

Advancing pharmacogenetic testing to the point-of-care

Who We Are

Decentralising molecular diagnostics to the point of need

What we do

Genedrive® is a low cost, versatile, simple to use and robust thermocycling platform enabling rapid molecular diagnostic results in diverse healthcare paradigms such as pharmacogenetics (patient stratification, infectious disease pathogen detection). This helps clinicians to quickly access key genetic information that will help them make the right choices over the right medicine or dosage to use for an effective treatment. Pharmacogenetics looks at how your genetics impacts a medicines ability to work for you. Therefore, by using pharmacogenetics, medicines can be made safer and more effective.

Our team have developed innovative tests for the detection of HCV infection, pathogen detection of biological military threats and COVID-19. The Company is at the forefront of the emerging clinical pharmacogenetics field, enabling rapid patient stratification for genotype-guided therapies in time-critical scenarios. Notably, this has led to a worlds-first point of care test for pre-emptive testing of variants in the RNR1 gene for avoidance of Antibiotic Induced Hearing Loss of patients in neonatal care, and a similarly positioned emergency care positioning of a rapid test for variants in the CYP2C19 gene underpinning response to antiplatelet therapies in stroke medicine.

What next?

Our focus is advancing molecular diagnostics to the point of care by providing clinical paradigm shifting rapid pharmacogenetic test solutions for use in time critical emergency healthcare paradigms, in order to significantly improve individuals' health outcomes whilst also delivering positive health economic benefits to healthcare systems. The power of pharmacogenetics in personalised medicine is well established, but currently restricted to clinical paradigms which do not require rapid pre-emptive testing. We aim to disrupt this and deliver these clinically impactful solutions directly into the hands of the emergency healthcare provider.

With a strong research and development capability at the core of our Company, Genedrive continually strives to grow its innovative product offering by leveraging our extensive knowledge in developing novel rapid in-vitro diagnostic assays, and we are well placed strategically to capitalise on time-critical clinical pharmacogenetics.

Genedrive plc is passionate about the opportunity to play an important role in the diagnosis and treatment challenges presented by Global Health issues and has a clear commercial strategy focused on accelerating growth through maximising in-market sales, geographic and portfolio expansion.

Acronyms used throughout this document:

AIHL	Antibiotic Induced Hearing Loss
CPIC	Clinical Pharmacogenetics Implementation Consortium
POC	Point-of-Care
HCV	Hepatitis C Virus
FDA	US Food & Drug Administration
NICE	National Institute for Health and Clinical Excellence
PGx	Pharmacogenomics
DEVOTE	The Development and Validation of Technology for Time Critical Genomic Testing
UoM	University of Manchester
MFT	Manchester University NHS Foundation Trust
RNR1	Mitochondrially encoded 12S ribosomal RNA
UKCA	UK Conformity Assessment
PCR	Polymerase Chain Reaction
IVD	In vitro diagnostic
RFID	Radio Frequency Identification
SFTP	Secure File Transfer protocol
CYP2C19	Cytochrome P450 2C19

Our Performance

Operational Highlights

- ◁ Genedrive® MT-RNR1 ID Test receives positive final recommendation in NICE's Early Value Assessment programme
- ◁ Genedrive® MT-RNR1 commenced rollout in Greater Manchester hospitals
- ◁ Commercial distribution agreements for Antibiotic Induced Hearing Loss (AIHL) test in place covering Spain, France, Austria, Greece, Saudi Arabia, Kuwait, Turkey and the Netherlands
- ◁ UKCA marking achieved for new Genedrive® CYP2C19 pharmacogenetic test
- ◁ Benefiting from £1.2m multi-partner grant awarded for the validation of Genedrive® CYP2C19 ID Kit in time critical NHS settings. The Company is expected to receive c£0.2m directly
- ◁ The draft NICE guidance recommends CYP2C19 genotyping for clopidogrel treatment and Genedrive® CYP2C19 ID test modelled to be a clinically and cost-effective option. Final NICE recommendations pending
- ◁ Investor Placing Agreement of up to £5m secured with £2.3m drawn down during the year and a further £0.6m drawdown post year end
- ◁ Pre-submission process ongoing with the Food and Drug Administration ("FDA") to determine regulatory process and requirements to place AIHL into the American market

Financial Highlights

- ◁ Loss for the year of £5.2m (2022: loss of £4.7m)
- ◁ R&D spend of £3.9m (2022: £3.9m) focused on near-commercialisation product development
- ◁ Cash at bank of £2.6m at 30 June 2023 (2022: £4.6m)

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Company Product Update

Responding to molecular diagnostic opportunities

Genedrive® System

The Genedrive® System is a rapid thermocycler and signal detection system, enabling PCR and isothermal based amplification techniques (such as loop-mediated isothermal amplification, LAMP). It is a semi-automated system used for qualitative *in vitro* molecular diagnostic tests.

It allows trained healthcare professionals to perform complex tests without any requirement for data interpretation, view and export test results and is easily operated via the integrated touch screen.

- Is a point of care IVD device designed for professional use
- Its compact benchtop design allows it to be placed at the point of need, in a near patient setting
- Uses patented gene amplification technology
- Easy to operate touch screen with the ability to barcode scan patient and operator ID and control test kit information
- RFID enabled reagent lock out to prevent the use of expired patient test and control tests.
- Provides rapid automated results in 26 minutes (RNR1), designed to be used in time critical situations, prior to antibiotic treatment prescription
- Optional Bluetooth printer for patient test result printing
- Connectivity to enable export of results via ethernet or Wi-Fi to SFTP or via external middleware providers to hospital patient record systems.

