genedrive

genedrive plc
Annual Report and
Accounts 2022

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 use in patient stratification (genotyping), pathogen detection and other clinical indications such as infectious disease detection.

We have continued to develop innovative point of need tests, including the world's first molecular test for ototoxicity (Antibiotic Induced Hearing Loss), confirmation of HCV infection prior to drug administration, pathogen detection of biological military threats and a point-of-care test for COVID-19 for use in areas such as healthcare, workplace screening, travel requirements, or confirmation of antigen tests.

Our focus has increasingly moved to emergency medicine, where the delivery of genetic information more quickly than is possible with competitive systems is the strength of our technology. In 2022, genedrive was the very first company to deploy a commercial point-of-care genetic test (Genedrive® MT-RNR1 ID Kit) into an emergency care setting.

Read our report online
www.genedriveplc.com/ar22

Our Performance

Financial Highlights

- Revenue for the year to 30 June 2022 of £0.05m (2021: £0.69m)
- Loss for the year of £4.7m (2021: loss of £0.7m)
- R&D spend of £3.9m (2021: £4.5m)
- Debt free and cash at bank of £4.6m (2021: £2.6m)

Operational Highlights

- JAMA Pediatrics' PALOH (Pharmacogenetics to Avoid Loss of Hearing) paper published to support the implementation of the Genedrive® MT-RNR1 test in the Neonatal Intensive Care setting
- First NHS Deployments and sales of the Genedrive® System for Antibiotic Induced Hearing Loss at Manchester Hospitals
- Launched 2nd generation Genedrive® system to support strategy focus of assay development to emergency care settings
- NICE accelerated evaluation of the Genedrive® MT-RNR1 ID test
- NICE includes Genedrive® CYP2C19 ID Kit in Diagnostics Assessment Programme
- Point-of-Care Genedrive® COV19-ID Kit received Coronavirus Test Device Approval ("CTDA")
- New product development programme initiated for use of Genedrive® Point-of-Care device for ischemic stroke treatment in emergency care settings
- Filed US FDA Pre-submission for the Genedrive® MT-RNR1 ID product range

→ See pages 2 and 3

Acronyms used throughout this document:

AIHL	Antibiotic Induced Hearing Loss
CoV-2	SARS CoV-2
CoV-POC	Genedrive® COV19-ID Kit
CPIC	Clinical Pharmacogenetics Implementation Consortium
POC	Point-of-Care
HCV	Hepatitis C Virus
DoD	US Department of Defense
FDA	US Food & Drug Administration
NICE	National Institute for Health and Clinical Excellence

Contents

Company Product Update

Responding to molecular diagnostic opportunities

Genedrive® System

Our newest generation Genedrive® System incorporates a number of user-led improvements to our small, patented gene amplification platform, for ease of use in time critical situations and to simplify workflow.

The new System is targeted for professional use in emergency healthcare settings and was introduced to support the launch of our Antibiotic Induced Hearing Loss test.

The new Genedrive® System was CE-marked in September 2021.

Streamlined data management – Integration capabilities to Hospital Informatics Systems

Simple usability – fail safe physical solutions added to improve usability and reduce opportunity for test failure

New intuitive user interface – 7" integrated touch screen for streamlined user workflow

Improved communication capability – new wireless connectivity and printer options

All provided in one compact, benchtop system for rapid, near-patient molecular testing in an emergency care setting.

Genedrive® MT-RNR1 ID Kit:

The world's first rapid genetic test in an emergency neonatal care setting.

Progress to date:

- New Genedrive® System developed and CE-marked for Antibiotic Induced Hearing Loss ("AIHL") launch
- Deployed first into Manchester Hospital Trust for routine use
- NICE fast tracked our Genedrive® MT-RNR1 test via their new Early Value Assessment Programme
- Independent hospital performance trials enrolled 750 neonates, completed June 2021
- New touchscreen Genedrive® unit developed and CE-marked September 2021
- FDA Pre-submission filed in the United States of America

Independent hospital performance trials enrolled

750 neonates

completed June 2021

Genedrive® COV19-ID Kit:

An innovative rapid point-of-care molecular test for COVID-19.

Progress to date:

- Coronavirus Test Device Approval ("CTDA") in May 2022
- CE-marked December 2021
- Simple workflow test developed for use with nasal swabs
- Delivers positive results as quickly as 7.5 minutes and negative results at 17 minutes

Delivers positive results as quickly as

7.5 minutes

and negative results at 17 minutes

Genedrive® BioPlex:

genedrive provides the US Department of Defence (DoD) with a version of our portable molecular diagnostic device, developed to specifications as part of the military's Joint Handheld Bio-Agent Identifier program.

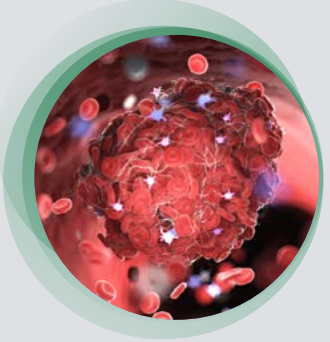
A rugged battery operated Genedrive® and associated lyophilised cartridges were developed under a DoD funded programme, targeting a range of potential pathogens. The Genedrive® instrument and BioPlex cartridges were extensively field tested and performance validated prior to being deployed as a military readiness capability. Genedrive® BioPlex is not commercially available for sale outside of US DoD.

Genedrive® HCV ID Kit:

A simple and cost-effective molecular solution for HCV testing.

The assay is ideal for use in low throughput, decentralised laboratories by providing rapid results direct from plasma without any requirement for viral RNA extraction.

In development



Genedrive® CYP2C19 ID Kit:

- Molecular point-of-care test for rapid CYP2C19 genotyping in urgent care settings
- Can be used to identify which patients may or may not respond to antiplatelet therapy following ischemic stroke
- Test delivered in under a hour to ensure prompt and correct treatment

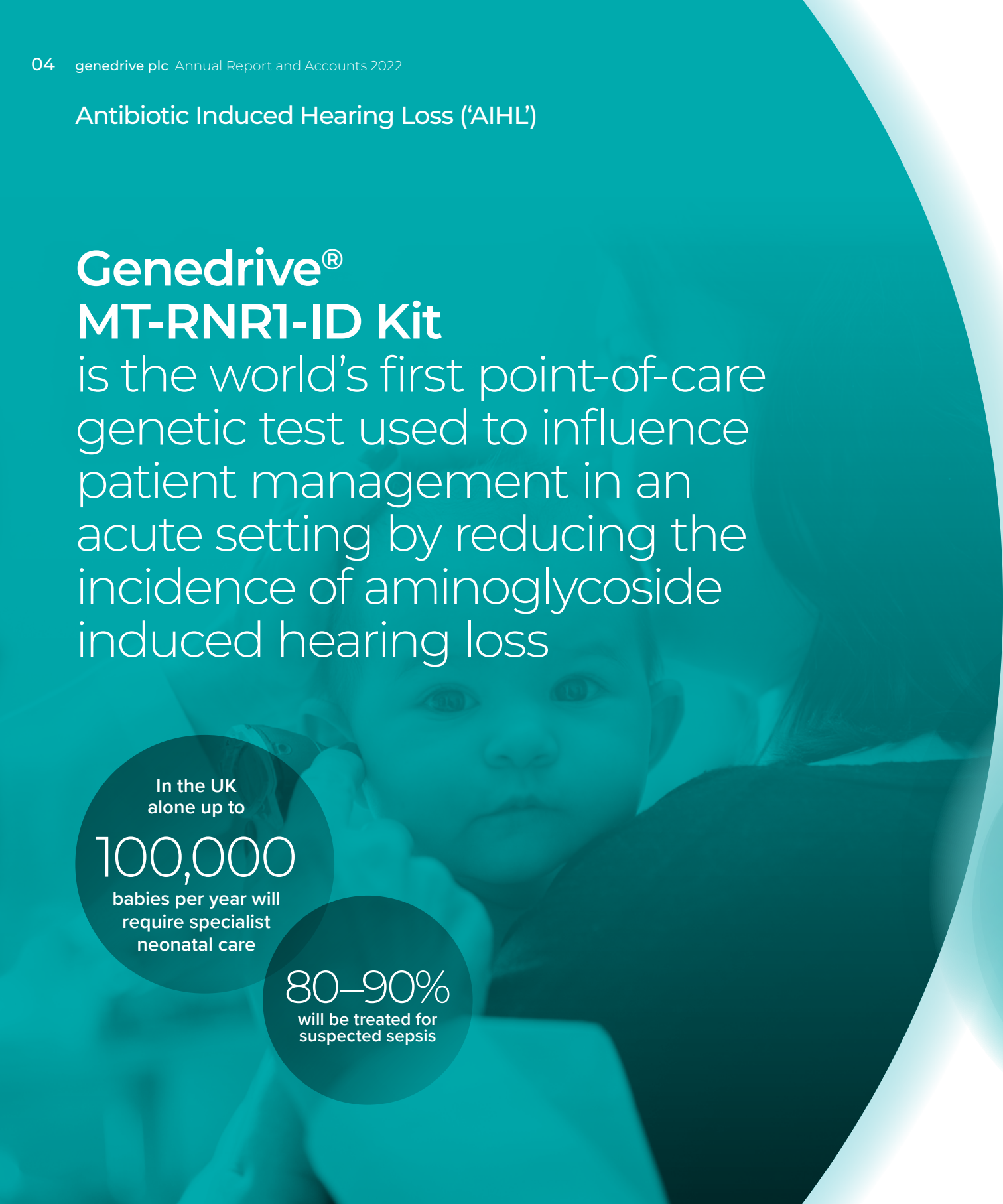
Progress to date:

- Target to complete development end Q1 2023
- Included in the NICE Diagnostics Assessment Programme
- Strong Health Economics case for patient management

Antibiotic Induced Hearing Loss ('AIHL')

Genedrive®
MT-RNR1-ID Kit

is the world's first point-of-care genetic test used to influence patient management in an acute setting by reducing the incidence of aminoglycoside induced hearing loss



In the UK alone up to

100,000

babies per year will require specialist neonatal care

80–90%

will be treated for suspected sepsis

I'm pleased that the UK's National Institute for Health and Clinical Excellence ("NICE") have fast tracked our Genedrive® MT-RNR1 test via their new Early Value Assessment Programme which may allow clinicians and patients to benefit from the test sooner. This is a testament to our technology and our ability to address this unmet need."

