(42,358)**	(46,742)
Total equity		**3,592**	(3,342)

The financial statements were approved by the Board of Directors and authorised for issue on 8 November 2021. They were signed on its behalf by:



David Budd
Chief Executive Officer



Matthew Fowler
Chief Financial Officer

Company number: 06108621

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

	Share capital £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance at 30 June 2019	510	28,112	(31,100)	(2,478)
Transactions with owners in their capacity as owners:				
Share issue – deferred consideration	13	(13)	–	–
Share issue	150	7,383	–	7,533
Share issue – conversion of GHIF bond (note 20)	107	7,092	3,777	10,976
Equity-settled share-based payments	–	46	–	46
Transactions settled directly in equity	270	14,508	3,777	18,555
Total comprehensive loss for the year	–	–	(19,419)	(19,419)
Balance at 30 June 2020	780	42,620	(46,742)	(3,342)
Transactions with owners in their capacity as owners:				
Share issue – conversion of BGF bond	168	2,332	5,079	7,579
Share issue	2	44	–	46
Equity-settled share-based payments	–	4	(4)	–
Transactions settled directly in equity	170	2,380	5,075	7,625
Total comprehensive loss for the year	–	–	(691)	(691)
Balance at 30 June 2021	**950**	**45,000**	**(42,358)**	**3,592**

Consolidated Cash Flow Statement

for the year ended 30 June 2021

	Note	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Cash flows from operating activities			
Operating loss for the year		**(5,482)**	(5,640)
Depreciation, amortisation and impairment		**60**	57
Depreciation, right-of-use assets		**186**	–
ATL Research credits		**(5)**	(53)
Share-based payment		**4**	32
Operating loss before changes in working capital and provision		**(5,237)**	(5,604)
Increase in inventories		**(143)**	(290)
Decrease in trade and other receivables		**240**	158
Decrease in deferred revenue		**(67)**	(21)
(Decrease)/Increase in trade and other payables		**(963)**	1,000
Net cash outflow from operating activities before taxation		**(6,170)**	(4,757)
Tax received		**1,018**	971
Net cash outflow from operating activities		**(5,152)**	(3,786)
Cash flows from investing activities			
Finance income		**1**	13
Finance costs		**(33)**	(15)
Acquisition of plant and equipment and intangible assets, net of loss on disposals		**(104)**	(40)
Proceeds from disposal of discontinued operations	12	**137**	–
Net cash inflow/(outflow) from investing activities		**1**	(42)
Cash flows from financing activities			
Proceeds from share issue		**46**	7,546
Repayment of lease liabilities		**(144)**	–
Cash paid to settle convertible bonds		**(358)**	(685)
Net (outflow)/inflow from financing activities		**(456)**	6,861
Net (decrease)/increase in cash equivalents		**(5,607)**	3,033
Effects of exchange rate changes on cash and cash equivalents		**(37)**	1
Cash and cash equivalents at beginning of year		**8,218**	5,184
Cash and cash equivalents at end of year		**2,574**	8,218
Analysis of net funds			
Cash at bank and in hand	15	**2,574**	8,218
Net funds		**2,574**	8,218

Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

General information

genedrive plc ('the Company') is a company incorporated and domiciled in the UK. The registered head office is The CTF Building, Grafton Street, Manchester M13 9XX, United Kingdom.

genedrive plc and its subsidiaries (together, 'the Group') is a molecular diagnostics business developing and commercialising a low-cost, rapid, versatile, simple-to-use and robust point-of-need or point-of-care diagnostics platform for the diagnosis of infectious diseases and for use in patient stratification (genotyping), pathogen detection and other indications.

genedrive plc is a public limited company, whose shares are listed on the London Stock Exchange Alternative Investment Market.

1. Significant accounting policies

This note provides a list of the principal accounting policies adopted in the preparation of these consolidated financial statements to the extent that they have not already been disclosed in the other notes below. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods represented in these consolidated financial statements.

Basis of accounting

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on a historical cost basis as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). They are presented in pounds sterling and all values are rounded to the nearest one thousand (£k) except where otherwise indicated.

The Group funds its day-to-day working capital requirements through its bank resources.

Going concern

The Directors have performed a robust going concern assessment including review of the business' forecasts for the period to December 2022 and consideration of the principal risks faced by the Group as detailed on page 19.

The assessment of going concern included conducting scenario analysis which focused on two key issues: whether the business will be able to attain CE accreditation for its CoV-POC product and whether the commercial uptake of the CoV-POC and AIHL products will be as forecasted.

Using these key issues the Directors have created two scenarios to model cashflows:

Scenario 1 – a base case of revenue that is as per management's forecasts assuming on time regulatory approvals and commercial uptake. The base case sees the business become cash generative within a 12 month window.

Scenario 2 – where the business experiences delays bringing the two new products to market and has a much lower level of commercial uptake with no sales in the forecasts. Before any mitigating actions the sensitised cashflows in scenario 2 show that without any revenue and continuing to spend on the development projects in its plan, cash runs out in approximately 12 months from this report date. However this is an unrealistic position, because without any revenues the Group would not invest material amounts on incremental development. The incremental development spend in the forecasts includes amounts for a second generation CoV-POC product, to expand the sales team and for FDA clearance before entry into the US market – these investments would not be made without some level of certainty around sales. More realistically the Group would begin to delay and reduce development spend if no revenue was generated on its AIHL and CoV-POC products. If there was no pipeline and no sales revenue the Group would begin to cease development spend in the calendar year 2022 and the cash runway would extend beyond the assessment period. In addition to the incremental development spend, the Group has the additional option to reduce discretionary overheads – these cost reductions have not been modelled, but in conjunction with the reduction in the incremental development spend would see the cash window extend even further beyond the assessment period.

As a result of this detailed assessment, the Board has concluded that there are no material uncertainties that cast significant doubt on the ability of the Group and the Company to meet their obligations when they fall due for a period of at least 12 months after the date of this report. For this reason, it continues to adopt the going concern basis for preparing the financial statements.

1. Significant accounting policies continued

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company transactions, balances and unrealised gains on transaction between Group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and net of discounts and sales-related taxes.

Revenue recognition

a. Product sales

Sales of goods are recognised when all the performance obligations have been completed and when the Group entity has no continuing managerial involvement nor effective control over the goods. The transfer of control of goods can pass at various points depending on the shipping terms of the contract with the customer, they can be at collection from a premises or delivery to the relevant port or customer designated premises. Where items are sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

b. Collaboration and licensing revenue

Contractually agreed upfront payments and similar non-refundable payments in respect of collaboration or licence agreements which are not directly related to ongoing research activity are recorded as deferred income and recognised as revenue over the anticipated duration of the agreement. Where the anticipated duration of the agreement is modified, the period over which revenue is recognised is also modified.

Non-refundable milestone and other payments that are linked to the achievement of significant and substantive technological or regulatory hurdles in the research and development process are recognised as revenue upon the achievement of the specified milestones.

Income which is related to ongoing research activity is recognised as the research activity is undertaken, in accordance with the contract. Activity is measured based on progress and milestones and not cost.

c. Other income – development grant funding

Income receivable in the form of Government grants to fund product development is recognised as development grant funding over the periods in which the Group recognises, as expenses, the related eligible costs which the grants are intended to compensate and when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the income will be received. Government grants whose primary condition is that the Group should purchase or otherwise acquire non-current assets are recognised as deferred revenue in the Consolidated Balance Sheet and transferred to the Consolidated Statement of Comprehensive Income on a systematic and rational basis over the useful lives of the related assets.