Genedrive® MT-RNR1 ID Kit:

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

Progress to date:

- < Genedrive® System developed and CE-marked for Antibiotic Induced Hearing Loss ("AIHL")
- < Independent hospital performance trials enrolled 750 neonates, completed June 2021
- < In routine use and ongoing roll out in Greater Manchester hospitals
- < Received positive final conditional recommendation by NICE Early Value Assessment programme for use in the NHS
- < FDA Pre-submission process progressed for the United States of America
- < Appointed UK and eight international distributors and achieving product registrations in seven countries

Genedrive® CYP2C19 ID Kit:

- Molecular point-of-care test for rapid CYP2C19 genotyping in time-critical emergency care settings
- Can be used to pre-emptively identify patients in which commonly prescribed antiplatelet therapy following stroke.
- Total time to result of ~70 mins, enabling pre-emptive pharmacogenetics in

Progress to date:

- < UKCA marking achieved
- < DEVOTE grant funding and collaboration with UoM for validation to enable CE-IVD registration
- < Included in the NICE Diagnostics Assessment Programme

Antibiotic Induced Hearing Loss (AIHL)

Genedrive® MT-RNR1-ID Kit is the world's first point of care genetic test used to influence neonatal management in an acute setting and reduce aminoglycoside induced hearing loss

"We are appreciative of the thorough review conducted by the NICE team. The final report issued in March 2023 entirely reflects the preliminary conclusion published in February 2023. As we continue with commercial roll out and product adoption, the NICE EVA framework will give us the opportunity to support specific performance and impact data that NHS users and commissioners may look for in future guidance. NICE, whose guidance is formally applicable to the NHS in England and Wales, is an internationally respected health authority and the tools and data supplied in its review will be relevant to the rest of the United Kingdom and to the other international markets which we are now accessing."

- **A rapid genetic test** designed to be used in time critical situations, prior to antibiotic treatment prescription
- **Reduces the risk** of antibiotic induced hearing loss by detecting a patients MT-RNR1 gene variant status
- **A non-invasive test**, using buccal swabs to collect samples
- **Simple to use** test kits, with sealed, single use cartridges
- **Easy adoption** into existing neonatal admissions process without disrupting normal standard of care

With a simple to follow test procedure:

Swab

Mix

Transfer

Reconstitute Assay

Run Test

The Genedrive® MT-RNR1 ID Kit is used on the Genedrive® System to provide an automated result of an individual's MT-RNR1 m.1555A>G variant status to inform the clinician ahead of antibiotic treatment decisions.

Individuals with the MT-RNR1 m.1555A>G gene variant develop profound irreversible hearing loss if exposed to aminoglycosides (such as gentamicin). Population based studies estimate a prevalence of 1:500 (0.2%).¹

Implementing the Genedrive® MT-RNR1 ID Kit into routine clinical practice allows clinicians to prescribe an alternative antibiotic. For example, cephalosporin antibiotics might be prescribed (alternatively to aminoglycoside antibiotics) to those patients who have tested positive for the MT-RNR1 m.1555A>G variant, using the Genedrive® System. Clinicians can therefore reduce the risk of antibiotic induced hearing loss (AIHL).

This enables patients to get the right treatment at the right time, tailored to their genetic results.

With a time to result of 26 minutes, the Genedrive® MT-RNR1 ID Kit allows clinicians to make informed treatment decisions within the so-called "golden hour" (time available from decision to treat to antibiotic administration), without disrupting normal standard of care.

¹: Clinical Pharmacogenetics Implementation Consortium (CPIC) Guideline for MT-RNR1 and Aminoglycosides (May 2021)

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

Genedrive have developed the first point-of-care genetic test used to influence neonatal management in an acute, time-sensitive setting, gaining competitive advantage from being the first to market.

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 human buccal cells. The Genedrive® MT-RNR1 ID Kit is used on the Genedrive System and produces a result in under 30 minutes.

Genedrive® MT-RNR1 ID Test receives positive final recommendation by NICE

The UK's National Institute for Health and Care Excellence (NICE) has ratified and finalised its recommendation following a public consultation process that the Genedrive® MT-RNR1 ID Kit can be used by the NHS. The review was conducted through NICE's Early Value Assessment (EVA) programme, which was designed to select and recommend new technologies that will make a real difference to patients and provide the most value for the NHS.

The positive outcome was based on a number of key conclusions, including that the Genedrive® MT-RNR1 ID Kit can quickly and accurately identify babies with the MT-RNR1 genetic variant who may be at risk of hearing loss if given aminoglycoside antibiotics, and that no other test is available to provide results quickly enough to inform decisions on antibiotic prescribing in emergency care.

The demand to implement the system in many NHS hospitals is clear and specialist commissioning would see the test funded effectively at a national level, through the regional Integrated Care Systems (ICS). This process takes time in an underfunded NHS despite the very positive health economic case the Genedrive MT-RNR1 ID test provides. In the interim, each hospital needs to make its own business case to secure the necessary funding for the capital equipment and tests.

A new easy-to-use pharmacogenetic point-of-care test for rapid CYP2C19 genotyping guided therapy for emergency care settings.

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.

About Clopidogrel

Clopidogrel is a drug that is given to ischemic stroke patients to prevent further clot formation. The CYP2C19 gene is involved in a metabolic pathway in the liver that converts Clopidogrel to its active form. Clopidogrel is less effective in individuals with certain genetic CYP2C19 variants because they may not metabolise Clopidogrel fully. As a consequence, it has a reduced impact on lowering the risk of a further stroke. Genedrive's CYP2C19 ID Kit can provide guidance on which patients will respond to Clopidogrel. Patients with gene variants that result in reduced or loss of function of CYP2C19 can be given alternative treatments.

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 with maximal ethnic group representation.

The relevant genotypes that define CYP2C19 metaboliser status are well described and dosing recommendations have been produced by the Clinical Pharmacogenetics Implementation Consortium (CPIC).¹

One example of the clinical utility of CYP2C19 metaboliser status in an urgent care setting is rapid genotyping for the prescription of the anti-platelet therapy, clopidogrel. Clopidogrel is a pro-drug administered for the management of ischaemic strokes and requires conversion to an active form by the enzyme, CYP2C19. Known variants in the DNA sequence of the CYP2C19 gene are known to affect how well Clopidogrel is metabolised, with up to 30% of individuals having sub-optimal metabolism of the drug and therefore poorer health outcomes when receiving it for stroke conditions.

Professor William Newman said: "We look forward to working with genedrive and our other DEVOTE programme colleagues in Manchester to develop a framework for time-critical pharmacogenetics, and to provide the framework for assessment of implementation of the Genedrive® CYP2C19 ID Kit in emergency care. DEVOTE will further establish the Manchester environ as a world recognised centre for the development and implementation of pharmacogenomic testing."

¹ Lee C.R. et al 2022 CPIC Guideline for CYP2C19 Genotype and Clopidogrel Therapy: 2022 Update

Business Model

Dedicated to creating value for shareholders 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

Effective governance structure

- High standard of corporate governance that aligns with the needs of the Company and shareholders
- Experienced and knowledgeable Board
- A desire to out-perform in terms of controls, processes and governance

Chairman's Statement

Innovation for better health outcomes

"With a strong research and development capability at the core of our company, we continually strive to grow our innovative product offering by leveraging our extensive knowledge in developing novel in-vitro pharmacogenetic assays."