David Budd
Chief Executive Officer

Current situation

Gentamicin (aminoglycoside antibiotic) is the first line treatment in most countries for new-born babies who are suspected to be at risk of sepsis (NICE, 2021).

Aminoglycosides are used because they are low cost, broad-spectrum antibiotics and less prone to the side effects of antimicrobial resistance.

In the UK alone up to 100,000 babies per year require specialist neonatal care of which approximately 80% will be treated with aminoglycosides. A common source of infection is sepsis.

The Genedrive Solution for use in acute, time-sensitive settings

Genedrive Diagnostics have developed the first point of care genetic test used to influence neonatal management in an acute, time-sensitive setting.

The Genedrive® MT-RNR1 ID Kit is a qualitative in vitro molecular diagnostic test for the detection of the single nucleotide polymorphism ("SNP") m1555A>G affecting the mitochondrial gene MT-RNR1 in humans. The Genedrive® MT-RNR1 ID Kit is used on the Genedrive® System and can produce a result in under 30 minutes.

What is Sepsis?

Sepsis is the body's extreme response to infection. It is a life-threatening medical emergency. Without timely treatment, sepsis can rapidly lead to tissue damage, multiple organ failure, and death.

For suspected sepsis in neonates the clinician usually administers benzylpenicillin in combination with gentamicin, and NICE requires that to be initiated within 1 hour of decision to treat.

What is aminoglycoside-induced hearing loss (AIHL)?

Most people exposed to gentamicin for prolonged periods will suffer damage to the inner ear.

However, around 1:500 people also carry the MT-RNR1 variant m.1555A>G, who, when receiving aminoglycoside treatment in any quality or duration, are highly susceptible to permanent bilateral hearing loss.

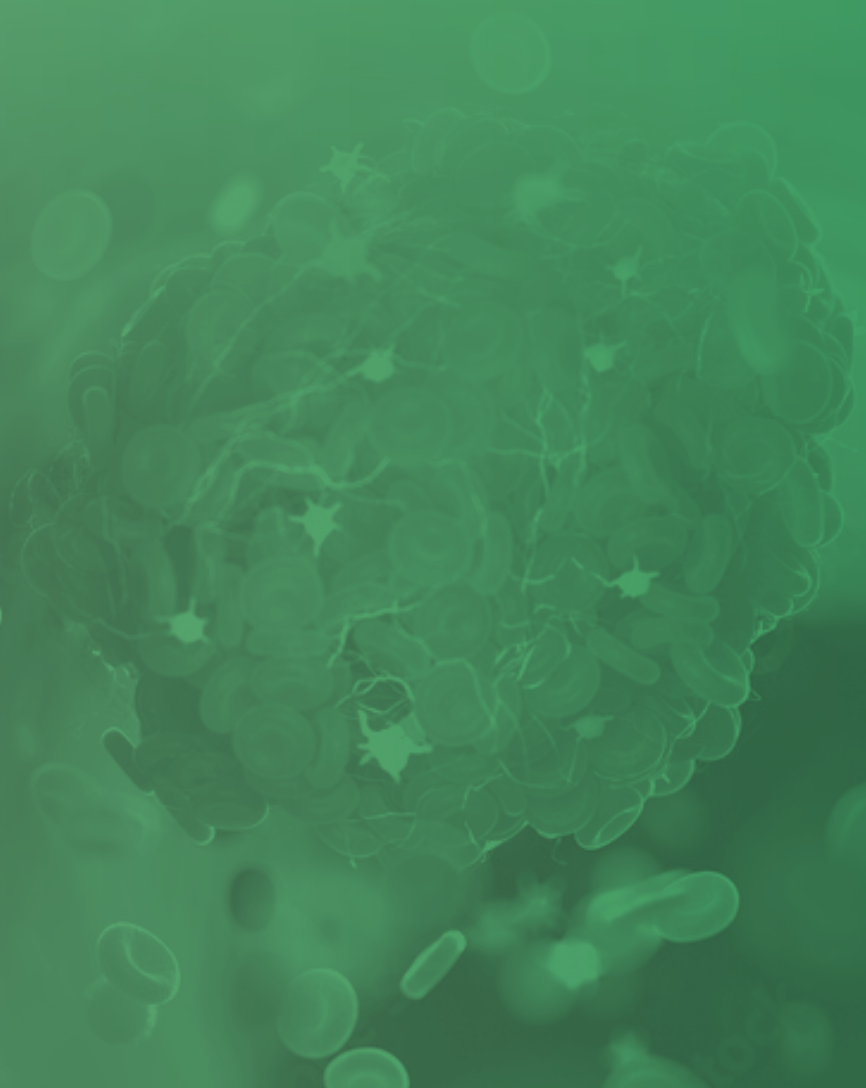
Can we prevent AIHL?

The Genedrive test is designed to help manage AIHL that arises from genetic variants of the MT-RNR1 gene. New CPIC guidelines were published (May 2021) for the use of aminoglycosides based on MT-RNR1 genotype. These clinical guidelines state that the use of aminoglycosides should be avoided in individuals with an MT-RNR1 variant associated with an increased risk of aminoglycoside-induced hearing loss.

Current sequencing tests used to detect the variant take many days to deliver a result, therefore they are unsuitable for use in an acute setting.

CYP2C19

A new easy-to-use molecular point-of-care test for rapid **CYP2C19 genotyping** for emergency care settings



In urgent care settings rapid results in less than

1

hour

The Genedrive® CYP2C19 ID Kit provides a rapid, automated result of targeted CYP2C19 genotypes to inform clinicians on metaboliser status ahead of treatment strategies using drugs that are metabolised by Cytochrome P450 2C19 (CYP2C19). The CYP2C19 gene is involved in a wide range of drug metabolism pathways.

Pharmacogenetic testing assists prescribers to select tailored treatment and doses that are most effective and avoid those which may cause adverse reactions in an individual with a known genetic variant. This facilitates effective prescription in a clinically relevant timeframe, thereby improving patient outcomes.

Clopidogrel is a prodrug, requiring conversion by the enzyme CYP2C19 and is administered for the management of ischemic strokes.

Relevant genotypes which define CYP2C19 metaboliser status are well described and dosing recommendations have been produced by CPIC.

Many of us carry genetic variants which influence our response to commonly prescribed medicines. One of the genes that is particularly important is CYP2C19. There is a clear unmet patient need for an easy to use and rapid molecular point-of-care test for the detection of CYP2C19 in emergency settings and departments where prescribing takes place. Genotype-guided prescribing can provide tailored treatment and superior patient outcomes whilst providing financial benefits to the healthcare provider.

The new Genedrive® CYP2C19 ID Kit will provide the following features:

Speed – rapid results in less than 1 hour for use in urgent care settings

Simple to Use – simple workflow with automated interpretation of patient status

Ready to Use – ambient temperature-stable reagents for immediate use

Non-invasive – test performed using a single buccal swab sample from the inner cheek

Comprehensive – broad variant coverage identifying clinically relevant alleles of CYP2C19

Business Model

Committed to generating shareholder value by pushing the boundaries of innovation

Who we are

A dynamic molecular diagnostics company dedicated to developing and commercialising simple-to-use, versatile, rapid and robust molecular solutions for pharmacogenetic testing in urgent care settings.

We are passionate about the opportunity to not only build a sustainable business around molecular diagnostics, but to play an important role in providing cost-effective, accurate and timely diagnostics, at the point of need.

We develop and manufacture innovative, molecular devices designed to screen individuals for genetic variations within a clinically actionable timeframe prior to the prescription of treatment. The assays are performed using single-use disposable cartridges on our patented Genedrive® technology to rapidly amplify and detect nucleic acid sequences without the requirement for up-front isolation.

How we create value

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

- 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 in an entrepreneurial work environment

Our partners

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

Our patients

- First-to-market solutions
- Better health outcomes

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 21

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 22-41

Chairman's Statement

Resilient and innovating for the future

"Our people are the heart and soul of the Company and I would like to thank everyone for their hard work, innovation and tenacity in the development and delivery of our products across the year."

Ian Gilham, Ph.D.
Chairman

Dear Shareholders,

In response to the COVID-19 pandemic, global diagnostic needs changed almost overnight and we refocussed the Company's resources on developing COVID-19 tests to help support the fight against this devastating virus.

Prior to going through the restrictions and testing regimes that hallmarked the pandemic, we conducted a review of opportunities for the Genedrive system. That review led us to identify opportunities to deploy Genedrive® in detecting defined pharmacogenomic markers addressing unmet clinical needs of rapid molecular diagnostics at the point of care in emergency medicine. With that in mind, we have made excellent progress towards our strategic goal of continuous innovation in our point-of-care products.

Our Antibiotic Induced Hearing Loss (AIHL) test is the world's first molecular test in an acute point-of-care setting. The test delivers a molecular diagnostic result in under 30 minutes and allows for treatment selection options depending on the genetic variant of the patient. The Genedrive® MT-RNR1-ID Kit is now being fast tracked for assessment in the UK by NICE. This is testimony to the potential of both better health outcomes for patients and positive health economic benefits to the NHS and healthcare systems around the world. I find it hugely rewarding to see our innovations setting new-borns off on a more positive healthcare trajectory than was previously possible.

Our COVID-19 POC test was CE-marked in December 2021, later than originally intended due to complexity of technical development and regulatory delays but was in the end granted a CTDA (Coronavirus Test Device Approval) in May 2022. Regrettably, the timing of these approvals came as restrictions were being lifted, which meant that we gained limited sales traction in the year.

These restrictions have remained lifted, but we are able to commercialise and supply if the market conditions change. In addition, during the course of our development work on the COVID-19 POC test, we developed numerous technical advances around the Genedrive® system which we are able to apply in the development of other tests going forward.

Future developments are focused on maximising the unique features of the Genedrive® device, being speed of result, low-cost base, long shelf-life at ambient temperatures, and ease of use as we target new areas for specific clinical opportunities.

Governance and People

I welcome Russ Shaw to the Board, who joined as Chief Financial Officer on 7 April 2022, replacing Matthew Fowler. I would like to thank Matthew for his contribution over the last five years and wish him every success for the future.

The Board remains committed to ensuring its own effectiveness and unwavering focus ensuring our governance framework, internal controls, values and culture all align with our strategy and the objectives of the Company. This can be reviewed in our Corporate Governance Report on pages 20-23.

Our people are the heart and soul of the Company and I would like to thank everyone for their resilience, innovation and tenacity in the development and delivery of our products.