Segment reporting

A segment is a group of assets, liabilities and operations engaged in providing products or services that are subject to risks and returns that are different from those of other parts of the business. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2021

1. Significant accounting policies continued

Research and development

Research expenditure is written off as it is incurred. Development expenditure is written off as it is incurred up to the point of technical and commercial validation. Thereafter, costs that are measurable and attributable to the project are carried forward as intangible assets, subject to having met the following criteria:

- demonstration that the product will generate profitable future economic benefit and of an intention and ability to sell the product;
- assessment of technical feasibility;
- confirmation of the availability of technical, financial and other resources to complete the development;
- management intends to complete the development so the product will be available for use; and
- the expenditure attributable to the development can be reliably measured.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

- Lab equipment – 25% reducing balance basis
- Fixtures and fittings – straight-line over 48 months
- Other equipment – straight-line over 48 months

Right-of-use assets ('ROU')

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognised as an ROU asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. At the lease commencement date an ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs to return the asset to its original condition. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the ROU asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Operating lease agreements

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1. Significant accounting policies continued

Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges. Non-monetary items carried at fair value and denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value is determined. The foreign currency risks relating to assets and liabilities are detailed in note 21.

Share-based payments (Group and Parent Company)

The Group issues equity-settled share-based payments to certain employees (including Directors). The fair value of the employee services received in exchange for the grant of the options is calculated using appropriate valuation models and is recognised as an expense over the vesting period.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, experience and behavioural considerations.

At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable.

It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity, over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The issuance by the Company of share options to employees of its subsidiary represents additional capital contributions and the fair value of such options and awards is therefore recognised as an increase in the Company's investment in Group undertakings with a corresponding increase in total equity shareholders' funds.

Share Incentive Plan ('SIP')

The Company operates a SIP scheme and both issues new shares to settle the liability and offers the cash equivalent to employees. The liability to settle the shares accrued under the SIP scheme is thus treated as a cash-settled liability on the balance sheet with the cost of the liability being expensed to the income statement. The balance sheet liability is adjusted periodically to reflect the change in the share price over the life of the scheme with the movement taken to the income statement. Any shares bought in anticipation of settling the SIP scheme are held as a debit in reserves. Where a leaver requests to take shares instead of cash, as permitted under the SIP scheme, the historic cost of shares acquired is moved from reserves to the balance sheet liability.

Pension contributions

Contributions to personal pension plans of employees on a defined contributions basis are charged to the income statement in the period in which they are payable.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2021

1. Significant accounting policies continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a first-in and first-out basis and includes bought-in cost and, where appropriate, other direct costs. Net realisable value represents the estimated selling price less applicable selling costs. Where applicable, provision is made for slow-moving and obsolete inventory.

Trade and other receivables

Trade and other debtors are recognised and carried forward at invoiced amounts less provisions for any expected credit losses. Expected credit losses are estimated using reasonable and supportable historic and forward-looking information that is available at the reporting date and the provisions are reviewed until debts are collected.

Cash and cash equivalents (Group and Parent Company)

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Interest-bearing loans and borrowings (Group and Parent Company)

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the Consolidated Income Statement when liabilities are derecognised or impaired, as well as through the amortisation process.

Investments (Group and Parent Company)

Investments in subsidiaries are stated at cost less any provisions for impairment. An impairment is recognised when the recoverable amount of the investment is less than the carrying amount.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date.

Taxation credits which fall under the category of Above the Line Research & Development credits (“ATL Research credit”) as detailed in the Finance Act 2013 are offset against the expenditure to which they relate and, in the Statement of Profit and loss, are disclosed within administrative and development costs, as appropriate.

Deferred tax is recognised in respect of all temporary differences identified at the balance sheet date, except to the extent that the deferred tax arises from the initial recognition of goodwill (if amortisation of goodwill is not deductible for tax purposes) or 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 profit nor taxable profit and loss. Temporary differences are differences between the carrying amount of the Group’s assets and liabilities and their tax base.

Deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where an entity has a legally enforceable right to offset and either intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is provided on temporary differences arising in subsidiaries, jointly controlled entities and associates, except where the timing of reversal of the temporary difference will not reverse in the foreseeable future. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Measurement of deferred tax liabilities and assets reflects the tax consequence expected to fall from the manner in which the asset or liability is recovered or settled.

1. Significant accounting policies continued

Financial instruments – including convertible bonds (Group and Parent Company)

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

As disclosed in note 19, the Company had in issue during the year a convertible bond which was a compound instrument comprising a liability component, or debt host, and an equity derivative component.

On initial recognition, convertible bonds were recorded at fair value net of issue costs. The initial fair value of the debt host was determined using the market interest rate applied by a market participant for an equivalent non-convertible debt instrument. Subsequent to initial recognition, the debt host was recorded using the effective interest method until extinguished on conversion or maturity of the bonds. The amortisation of the debt host and the interest payable in each accounting period is expensed as a finance cost.

Equity derivatives embedded in the convertible instruments which were required to be recorded as financial liabilities are initially recognised at fair value. At each reporting date, or immediately prior to them being exercised, the fair values of the derivative were reassessed by management. Where there was no market for such derivatives, the Company used option pricing models to measure the fair value.

The amortisation of the debt host, interest payable in the period and gains or losses on the fair value of the derivative are disclosed with finance income and costs detailed in note 7.

Fair value measurement (Group and Parent Company)

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Parent Company assets

The assets of the Parent Company are subject to impairment review in each financial period.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2021

1. Significant accounting policies continued

Adoption of new standards and revised standards

The Group has not early adopted any standards in the current or prior year.

The following new standards have been adopted in the year:

- amendments to IFRS 3 Definition of a Business;
- amendments to IAS 1 and IAS 8 Definition of a Material;
- conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards.

The above interpretations and revised standards have not had any material impact on the amounts reported in these financial statements or the disclosures required. At the date of authorisation of these financial statements, there are no standards or interpretations that were in issue but not yet effective that, when adopted, will have a significant impact on the financial statements of the Group.

Critical accounting estimates

The preparation of financial statements in conformity with International; Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

- the inventory valuation is stated net of a stock provision of £499k (2020: £159k). The inventory provision is put in place for slow, moving and potentially obsolete inventory as well as damaged and/or out of specification product where cost is considered to be higher than net realisable value. The level of provisioning is an estimate, with judgement required on ageing, customer order profiles, alternative routes to market and the option to reprocess. The estimation of the range of possible outcomes, by flexing key assumptions, is an increase in the value of inventory of £0.2m to an additional decrease of £0.6m;
- R&D tax credit of £1.2m (2020: £1.0m). Determining which components of expenditure fit the definitions of the R&D tax credit regime requires an estimation and interpretation of tax rules on research and development costs. There have been no changes to historic assumptions in the year and there is no expectation of a change in the level of uncertainty within the next financial year. There have been changes made to the way the R&D tax claim is capped, but these changes are unlikely to impact the Group. If the qualifying costs used to calculated the R&D tax credits are 10% higher/lower than estimated then the value of the tax debtors in the balance sheet would increase/(decrease) by £100k;
- deferred consideration of £0.1m (2020: £0.3m). The consideration for the disposal of the Services business included deferred consideration based on the R&D tax credits claimed by the business in the three years post disposal. The deferred consideration is carried at the discounted fair value of the expected R&D tax credits. The estimated value of the R&D tax credits was originally based on the value claimed in the period ending December 2018 and has subsequently been updated to reflect actual claims made by the purchaser.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The separate financial statements of genedrive plc are presented on pages 71-76.

2. Operating segments

For internal reporting and decision-making, the Group is organised into one segment, Diagnostics. Diagnostics is commercialising the Genedrive® point-of-need molecular testing platform. In future periods, and as revenue grows, the Group may review management account information by type of assay and thus split out Diagnostics into segments – however for now the single segment is appropriate.

The chief operating decision-maker primarily relies on turnover and operating loss to assess the performance of the Group and make decisions about resources to be allocated to each segment. Geographical factors are reviewed by the chief operating decision-maker, but as substantially all operating activities are undertaken from the UK, geography is not a significant factor for the Group. Accordingly, only sales have been analysed into geographical statements.

The results of the operating division of the Group are detailed below.