Ian Gilham, Ph.D.

Chairman

Dear Shareholders

This year has been both challenging and rewarding, the road to commercialisation of groundbreaking innovative products is long and challenging, due to the collection of data required and the sheer size of the NHS and funding complexities of Integrated Care Systems (ICS).

I am very pleased to see our Antibiotic Induced Hearing Loss (AIHL) test in routine use at multiple sites, although initially on a small scale, the Company is well positioned for geographical expansion and I am immensely proud that we have contributed to the prevention of hearing loss in infants, which when considered with the NICE EVA recommendation and the potential to generate significant savings for the NHS, sees us well poised to gain growing commercial traction in the coming year.

Our people have worked relentlessly on the successful development of the Genedrive® CYP2C19 ID test, which is our most complicated assay developed to date and was delivered in the shortest time frame. It was welcoming to see the draft guidance from NICE recommending that CYP2C19 genotyping should be used before clopidogrel administration in the management of ischemic stroke patients and our inclusion in their Diagnostics Assessment Programme is a remarkable achievement. The final NICE recommendation, which had previously been expected in December 2023, has recently been delayed with further details not yet available.

The DEVOTE programme, led by the University of Manchester (UoM), builds on the model of the previous successful UoM/genedrive partnership with the PALOH programme, which supported the development and evaluation of the NICE recommended Genedrive® MT-RNR1 ID Kit. The DEVOTE grant funding will see us benefit from access to the Acute Medicine Unit and reduce clinical validation costs that otherwise would have been fully borne by the Group.

During the year we have consistently advanced our efforts towards transforming the way in which certain personalised medicine can be delivered aiming to enhance health outcomes and bring about health economic benefits.

Governance and People

I was delighted to welcome James Cheek and Gino Miele to the Board both with effect from 11 September 2023. James brings extensive commercial and operational experience at a senior level through a successful career with established diagnostic companies and joined as Chief Executive Officer, replacing David Budd. I would like to thank David for his dedication and leadership over the past seven years and wish him every success for the future. Gino joined the Board as Chief Scientific Officer and has considerable experience in the development of molecular diagnostic technologies and systems and has been the R&D Director at genedrive since 2015 and its predecessor Epistem since 2011.

The Board continues its commitment to maintaining its own efficiency and competence, with an unwavering dedication to ensuring that our governance framework, internal controls, values, and culture are all in harmony with our strategic goals and the Company's objectives. This can be reviewed in our Corporate Governance Report on pages 24-26.

Our people are the lifeblood of the Company, and I want to express my gratitude to each and every one of them for their unwavering resilience, innovative spirit, and unyielding determination in both the development and delivery of our products.

Funding

The Board continuously assesses the Group and Company's requirements and funding options that would bridge the gap before revenue generation allows us to be self-sufficient. The Investor Placing Agreement entered into on 31 March 2023 provided a committed facility of up to £5m and to date the Group and Company has received £2.9m (£2m initial payment and further payments of £0.3m in June, July and November 2023). Further drawdowns are conditional on meeting certain share trading criteria, which are set out in note 18 on page 60 and were also set out in the Company's circular issued on 24 April 2023 and therefore further drawdowns cannot be considered as guaranteed. The Board is planning for an equity or debt raise in early 2024 to support the growth and development plans of the business and allow the Group and Company to continue to operate as a going concern. The Group and Company does expect to receive an R&D tax credit of c£0.8m in Q1 of 2024 which, if received, would extend the cash runway (absent any further funding received) towards the end of Q1 2024 and provide a longer window for our planned financing activities. The Group and Company's current cash runway is limited; unaudited cash as at 23 November 2023 was £1m and further funding will be required in early 2024 in order to continue as a going concern. The further payment of £0.3m pursuant to the Investor Placing Agreement announced on 29 November 2023 is due to be received shortly.

We also remain active in our pursuit of non-dilutive funding, such as the DEVOTE programme, for additional information the case study on page 13 and we have pushed ahead with commercial opportunities outside of the UK, appointing eight international distributors and achieving six product registrations. We are continuing to work closely with the NHS to secure specialist commissioning funding for our MT-RNR1 product, as well as finalising our 2024 sales strategy and distribution channel for our new CYP2C19 product. With our commercialisation strategy including the US, we have recently completed a pre-submission exercise with the FDA which has, with no predicate device, clarified what would be expected to fulfil for release in the US of our novel MT-RNR1 test. We are now looking at funding options to take us forward for FDA approval for the MT-RNR1 product, with substantially all of the exploratory groundwork completed we are ready to proceed to the next step. Future funding would also be required to support the ongoing development of the instrumentation allowing us to capitalise on our pharmacogenetic positioning in emergency care and add further tests to our existing menu.

Outlook

Our mission is to leverage our technology to facilitate the improvement of health outcomes and it is encouraging that we are now beginning to bear the fruits of our labour. The Group will need to raise further funds in early 2024 to allow us to continue to operate as a going concern and fulfil our mission.

The Company will remain focused on its strengths, with a strong research and development capability at the core of our company, we will continually strive to grow our innovative product offering by leveraging our extensive knowledge in developing novel *in-vitro* pharmacogenetic assays.

Our Genedrive® platform is at the forefront, offering efficient and speedy genetic testing solutions and has the capability to address molecular pharmacogenetics in critical care settings. By harnessing our extensive expertise in developing *in-vitro* molecular diagnostic assays for use in time-critical healthcare settings, coupled with the advantages of our evolving Genedrive® platform, our company is establishing itself as a pioneer in the implementation of pharmacogenetics within emergency care.

We continue to make progress for FDA approval of our MT-RNR1 product, the US represents a very important market opportunity. As there is no predicate product in the US, there is no defined pathway for us to follow. The FDA have been very supportive of our efforts throughout the process to date to bring this test to the US market.

Finally, I want to express my appreciation to you, our valued shareholders, as well as our staff and collaboration partners for your ongoing support.

Dr Ian Gilham

Chairman

29 November 2023

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

Our AIHL and CYP2C19 tests can influence better health outcomes, increase patient safety and improve lives, whilst offering significant health economic benefits to global health systems.

James Cheek
Chief Executive Officer

Overview

This year has marked significant progress in our efforts to revolutionise the delivery of pharmacogenetic testing and personalised medicine. We continue to seek out and address unmet clinical requirements, capitalising on our proficiency in developing *in-vitro* pharmacogenetic diagnostic assays.