Funding

We completed a placing and open offer in October 2021. The net proceeds of £6.6m has extended our cash runway at least towards the end of our 2023 financial year using a prudent forecasting basis that excludes all revenues. Material revenues will extend our runway further as we continuously assess our future funding options and requirements. Given the inherent challenges of being first to market in ground-breaking innovative products, compounded by the size and complexity of dealing with the NHS, we will seek additional funding before significant revenue traction is achieved.

Outlook

Our Genedrive® AIHL test has been deployed first to the Manchester University NHS Foundation Trust. This is a cornerstone installation for us to act as a reference site to other NHS trusts. We expect the NICE evaluation, given the health benefits and health economics, will be the catalyst to springboard our AIHL test into national commissioning by the NHS.

We have commenced the process for FDA approval, as we see huge potential for AIHL which is additionally supported by the litigious nature of the US market.

Finally, I would like to take this opportunity to thank you, as Shareholders, for continued support and look forward to bringing you further news as we deliver on our exciting strategy going forward.

Dr Ian Gilham
Chairman

18 November 2022

Chief Executive's Review

Innovation in Point-of-Care molecular diagnostics in Emergency Medicine

> Our AIHL and CYP2C19 tests can dramatically improve lives and have the potential to save the NHS millions of pounds every year."

David Budd
Chief Executive Officer

Overview

This year has seen us take great strides towards changing the way molecular diagnostics and personalised medicine can be delivered. We continue to identify and tackle unmet clinical needs, harnessing our expertise of in-vitro diagnostic assay development and combining this with the advantages of our ever-evolving Genedrive® platform, being small, easy to use, quick to result, accurate and economical for wide adoption.

I would like to express my gratitude to the team for having the ambition, innovation and relentless perseverance in bringing the world's first molecular test to an emergency point-of-care setting. I echo the Chairman's sentiment, that seeing the impact our AIHL test is having to prevent deafness in infants is very gratifying for everyone at the Company.

I am very positive about our Genedrive® CYP2C19-ID Kit – a simple, rapid point-of-care test in development, with no requirement for user result interpretation and provides results in a clinically actionable timeframe for ischemic stroke patients. Similar to AIHL, it uses our capabilities, chemistry and hardware to rapidly produce a result at an emergency care bedside. By analysing the genes of a patient's drug metabolic pathway, certain poor drug options can be removed from the treatment regimen of each individual patient, with the aim of providing reduced incidence of subsequent strokes and clots, and better clinical outcomes.

We continue to evolve our Genedrive® platform, reducing sole supplier dependency, onshoring and increasing our in-house manufacturing capacity and capabilities.

Performance

Significant revenues are still to follow the success of our product development, but our commercial rigour and market visibility is greatly improved. Following the launch of MT-RNR1 in the UK, there is a clear demand to implement the system in many hospitals. But while a process of national commissioning can be followed, in the interim each hospital needs to make its own business case and establish funding for capital equipment and tests. This process can be slow in an underfunded NHS despite the very positive health economic case the Genedrive MT-RNR1 ID test provides. Our process in establishing distributors outside of the UK has been very targeted as it's critical our partners know the neonatal environment, and can also support point of care and molecular diagnostics. Our commercial team has made solid progress in the sales processes in the UK and also in 10 countries internationally.

We created the fastest point-of-care COVID molecular test, capable of delivering positive results as quickly as 7.5 minutes and negative results at 17 minutes. Technical development delays as well as with approval in the UK with CTDA meant that we received our approval when the demand for testing had reduced and the world was transitioning to "living with COVID" as the dominant Omicron strain had reduced clinical impacts for most. Although we do not know the trajectory that the pandemic will take, as immunity wanes and if new variants continue to emerge, this could cause a change in demand for testing during the winter months, which would present us with commercial opportunities. As of today, COVID testing following the summer months has not increased in the UK or internationally.

Case study

PALOH study results published in JAMA Pediatrics

The Pharmacogenetics to Avoid Loss of Hearing ("PALOH") trial, conducted at Manchester and Liverpool Hospitals to assess the implementation of the Genedrive® MT-RNR1 ID kit, was published in March 2022, by the Journal of the American Medical Association for Pediatrics ("JAMA Pediatrics"), which is the top ranked medical journal in paediatric medicine.

Rapid Point-of-Care Genotyping to Avoid Aminoglycoside-Induced Ototoxicity in Neonatal Intensive Care

The accompanying editorial describes the application of the Genedrive® MT-RNR1 ID kit testing approach as "entering a new era", and "an important step" in the management of neonatal sepsis. The editorial also observes that identification of the m.1555A>G genetic variant can be performed in the acute setting without disrupting standards of care, and that based on a population frequency of the variant and the use of antibiotics in more than seven million neonates each year globally, adoption of a MT-RNR1 point-of-care test would potentially avoid antibiotic induced hearing loss in thousands annually.

Three babies with the m.1555A>G variant were identified in the PALOH study from the 751 babies tested, all of whom avoided aminoglycoside antibiotics and therefore potentially avoided profound hearing loss. The assay had a real-world analytical sensitivity of 100%, a specificity of 99.2% and an accuracy of 99.2%. The mean time to antibiotics was equivalent to previous practice, indicating that the test can be introduced into routine practice.

Key Points

Question

Can rapid point-of-care genotyping technology be implemented in the acute neonatal setting to avoid aminoglycoside-induced ototoxicity without disrupting normal standards of care?

Findings

In this pragmatic prospective implementation trial that included 751 neonates in the UK, a 26-minute rapid genotyping platform was successfully implemented, identified neonates at risk of aminoglycoside-induced ototoxicity, facilitated tailored prescribing, and did not disrupt normal clinical practice.

Meaning

Rapid genetic point-of-care testing may be used to avoid aminoglycoside-induced ototoxicity in neonates, and clinicians are able to integrate genetic data into their routine practice in the acute setting.

Chief Executive's Review continued

Regulatory update

Our in-house Quality and Regulatory specialists successfully guided the transition from the EU's existing In Vitro Diagnostic Directive ("IVDD") to the new In Vitro Diagnostic Regulation ("IVDR") which came into effect in May 2022. Our AIHL, COV19, and HCV portfolio are in compliance with current regulations, and our new CYP2C19 assay, will be the first that needs to fully go through the new Directive. Initial launch under the UK regulatory scheme (UKCA) is currently targeted for April 2023.

Outlook

I am excited for what we are achieving. Our focus on pharmacogenetic testing and investment in the development of new products will start to bear more fruit in the second half of the current financial year. While there is a time delay in adoption by the NHS for new innovations, our AIHL test is supported by the outcomes which dramatically improve lives and has the potential to save the NHS millions of pounds every year. The route to adoption of new clinical tests however takes time, as healthcare systems are conservative in their nature and face inevitable budgetary constraints. The engagement level from the markets is encouraging.

It is pleasing to see that our two new emergency point-of-care genetic screening tests are being evaluated by NICE. The AIHL test has been selected to be fast-tracked via NICE's Early Value Assessment Programme ("EVA"). EVA is a new review process, created to drive innovation into the hands of healthcare professionals by actively drawing in digital products, medical devices and diagnostics that address national unmet needs. This should expedite the test being written into clinical guidelines and rolled out to the NHS nationally, allowing clinicians and patients to benefit from the test sooner.

The US is a particularly attractive market for our unique AIHL test given the potential to save hundreds of individuals from life-long deafness and reduce litigation costs relating to the unwanted side effects from antibiotic use on those carrying the gene variant.

In 2021, 3.7 million babies were born in the USA, with 10.5% born prematurely. It was estimated that malpractice litigation settlements in cases related to deafness caused by the use of aminoglycosides average over US$1.1 million per case, further adding to the positive health economic case of providing accurate and timely testing to reduce unwanted side effects of gentamicin usage.

We recruited a new Business Development team in mid-2022 to execute our commercial strategy alongside our distribution partners and with an innovative R&D pipeline, we continue to add to our menu of assays and remain confident to deliver success in the future in both improving lives and creating shareholder value.

David Budd
Chief Executive Officer

18 November 2022

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 Review on pages 12-14 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, such as the placing and open offer completed in October 2021 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 22-41.

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 by providing access to an independent whistleblowing organisation.

Shareholders

We aim to 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

We are a diagnostics group that 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
- 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

The fund raise in October 2021 provided a net capital injection of £6.6m

Russ Shaw
Chief Financial Officer

> Our unaudited cash balance as at the end of October 2022 was £3m."

The financial results have been prepared under UK-adopted International Accounting Standards and the Group's accounting policies are set out on pages 51-56.

Revenue for the year was £0.05m (2021: £0.69m) and was adversely impacted by absence of COVID-19 revenue, due to the timing of bringing an approved product to the market. In the prior year, revenue also included DoD sales that were not recurring in the current year. Research and development costs were £3.9m (2021: £4.5m) successfully adding to our menu of assays and pipeline for future innovative products. Net cash outflow from operating

activities before taxation was £5.7m, down on the £6.2m in the prior year following reduced activity and tight cost control especially in the second half of the year. The operating loss for the year was £5.6m (2021: £5.5m).

Financing costs and income

Financing costs were £0.02m (2021: £3.6m income) with 2021 including non-cash movements on the loan notes outstanding at 30 June 2020. These loan notes were held by the Business Growth Fund and were converted in part in September 2020 and then in full in December 2020. The finance income on the loan notes had 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 had a value that fluctuated as the share price of the entity rose and fell. 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. Interest accruing and unwinding of the discount up to the point of conversion was £0.2m, giving a net financing income of £3.6m. These movements were non-cash.

£3.9m
Research & Development costs

Taxation

The tax credit for the year was £1.0m (2021: £1.2m). 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 it is collected in cash following submission of tax returns. The £1.0m is a receivable on the balance sheet at the 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. There is no grant income restriction to the size of the claim in 2022.

Cash resources

Net cash outflow from operating activities before taxation was £5.8m (2021: £6.2m). The operating loss cashflows were £5.3m (2021: £5.2m) with working capital consuming £0.4m (2021: £0.9m) mainly due to the decrease in trade and other payables and increase in inventory.

The tax credit received was £1.2m (2021: £1.0m) and relates to cash received under the UK Government's R&D tax relief scheme.

Capital expenditure in the period was £0.06m (2021: £0.1m) and cash paid to settle the loan notes converted during the year was £nil (2021: £0.4m). Proceeds from sale of shares was £6.7m (2021: £0.05m). The increase in cash for the year was £2.0m (2021: £5.6m decrease) meaning a closing cash position of £4.6m (2021: £2.6m).