Business segments	Diagnostics segment £'000	Administrative costs £'000	Total £'000
Year ended 30 June 2021			
Revenue	687	–	687
Operating loss	**(3,822)**	**(1,660)**	**(5,482)**
Net finance costs			3,630
Loss on ordinary activities before taxation			**(1,852)**
Taxation			1,161
Loss for the financial year			**(691)**
Total comprehensive expense for the year			**(691)**

Business segments	Diagnostics segment £'000	Administrative costs £'000	Total £'000
Year ended 30 June 2020			
Revenue	1,059	–	1,059
Operating loss	(3,614)	(2,026)	(5,640)
Net finance costs			(14,744)
Loss on ordinary activities before taxation			(20,384)
Taxation			965
Loss for the financial year			(19,419)
Total comprehensive expense for the year			(19,419)
Total comprehensive expense for the year			**(19,419)**

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2021

2. Operating segments continued

	Diagnostics segment £'000	Corporate costs £'000	Total £'000
Year ended 30 June 2021			
Segment assets	**923**	**3,954**	**4,877**
Segment liabilities	**(937)**	**(348)**	**(1,285)**
Year ended 30 June 2020			
Segment assets	800	9,653	10,453
Segment liabilities	(1,323)	(12,472)	(13,795)

Additions to non-current assets: Diagnostics segment £320k (2020: £34k) and Corporate costs £80k (2020: £9k).

Geographical segments

The Group's operations are located in the United Kingdom. The following table provides an analysis of the Group's revenue by customer location:

All on continuing operations	**Year ended 30 June 2021 £'000**	Year ended 30 June 2020 £'000
United Kingdom	**40**	597
Europe	**17**	35
United States of America	**613**	420
Rest of the world	**17**	7
	687	1,059

Revenues from customers accounting for more than 10% of total revenue in the current or prior years are detailed below:

- £286k of revenue was derived from the US Department of Defense (2020: £420k);
- £307k of revenue was derived from Beckman Coulter (2020: £nil).

3. Revenue

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Revenue from customer contracts	**647**	502
Grant and other income	**40**	557
	687	1,059

There were no sales with extended payment terms. For both financial years, revenue from customers was all related to product sales and recognised at a point in time.

Where customers pay consideration before the Group has transferred the goods or services to the customer, the revenue is deferred and a contract liability created; see note 16. Where goods have been shipped but an invoice has not been raised, revenue is accrued; as at June 2021, this totalled £nil (2020: £67k).

4. Operating loss

The Group operating loss is stated after charging/(crediting):

	Note	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Research and development expenditure		**4,509**	4,673
ATL Research credits	8	**(5)**	(53)
Depreciation of owned tangible fixed assets	11	**60**	57
Depreciation of right-of-use assets	11	**186**	–
Staff costs	5	**2,772**	3,099
Short-term lease payments		**–**	300
Auditors' remuneration, fees payable for:			
– the audit of the Parent Company and consolidated accounts		**48**	45
– the audit of subsidiary accounts		**5**	5
– agreed upon procedures for the interim accounts		**5**	4

5. Particulars of employees

The average number of staff employed by the Group during the financial year was:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Research and development	**33**	32
Administration	**13**	14
	46	46

The aggregate employee costs (including Directors) were:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Wages, salaries and other benefits	**2,445**	2,728
Social security costs	**271**	283
Pension cost-defined contribution plans	**52**	56
Equity-settled share-based payments	**4**	32
	2,772	3,099

6. Directors' remuneration (key management)

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Wages, salaries and other benefits	**1,049**	1,089
Social security costs	**124**	136
Equity-settled share-based payments	**20**	28
Pension cost-defined contribution plans	**–**	21
	1,193	1,274

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2021

6. Directors' remuneration (key management) continued

For the current and prior year the key management of the Company is the senior management team of the Company and compromises Executive Board members plus four members of the senior staff.

Disclosure of individual Directors' remuneration, share interests, share options, long term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 are shown in the tables in the Remuneration Committee report on pages 28 to 33 and form part of these financial statements.

7. Finance income/(costs)

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Interest income on bank deposits	1	13
Movement in fair value of derivative embedded in convertible bonds	3,864	(13,807)
Finance cost on liabilities measured at amortised cost	(202)	(808)
Finance lease costs	(33)	–
Foreign exchange movement on convertible bonds	–	(142)
	3,630	(14,744)

8. Taxation

(a) Recognised in the income statement

	Total	
	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Current tax:		
Research and development tax credits	(1,166)	(1,018)
Less: recognised as ATL Research credits	5	53
Total tax credit for the year	(1,161)	(965)

(b) Reconciliation of the total tax credit

The tax credit assessed on the loss for the year is higher (2020: lower) that the weighted average applicable tax rate for the year ended 30 June 2021 of 19.0% (2020: 19.0%). The differences are explained below:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Loss before taxation on continuing operations	(1,852)	(20,384)
Tax using UK corporation tax rate of 19.0% (2020: 19.0%)	(352)	(3,873)
Adjustment in respect of R&D tax credit recognised as Above The Line ('ATL')	1	13
Adjustment in respect of R&D tax credit claimed	(500)	(415)
Items (taxable)/not deductible for tax purposes – permanent	(777)	2,807
Items not deductible for tax purposes – temporary	–	(6)
Deferred tax not recognised	467	777
Rate differences	–	(268)
Total tax credit for the year	(1,161)	(965)

8. Taxation on ordinary activities continued

No deferred tax assets are recognised at 30 June 2021 (2020: £nil). Having reviewed future profitability in the context of trading losses carried, it is not probable that there will be sufficient profits available to set against brought-forward losses.

The Group had trading losses, as computed for tax purposes, of approximately £14,356k (2020: £16,151k) available to carry forward to future periods; this excludes management expenses.

In accordance with the provisions of the Finance Act 2000 in respect of research and development allowances, the Group is entitled to claim tax credits for certain research and development expenditure. These credits are disclosed partly as Above The Line research and development credits ('ATL Research credits') within research and development costs and partly as research and development tax credits within taxation on ordinary activities. The total amount included in the financial statements in respect of the year ended 30 June 2021 was £1,166k which included £5k disclosed as ATL Research credits deducted from research and development costs with the balance of £1,161k disclosed within taxation on ordinary activities as detailed above.

9. Loss attributable to members of the Parent Company

genedrive plc has not presented its own statement of comprehensive income as permitted by Section 408 of the Companies Act 2006. The gain dealt with in the accounts of genedrive plc was £3,865k (2020: loss of £21,538k).

10. Earnings per share

	2021 £'000	2020 £'000
Loss for the year after taxation	**(691)**	(19,419)

Group	**2021 Number**	2020 Number
Weighted average number of ordinary shares in issue	**58,987,344**	35,556,905
Potentially dilutive ordinary shares	**–**	–
Adjusted weighted average number of ordinary shares in issue	**58,987,344**	35,556,905
Loss per share on continuing operations		
– Basic	**(1.2)p**	(55)p
– Diluted	**(1.2)p**	(55)p

The basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders for the year by the weighted average number of ordinary shares in issue during the year.

Post year end 28,450,852 shares were issued as part of a placing and open offer to shareholders. The basic and diluted loss per share would reduce to (0.8p) had these shares been in issue for the entire financial period.

As the Company is loss-making, no potentially dilutive options have been added into the EPS calculation. Had the Company made a profit in the period:

Group	Number
Potentially dilutive shares on deferred consideration	500,000
Potentially dilutive shares from share options	3,027,508
Potentially dilutive shares within the SIP	158,784
Potentially dilutive ordinary shares	3,686,292

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2021

11. Plant and equipment

	Right-of-use land and buildings £'000	Lab equipment £'000	Fixtures and fittings £'000	Other equipment £'000	Total £'000
Cost					
At 1 July 2019	–	298	114	232	644
Additions	–	34	-	9	43
Disposals	–	-	-	(14)	(14)
At 1 July 2020	–	332	114	227	673
Additions	296	85	–	19	400
Disposals	–	–	–	(4)	(4)
At 30 June 2021	**296**	**417**	**114**	**242**	**1,069**
Accumulated depreciation					
At 1 July 2019	–	182	108	190	480
Charge for the year	–	30	6	21	57
Depreciation on disposed assets	–	-	-	(11)	(11)
At 1 July 2020	–	212	114	200	526
Charge for the year	186	45	–	15	246
Depreciation on disposed assets	–	–	–	(4)	(4)
At 30 June 2021	**186**	**257**	**114**	**211**	**768**
Net book value					
At 30 June 2020	–	120	–	27	147
At 30 June 2021	**110**	**160**	**–**	**31**	**301**

The Group leases land and buildings for its offices and laboratories agreements of two years. On renewal, the terms of the leases are renegotiated.