The UKCA marking of the Genedrive® CYP2C19 test is testimony to this and the use of our point-of-care test will allow patients to be put on an optimised treatment plan much quicker than is currently possible. I would like to take this opportunity to whole heartedly thank the efforts of the entire team here at genedrive for turning this ambitious and challenging vision into a reality in an incredibly short time which is a real testament to the quality, ability and dedication that we have in the organisation.

It is a privilege for the Group to once again collaborate with our esteemed colleagues at the University of Manchester (UoM) and Manchester University NHS Foundation Trust (MFT) in developing time-critical genetic test solutions. The DEVOTE program is an amazing opportunity to engage with the NHS to demonstrate the effectiveness of a new diagnostic approach. Real time access to the Acute Medicine Unit has considerable value to the Group and the grant funding to genedrive and its partners allows us to expediate the ongoing product development and support the pathway to clinical validation of our Genedrive® CYP2C19 ID Kit. This level of clinical input and evaluation is increasingly required by regulatory authorities prior to marketing product especially in the EU.

Our AIHL test is the world's first pharmacogenetic test in an urgent neonatal point-of-care setting. It helps avoid lifelong deafness in infants that are genetically predisposed to the unintended toxic effects in the inner ear from certain antibiotics. The test delivers a diagnostic result in under 30 minutes and allows for alternative treatment selections depending on the genetic variant of the patient.

Last year the Company took the strategic decision of transferring instrument manufacturing operations to the UK and some assay manufacturing in-house, with a view to increase visibility and control of its processes. This cost beneficial action has resulted in elevated transparency and oversight, whilst enhancing the speed and flexibility in transportation and delivery, reducing the time-to-market and improving sustainability. Bringing our supply chain closer together, improves the Group's agility and resiliency, with both economic and environmental advantages. This was highlighted no better than in our ability to bring the CYP2C19 assay to market so quickly.

Performance

Both genedrive and our UK distributor have made significant in-roads across both the Academic Health Science Networks and individual Trusts, we truly believe that the clinical argument has been won. The next step on our journey is to secure interim funding until the date that the specialist commissioning kicks in to support the adoption UK wide. In the meantime, we are not sitting still and continue to establish distributors outside of the UK. We are also funding several Key Opinion Leader presentation and discussions across Europe and beyond. Our commercial team has made solid progress in thirteen countries internationally as we find wider interest in our products and our company worldwide.

Outlook

Using genetic and genomic testing for diagnosis and treatment optimisation has seen a considerable upsurge in recent years. This surge is propelled by rapid advancements in scientific knowledge and technological innovation. I take great pride in witnessing Genedrive as a front runner in this field.

Our developments have facilitated remarkable advancements in personalised medicine, making it possible to customise treatment strategies for patients.

We are pioneers in what we do, so there is no well-trodden path between our technological advances and the commercial benefits. The NICE recommendation for our AIHL test demonstrates the beneficial impact of the test to both patients and wider society, whilst simultaneously providing potential and substantial cost savings to the NHS and we see that as instrumental to our UK roll out and expansion into international market.

Our focus remains on pharmacogenetic testing as we continue to invest in product development focusing on maximising the benefits of our continually advancing Genedrive® platform, characterised by its compactness, user-friendliness, rapid results, precision, and cost-effectiveness, qualities that makes it well-suited for extensive adoption. We believe our products are uniquely positioned for time-critical pre-emptive pharmacogenetic testing in emergency care and we will continue to explore opportunities outside of MT-RNR1 and CYP2C19.

James Cheek
Chief Executive Officer
29 November 2023

Case study

Genedrive® CYP2C19 ID Kit

Multi-partner grant awarded for the validation of Genedrive® CYP2C19 ID Kit in time critical NHS settings. The Company announced on 16 June 2023 its participation in a multi-partner grant award ("DEVOTE") from Innovate UK and the UK government Innovation Accelerator programme with funding expected to be made available to genedrive and its partners, to further the validation and implementation of the new Genedrive® CYP2C19 ID Kit pharmacogenetic test in a time critical clinical setting.

The Development and Validation of Technology for Time Critical Genomic Testing (DEVOTE) grant will provide acute care patient access and supporting infrastructure for the Company to assess the real-world clinical performance of time-critical clinical tests in an NHS setting. The programme, led by the University of Manchester (UoM), builds on the model of the previous successful UoM/genedrive partnership with the PALOH programme, which supported the development and evaluation of the Genedrive® MT-RNR1 ID Kit which has recently received a recommendation from NICE.

DEVOTE pulls together health economists, clinicians, informaticians, and researchers to quickly access new technologies, and provide feedback in an iterative fashion. Genedrive's CYP2C19 ID Kit is one of three exemplar projects to be included in the programme which is expected to be funded through the Innovate grant, in-kind contributions from its partners, and other aligned funding. In the main, funding is expected to go directly to the UoM and its NHS partners to set up and coordinate the three projects. The Company is expected to receive c£0.2m directly with the remainder allowing the Company to avoid costs that would otherwise have been incurred.

DEVOTE will focus on ischaemic stroke patients in acute care who are targeted to be prescribed Clopidogrel to prevent further clot formation. Clopidogrel is less efficacious in individuals with certain genetic CYP2C19 variants because they do not metabolize Clopidogrel effectively. Genedrive's CYP2C19 ID Kit is being developed to provide guidance at the point of care on which patients will respond fully to Clopidogrel. Patients with gene variants that result in reduced or loss of function of CYP2C19 can be given alternative treatments.

Programme participants include genedrive, the University of Manchester (UoM), Health Innovation Manchester and Manchester University NHS Foundation Trust (MFT). The DEVOTE programme will be led by Professor William Newman, Professor of Translational Genomic Medicine at the University of Manchester and Consultant at Saint Mary's Hospital, part of Manchester University NHS Foundation Trust. Additional and ongoing project information is available at <https://www.devoteprogramme.co.uk/>

Professor William Newman said: "We look forward to working with genedrive and our other DEVOTE programme colleagues in Manchester to develop a framework for time-critical pharmacogenetics, and to provide the framework for assessment of implementation of the Genedrive® CYP2C19 ID Kit in emergency care. DEVOTE will further establish the Manchester environ as a world recognised centre for the development and implementation of pharmacogenomic testing."