Our unaudited cash balance as at the end of October 2022 was £3m, reflecting a monthly burn rate of £0.4m since the year end.

Balance sheet

Balance sheet net assets at 30 June 2022 were £5.6m (2021: £3.6m). Fixed assets were £0.2m (2021: £0.3m) and include right to use lease assets of £0.02m (2021: £0.2m).

Current assets of £6.4m (2021: £4.5m) included cash of £4.6m (2021: £2.6m). Inventories of £0.7m (2021: £0.6m), consisted mainly of raw materials used in manufacturing and R&D. The remainder of current asset values were in receivables of £0.1m (2021: £0.2m) and tax. The tax receivable was £1.0m (2021: £1.2m) for the current year Corporation Tax Research and Development tax claim.

Current liabilities were £1.0m (2021: £1.3m).

Net assets closed at £5.6m (2021: £3.6m). The comprehensive loss for the year was £4.7m (2021: £0.7m).

Going concern

Following the equity fund raise in October 2021 the Company has a cash runway to the end of the June 2023 financial year. We are confident in gaining commercial traction and securing significant revenues, but due to the time required to achieve this, we will require additional funding in our 2023 financial year. As described in the accounting policies, we continue to adopt a going concern basis for the preparation of the accounts, but the above condition represents a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

Russ Shaw
Chief Financial Officer

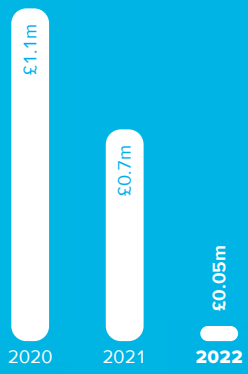
18 November 2022

Key Performance Indicators

Measuring growth

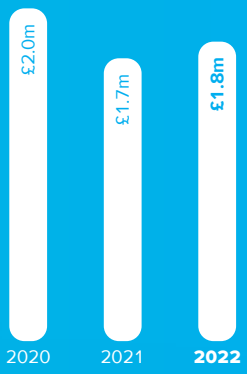
The Group has a small set of financial KPIs that are reviewed and discussed as part of the management of the business. These metrics are currently the most important to the business in its current stage of growth, i.e. managing cash, revenue and expenditures is vital to the business. These metrics are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

Diagnostics revenue



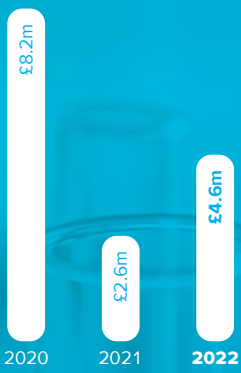
Diagnostics revenue down impacted by the lack of Genedrive® 96 SARS-CoV-2 Kit sales

Administration costs



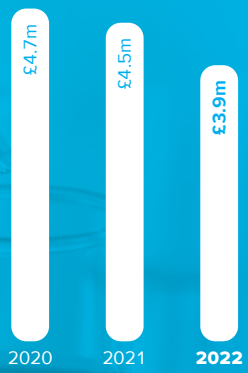
Administration costs amounted to £1.8m, a small increase from the prior year

Cash reserves



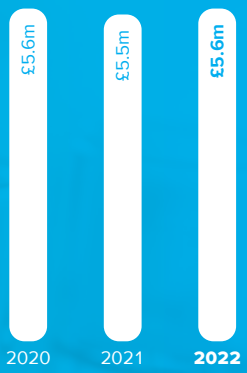
Cash reserves boosted by an equity fund raise in October 2021

Research and development costs



Research and development reduced to £3.9m due to tight cost control in the second half of the year

Operating loss



Trading result before exceptionals, tax, interest and finance costs

Principal Risks

for the year ended 30 June 2022

Managing risk effectively

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	Movement
Economic and political uncertainty COVID-19 outbreak, trade negotiations, and inflation, 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	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	⟨⟩
Regulatory approval Transition from the EU's existing In Vitro Diagnostic Directive ("IVDD") to the new In Vitro Diagnostic Regulation ("IVDR")	Delays in product approval could impact ability to trade	• In-house Quality and Regulatory specialists • Engagement with notified bodies and regulatory organisations	New risk
Failure to commercialise COVID-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	• 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 • New business development team in place 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	^

This Strategic Report was approved by the Board of Directors on 18 November 2022 and signed on its behalf by R J Shaw.

Introduction to Corporate Governance

Maintenance of good Corporate Governance

Dr Ian Gilham
Chairman

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

The statement of corporate governance practices set out on pages 22-23, 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 2022 is presented here on behalf of the Board.

Dear Shareholders,

We have been applying the principles of good governance as set down in the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") since 2019. 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:

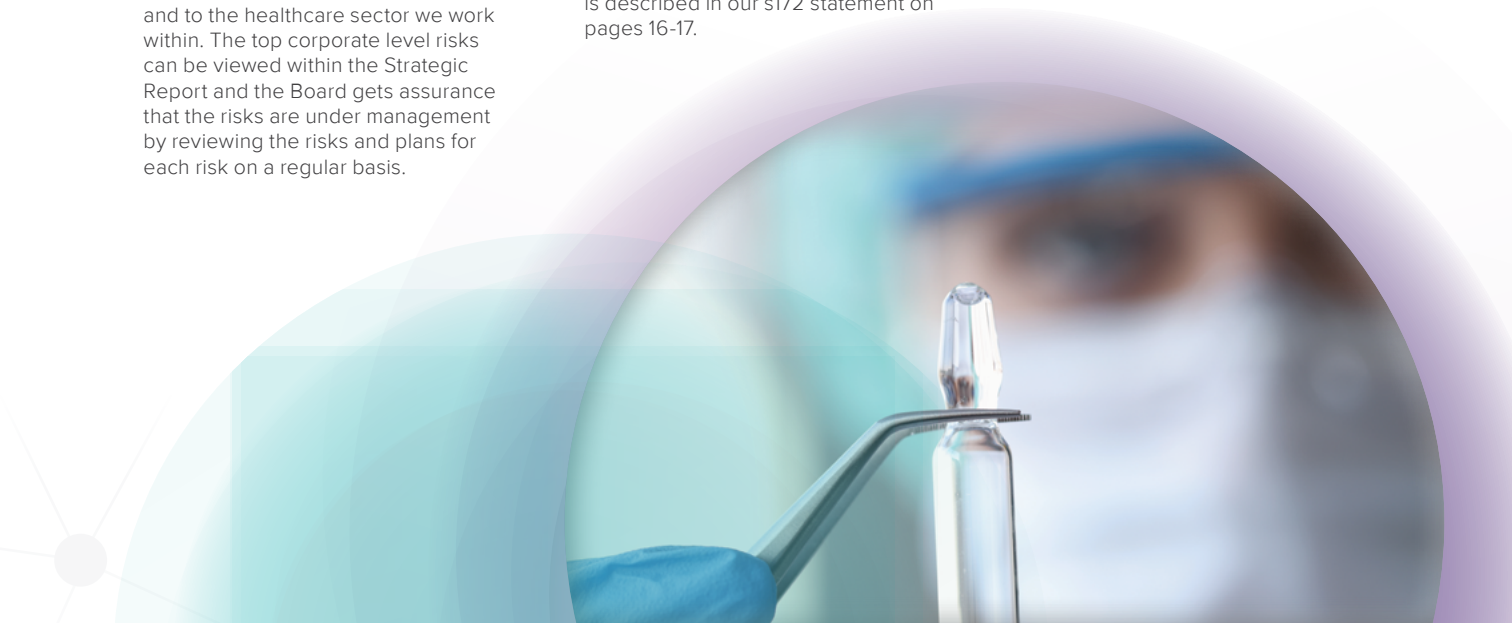
- We have a clear and well-established strategy that can be read in our business model and strategic review.
- We embed effective risk management in our business and maintain a fit for purpose governance structure. The business has a structure of risk registers, control frameworks and policies that are 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. We review the Board effectiveness annually 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. Further details on the role of the board, its composition and its operation are described on pages 24-29.
- 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, ensuring appropriate training is provided to meet the required regulatory requirements.
- Our engagement with our key stakeholders, shareholders, customers, suppliers, employees and our impact on the environment and communities, is described in our s172 statement on pages 16-17.
- 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. Further information regarding our engagement with shareholders is provided on page 16.

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 29 December 2022. 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

18 November 2022



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 Chairman of Cytox Group Limited who provide risk assessment and stratification tools for Alzheimer's disease and dementia; Non-Executive Chairman of Aptamer Group Plc, a leader in the provision of aptamer discovery selection services and the development of aptamer-based reagents; and Chair of Trustees for LifeArc, a philanthropic fund looking to invest £1.3 billion making life science life changing. 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.

Russ Shaw
Chief Financial Officer

Russ was appointed Chief Financial Officer and Company Secretary on 7 April 2022. He has over 25 years of international experience across multiple sectors including life sciences, technology and the industrials. Prior to joining genedrive, he spent 10 years as Finance Director at Driver Group plc, an AIM-quoted company operating in the engineering and construction industry. Russ has been CFO of several private companies and is a qualified Accountant and Treasury professional.

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

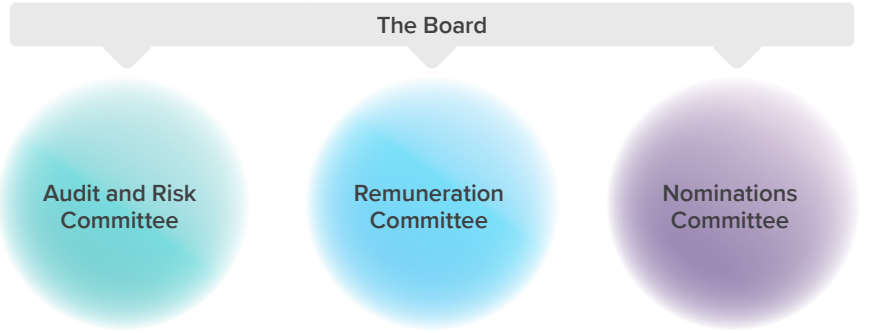
Chris was appointed to the Board on 22 August 2018. He is CEO of Abingdon Health plc, a position he has held since July 2015. Chris co-founded Abingdon in 2008 and was a Non-Executive of the Company prior to his appointment as CEO. Chris has over 20 years' experience of working in listed environments 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
- Nomination Committee
- Denotes Committee Chair

Corporate Governance

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



The reports of the Audit and Risk Committee and Remuneration Committee are set out on pages 30-38. 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 cashflows and funding opportunities;
- 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 24-25 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, setting its objectives 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 10 Board meetings during the year to 30 June 2022. The normal pattern of meetings is to hold six main in-person meetings every other month, with a video conference meeting in between, with no meetings scheduled in August and December. 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.