The Group leases office equipment under agreements of less than two years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

12. Contingent consideration receivable

Group	Greater than 12 months £'000	Less than 12 months £'000	Total £'000
Balance at 30 June 2019	153	106	259
Balance at 30 June 2020	47	212	259
Received in the period	–	(137)	(137)
Balance at 30 June 2021	**47**	**75**	**122**

The amount provided on the balance sheet of £122k represents contingent consideration held under the sale and purchase agreement for the disposal of the Services business. The amount relates to the remaining 18 months trading under the agreement.

An amount of £107k was received in October 2021 for the period of trading 12 months ending December 2020, leaving a six month period to June 2021 remaining.

13. Inventories

	2021 £'000	2020 £'000
Raw materials	**385**	188
Finished goods	**171**	225
	556	413

The inventory valuation at 30 June 2021 is stated net of a provision of £499k (2020: £159k) to write down inventories to their net realisable value. The net charge to the income statement in the year in respect of inventory net realisable value was £402k (2020: £99k).

14. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	**–**	204
Less: provisions for expected credit loss	**–**	–
Trade receivables – net	**–**	204
Other receivables	**18**	69
Prepayments	**140**	125
	158	398

Analysis of trade receivables

	2021 £'000	2020 £'000
Neither impaired nor past due	**–**	204
Past due but not impaired	**–**	–
Trade receivables	**–**	204

At the year end, net trade receivables were aged as follows:

	2021 £'000	2020 £'000
Not overdue	**–**	204
Less than 1 month overdue	**–**	–
Later than 1 month but less than 3 months overdue	**–**	–
Later than 3 months overdue	**–**	–
Total	**–**	204

The movement in the impairment provision for expected credit loss is as follows:

	2021 £'000	2020 £'000
Opening provision	**–**	–
Written off in the year	**–**	–
Charge for the year	**–**	–
Closing provision at 30 June	**–**	–

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2021

14. Trade and other receivables continued

Ageing of impaired receivables

Group	2021 £'000	2020 £'000
Greater than 3 months	–	–

There is no other class of financial assets that is past due but not impaired. The Group's credit period generally ranges up to 60 days.

15. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	2,574	8,218
	2,574	8,218

Cash and cash equivalents comprise current accounts held by the Group with immediate access and short-term bank deposits with a maturity of three months or less. Market rates of interest are earned on such deposits. The credit risk on such funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

16. Deferred revenue

The items recorded as deferred revenue are to be recognised over future periods as follows:

	2021 £'000	2020 £'000
Amounts to be recognised within 1 year	–	67

The brought-forward value of £67,000 was fully recognised as income in the year to June 2021.

17. Trade and other payables

Group	2021 £'000	2020 £'000
Trade payables	439	980
Accruals	532	865
Other payables	195	284
	1,166	2,129

18. Lease liabilities

	2021 £'000	2020 £'000
Lease liabilities	119	–

Lease liabilities relate to land and buildings right-of-use assets as detailed in note 11, and have liabilities falling due within one year.

	£'000
Balance at 30 June 2020	–
Additions	296
Interest	(33)
Repayment of lease liabilities	(144)
Balance at 30 June 2021	119

There were no cash outflows in the year relating to short-term and low-value lease payments (2020: £300k).

19. Convertible bonds

	GHIF host £'000	GHIF derivative £'000	BGF host £'000	BGF derivative £'000	Total host £'000	Total derivative £'000	Total £'000
Balance at 30 June 2019	6,048	143	2,150	177	8,198	320	8,518
Amortised arrangement fees (BGF)	–	–	36	–	36	–	36
Arrangement costs	–	–	(15)	–	(15)	–	(15)
Movement in fair value of embedded derivative	–	4,841	–	8,966	–	13,807	13,807
Finance cost of convertible bonds	487	–	285	–	772	–	772
Foreign exchange movement (GHIF)	142	–	–	–	142	–	142
Balance prior to settlement	6,677	4,984	2,456	9,143	9,133	14,127	23,260
Payment of cash at settlement date	(685)	–	–	–	(685)	–	(685)
Conversion to shares at settlement date	(5,992)	(4,984)	–	–	(5,992)	(4,984)	(10,976)
Balance at 30 June 2020	–	–	2,456	9,143	2,456	9,143	11,599
Finance cost	–	–	101	–	101	–	101
Amortisation of arrangement fees	–	–	101	–	101	–	101
Movement in fair value of embedded derivative	–	–	–	(3,864)	–	(3,864)	(3,864)
Balance prior to settlement	–	–	2,658	5,279	2,658	5,279	7,937
Payment of cash at settlement date	–	–	(358)	–	(358)	–	(358)
Conversion to shares at settlement date	–	–	(2,300)	(5,279)	(2,300)	(5,279)	(7,579)
Balance at 30 June 2021	–	–	–	–	–	–	–

None of the fair value movements relate to changes in the entity credit risk.

Global Health Investment Fund 1 LLC ('GHIF')

On 21 July 2014, the Company entered into a Collaboration and Convertible Bond Purchase Agreement ('Agreement') with the Global Health Investment Fund 1 LLC ('GHIF'). The purpose of the Agreement was to fund the Company's development, production and commercialisation of Genedrive® to address Global Health Challenges and achieve Global Health Objectives. Further, as part of the Agreement, GHIF and the Company entered into a Global Access Commitment.

On 23 June 2016, the Company and GHIF entered into a Deed of Amendment & Restatement of the Agreement, which came into effect on 11 July 2016. The principal effects of the Deed of Amendment were to extend the maturity of the GHIF Bond by two years to 21 July 2021 and to split the GHIF Bond into two tranches: the first tranche of US$2m has a conversion price of £1.50 per ordinary share and the second tranche of US$6m has a conversion price remaining at £4.89 per ordinary share.

During the year to 30 June 2019, the Company entered into a second Deed of Amendment with the Global Health Investment Fund 1 LLC that became effective on 10 December 2018. The principal effects of the Deed of Amendment were to extend the maturity date from December 2021 to December 2023 and to change the conversion prices on the two tranches from 150p to 28.75p and from 480p to 150p.

On 6 June 2020, GHIF exercised its rights to convert tranches 1 and 2 simultaneously. Under the terms of the conversion, GHIF was allotted and issued 7,100,000 new ordinary shares, which was the capped number of shares which can be issued under the convertible bond, and was also paid approximately £685k in cash reflecting the balance of accrued interest owed, in full satisfaction of the obligations of the Company under the convertible bond.

As part of the conversion, GHIF has entered into a lock-in and orderly marketing agreement with Peel Hunt LLP, the Company's Nominated Adviser and Joint Broker. Under this arrangement 5,100,000 of the GHIF shares were subject to an orderly marketing agreement that came to an end on 30 June 2021. The derivative was measured at fair value at 31 December 2019 and at the settlement date using a Quanto Option valuation model which takes account of the multicurrency aspects of the convertible bond. Changes in fair value were recorded in profit and loss.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2021

19. Convertible bonds continued

Business Growth Fund ('BGF')

The Company entered into an agreement with the BGF that became effective on 10 December 2018. Under the terms of the agreement, BGF and the Company entered into a convertible loan arrangement. The main terms of the convertible loan note were a conversion price of 28.75p, interest on the loan of 7% payable quarterly and a maturity date of June 2025. The loan note came with a conditional £1.0m subscription to the Company's December 2018 fund raise.