David Budd, former Chief Executive Officer of genedrive plc, said: "DEVOTE is an amazing opportunity to engage formally with a health system like the NHS to demonstrate the effectiveness of a new diagnostic approach. Access to the Acute Medicine Unit in real time has considerable value to genedrive as further funding would allow us to progress ongoing product development quickly and efficiently and would support the pathway to clinical validation of our Genedrive® CYP2C19 ID Kit. This level of clinical input and evaluation is increasingly required by regulatory authorities prior to marketing product especially in the EU. We are privileged to continue with our partners at UoM and MFT in developing time-critical genetic test solutions."

James Cheek, Chief Executive Officer of genedrive plc, said: "The DEVOTE programme is an incredible opportunity for us to partner once again with the University of Manchester in developing time-critical genetic test solutions. The grant funding to the Company and its partners allows us to avoid costs that would otherwise have been incurred by genedrive directly and to benefit from accessing the Acute Medicine Unit, which is paramount to our product validation under IVDR."

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 S172, 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 11-12 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, suppliers and employees
- Funding opportunities, such as the Investor Placing Agreement entered into in March 2023 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 21-38.

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
Customers
Employees
Suppliers

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	Suppliers	Employees
<p>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.</p>	<p>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.</p>	<p>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.</p>
<p>Why we engage</p> <ul style="list-style-type: none"> ◁ 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 	<p>Why we engage</p> <ul style="list-style-type: none"> ◁ 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 	<p>Why we engage</p> <ul style="list-style-type: none"> ◁ 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
<p>How we engage</p> <ul style="list-style-type: none"> ◁ Regular one-to-one interactions and meetings ◁ Industry exhibitions, customer site tours and presentations ◁ Company website ◁ LinkedIn communications ◁ Digital marketing 	<p>How we engage</p> <ul style="list-style-type: none"> ◁ Regular communication ◁ Regular evaluation of quality, service and performance using onsite and offsite audits 	<p>How we engage</p> <ul style="list-style-type: none"> ◁ Company communications, town hall programmes, briefings, news bulletins ◁ Training and development ◁ Employee performance reviews
<p>Stakeholder areas of interest</p> <ul style="list-style-type: none"> ◁ Customer service/quality standards and compliance ◁ Research and development opportunities 	<p>Stakeholder areas of interest</p> <ul style="list-style-type: none"> ◁ Quality and accreditations ◁ Sustainability ◁ Satisfaction/reputation ◁ Corporate social responsibility expectations 	<p>Stakeholder areas of interest</p> <ul style="list-style-type: none"> ◁ Reward and recognition ◁ Internal communication ◁ Diversity and inclusion ◁ Personal development and sense of belonging ◁ Transparency of information ◁ Reputation management

Financial Review

The Investor Placing Agreement of up to £5m provided a capital injection of £2.3m during the year

Russ Shaw

Chief Financial Officer

The financial results have been prepared under UK-adopted International Accounting Standards and the Group's accounting policies are set out on pages 49-53.

Revenue for the year was £0.06m (2022: £0.05m) and continues to reflect the time required for our products to gain commercial traction. The MT-RNR1 test is in routine use in Greater Manchester, paving the way for other early adopters in the UK, whereas international revenues are dependent on product registration and language translation, which has been achieved post year end in six countries. Research and development costs were £3.9m (2022: £3.9m) as we prepared for the regulatory approval of our second molecular point of care assay effectively expanding our range of assays and developing a pipeline for future innovative products. Administration costs have been tightly managed reducing by £0.4m from the prior year to £1.4m (2022: £1.8m). The operating loss for the year was £5.2m (2022: £5.6m).

Financing costs and income

Financing costs were £0.8m (2022: £0.02m) including a non-cash fair value adjustment in respect of the derivative financial instrument of £0.7m (2022: £nil) and financing income was £0.03m (2022: £nil)

Taxation

The tax credit for the year was £0.8m (2022: £1.0m). The Group investment in R&D falls within the UK Government's R&D tax relief scheme for small and medium sized companies where it meets the qualifying criteria and as the Group did not make a profit in the year it is collected in cash following submission of tax returns. The £0.8m is a receivable on the balance sheet at the year end and is lower than in the previous year due to reductions in the enhanced relief available from April 2023.

Cash resources

Net cash outflow from operating activities before taxation was £4.8m (2022: £5.8m). The operating loss cashflows were £4.9m (2022: £5.3m) with a working capital inflow of £0.1m (2022: outflow £0.4m) mainly due to the reduction in inventory.

The tax credit received was £1.0m (2022: £1.2m) and relates to cash received under the UK Government's R&D tax relief scheme.

Capital expenditure in the period was £0.05m (2022: £0.06m) and the proceeds from investment funding, net of transaction costs were £2.0m (2022: £6.7m). The decrease in cash for the year was £2.0m (2022: £2.0m increase) meaning a closing cash position of £2.6m (2022: £4.6m).

Our unaudited cash balance as at the 23 November 2023 was £1.0m, reflecting a monthly burn rate of £0.4m since the year end. The further payment of £0.3m pursuant to the Investor Placing Agreement announced on 29 November 2023 is due to be received shortly.

Funding

Requiring additional funding to finance the development of the CYP2C19 project and commercialisation of AIHL, the Company entered into an Investor Placing Agreement of up to £5m on 31 March 2023, of which £2.3m was drawn down in the year to 30 June 2023 and a further £0.6m since then. Further details can be found in note 18.

The Company also continues to actively seek non-dilutive funding and participation in the DEVOTE programme will see the Company receive c£0.2m and avoid a further c£1.0m of costs that would otherwise have been absorbed by the Company for the validation and verification of our CYP2C19 product.

Balance sheet

Balance sheet net assets at 30 June 2023 were £2.0m (2022: £5.6m). Fixed assets were £0.4m (2022: £0.2m) and include right to use lease assets of £0.2m (2022: £0.02m).

Current assets of £4.1m (2022: £6.4m) included cash of £2.6m (2022: £4.6m). Inventories of £0.5m (2022: £0.7m), consisted mainly of raw materials used in manufacturing and R&D. The remainder of current asset values were in receivables of £0.2m (2022: £0.1m) and tax. The tax receivable was £0.8m (2022: £1.0m) for the current year Corporation Tax Research and Development tax claim.

Current liabilities were £2.4m (2022: £1.0m) and include a derivative financial instrument £1.3m (2022: £nil) resulting from the Investor Placing Agreement, as set out in note 18.