Corporate Governance continued

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	Nominations Committee
Ian Gilham	10/10	3/3	4/4	1/1
Tom Lindsay	10/10	3/3	4/4	1/1
Chris Yates	10/10	3/3	4/4	1/1
David Budd[a]	10/10	3/3	3/3a	1/1
Russ Shaw[a,b]	4/4	1/1	1/1a	0/0
Matthew Fowler[a,b]	7/7	2/2	2/3a	1/1

a Attendance via invite.
b R Shaw appointed and M Fowler resigned 7 April 2022.

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 2021

What the board did

- Review of cashflows and funding opportunities
- Commercial presentation

September 2021

What the board did

- Reviewed auditor's report on the year ending June 2021
- Review of R&D projects
- Commercial presentation
- Reviewed Board effectiveness and the plan for 2021/22

November 2021

What the board did

- Reviewed and approved Annual Report 2020/21
- Risk management and risk register

January 2022

What the board did

- Review of R&D projects
- Commercial presentation

March 2022

What the board did

- Reviewed and approved Interim Results
- Commercial presentation

June 2022

What the board did

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

Report of the Audit and Risk Committee

Chris Yates
Non-Executive Director

> “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.”

The Audit and Risk Committee (‘the Committee’) report for the year ended 30 June 2022 is set out on pages 30-32.

Dear Shareholders,

I am pleased to present the report of the Audit and Risk Committee for the year ended 30 June 2022.

The Committee completed its agenda of work, meeting the scope set out in the audit committee terms of reference, 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 2021/22 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 and Risk Committee report, I will be available to answer any questions at the Annual General Meeting.

Chris Yates
Chairman of the Audit and Risk Committee

18 November 2022

Terms of Reference for the Audit Committee 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, Matthew Fowler, during his time as CFO up to 7 April 2022 and Russ Shaw from 7 April 2022 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, AIM-listed Aptamer Group plc and Chairman of the trustees at LifeArc. Ian was previously the 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 2022/23

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

Governance

- Reviewed and revised the Audit and Risk Committee's Terms of Reference;
- Supported the Board in the recruitment of a new CFO.
- Reported to the Board on how it has discharged its responsibilities.
- 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.
- 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 2022.
- Monitored the independence and objectivity of the external auditor.
- Confirmed the independence of the external auditors and recommended to the Board the re-appointment of RSM UK Audit LLP at the upcoming AGM.
- Reviewed and approved the scope and methodology of the external audit strategy for 2021/22.

Report of the Audit and Risk Committee continued

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 two-year forecasts and the current cash resources. The forecasts were stress tested and factors which impact on risks and uncertainties were properly considered. Following the Committee's review, it recommended to the Board that it was appropriate to adopt the going concern basis. However, given the requirement for the Group and Company to raise additional funds whilst it gains commercial traction in its revenues the Committee recommended that the disclosures in the Directors' Report and accounting policies identify a material uncertainty that casts significant doubt as to the ability of the Group and Company to continue as a going concern.

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 adheres 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
Chairman of the Remuneration Committee

> “We are focused on developing new assays to add to our menu and generating revenue in the near term to address significant market opportunities.”

Dear Shareholders,

on behalf of the Remuneration Committee I am pleased to introduce the Directors’ Remuneration Report for the year ended 30 June 2022. This report sets out the activities of the Remuneration Committee for the year ended 30 June 2022. 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 2022.

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 COVID-19 tests is a key driver in setting the overall remuneration outcomes for the year to 30 June 2022.

I hope it is clear from the way we have applied our remuneration policy in FY 2021/22 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 14 October 2022.

Report of the Remuneration Committee continued

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 developing new assays to add to our menu and generating revenue 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 2022

Full details of the decisions of the Committee made in 2022 are set out in the Directors' Annual Report on Remuneration on pages 33-38.

The Committee agreed to increase the salary of the Chief Executive to £247,697 per annum effective from 1 July 2022. The 4% increase is aligned 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 2022. Having reviewed the targets, the bonus payment made for this financial year was approximately 12% of entitlement for both the Chief Executive Officer and the Chief Financial Officer.

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 four meetings in the year to June 2022. 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; and
- 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 2022.

The Directors' Annual Report on Remuneration will be subject to an advisory vote by shareholders at the 2022 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

18 November 2022

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

Purpose and link to strategy	Operation	Maximum	Target
Element of remuneration: 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.
Element of remuneration: 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.
Element of remuneration: Pension			
To attract and retain the right calibre of Executive. To provide a level of benefits that allow 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.
Element of remuneration: 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 20.
Element of remuneration: 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.

Remuneration Policy continued

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. 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

As the Company is AIM registered it is not required by company law to prepare a Remuneration Report. The information in this report has been provided on a voluntary basis and has not been audited except where indicated.

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 2022 and 2021.

		Salary and fees £	Bonus £	Benefits in kind £	Pension £	Total £
Executive						
David Budd	**2022**	**238,170**	**30,000**	**1,801**	**7,145**	**277,116**
	2021	233,500	–	1,683	7,005	242,188
Russ Shaw	**2022**	**42,231**	**14,781**	**272**	**1,267**	**58,551**
(appointed 7 April 2022)	2021	–	–	–	–	–
Matthew Fowler	**2022**	**151,232**	**–**	**769**	**4,537**	**156,538**
(resigned 7 April 2022)	2021	175,000	–	941	5,178	181,119
Non-Executive						
Ian Gilham	**2022**	**65,000**	**–**	**–**	**–**	**65,000**
	2021	65,000	–	–	–	65,000
Tom Lindsay	**2022**	**35,000**	**–**	**–**	**–**	**35,000**
	2021	30,000	–	–	–	30,000
Chris Yates	**2022**	**35,000**	**–**	**–**	**–**	**35,000**
	2021	30,000	–	–	–	30,000

Additional disclosures for single figure of total remuneration to 30 June 2022

Salary

The Chief Executive's salary from 1 July 2021 to 30 June 2022 was £238,170 and was increased by 4.0% from 1 July 2022 to £247,697. The CFO's salary from 7 April 2022 was £152,500. The Committee believes that the increase of 4.0% 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 2022 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 2022
- The EBITDA result for the year
- Milestone achievements on the POC SARS-Cov-2 test
- Milestone achievements on the AIHL project
- Develop pipeline of new assay targets

The specific targets have not been disclosed. The overall achievement was 45%.

Annual Report on Remuneration continued

Long Term Incentive Plans

Details of the options for Directors who served during the year are as follows:

	Outstanding 30 June 2022	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
Russ Shaw	100,000	04/04/2022	–	–	£0.300	04/04/2025	03/04/2032
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 2022	30 June 2021
Executive		
David Budd	**293,710**	213,710
Russ Shaw*	**–**	–
Matthew Fowler*	**n/a**	99,457
Non-Executive		
Ian Gilham	**614,295**	503,174
Tom Lindsay	**262,717**	202,217
Chris Yates	**67,554**	41,304

* R Shaw appointed and M Fowler resigned 7 April 2022

Share Investment Plan

The details of the Epistem Share Investment Plan ('SIP') are outlined in note 19 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 18 November 2022 and was signed on its behalf by:

Dr Ian Gilham
Chairman of the Remuneration Committee

18 November 2022

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 2022.

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 1-21 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 47-50 of this report. The Directors do not recommend paying a dividend, (2021: £nil).

Going concern

The Group's business activities and market conditions are described on pages 1-14. The principal risks and uncertainties are shown on page 21 while the Group's financial position is described on pages 18 and 19. The Group funds its day-to-day cash requirements from existing cash reserves. These matters have been considered by the Directors in forming their assessment of going concern.

The Directors have concluded that it is necessary to draw attention to the revenue and cost forecasts in the business plans during the period to June 2024. The Group and Company does not currently have sufficient cash resources to continue as a going concern during the forecast period due to the time expected to be needed to gain commercial traction in its revenues. The forecasts prepared by the Directors include a plan to raise additional funds from shareholders or debt providers in the financial year to June 2023.

While the Board has a successful track record in raising funds, there remains uncertainty as to the amount of funding that could be raised from shareholders or debt providers. This condition represents a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

However, based on the progress being made towards bringing the AIHL product to market and having made enquiries, the Directors have reasonable confidence in their ability to raise additional funds and therefore have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

Accordingly, the Directors have concluded that 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 Group and Company were unable to continue as a going concern.

Annual General Meeting

The Annual General Meeting will be held on 29 December 2022 at 46 Grafton Street, Manchester M13 9XX. Details of the business to be considered at the Annual General Meeting and the Notice of Meeting are included in a separate document.

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 22 to the Company's financial statements on page 72. 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 38. 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 19 and 22.

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 were issued to the former owner of Visible Genomics on 10 December 2021. No price is attached to these shares. The shares were held as treasury shares in "Shares to be issued" reserve, as shown in note 23.

Directors' Report continued

Board of Directors

The names of the present Directors and their biographical details are shown on pages 24-25. Matthew Fowler resigned as a Director on 7 April 2022. At the Annual General Meeting, to be held on 29 December 2022, all the Directors will offer themselves for re-election.

The Company has entered into Directors and Officers liability insurance for the benefit of all of its Directors in a form and scope which comply with the requirements of the Companies Act 2006.

Significant shareholdings

In addition to the Directors' holdings, the Company has been advised of that there are no interests of over 5% of the issued ordinary shares at 30 June 2022.

Research and development

During the year ended 30 June 2022 the Group has incurred research and development costs of £3.9m (2021: £4.5m). Expenditure on Intangible Assets (relating to research and development activities) was £nil (2021: £nil). A review of this expenditure is included within the Strategic Report on pages 1-21.

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 20 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 24-25. 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 take 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 2022 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 and are required by the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with UK-adopted 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 UK-adopted International Accounting Standards and applicable law.

The Group and Company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the Group and Company and the financial 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 UK-adopted International Accounting Standards;
- 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.

By order of the Board,

Russ Shaw
Company Secretary

18 November 2022

Independent Auditor's Report

to the members of genedrive plc

Opinion

We have audited the financial statements of Genedrive plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2022 which comprise consolidated statement of comprehensive income, consolidated and company balance sheets, consolidated and company statements of changes in equity, consolidated and company statement 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 UK-adopted International Accounting Standards 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 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards 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.