On 30 September 2020, BGF exercised its right to convert £1,000,000 of its £2,500,000 Loan Note instrument into new ordinary shares of 1.5p each in the Company. Under the conversion, BGF was allotted and issued 4,478,681 new ordinary shares and was paid approximately £134,000 in accrued interest owed on this tranche of the loan.

On 16 December 2020, BGF exercised its right to convert the remaining £1,500,000 of its £2,500,000 Loan Note instrument into new ordinary shares of 1.5p each in the Company. Under the conversion, BGF was allotted and issued 6,718,022 new ordinary shares and was paid approximately £226,000 in accrued interest owed on this tranche of the loan.

The derivative was measured at fair value at 30 June 2020 and at the settlement dates using a Black-Scholes pricing model and changes in fair value were recorded in profit and loss.

Accounting for the convertible bonds

GHIF

Whilst the bond holder has the option to convert into a fixed number of shares, due to the GHIF convertible bond being denominated in a different currency to the Company's functional currency, IFRS requires the convertible bond to be accounted for as a compound instrument, comprising a debt host (liability component) and a derivative (equity component). The debt host was required to be recorded initially at fair value and subsequently measured at amortised cost.

The derivative was measured at the settlement date using a Quanto Option valuation model which takes account of the multicurrency aspects of the convertible bond. Changes in fair value are recorded in profit and loss. The variables used in running the model were volatility of the Company's share price of 40%, expected life of the derivative of 0.008 years, risk-free interest rate of 0.098% and no dividend yield.

On conversion, the compound instrument was derecognised. The consideration received for the issue of shares was measured by reference to the face value of the debt of £7,199,000, being the outstanding principal and accrued interest. The difference of £3,177,000 between the carrying amount of the instrument, and its associated derivative, and the consideration received was recognised directly in equity. No gain or loss was recorded in the profit and loss account as a result of the conversion.

BGF

The convertible nature of the loan grants BGF an option to convert to equity but the instrument includes adjustments to the conversion price if additional equity is issued by the Company meaning that the number of shares that would be issued is not fixed. The bond also includes options relating to early redemption by the Company subject to it making an early redemption payment. These features represent embedded derivatives which are recognised separately from the debt host.

The debt host was initially recorded at fair value and is subsequently measured at amortised cost.

The derivative is measured at fair value and movements recorded in profit and loss. At the settlement dates, the derivative was valued using a Black-Scholes pricing model using the following inputs: volatility of the Company's share price of 40%, expected life of the derivative of [0.08] years, risk-free interest rate of 0.098% and no dividend yield.

On 30 September 2020, BGF Investments LP exercised its right to convert £1,000,000 of its £2,500,000 Loan Note instrument into new ordinary shares of 1.5p each in the Company. Under the conversion, BGF was allotted and issued 4,478,681 new ordinary shares and was paid approximately £134,000 in accrued interest owed on this tranche of the loan.

On 16 December 2020, BGF Investments LP exercised its right to convert the remaining £1,500,000 of its Loan Note instrument into new ordinary shares of 1.5p each in the Company. Under the conversion, BGF was allotted and issued 6,718,022 new ordinary shares and was paid approximately £226,000 in accrued interest owed on this tranche of the loan.

19. Convertible bonds continued

BGF continued

Following these conversions, the compound instrument was derecognised. The consideration received for the issue of shares was measured by reference to the face value of the debt of £2,500,000. The difference of £5,079,000 between the carrying amount of the instrument, and its associated derivative, and the consideration received has been recognised directly in equity. No gain or loss has been recorded in the profit and loss account as a result of the conversion.

20. Share-based payments

(a) Share options outstanding at 30 June 2021

Prior to 28 November 2007, the Company operated a number of HMRC approved and unapproved share option schemes for employees (including Directors). The original options were granted by Epistem Ltd but, following its acquisition in 2007 by Epistem Holdings Plc (the former name of genedrive plc), these were released in exchange for equivalent options over the ordinary shares of Epistem Holdings Plc. On 28 November 2007, the Company established the 2007 Epistem Share Option Scheme. The 2007 Epistem Share Option Scheme was replaced by the 2017 Epistem Share Option Scheme that was adopted at the 2017 AGM.

Share options

Award	Number of awards	Exercise price	Period within which options are exercisable	Fair value per option	Fair value £
2007 Epistem Share Option Scheme	500	£3.60	10 Feb 2015 to 09 Feb 2022	£1.46p	730
2007 Epistem Share Option Scheme	1,150	£5.50	28 Mar 2016 to 27 Mar 2023	£2.23p	2,565
2007 Epistem Share Option Scheme	21,000	£3.22	29 Jan 2017 to 28 Jan 2024	£1.21p	25,410
2007 Epistem Share Option Scheme	1,500	£3.25	12 Aug 2017 to 11 Aug 2024	£0.60p	900
2007 Epistem Share Option Scheme	20,000	£3.25	20 Sep 2017 to 19 Sep 2024	£0.60p	12,000
2014 Unapproved Share Options	100,000	£2.75	17 Dec 2017 to 16 Dec 2024	£0.52p	52,000
2007 Epistem Share Option Scheme	4,000	£1.20	11 Dec 2018 to 19 Sep 2025	£0.33p	1,320
2007 Epistem Share Option Scheme	2,000	£0.90	07 Apr 2019 to 06 Apr 2026	£0.29p	660
Epistem Unapproved Share Options	244,444	£2.78	07 Apr 2019 to 06 Apr 2026	£0.27p	70,889
2007 Epistem Share Option Scheme	70,000	£0.82	02 May 2019 to 01 May 2026	£0.27p	5,900
2007 Epistem Share Option Scheme	33,000	£0.80	01 Oct 2019 to 01 Oct 2026	£0.11p	3,630
2007 Epistem Share Option Scheme	9,000	£0.80	15 Oct 2019 to 14 Oct 2026	£0.08p	720
2007 Epistem Share Option Scheme	141,666	£0.60	22 Dec 2019 to 21 Oct 2026	£0.08p	7,083
2007 Epistem Share Option Scheme	70,589	£0.43	04 Apr 2020 to 03 Apr 2027	£0.06p	4,235
Epistem Unapproved Share Option	377,001	£0.43	04 Apr 2020 to 03 Apr 2027	£0.06p	22,620
2017 Epistem Share Option Scheme	12,500	£0.36	30 Nov 2020 to 30 Nov 2027	£0.04p	750
Epistem Unapproved Share Option	43,024	£0.36	30 Nov 2020 to 30 Nov 2027	£0.04p	1,721
Epistem Unapproved Share Option	222,260	£0.31	20 Jul 2021 to 20 Jul 2028	£0.04p	8,135
2017 Epistem Share Option Scheme	264,046	£0.31	20 Jul 2021 to 20 Jul 2028	£0.04p	9,664
2017 Epistem Share Option Scheme	30,000	£0.33	20 Sep 2021 to 20 Sep 2028	£0.03p	732
2017 Epistem Share Option Scheme	20,000	£0.21	19 Dec 2021 to 19 Dec 2028	£0.03p	522
Epistem Unapproved Share Option	690,000	£0.24	05 Apr 2022 to 05 Apr 2029	£0.02p	13,8000
2017 Epistem Share Option Scheme	710,000	£0.24	05 Apr 2022 to 05 Apr 2029	£0.02p	14,200
2017 Epistem Share Option Scheme	10,000	£0.23	20 Apr 2022 to 20 Apr 2029	£0.02p	210
Epistem Unapproved Share Option	1,226,982	£0.09	06 Apr 2023 to 10 Apr 2030	£0.01p	12,270
2017 Epistem Share Option Scheme	772,626	£0.09	06 Apr 2023 to 10 Apr 2030	£0.01p	9,426
2017 Epistem Share Option Scheme	118,750	£0.47	04 Dec 2023 to 14 Dec 2030	£0.07p	1,313
2017 Epistem Share Option Scheme	10,000	£0.56	27 Jan 2024 to 27 Jan 2031	£0.08p	800
	5,226,038				

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2021

20. Share-based payments continued

Option valuations

The options were valued using the Black-Scholes option-pricing model. The fair value per option granted and the assumptions used in the calculations are in the table below.