The shares to be issued reserve of £0.5m (2022: £nil) relates to the warrants issued as part of the Investor Placing Agreement.

Net assets closed at £2.0m (2022: £5.6m). The comprehensive loss for the year was £5.2m (2022: £4.7m).

Going concern

As outlined in the Chairman's statement, the Group and Company needs to bridge the funding gap before revenue generation allows us to be self-sufficient. The Board is actively considering financing options. This short-term funding requirement is partly as a result of the uncertainty of further drawdowns from the Investor Placing Agreement which are conditional on certain factors including the Company's share price. The Company remains in close dialogue with the investors, further drawdowns would extend the cash runway and therefore the timeline for our planned financing activities. The Group and Company does also expect to receive an R&D tax credit of c£0.8m in Q1 of 2024 which, if received, would extend the cash runway (absent any further funding received) towards the end of Q1 2024 and provide a longer window for our planned financing activities. As well as equity or debt financing we are also actively seeking non-dilutive funding such as grants, funding partners for the FDA approval and charitable organisations willing to support the adoption of our quality-of-life enhancing innovations.

We are beginning to gain commercial traction, RNR1 is in routine use at a small number of hospitals and with the appointment of international distributors, language packs and registrations complete, we are confident that significant revenues will follow. NHS specialist commissioning would expediate this, but as we are not in control of the process, there is uncertainty as to the timing.

The NICE EVA (Early Value Assessment) recommendation supports our belief that our RNR1 test quickly and accurately identifies babies, who may be at risk of hearing loss if given aminoglycoside antibiotics, allowing equally effective alternative antibiotics to be used instead and that the long-term savings to the NHS associated with hearing loss and fitting cochlear implants could be substantial.

As described in the accounting policies, we continue to adopt a going concern basis for the preparation of the accounts, but the combination of the above factors represent 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
29 November 2023

Key Performance Indicators

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

Cash reserves

£2.6m (2022: £4.6m) (2021: £2.6m)

Cash reserves boosted by an Investor Placing Agreement in March 2023

Diagnostics revenue

£0.06m (2022: £0.05m) (2021: £0.7m)

As still working towards commercial traction

Research and development costs

£3.9m (2022: £3.9m) (2021: £4.5m)

Research and development costs were maintained at the prior year levels

Administration costs

£1.4m (2022: £1.8m) (2021: £1.7m)

Administration costs reduced to £1.5m due to tight cost control

Operating loss

£5.2m (2022: £5.6m) (2021: £5.5m)

Trading result before exceptionals, tax, interest and finance costs

Principal Risks and Uncertainties

for the year ended 30 June 2023

The Group's strategic objectives can only be achieved if certain risks are taken and managed effectively. It is important for us to identify and understand the key risks in our business and we have listed below the most significant risks that may affect our business. Genedrive records risks using the following risk management model that is centred around a corporate risk register. The Board has overall responsibility for ensuring that Genedrive has an effective risk management framework which is aligned to our objectives. The Executive Team, Audit and Risk Committee and Board review risks which could affect the Group throughout the year. Risk and issue tracking systems are reviewed on a regular basis, to ensure that the framework is in line with good practice in risk management and that agreed mitigation plans are being followed. In determining the relative importance of risks in our business, we use a scoring mechanism to identify the likelihood of a risk crystallising and the impact this would have on the achievement of our strategic objectives, assuming that no controls are in place (inherent risk score).

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

Risk	Impact	Mitigation	Risk movement
Economic and political uncertainty, trade negotiations, and inflation, which affect market and financial stability	Negative impact on long-term prospects	Distributors appointed for geographical diversification. Authorised key operators in place for key regulatory matters	No change
Business strategy The Board develops the wrong strategy or fails to implement strategy effectively	Negative impact on long-term prospects	Focused strategy on PGx and emergency care. Progress of strategy clear in KPIs and reporting and Board reviews regularly.	Reduce
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	MT-RNR1 is the first to market in UK, therefore incoming competitor unlikely in the short-term. Product improvement projects to differentiate and protect Genedrive® Cost programmes in place to support future price-down strategies Constant market monitoring and competitor analysis	Reduce
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	No change
AIHL sales slower than expected Delays in the uptake of the test owing to lack of funding from NHS or slow speed to get the test written into clinical guidance	Loss of revenue and profit Loss of reputation	Building relationships with government bodies such as the Office for Life Sciences Expanding business development team in place to promote and progress product adoption Close monitoring and reporting to the Board	Increase
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 place Selective forward buying of key components	Reduce
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 sources of funding Cash consumption is a key Board metric	Increase

This Strategic Report was approved by the Board of Directors on 29 November 2023 and signed on its behalf by R J Shaw.



Introduction to Corporate Governance

Maintenance of good Corporate Governance

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

Dr Ian Gilham
Chairman

The statement of corporate governance practices set out on pages 21-26, 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 2023 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 22-26.

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 14-16.

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 14.

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 2023. 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

29 November 2023

Skills and experience suited to our business

Ian Gilham Ph.D. 1 2*3*

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 Cytos Group Limited who provide risk assessment and stratification tools for Alzheimer's disease and dementia; Non-Executive Chairman of RevoNA Bio Ltd, a University of Portsmouth spinout Life Science tools company; 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.

James Cheek

Chief Executive Officer

James was appointed a Director and Chief Executive on 11 September 2023 and brings extensive commercial and operational experience at a senior level through a successful career with established diagnostic companies such as Cepheid, Beckman Coulter, and Roche Diagnostics. James has also served as an executive board member of the British In Vitro Diagnostics Association (BIVDA) and represented the trade body as part of the NHS Supplier Board. The Board believes James' experience, especially his extensive involvement in selling into the NHS, will be valuable as the Company expands its commercial footprint and opportunities within the UK and more widely.

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.

Gino Miele Ph.D.

Chief Scientific Officer

Gino was appointed a Director and Chief Scientific Officer on 11 September 2023. He has considerable experience in the development of molecular diagnostic technologies and systems and has been the R&D Director at genedrive since 2015 and its predecessor Epistem since 2011. Prior to that Gino served as Associate Director for clinical translational genomics at Wyeth and Pfizer. Gino has been a key driver in the development of the Genedrive® system and point of care pharmacogenetic testing in emergency healthcare.