Summary of our audit approach

Key audit matters	**Group** • Going concern
Materiality	**Group** • Overall materiality: £281,000 (2021 £285,000) • Performance materiality: £211,000 (2021: £214,000) **Parent Company** • Overall materiality: £24,300 (2021: £2,190) • Performance materiality: £18,225 (2021: £1,640)
Scope	Our audit procedures covered 100% of revenue and costs, 100% of total assets and 100% of loss before tax.

Key audit matters

Except for the matter described in the Material uncertainty related to going concern section we have determined that there are no other key audit matters to communicate in our report.

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	£281,000 (2021: £285,000)	£24,300 (2021: £2,190)
Basis for determining overall materiality	5% of loss before tax	3% of total assets
Rationale for benchmark applied	We believe that loss before tax is an important measure of performance and is consistent with the expectations of the users of the financial statements of an AIM listed entity.	We believe that total assets is an important measure in assessing the performance of the parent company.
Performance materiality	£211,000 (2021: £214,000)	£18,225 (2021: £1,640)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £14,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £1,215 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 and costs, 100% loss before tax and 100% of net assets. No work was undertaken by component auditors.

Material uncertainty relating to going concern

We draw attention to note 1 on going concern in the financial statements concerning the group and parent company's ability to continue as a going concern. Having prepared financial forecasts for the period to June 2024, the directors have concluded that they have a reasonable expectation of having sufficient cash to meet their liabilities as they fall due throughout that period, however, in reaching that conclusion, the directors recognise that it is reliant on inherent uncertainties relating to the group's ability to raise additional funding from shareholders or debt providers. As stated in note 1 on going concern, these events or conditions indicate that a material uncertainty exists which may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and company's ability to continue to adopt the going concern basis of accounting included:

- Testing the mathematical accuracy of the cash flow and profit forecasts prepared by the directors, including sensitivity of those forecasts to changes in assumptions relating to revenues, costs and plans regarding any additional sources of funding.
- Assessing whether the forecasts and sensitivity analysis have been prepared on a reasonable and appropriate basis and performing our own stress testing of the forecasts.
- Reviewing and challenging available evidence drawing upon knowledge obtained during the course of our audit to corroborate or contradict the assumptions that underpin the forecasts.
- Evaluating whether the mitigating actions identified by management in the event that forecast revenues were not achieved are feasible operationally, are within the control of management and can be actioned within the assumed timeframe.
- Comparing the budgeted results for the year ended 30 June 2022 to the actual outturn to inform our assessment regarding the accuracy of forecasts and management's ability to control costs.
- Reviewing performance since the year end date and how this compares to the forecasts.

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

Independent Auditor's Report continued

to the members of genedrive plc

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.

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 40, 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/UK-adopted IAS, 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 local 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.

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

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

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 Street, Liverpool
L3 9AG
18 November 2022

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2022

	Note	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Continuing operations			
Revenue	3	**49**	687
Research and development costs	4	**(3,871)**	(4,509)
Administrative costs	4	**(1,793)**	(1,660)
Operating loss	4	**(5,615)**	(5,482)
Finance (costs)/income	7	**(16)**	3,630
Loss on ordinary activities before taxation		**(5,631)**	(1,852)
Taxation	8	**956**	1,161
Loss for the financial year		**(4,675)**	(691)
Loss/total comprehensive expense for the financial year		**(4,675)**	(691)
Loss per share (pence)			
– Basic and diluted	10	**(5.5p)**	(1.2p)

Consolidated Balance Sheet

as at 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Assets			
Non-current assets			
Plant and equipment	11	**206**	301
Contingent consideration receivable	12	**–**	47
		206	348
Current assets			
Inventories	13	**748**	556
Trade and other receivables	14	**107**	158
Contingent consideration receivable	12	**15**	75
Current tax asset		**956**	1,166
Cash and cash equivalents	15	**4,589**	2,574
		6,415	4,529
Total assets		**6,621**	4,877
Liabilities			
Current liabilities			
Trade and other payables	16	**(994)**	(1,166)
Lease liabilities	17	**(16)**	(119)
		(1,010)	(1,285)
Non-current liabilities			
Total liabilities		**(1,010)**	(1,285)
Net assets		**5,611**	3,592
Equity			
Called-up equity share capital	22	**1,388**	950
Other reserves	23	**51,294**	45,000
Accumulated losses		**(47,071)**	(42,358)
Total equity		**5,611**	3,592

The financial statements were approved by the Board of Directors and authorised for issue on 18 November 2022. They were signed on its behalf by:

David Budd
Chief Executive Officer

Russ Shaw
Chief Financial Officer

Company number: 06108621

Consolidated Statement of Changes in Equity

for the year ended 30 June 2022

	Share capital £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
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
Transactions with owners in their capacity as owners:				
Share issue	**426**	**6,186**	**–**	**6,612**
Share issue – deferred consideration	**8**	**(8)**	**–**	**–**
Equity-settled share-based payments	**4**	**116**	**(38)**	**82**
Transactions settled directly in equity	**438**	**6,294**	**(38)**	**6,694**
Total comprehensive loss for the year	**–**	**–**	**(4,675)**	**(4,675)**
Balance at 30 June 2022	**1,388**	**51,294**	**(47,071)**	**5,611**

Consolidated Cash Flow Statement

for the year ended 30 June 2022

	Note	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Cash flows from operating activities			
Operating loss for the year		**(5,615)**	(5,482)
Depreciation, amortisation and impairment		**63**	60
Depreciation, right-of-use assets		**187**	186
ATL Research credits		**–**	(5)
Share-based payment		**38**	4
Operating loss before changes in working capital		**(5,327)**	(5,237)
Increase in inventories		**(192)**	(143)
Decrease in trade and other receivables		**51**	240
Decrease in deferred revenue		**–**	(67)
Decrease in trade and other payables		**(292)**	(963)
Net cash outflow from operating activities before taxation		**(5,760)**	(6,170)
Tax received		**1,166**	1,018
Net cash outflow from operating activities		**(4,594)**	(5,152)
Cash flows from investing activities			
Finance income		**–**	1
Finance costs		**(16)**	(33)
Acquisition of plant and equipment net of loss on disposals		**(62)**	(104)
Proceeds from disposal of discontinued operations	12	**107**	137
Net cash inflow from investing activities		**29**	1
Cash flows from financing activities			
Proceeds from share issue	22	**6,694**	46
Repayment of lease liabilities	17	**(119)**	(144)
Cash paid to settle convertible bonds		**–**	(358)
Net inflow/(outflow) from financing activities		**6,575**	(456)
Net increase/(decrease) in cash equivalents		**2,010**	(5,607)
Effects of exchange rate changes on cash and cash equivalents		**5**	(37)
Cash and cash equivalents at beginning of year		**2,574**	8,218
Cash and cash equivalents at end of year		**4,589**	2,574
Analysis of net funds			
Cash at bank and in hand	15	**4,589**	2,574
Net funds		**4,589**	2,574

Notes to the Consolidated Financial Statements

for the year ended 30 June 2022

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 UK-adopted International Accounting Standards.

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 Group's business activities and market conditions are described on pages 1-14. The principal risks and uncertainties are shown on page 21 while the Group's financial position is described on pages 18 and 19. The Group funds its day-to-day cash requirements from existing cash reserves. These matters have been considered by the Directors in forming their assessment of going concern.

The Directors have concluded that it is necessary to draw attention to the revenue and cost forecasts in the business plans during the period to June 2024. The Group and Company does not currently have sufficient cash resources to continue as a going concern during the forecast period due to the time expected to be needed to gain commercial traction in its revenues. The forecasts prepared by the Directors include a plan to seek additional funds from shareholders or debt providers in financial year to June 2023 and reduce ongoing spend.

While the Board has a successful track record in both raising funds and reducing costs, there remains uncertainty as to the amount of funding that could be raised from shareholders or debt providers and the cost reduction that may also be required. This combination of factors represents a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

However, based on the progress being made towards bringing the AIHL product to market and having made enquiries, the Directors have reasonable confidence in their ability to raise additional funds and therefore have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

Accordingly, the Directors have concluded that 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 Group and Company were unable to continue as a going concern.

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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

1. Significant accounting policies continued

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.

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. A lease is 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, a 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.

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 20.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

1. Significant accounting policies continued

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.

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 credits") 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.

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 18, the Company had in issue during the prior 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 is 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

1. Significant accounting policies continued

Fair value measurement (Group and Parent Company) continued

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.

Adoption of new standards and revised standards

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

No new standards have been adopted in the year. 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 £695k (2021: £499k). 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 the 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 £1.0m (2021: £1.2m). 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 calculate 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 £0.1m.

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 74-79.

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 in 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	Corporate costs £'000	Total £'000
Year ended 30 June 2022			
Revenue	**49**	**–**	**49**
Operating loss	**(3,822)**	**(1,793)**	**(5,615)**
Net finance costs			**(16)**
Loss on ordinary activities before taxation			**(5,631)**
Taxation			**956**
Loss for the financial year			**(4,675)**
Total comprehensive expense for the year			**(4,675)**

Business segments	Diagnostics segment £'000	Corporate 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	Corporate costs £'000	Total £'000
Year ended 30 June 2022			
Segment assets	**1,003**	**5,618**	**6,621**
Segment liabilities	**(905)**	**(105)**	**(1,010)**
Year ended 30 June 2021			
Segment assets	923	3,954	4,877
Segment liabilities	(937)	(348)	(1,285)

Additions to non-current assets: Diagnostics segment £124k (2021: £320k) and Corporate costs £31k (2021: £80k).

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2022

2. Operating segments continued

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 2022 £'000	Year ended 30 June 2021 £'000
United Kingdom	**37**	40
Europe	**10**	17
United States of America	**2**	613
Rest of the world	**–**	17
	49	687

Revenues from two customers accounted for more than 10% of total revenue in the current and prior year.

3. Revenue

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Revenue from customer contracts	**49**	647
Grant and other income	**–**	40
	49	687

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.