Award	Grant date	Expected term (Note a)	Expected dividend yield % (Note b)	Expected volatility % (Note c)	Risk % rate (Note d)	Performance condition
2007 Epistem Share Option Scheme	10 Feb 2012	5 years	0	50	0.50	Note(e)
2007 Epistem Share Option Scheme	26 Mar 2013	5 years	0	50	0.50	Note(e)
2007 Epistem Share Option Scheme	29 Jan 2014	5 years	0	43	0.50	Note(e)
2007 Epistem Share Option Scheme	12 Aug 2014	5 years	0	43	0.50	Note(e)
2007 Epistem Share Option Scheme	20 Sep 2014	5 years	0	43	0.50	Note(e)
2014 Unapproved Share Options	17 Dec 2014	5 years	0	43	0.50	Note(e)
2007 Epistem Share Option Scheme	11 Dec 2015	5 years	0	30	0.50	Note(e)
2007 Epistem Share Option Scheme	07 Apr 2016	5 years	0	36	0.50	Note(e)
Epistem Unapproved Share Option Scheme	07 Apr 2016	5 years	0	36	0.50	Note(e)
2007 Epistem Share Option Scheme	02 May 2016	5 years	0	37	0.50	Note(e)
2007 Epistem Share Option Scheme	01 Oct 2016	3 years	0	19	0.25	Note(e)
2007 Epistem Share Option Scheme	15 Oct 2016	3 years	0	19	0.25	Note(e)
2007 Epistem Share Option Scheme	22 Dec 2016	3 years	0	12	0.25	Note(e)
2007 Epistem Share Option Scheme	04 Apr 2017	3 years	0	20	0.25	Note(e)
Epistem Unapproved Share Option Scheme	04 Apr 2017	3 years	0	20	0.25	Note(e)
2017 Epistem Share Option Scheme	30 Nov 2017	3 years	0	15	0.50	Note(e)
Epistem Unapproved Share Option	30 Nov 2017	3 years	0	15	0.50	Note(e)
Epistem Unapproved Share Option	20 Jul 2018	3 years	0	16	0.75	Note(e)
2017 Epistem Share Option Scheme	20 Jul 2018	3 years	0	16	0.75	Note(e)
2017 Epistem Share Option Scheme	10 Sep 2018	3 years	0	16	0.75	Note(e)
2017 Epistem Share Option Scheme	19 Dec 2018	3 years	0	16	0.75	Note(e)
Epistem Unapproved Share Option	05 Apr 2019	3 years	0	16	0.75	Note(e)
2017 Epistem Share Option Scheme	05 Apr 2019	3 years	0	16	0.75	Note(e)
2017 Epistem Share Option Scheme	24 Apr 2019	3 years	0	16	0.75	Note(e)
Epistem Unapproved Share Option	06 Apr 2020	3 years	0	18	0.75	Note(e)
2017 Epistem Share Option Scheme	06 Apr 2020	3 years	0	18	0.75	Note(e)
2017 Epistem Share Option Scheme	14 Dec 2020	3 years	0	19	0.75	Note(e)
2017 Epistem Share Option Scheme	27 Jan 2021	3 years	0	18	0.75	Note(e)

(a) The expected term used in the model is three to five years and is based upon the Directors' best estimates for the effects of exercise restrictions and behavioural considerations.

(b) The dividend yield of 0% reflects the absence of a history of paying dividends and a clear dividend policy at the relevant grant dates.

(c) Prior to 2011, the expected volatility was estimated by the Directors after inspection of the financial statements of comparable businesses in the same business sector as the Group. Thereafter, the expected volatility has been calculated by reference to the historic share price of the Company.

(d) The risk-free rate used is based upon the prevailing UK bank base rate at the date of the grant.

(e) These options may be exercised following the third anniversary of grant and are subject to performance criteria which are appropriate to the option holders' role within the Company and which are assessed by the Remuneration Committee.

20. Share-based payments continued

Option valuations continued

The number of options and their weighted average exercise prices are as follows:

	Number		Weighted average exercise price		Weighted average remaining contracted life – Years	
	2021	2020	**2021**	2020	**2021**	2020
Outstanding as at 1 July	**5,757,826**	3,488,968				
Granted during the year	**136,250**	2,414,608	**52p**	10p		
Exercised during the year	**(127,563)**	(16,000)	**40p**	91p		
Forfeited during the year	**–**	–	**–**	–		
Lapsed during the year	**(540,475)**	(129,750)	**52p**	29p		
Outstanding as at 30 June	**5,226,038**	5,757,826	**36p**	37p	**7.6**	8.5
Options exercisable at 30 June	**1,151,374**	1,206,075	**99p**	48p	**5.1**	5.9

Options over 127,563 shares were exercised in the year ended 30 June 2021 (2019: 16,000). The weighted average market price at exercise was £0.80 (2020:£1.08). No Director exercised any options and no options expired during the year.

(b) Share Investment Plan

The Company operates a share investment plan ('SIP'), the Epistem Share Investment Plan, which is open to Directors and employees in accordance with HMRC approved rules. Under the terms of the SIP, Directors and employees may invest up to £150 per month to be invested in ordinary shares ('Partnership Shares') in the Company at the prevailing market price. Participants may withdraw their Matching Shares once their associated Partnership Shares have been held for three years. At the same time as each monthly subscription, a maximum of two Matching Shares for each Partnership Share is accrued by the Company on behalf of the SIP's participants. The Matching Shares vest after three years; if an employee leaves the Company, unvested shares lapse. The monthly cost of the Matching Shares is expensed to the income statement.

At 30 June 2021, the number of Partnership Shares earnt by employees was 52,928 (2020: 69,899). The total number of potential Matching Shares provided for employees at 30 June, should all the employees meet the three-year vesting rule, was 105,856 (2020: 139,793). Of the 105,864 shares, 34,034 (2020: 16,393) have vested under the three-year service rule. The Company accrues for the value of shares that it expects to be purchased to satisfy the number of shares earnt – this accrual at 30 June 2021, included within trade and other payables, was £103k (2020: £190k).

In order to satisfy the shares accumulated as both Partnership and Matching Shares, Epistem SIP Trustee Ltd, a wholly owned subsidiary of the Company, periodically purchases shares on behalf of the scheme's participants. At the balance sheet date, Epistem SIP Trustee Ltd owned no shares (2020: 17,882 shares) in the Company. The historic cost of the purchased shares is recorded as a debit in reserves and the movement over the year period is recorded below.

	2021 £'000	2020 £'000
Outstanding at 30 June	**196**	196

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2021

21. Financial risk management objectives and policies

	Classification	2021 £'000	2020 £'000
Financial assets			
Cash and cash equivalents	Amortised cost	**2,574**	8,218
Trade and other receivables	Amortised cost	**158**	273
Financial liabilities			
Trade and other payables	Amortised cost	**1,166**	2,129
Lease liabilities	Amortised cost	**119**	–
Convertible bonds	Fair value	**–**	11,599

The convertible bond financial liabilities are categorised as Level 2 within the fair value hierarchy under IFRS 13. Further information is contained in note 19.

The Group holds or issues financial instruments in order to achieve two main objectives, being:
(a) to finance its operations;
(b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance.

In addition, various financial instruments (e.g. trade receivables, trade payables and accruals) arise directly from the Group's and the Company's operations.

Transactions in financial instruments result in the Group assuming or transferring to another party one or more of the financial risks described below.

Interest rate risk

The Group currently finances its operations through reserves of cash and liquid resources. Surplus cash at bank is placed on deposits at variable rates. The Board monitors the financial markets and the Group's own requirements to ensure that the policies are exercised in the Group's best interests.

The following table demonstrates the sensitivity to a possible change in interest rates on the Group's profit before tax through the impact of floating rate cash balances.

	Increase in the basis points	Before tax and equity £'000
2021		
Cash and cash equivalents	**25**	**11**
2020		
Cash and cash equivalents	25	10

A decrease in 25 basis points would have a similar opposite effect.