Tom Lindsay 1 2 3
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 is currently Non-Executive Director of Trinity Biotech plc. Tom 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 1* 2 3
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

- 1 Audit and Risk Committee
- 2 Remuneration Committee
- 3 Nominations Committee
- * Denotes Committee Chair

Corporate Governance

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

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

The reports of the Audit and Risk Committee and Remuneration Committee are set out on pages 27-35. 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 accounting for the Investor Placing Agreement;
- review of insurance premiums and coverage;
- review of governance issues affecting the Company; and
- assessment of the corporate risk register.

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

Division of responsibilities of the Chairman and Chief Executive

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

The Chairman's principal responsibility is to lead the Board in the determination of its strategy, 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 2023. 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.

Attendance at meetings

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

	Board	Audit and Risk Committee	Remuneration Committee ^a	Nominations Committee
Ian Gilham	10/10	3/3	2/2	1/1
Tom Lindsay	10/10	3/3	2/2	1/1
Chris Yates	10/10	3/3	2/2	1/1
David Budd ^a	10/10	3/3	1/1 ^a	1/1
Russ Shaw ^a	10/10	3/3	1/1 ^a	1/1

a Attendance via invite.

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

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

July 2022	September 2022	November 2022
Review of cashflows and funding opportunities Commercial presentation Reviewed and approved Annual Budget for 2022/23	Review of R&D projects Risk management and risk register	Reviewed and approved Annual Report 2021/22 Reviewed auditor's report on the year ending June 2022 Commercial presentation
January 2023	March 2023	June 2023
Review of R&D projects Commercial presentation Review of cashflows and funding opportunities	Approved Investor Placing Agreement Reviewed and approved Interim results Commercial presentation	Annual review of insurance risks Reviewed Board effectiveness and the plan for 2023/24 Review of R&D projects Reviewed controls and policy of the Group

Report of the Audit and Risk Committee

Chris Yates
Non-Executive Director

The Audit and Risk Committee ('the Committee') report for the year ended 30 June 2023 is set out below through to page 29.

Dear Shareholders, I am pleased to present the report of the Audit and Risk Committee for the year ended 30 June 2023.

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 gene drive stakeholders, including investors and prospective investors, with an understanding of the approach we have taken to provide assurance on the integrity of the 2022/23 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
29 November 2023

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 and Russ Shaw 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 , RevoNA Bio Ltd 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;
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;
- Estimates and judgements relating to the treatment and measurement of the Investor Placing Agreement; and

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 2023
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 2022/23.

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 short-term 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, innovative and tenacious

Ian Gilham, Ph.D.

Chairman of the Remuneration Committee

Dear Shareholders, on behalf of the Remuneration Committee I am pleased to introduce the Directors' Remuneration Report for the year ended 30 June 2023. This report sets out the activities of the Remuneration Committee for the year ended 30 June 2023. 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 2023.

As detailed in the Strategic Report, the past year has seen some great achievements in product development and as we outlined in last year's accounts the route to adoption of new clinical tests takes time, healthcare systems are conservative in their nature and face inevitable budgetary constraints. The absence of revenue is a key driver in setting the overall remuneration outcomes for the year to 30 June 2023.

I hope it is clear from the way we have applied our remuneration policy in FY 2022/23 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 29 November 2023.

Our strategy

Our goal is to drive the success of genedrive by adhering to a disciplined strategy to create a focused molecular diagnostics business. We are dedicated to creating new assays to expand our offerings and generate revenue in the near term, addressing the 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 2023

Full details of the decisions of the Committee made in 2023 are set out in the Directors' Annual Report on Remuneration on pages 27-35.

The Committee agreed there would be no increase to salaries of the Chief Executive Officer and the Chief Financial Officer for the year commencing 1 July 2023.

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 2023. Having reviewed the targets, there was no bonus award for this financial year for either the Chief Executive Officer or 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 two meetings in the year to June 2023. Only members of the Committee have the right to attend Committee meetings. However, other individuals including the Group Chief Executive and external advisers may be invited to attend for all or part of any meetings, as and when appropriate and necessary, at the discretion of the Chair.

Transparency

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

- this statement, which sets out a summary of and explains the major decisions on Directors' remuneration;
- the Directors' Annual Report on Remuneration, which provides details on how the proposed amended Remuneration Policy will operate in the forthcoming year and states the remuneration earned by the Directors in the year to 30 June 2023.

The Directors' Annual Report on Remuneration will be subject to an advisory vote by shareholders at the 2023 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

29 November 2023

Remuneration Policy

This report sets out the Company's policy on the remuneration of its Executive Directors and Non-Executive Directors (the 'policy'). The Executive Directors have written terms of engagement with no fixed expiry date. Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the necessary calibre and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration package is undertaken by the Remuneration Committee.

Directors' remuneration policy table

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Target
Base Salary	<p>To provide competitive and fixed remuneration.</p> <p>To attract and retain the right calibre of Executive.</p>	<p>Salaries are usually determined by reference to market data and taking into account the responsibilities of the Executive.</p> <p>All increases and changes are at the discretion of the Committee.</p> <p>Salaries are normally reviewed annually in July.</p>	Executive Directors normally receive a salary increase in line with the general workforce.	None
Benefits	To provide market consistent benefits.	<p>Current benefits are:</p> <ul style="list-style-type: none"> • Life assurance • Group income protection • Private health insurance 	<p>There is no maximum and the costs of these benefits can vary year over year.</p> <p>The same benefits are provided to the general workforce.</p>	Not applicable
Pension	<p>To attract and retain the right calibre of Executive.</p> <p>To provide a level of benefits that allow for retirement planning</p>	<p>Executives are offered a contribution into a defined contribution pension scheme</p> <p>A cash allowance in lieu of pension</p> <p>A combination of contribution and cash</p>	The maximum Company pension contribution is 3% - this is consistent with the general workforce	Not applicable
Annual bonus	To incentivise performance against personal objectives and selected KPIs linked to business strategy.	<p>Company and Individual bonus targets are set in July of each year.</p> <p>Achievement of both Company and Individual targets are assessed in the September following the end of the financial year with payment following shortly thereafter.</p>	<p>The current maximum percentages are 100% for the Chief Executive, and 80% for the Chief Financial Officer.</p> <p>A maximum pay-out requires an Executive's personal performance to be maximum and the Company bonus achievement to be maximum as well.</p>	<p>An overall Company achievement is based on financial and operational KPIs.</p> <p>A summary of the current year KPIs is contained on page 19.</p>
Long-term Incentive Plans	Designed to align the strategic objective of delivering sustainable earnings growth over the longer term with the interests of shareholders.	<p>Awards are rights to receive shares in the Company.</p> <p>Each award is measured over at least three years.</p> <p>All awards are issued with an exercise price equal to the prevailing share price on the day prior to the award.</p>	<p>Awards are made annually up to a maximum percentage of 100% of salary.</p> <p>The overall policy allows for up to 200% of salary in exceptional circumstances.</p>	Targets are based on one or more financial and non-financial measures linked to the long-term strategy of the business as deemed appropriate by the Committee.