4. Operating loss

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

	Note	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Research and development expenditure (including staff costs)		**3,871**	4,509
ATL Research credits	8	**–**	(5)
Depreciation of owned tangible fixed assets	11	**63**	60
Depreciation of right-of-use assets	11	**187**	186
Staff costs	5	**2,879**	2,768
Share-based payments		**38**	4
Auditors' remuneration, fees payable for:			
– the audit of the Parent Company and consolidated accounts		**51**	48
– the audit of subsidiary accounts		**6**	5
– agreed upon procedures for the interim accounts		**2**	5

5. Particulars of employees

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

	Year ended 30 June 2022 Number	Year ended 30 June 2021 Number
Research and development	**28**	33
Administration	**12**	13
	40	46

The aggregate employee costs (including Directors) were:

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Wages, salaries and other benefits	**2,535**	2,445
Social security costs	**295**	271
Pension cost-defined contribution plans	**49**	52
	2,879	2,768

6. Remuneration of key management, including directors

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Wages, salaries and other benefits	**1,048**	1,049
Social security costs	**136**	124
Equity-settled share-based payments	**25**	–
Pension cost-defined contribution plans	**20**	20
	1,229	1,193

For the current and prior year, the key management of the Company is the senior management team of the Company and comprises 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 33-38 and form part of these financial statements.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

7. Finance (costs)/income

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Interest income on bank deposits	–	1
Movement in fair value of derivative embedded in convertible bonds	–	3,864
Finance cost on liabilities measured at amortised cost	–	(202)
Finance lease costs	**(16)**	(33)
	(16)	3,630

8. Taxation

(a) Recognised in the income statement

Current tax:	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Research and development tax credits	**(956)**	(1,166)
Less: recognised as ATL Research credits	–	5
Total tax credit for the year	**(956)**	(1,161)

(b) Reconciliation of the total tax credit

The tax credit assessed on the loss for the year is lower (2021: higher) than the weighted average applicable tax rate for the year ended 30 June 2022 of 19.0% (2021: 19.0%). The differences are explained below:

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Loss before taxation on continuing operations	**(5,631)**	(1,852)
Tax using UK corporation tax rate of 19.0% (2021: 19.0%)	**(1,070)**	(352)
Adjustment in respect of R&D tax credit recognised as Above The Line ('ATL')	–	1
Adjustment in respect of R&D tax credit claimed	**(412)**	(500)
Items (taxable) for tax purposes – permanent	**(7)**	(777)
Items not deductible for tax purposes – temporary	**(3)**	–
Deferred tax not recognised	**703**	467
Rate differences	**(167)**	–
Total tax credit for the year	**(956)**	(1,161)

No deferred tax assets are recognised at 30 June 2022 (2021: £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 £19,032k (2021: £14,356k) 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 2022 was £956k (2021: £1,166k) which included £nil (2021: £5k) disclosed as ATL Research credits deducted from research and development costs with the balance of £956k (2021: £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 loss dealt with in the accounts of genedrive plc was £5,993k (2021: gain of £3,865k).

10. Earnings per share

	2022 £'000	2021 £'000
Loss for the year after taxation	**(4,675)**	(691)

Group	2022 Number	2021 Number
Weighted average number of ordinary shares in issue	**84,860,240**	58,987,344
Potentially dilutive ordinary shares	**–**	–
Adjusted weighted average number of ordinary shares in issue	**84,860,240**	58,987,344
Loss per share on continuing operations		
– Basic	**(5.5)p**	(1.2)p
– Diluted	**(5.5)p**	(1.2)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.

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	2022 Number	2021 Number
Potentially dilutive shares on deferred consideration	**–**	500,000
Potentially dilutive shares from share options	**971,238**	3,027,508
Potentially dilutive shares within the SIP	**208,703**	158,784
Potentially dilutive ordinary shares	**1,179,941**	3,686,292

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

11. Plant and equipment

	Right of use land & buildings £'000	Lab equipment £'000	Fixtures and fittings £'000	Other equipment £'000	Total £'000
Cost					
At 30 June 2020	–	332	114	227	673
Additions	296	85	–	19	400
Disposals	–	–	–	(4)	(4)
At 30 June 2021	296	417	114	242	1,069
Additions	93	48	–	14	155
Disposals	–	–	–	–	–
At 30 June 2022	**389**	**465**	**114**	**256**	**1,224**
Accumulated depreciation					
At 1 July 2020	–	212	114	200	526
Charge for the year	186	45	–	15	246
Depreciation on disposed assets	–	–	–	(4)	(4)
At 1 July 2021	186	257	114	211	768
Charge for the year	187	48	–	15	250
Depreciation on disposed assets	–	–	–	–	–
At 30 June 2022	**373**	**305**	**114**	**226**	**1,018**
Net book value					
At 30 June 2020	–	120	–	27	147
At 30 June 2021	110	160	–	31	301
At 30 June 2022	**16**	**160**	**–**	**30**	**206**

The Group leases land and buildings for its offices and laboratories with 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

	Greater than 12 months £'000	Less than 12 months £'000	Total £'000
Balance at 30 June 2020	47	212	259
Balance at 30 June 2021	47	75	122
Received in the period	(47)	(60)	(107)
Balance at 30 June 2022	**–**	**15**	**15**

The amount provided on the balance sheet of £15k represents contingent consideration held under the sale and purchase agreement for the disposal of the Services business. The amount relates to the remaining six months trading under the agreement and was settled in October 2022.

13. Inventories

	2022 £'000	2021 £'000
Raw materials	**661**	385
Finished goods	**87**	171
	748	556

The inventory valuation at 30 June 2022 is stated net of a provision of £695k (2021: £499k) 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 £215k (2021: £402k).

14. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	**2**	–
Less: provisions for expected credit loss	**–**	–
Trade receivables – net	**2**	–
Other receivables	**30**	18
Prepayments	**75**	140
	107	158

Analysis of trade receivables

	2022 £'000	2021 £'000
Neither impaired nor past due	**2**	–
Past due but not impaired	**–**	–
Trade receivables	**2**	–

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

	2022 £'000	2021 £'000
Not overdue	**2**	–
Less than 1 month overdue	**–**	–
Later than 1 month but less than 3 months overdue	**–**	–
Later than 3 months overdue	**–**	–
Total	**2**	–

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

	2022 £'000	2021 £'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 2022

14. Trade and other receivables continued

Ageing of impaired receivables

Group	2022 £'000	2021 £'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

	2022 £'000	2021 £'000
Cash at bank and in hand	**4,589**	2,574

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. Trade and other payables

Group	2022 £'000	2021 £'000
Trade payables	**173**	439
Accruals	**677**	532
Other payables	**144**	195
	994	1,166

17. Lease liabilities

	2022 £'000	2021 £'000
Lease liabilities	**16**	119

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

	£'000
Balance at 30 June 2021	119
Additions	–
Interest	16
Repayment of lease liabilities	(119)
Balance at 30 June 2022	**16**

There were no cash outflows in the year relating to short-term and low-value lease payments (2021: £nil).

18. 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 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 and 30 June 2022	**–**	**–**	**–**	**–**	**–**	**–**	**–**

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. 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 the 10 December 2018. The principal effects of the Deed of Amendment were to extend the maturity date from December 2021 to December 2023 and 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 be 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.

Business Growth Fund (BGF)

The Company entered into an agreement with the BGF that became effective on the 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.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2022

18. Convertible bonds continued

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.

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 was recognised directly in equity. No gain or loss was recorded in the profit and loss account as a result of the conversion.

19. Share-based payments

(a) Share options outstanding at 30 June 2022

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	575	£5.50	28 Mar 2016 to 27 Mar 2023	£2.23p	£1,282
2007 Epistem Share Option Scheme	20,500	£3.22	29 Jan 2017 to 28 Jan 2024	£1.21p	£24,805
2007 Epistem Share Option Scheme	1,000	£3.25	12 Aug 2017 to 11 Aug 2024	£0.60p	£600
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	2,500	£1.20	20 Sep 2018 to 19 Sep 2025	£0.33p	£825
2007 Epistem Share Option Scheme	1,000	£1.20	20 Sep 2018 to 19 Sep 2025	£0.33p	£330
2007 Epistem Share Option Scheme	244,444	£0.90	07 Apr 2019 to 06 Apr 2026	£0.29p	£70,889
Epistem Unapproved Share Options	50,000	£2.78	07 Apr 2019 to 06 Apr 2026	£0.05p	£2,500
2007 Epistem Share Option Scheme	20,000	£0.82	02 May 2019 to 01 May 2026	£0.27p	£5,400
2007 Epistem Share Option Scheme	32,000	£0.80	02 Oct 2019 to 01 Oct 2026	£0.11p	£3,520
2007 Epistem Share Option Scheme	141,666	£0.60	22 Oct 2019 to 21 Oct 2026	£0.05p	£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	05 Apr 2020 to 04 Apr 2027	£0.06p	£22,620
2017 Epistem Share Option Scheme	12,500	£0.36	29 Nov 2020 to 30 Nov 2027	£0.06p	£750
Epistem Unapproved Share Option	43,024	£0.36	29 Nov 2020 to 30 Nov 2027	£0.06p	£1,721
Epistem Unapproved Share Option	222,260	£0.305	20 Jul 2021 to 20 Jul 2028	£0.04p	£8,890
2017 Epistem Share Option Scheme	30,000	£0.330	10 Sep 2021 to 10 Sep 2028	£0.03p	£900
2017 Epistem Share Option Scheme	20,000	£0.210	19 Dec 2021 to 19 Dec 2028	£0.03p	£600
Epistem Unapproved Share Option	690,000	£0.235	05 Apr 2022 to 05 Apr 2029	£0.02p	£13,800
2017 Epistem Share Option Scheme	415,000	£0.235	05 Apr 2022 to 05 Apr 2029	£0.02p	£8,300
2017 Epistem Share Option Scheme	75,000	£0.235	05 Apr 2022 to 05 Apr 2029	£0.02p	£1,500
2017 Epistem Share Option Scheme	132,500	£0.215	10 Nov 2022 to 10 Nov 2029	£0.031p	£4,108
2017 Epistem Share Option Scheme	772,626	£0.090	06 Apr 2023 to 06 Apr 2030	£0.013p	£10,044
Epistem Unapproved Share Option	1,226,982	£0.090	06 Apr 2023 to 06 Apr 2030	£0.013p	£15,951
2017 Epistem Share Option Scheme	76,250	£0.470	14 Dec 2023 to 14 Dec 2030	£0.234p	£17,843
2017 Epistem Share Option Scheme	10,000	£0.560	27 Jan 2024 to 27 Jan 2031	£0.234p	£2,340
2017 Epistem Share Option Scheme	202,500	£0.310	02 Dec 2024 to 02 Dec 2031	£0.19p	£4,183
2017 Epistem Share Option Scheme	300,000	£0.310	03 Dec 2024 to 03 Dec 2031	£0.098p	£39,160
2017 Epistem Share Option Scheme	100,000	£0.300	04 Apr 2025 to 04 Apr 2032	£0.098p	£9,790
	5,410,417				

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2022

19. Share-based payments continued

(a) Share options outstanding at 30 June 2022 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	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)
2017 Epistem Share Option Scheme	02 Dec 2021	3 years	0	18	0.75	Note(e)
2017 Epistem Share Option Scheme	03 Dec 2021	3 years	0	18	0.75	Note(e)
2017 Epistem Share Option Scheme	04 Apr 2022	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.