21. Financial risk management objectives and policies continued

Capital management

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

The Group's objective in managing its capital is to ensure that the Group has adequate capital to fund its trading operations and ensure the Group's ability to continue as a going concern. In achieving this objective, the Group seeks to maintain an optimal capital structure to reduce its cost of capital and provide returns for shareholders.

In managing its capital, the Group may from time to time issue new shares, sell assets or issue other capital instruments to optimise its capital structure. In May 2020 the Company issued 10,000,000 new shares as described in note 23.

Credit risk

The Group monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to credit risk.

Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event that other parties fail to perform their obligations under financial instruments. The credit status of the trade receivables is detailed below:

	2021 £'000	2020 £'000
Government-related agencies	**–**	182
Independent companies	**–**	22
	–	204

Liquidity risk

The Board's policy aims to ensure that sufficient funds are held on a short-term basis in order to meet operational needs. The age profile of the Group's gross undiscounted obligations at the balance sheet date is detailed below:

	2021 £'000	2020 £'000
Payable within 1 year	**1,285**	2,129
Payable within 1 to 2 years	**–**	–
Payable within 3 to 5 years	**–**	2,456
	1,285	4,585

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2021

21. Financial risk management objectives and policies continued

Currency risk

The Group's functional currency is sterling. The exposure to currency risk relates to licence income, those short-term trade receivables which are not invoiced in sterling and foreign denominated cash held in UK banks. There are no significant costs incurred that involve payments in foreign currency. The Group has no forward contracts at the year end (2020: £nil) to manage foreign currency risk.

Balances which are denominated in US dollars are detailed below:

	2021 £'000	2020 £'000
Trade and other receivables	**–**	182
Cash and cash equivalents	**40**	11
	40	193

The following table demonstrates the sensitivity to a possible change in currency rates on the Group's loss before tax through the impact of sterling weakening against the US dollar.

	Decrease in the currency rate	Effect on equity £'000
2021		
Trade and other receivables	**5%**	**–**
Cash and cash equivalents	**5%**	**2**
2020		
Trade and other receivables	5%	9
Cash and cash equivalents	5%	1

An increase in currency rate of 5% would have a similar opposite effect.

Fair values of financial assets and liabilities

There is no material difference between the book value and the fair value of the Group's financial assets or liabilities.

Changes in liabilities resulting from financing activities

	Convertible Loan Notes £'000	Lease liability £'000	**Total £'000**
Balance at 30 June 2019	8,518	–	2,129
Net cash used in financing activities	(685)	–	(685)
Other movements	3,766	–	3,766
Balance at 30 June 2020	11,599	–	11,599
Acquisition of leases	**–**	**296**	**296**
Net cash used in financing activities	**(358)**	**(144)**	**(502)**
Other movements	**(11,241)**	**(33)**	**(11,274)**
Balance at 30 June 2021	**–**	**119**	**119**

22. Related party transactions

Other than items relating to Directors' remuneration and employment, there were no related party transactions during the year (2020: nil).

At the balance sheet date, in respect of T Lindsay, trade and other payables included amounts of £nil (2020: £2,000).

23. Share capital

Allotted, issued and fully paid:

	Number	£'000
Balance at 30 June 2019	34,000,506	510
Share issue – deferred consideration	869,565	13
Share issue	10,000,000	150
Share issue – equity-settled share-based payments	16,000	–
Share issue – conversion of GHIF bond	7,100,000	107
Balance at 30 June 2020	51,986,071	780
Share issue – equity-settled share-based payments	**137,274**	**2**
Share issue – conversion of BGF loan notes	**11,196,703**	**168**
Balance at 30 June 2021	**63,320,048**	**950**

At the balance sheet date there is one convertible and potentially convertible arrangement that could result in the issue of additional shares:

On 10 December 2021 the Company will issue 500,000 shares in genedrive plc to the former owner of Visible Genomics as part of a Deed of Amendment agreed in December 2018 to the Visible Genomics Sale and Purchase Agreement.

Note 20 to these account details share options that could also be exercised and result in the issue of additional shares.

Post year end 28,450,852 shares were issued as part of a placing and open offer to shareholders.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2021

24. Other reserves

	Share premium account £'000	Shares to be issued £'000	Employee share incentive plan reserve £'000	Share options reserve £'000	Reverse acquisition reserve £'000	Total equity £'000
Balance at 30 June 2019	29,003	315	(196)	1,486	(2,496)	28,112
Share issue – deferred consideration	187	(200)	–	–	–	(13)
Share issue	7,383	–	–	–	–	7,383
Share issue – conversion of GHIF bond	7,092	–	–	–	–	7,092
Equity-settled share-based payments	14	–	–	32	–	46
Transactions settled directly in equity	14,676	(200)	–	32	–	14,508
Balance at 30 June 2020	43,679	115	(196)	1,518	(2,496)	42,620
Share issue – conversion of BGF bond	2,332	–	–	–	–	2,332
Share issue	44	–	–	–	–	44
Equity-settled share-based payments	–	–	–	4	–	4
Transactions settled directly in equity	2,376	–	–	4	–	2,380
Balance at 30 June 2021	**46,055**	**115**	**(196)**	**1,522**	**(2,496)**	**45,000**

Shares to be issued relate to the equity component of deferred consideration; full details are contained in note 23.

The employee share incentive plan reserve is the historic cost of shares purchased to satisfy share rights under the Share Investment Plan ('SIP') of £196k. The Company no longer buys shares to satisfy the SIP.

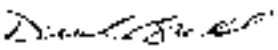
The reverse acquisition reserve arises as a difference on consolidation under merger accounting principles and is solely in respect of the merger of the Company and Epistem Ltd, during the year ended 30 June 2007.

Company Balance Sheet

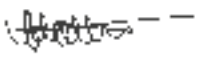
as at 30 June 2021

	Note	30 June 2021 £'000	30 June 2020 £'000
Assets			
Non-current assets			
Investment in subsidiaries	a	–	–
Current assets			
Amounts receivable from Group undertakings and other receivables	b	–	–
Cash and cash equivalents	c	73	178
		73	178
Liabilities			
Non-current liabilities			
Convertible bond	d	–	(11,599)
		–	(11,599)
Net assets/(liabilities)		73	(11,421)
Capital and reserves			
Called-up equity share capital		950	780
Share premium account		46,055	43,679
Share options reserve	a	1,856	1,852
Shares to be issued		115	115
Accumulated losses:			
At 1 July		(57,847)	(40,086)
Transactions settled directly in equity		5,079	3,777
Total comprehensive income/(expense) for the year		3,865	(21,538)
		(48,903)	(57,847)
Total shareholders' funds equity		73	(11,421)

These financial statements were approved by the Directors and authorised for issue on 8 November 2021 and are signed on their behalf by:



David Budd
Chief Executive Officer



Matthew Fowler
Chief Financial Officer

genedrive plc
Company number: 06108621

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes as it has prepared Group accounts. The Company's income for the year was £3.9m (2020: £21.5m loss).

Company Statement of Changes in Equity

for the year ended 30 June 2021

	Called-up equity share capital £'000	Share premium account £'000	Share options reserve £'000	Shares to be issued £'000	Accumulated losses £'000	Total equity £'000
At 30 June 2019	510	29,003	1,820	315	(40,086)	(8,438)
Transactions with owners in their capacity as owners						
Share issue – deferred consideration	13	187	–	(200)	–	–
Share issue	150	7,383	–	–	–	7,533
Share issue – conversion of GHIF bond	107	7,092	–	–	3,777	10,976
Equity-settled share-based payments	–	14	32	–	–	46
Transactions settled directly in equity	270	14,676	32	(200)	3,777	18,555
Total comprehensive expenses for the year	–	–	–	–	(21,538)	(21,538)
Balance at 30 June 2020	780	43,679	1,852	115	(57,847)	(11,421)
Transactions with owners in their capacity as owners						
Share issue	2	44	–	–	–	46
Share issue – conversion of BGF loan notes	168	2,332	–	–	5,079	7,579
Equity-settled share-based payments	–	–	4	–	–	46
Transactions settled directly in equity	170	2,376	4	–	5,079	7,629
Total comprehensive income for the year	–	–	–	–	3,865	3,865
Balance at 30 June 2021	**950**	**46,055**	**1,856**	**115**	**(48,903)**	**73**

Company Statement of Cash Flows

for the year ended 30 June 2021

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Cash flows from operating activities		
Operating profit/(loss) for the year	**203**	(6,781)
Group undertaking loan impairment	**(224)**	6,739
Share-based payment expense	**4**	32
Operating (loss) before changes in working capital and provision	**(17)**	(10)
Increase/(Decrease) in amount owed from Group companies	**224**	(6,739)
Net cash inflow/(outflow) from operating activities	**207**	(6,749)
Cash flows from financing activities		
Proceeds from share issue	**46**	7,532
Cash paid to settle convertible bonds	**(358)**	(685)
Net (outflow)/inflow from financing activities	**(312)**	6,847
Net (decrease)/increase in cash equivalents	**(105)**	98
Cash and cash equivalents at beginning of year	**178**	80
Cash and cash equivalents at end of year	**73**	80
Analysis of net funds		
Cash at bank and in hand	**73**	178
Net funds	**73**	178

Notes to the Company Financial Statements

for the year ended 30 June 2021

Basis of accounting

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on a historical cost basis as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The principal accounting policies adopted in the preparation of these financial statements are those relating to investments, share options and financial; instruments, and have been disclosed in the notes to the consolidated financial statements of the Group above.

Going concern

The Directors have performed a robust going concern assessment including review of the business' forecasts for the period to December 2022 and consideration of the principal risks faced by the Group as detailed on page 19.

The assessment of going concern included conducting scenario analysis which focused on two key issues: will the business be able to attain CE accreditation for its CoV-POC product and will the commercial uptake of the CoV-POC and AIHL products be as forecasted.

Using these key issues the Directors have created two scenarios to model cashflows:

Scenario 1 – a base case of revenue that is as per management's forecasts assuming on time regulatory approvals and commercial uptake. The base case sees the business become cash generative within a 12 month window.

Scenario 2 – where the business experiences delays bringing the two new products to market and has a much lower level of commercial uptake with no sales in the forecasts. Before any mitigating actions the sensitised cashflows in scenario 2 show that without any revenue and continuing to spend on the development projects in its plan, cash runs out in approximately 12 months from this report date. However this is an unrealistic position, because without any revenues the Group would not invest material amounts on incremental development. The incremental development spend in the forecasts includes amounts for a second generation CoV-POC product, to expand the sales team and for FDA clearance before entry into the US market – these investments would not be made without some level of certainty around sales. More realistically the Group would begin to delay and reduce development spend if no revenue was generated on its AIHL and CoV-POC products. If there was no pipeline and no sales revenue the Group would begin to cease development spend in the calendar year 2022 and the cash runway would extend beyond the assessment period. In addition to the incremental development spend, the Group has the additional option to reduce discretionary overheads – these cost reductions have not been modelled, but in conjunction with the reduction in the incremental development spend would see the cash window extend even further beyond the assessment period.

As a result of this detailed assessment, the Board has concluded that there are no material uncertainties that cast significant doubt on the ability of the Group and the Company to meet their obligations when they fall due for a period of at least 12 months after the date of this report. The Group and the Company has sufficient liquidity to meet its obligations when they fall due for a period of at least 12 months after the date of this report, for this reason, it continues to adopt the going concern basis for preparing the financial statements.

a. Investments

The Company is the holding company of the Group. The Company owns 100% of the issued share capital of Genedrive Diagnostics Ltd (formerly called Epistem Ltd) and Epistem SIP Trustees Ltd. The principal activities of the subsidiary companies are:

- Genedrive Diagnostics Ltd –the provision of services to the biotechnology and pharmaceutical industries; incorporated in England, and with registered address 48 Grafton Street, Manchester, M13 9XX, United Kingdom;
- Epistem SIP Trustees Ltd – to act as trustee to the Epistem Share Incentive Plan; incorporated in England and with registered address 48 Grafton Street, Manchester M13 9XX, United Kingdom.

	Investment in subsidiaries £'000
At 30 June 2019	–
Additions in the year	32
Impairment	(32)
At 30 June 2020	–
Additions in the year	4
Impairment	(4)
At 30 June 2021	**–**

Additions in the year ended 30 June 2021 comprised the fair value of the share options issued to employees of the subsidiary undertaking during the year of £4k (2020: £32k). Full details of the share options issued are set out in note 20 to the consolidated financial statements. Following an impairment review, the carrying value of the investments were impaired by £4k (2020: £32k).

During the year the carrying value of investments and the recoverability of amounts receivable from Group undertakings were assessed for impairment in accordance with the Company's accounting policies. The recoverable amount was determined on a value-in-use basis using the management approved 12-month forecasts. The base 12-month projection was inflated for years two and three using specific growth numbers in the Company's business plan. For years four to seven there was no growth assumed. A seven-year life cycle was chosen as appropriate for the business and technology of the Company. These projected cashflows were discounted at a pre-tax discount rate of 12.5% (2020: 12.5%). As a result of this analysis, the carrying value of the investments at 30 June 2021 was reduced to £nil (2020: £nil) and an impairment charge of £4k (2020: £32k) was booked during the year.

b. Amounts receivable from Group undertakings and other receivables

Company	**2021 £'000**	2020 £'000
Opening amounts receivable from Group undertakings	**–**	–
(Repayments)/additions in the year	**(224)**	6,739
Changes in impairment provision	**224**	(6,739)
Closing amounts receivable from Group undertakings	**–**	–

Amounts receivable from Group undertakings are held in intercompany accounts with no security and no specified repayment terms.

£6.7m of loans owing from Group undertakings were impaired during the prior year.

Notes to the Company Financial Statements continued

for the year ended 30 June 2021

c. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	**73**	178

Cash and cash equivalents comprise current accounts held by the Company with immediate access and short-term bank deposits with a maturity of three months or less. Market rates of interest are earned on such deposits. The credit risk on such funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

d. Convertible bonds

The Company issued a convertible bond to the Global Health Investment Fund 1 LLC in July 2014. This bond was amended and restated on 11 July 2016 and again on 10 December 2018. On 6 June 2020, GHIF exercised its rights to convert the bond into shares. Full details of the bond, the amendment and conversion can be found under note 19 of the Group financial statements.

The Company issued a convertible bond to the Business Growth Fund on 8 December 2018. On 30 September 2020, BGF exercised rights over £1,000,000 of its Loan Notes and on 16 December 2020 exercised its remaining rights over £1,500,000 of its Loan Notes. Full details of the bond, the amendment and conversions can be found under note 19 of the Group financial statements.

e. Related party transactions

All of the employees of the Group are employed by Genedrive Diagnostics Ltd. There are no employees of the Company.

f. Financial risk management

The Company's approach to managing financial risk is covered in note 21 to the Group's financial statements.

	Classification	2021 £'000	2020 £'000
Financial assets			
Cash and cash equivalents	Amortised cost	**73**	178
Financial liabilities			
Convertible bonds	Fair value	**–**	11,599

The Company's approach to managing financial risk is covered in note 21 to the Group's financial statements.

Changes in liabilities resulting from financing activities

	Convertible Loan Notes £'000	Total £'000
Balance at 30 June 2019	8,518	**8,518**
Net cash used in financing activities	(685)	**(685)**
Other movements	3,766	**3,766**
Balance at 30 June 2020	11,599	**11,599**
Net cash used in financing activities	(358)	**(358)**
Other movements	(11,241)	**(11,241)**
Balance at 30 June 2021	–	**–**

Directors, Secretary and Advisers

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David Budd
Matthew Fowler
Tom Lindsay
Chris Yates

Company Secretary

Matthew Fowler

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