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

	Number		Weighted average exercise price		Weighted average remaining contracted life – Years	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Outstanding as at 1 July	**5,226,038**	5,757,826				
Granted during the year	**722,500**	136,250	**31p**	52p		
Exercised during the year	**(271,546)**	(127,563)	**24p**	40p		
Forfeited during the year	**–**	–	**–**	–		
Lapsed during the year	**(266,575)**	(540,475)	**35p**	52p		
Outstanding as at 30 June	**5,410,417**	5,226,038	**35p**	36p	**6.9**	7.6
Options exercisable at 30 June	**2,589,559**	1,151,374	**98p**	99p	**5.6**	5.1

Options over 271,546 shares were exercised in the year ended 30 June 2022 (2021: 127,563). The weighted average market price at exercise was £0.36 (2021: £0.80). 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 2022 the number of Partnership Shares earned by employees was 67,941 (2021: 52,928). The total number of potential Matching Shares provided for employees at 30 June should all the employees meet the three-year vesting rule was 135,882 (2021: 105,856). Of the 135,882 shares, 63,634 (2021: 34,034) 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 earned – this accrual at 30 June 2022, included within trade and other payables, was £43k (2021: £103k).

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 (2021: nil) 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.

	2022 £'000	**2021 £'000**
Outstanding at 30 June	**196**	196

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2022

20. Financial risk management objectives and policies

	Classification	2022 £'000	2021 £'000
Financial assets			
Cash and cash equivalents	Amortised cost	**4,589**	2,574
Trade and other receivables	Amortised cost	**32**	18
Financial liabilities			
Trade and other payables	Amortised cost	**994**	1,166
Lease liabilities	Amortised cost	**16**	119

The Group holds or issues financial instruments to achieve two main objectives, being:

(a) to finance its operations; and

(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
2022		
Cash and cash equivalents	**25**	**6**
2021		
Cash and cash equivalents	25	11

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

Capital management

Capital is regarded as total equity, as recognised in the balance sheet, 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 October 2021 the Company issued 28,450,852 new shares as described in note 22.

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.

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:

	2022 £'000	2021 £'000
Payable within 1 year	**1,010**	1,285
	1,010	1,285

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 (2021: £nil) to manage foreign currency risk.

Balances which are denominated in US dollars are detailed below:

	2022 £'000	2021 £'000
Trade and other receivables	**–**	–
Cash and cash equivalents	**7**	40
	7	40

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
2022		
Trade and other receivables	**5%**	**–**
Cash and cash equivalents	**5%**	**–**
2021		
Trade and other receivables	5%	–
Cash and cash equivalents	5%	2

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

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2022

20. Financial risk management objectives and policies continued

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 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**
Acquisition of leases	**–**	**–**	**–**
Net cash used in financing activities	**–**	**(119)**	**(119)**
Other movements	**–**	**16**	**16**
Balance at 30 June 2022	**–**	**16**	**16**

21. Related party transactions

Other than items relating to Directors' remuneration and employment, there were no related party transactions during the year (2021: £nil).

At the balance sheet date, in respect of T Lindsay, trade and other payables included amounts of £3k (2021: £nil).

22. Share capital

Allotted, issued and fully paid:

	Number	£'000
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
Share issue – equity-settled share-based payments	**271,546**	**4**
Share issue – deferred consideration	**500,000**	**8**
Share issue	**28,450,852**	**426**
Balance at 30 June 2022	**92,542,446**	**1,388**

On 1 October 2021 the Company issued 28,450,852 shares as part of a placing and open offer to shareholders for net proceeds of £6.6m.

On 10 December 2021 the Company issued 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 19 to these accounts details the share options that could also be exercised and result in the issue of additional shares.

23. 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 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
Share issue – deferred consideration	**107**	**(115)**	**–**	**–**	**–**	**(8)**
Share issue	**6,264**	**–**	**–**	**–**	**–**	**6,264**
Equity-settled share-based payments	**–**	**–**	**–**	**38**	**–**	**38**
Transactions settled directly in equity	**6,371**	**(115)**	**–**	**38**	**–**	**6,294**
Balance at 30 June 2022	**52,426**	**–**	**(196)**	**1,560**	**(2,496)**	**51,294**

Shares to be issued relates to the equity component of deferred consideration; full details are contained in note 22.

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 2022

	Note	30 June 2022 £'000	30 June 2021 £'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	**812**	73
		812	73
Liabilities			
Non-current liabilities			
Convertible bond	d	**–**	–
		–	–
Net assets/ (liabilities)		**812**	73
Capital and reserves			
Called-up equity share capital		**1,388**	950
Share premium account		**52,426**	46,055
Share options reserve	a	**1,894**	1,856
Shares to be issued		**–**	115
Accumulated losses:			
At 1 July		**(48,903)**	(57,847)
Transactions settled directly in equity		**–**	5,079
Total comprehensive (expense)/income for the year		**(5,993)**	3,865
		(54,896)	(48,903)
Total shareholders' funds equity		**812**	73

These financial statements were approved by the Directors and authorised for issue on 18 November 2022 and are signed on their behalf by:

David Budd
Chief Executive Officer

Russ Shaw
Chief Financial Officer

genedrive plc, Company number: 06108621

As permitted by s408 of the 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 loss for the year was £6.0m (2021: £3.9m income).

Company Statement of Changes in Equity

for the year ended 30 June 2022

	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
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	–	–	4
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**
Transactions with owners in their capacity as owners						
Share issue	**426**	**6,186**	**–**	**–**	**–**	**6,612**
Share issue – deferred consideration	**8**	**107**	**–**	**(115)**	**–**	**–**
Equity-settled share-based payments	**4**	**78**	**38**	**–**	**–**	**120**
Transactions settled directly in equity	**438**	**6,371**	**38**	**(115)**	**–**	**6,732**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(5,993)**	**(5,993)**
Balance at 30 June 2022	**1,388**	**52,426**	**1,894**	**–**	**(54,896)**	**812**

Company Statement of Cash Flows

for the year ended 30 June 2022

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Cash flows from operating activities		
Operating (loss)/profit for the year	**(5,993)**	203
Group undertaking loan impairment	**5,955**	(224)
Share-based payment expense	**38**	4
Operating (loss) before changes in working capital and provision	**–**	(17)
Increase /(decrease) in amount owed from Group companies	**(5,955)**	224
Net cash (outflow) / inflow from operating activities	**(5,955)**	207
Cash flows from financing activities		
Proceeds from share issue	**6,694**	46
Cash paid to settle convertible bonds	**–**	(358)
Net inflow / (outflow) from financing activities	**6,694**	(312)
Net increase / (decrease) in cash equivalents	**739**	(105)
Cash and cash equivalents at beginning of year	**73**	178
Cash and cash equivalents at end of year	**812**	73
Analysis of net funds		
Cash at bank and in hand	**812**	73
Net funds	**812**	73

Notes to the Company Financial Statements

for the year ended 30 June 2022

Basis of accounting

The Company financial statements have been prepared in accordance with UK-adopted International Accounting Standards.

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 Group's business activities and market conditions are described on pages 1-14. The principal risks and uncertainties are shown on page 21 while the Group's financial position is described on pages 18 and 19. The Group funds its day-to-day cash requirements from existing cash reserves. These matters have been considered by the Directors in forming their assessment of going concern.

The Directors have concluded that it is necessary to draw attention to the revenue and cost forecasts in the business plans during the period to June 2024. The Group and Company does not currently have sufficient cash resources to continue as a going concern during the forecast period due to the time expected to be needed to gain commercial traction in its revenues. The forecasts prepared by the Directors include a plan to seek additional funds from shareholders or debt providers in the financial year to June 2023 and reduce ongoing spend.

While the Board has a successful track record in both raising funds and reducing costs, there remains uncertainty as to the amount of funding that could be raised from shareholders or debt providers and the cost reduction that may also be required. This combination of factors represents a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

However, based on the progress being made towards bringing the AIHL product to market and having made enquiries, the Directors have reasonable confidence in their ability to raise additional funds and therefore have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

Accordingly, the Directors have concluded that 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 Group and Company were unable to continue as a going concern.

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 medical, 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 2020	**–**
Additions in the year	**4**
Impairment	**(4)**
At 30 June 2021	**–**
Additions in the year	**38**
Impairment	**(38)**
At 30 June 2022	**–**

Additions in the year ended 30 June 2022 comprised the fair value of the share options issued to employees of the subsidiary undertaking during the year of £38k (2021: £4k). Full details of the share options issued are set out in note 19 to the consolidated financial statements. Following an impairment review, the carrying value of the investments was impaired by £38k (2021: £4k).

Notes to the Company Financial Statements continued
for the year ended 30 June 2022

Going concern continued

a. Investments continued

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% (2021: 12.5%). As a result of this analysis the carrying value of the investments at 30 June 2022 was reduced to £nil (2021: £nil) and an impairment charge of £38k (2021: £4k) was booked during the year.

b. Amounts receivable from Group undertakings and other receivables

Company	2022 £'000	2021 £'000
Opening amounts receivable from Group undertakings	**–**	–
Additions / (repayments) in the year	**5,955**	(224)
Changes in impairment provision	**(5,955)**	224
Closing amounts receivable from Group undertakings	**–**	–

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

c. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	**812**	73

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. Related party transactions

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

e. Financial risk management

The Company's approach to managing financial risk is covered in note 20 to the Group's financial statements.

	Classification	2022 £'000	2021 £'000
Financial assets			
Cash and cash equivalents	Amortised cost	**812**	73
Financial liabilities			
Convertible bonds	Fair value	**–**	–

The Company's approach to managing financial risk is covered in note 20 to the Group's financial statements.

Changes in liabilities resulting from financing activities

	Convertible Loan Notes £'000	Total £'000
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 and 30 June 2022	**–**	**–**

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Russ Shaw
Tom Lindsay
Chris Yates

Company Secretary

Russ Shaw

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