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

External appointments: Executive Directors are entitled to accept appointments outside the Company provided the Board's permission is sought. David Budd served as an elected representative on the Board of the British In Vitro Diagnostics Association.

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.

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 2023 and 2022 and has not been audited.

		Salary and fees £	Bonus £	Benefits in kind £	Pension £	Total £
Executive						
David Budd	2023	247,697	-	1,669	7,431	256,797
	2022	238,170	30,000	1,801	7,145	277,116
Russ Shaw	2023	152,500	-	1,002	4,575	158,077
(appointed 7 April 2022)	2022	42,231	14,781	272	1,267	58,551
Matthew Fowler	2023	-	-	-	-	-
(resigned 7 April 2022)	2022	151,232	-	769	4,537	156,538
Non-Executive						
Ian Gilham	2023	65,000	-	-	-	65,000
	2022	65,000	-	-	-	65,000
Tom Lindsay	2023	35,000	-	-	-	35,000
	2022	35,000	-	-	-	35,000
Chris Yates	2023	35,000	-	-	-	35,000
	2022	35,000	-	-	-	35,000

Additional disclosures for single figure of total remuneration to 30 June 2023

Salary

The Chief Executive and the Chief Financial Officer's salaries were not increased from 1 July 2023.

Annual performance bonus

The 2023 bonus for the Executive Directors and senior management was based on:

Revenue targets on the sales of Genedrive® units and assays

The cash position of the Group at 30 June 2023

The EBITDA result for the year

Milestone achievements on the CYP2C19 test

Customer adoption for MT-RNR1

Develop pipeline of new assay targets

The specific targets have not been disclosed.

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 2023	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 2023	30 June 2022
Executive		
David Budd	293,710	293,710
Russ Shaw	-	-
Non-Executive		
Ian Gilham	614,295	614,295
Tom Lindsay	262,717	262,717
Chris Yates	67,554	67,554

Share Investment Plan

The details of the Epistem Share Investment Plan ('SIP') are outlined in note 19 to the financial statements. None of the Directors serving during the year participated 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 29 November 2023 and was signed on its behalf by:

Dr Ian Gilham

Chairman of the Remuneration Committee

29 November 2023

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 2023.

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 3-21 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 45-48 of this report. The Directors do not recommend paying a dividend, (2022: £nil).

Going concern

The Group's business activities and market conditions are described on pages 3-12. The principal risks and uncertainties are shown on page 20 while the Group's financial position is described on pages 17 and 18. The Group funds its day-to-day cash requirements from existing cash reserves and drawdowns from the Investor Placing Agreement, which are subject to certain conditions as described in note 18. 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 2025. 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. Therefore, the Company will need to raise further equity, or other funding, in early 2024 in order to continue as a going concern. The forecasts prepared by the Directors include a plan to raise additional funds from equity investors or debt providers in early 2024 to allow the Company to continue as a going concern.

The Company is confident that given the health benefits and economics that RNR1 will be a commercial success. The NICE EVA (Early Value Assessment) recommendation is testimony to it. Our CYP2C19 product is now at validation and verification stage and has a much larger potential market than RNR1 with a far less complex route to market. The Company recognises the uncertainty regarding the timing of the associated revenues, given we are first to market for RNR1 and the funding complexities within the NHS. NICE recommendations and Specialist Commissioning will bring significant upside to our sales forecasts, but they are outside of our control and are therefore uncertain. The Directors have reasonable confidence in their ability to raise additional funds given the progress described above and having made enquiries, have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

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. The combination of the above factors represents a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

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 2023 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 66. 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 34. 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 and warrants

Details of the Company's share capital and options over the Company's shares under the Company's employee share plans, 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 31 March 2023, the Company entered into an Investor Placing Agreement for up to £5 million with RiverFort Global Opportunities PCC Limited ("Noteholders"). The instrument was entered by way of an initial drawdown in the amount of £2 million and related issuance of 6,250,000 shares priced at nominal value of 1.5 pence to be used to facilitate the disposal of amounts advanced under the investment agreement. Further details are given in note 18.

Board of Directors

The names of the present Directors and their biographical details are shown on pages 22-23. Post period end David Budd resigned as a Director on 11 September 2023. At the Annual General Meeting, to be held on 29 December 2023, 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 2023.

Research and development

During the year ended 30 June 2023 the Group has incurred research and development costs of £3.9m (2022: £3.9m). Expenditure on Intangible Assets (relating to research and development activities) was £nil (2022: £nil). A review of this expenditure is included within the Strategic Report on pages 3-19.

Strategic Report

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

Financial risk management

The Company's use of financial instruments and its approach to managing financial risk is covered in note 20 to the financial statements.

Post balance sheet events

The Company made two £0.3m drawdowns under the Investor Placing Agreement (note 18) and issued 724,997 and 1,614,669 warrants to the Noteholders in July 2023 and November 2023 respectively. The Company signed the DEVOTE funding grant post year end, described in detail on page 13.

Provision of information to auditors

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

to the best of each Director's knowledge and belief, there is no relevant audit information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware; and each Director has taken all the steps that a Director might reasonably be expected to 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 2023 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 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
29 November 2023

Independent Auditor's Report to the members of genedrive plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of genedrive plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2023 which comprise the consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated and company cashflow statements, 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 2023 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 and Parent Company <ul style="list-style-type: none">• Going Concern• Investor Placing Arrangement
Materiality	Group <ul style="list-style-type: none">• Overall materiality: £265,000 (2022: £281,000)• Performance materiality: £198,000 (2022: £211,000) Parent Company <ul style="list-style-type: none">• Overall materiality: £75,000 (2022: £24,300)• Performance materiality: £56,200 (2022: £18,200)
Scope	Our audit procedures covered 100% of revenue and costs, 100% of total assets and 100% of loss before tax.

Key audit matters

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

In addition to the matter described in the Material uncertainty related to going concern section we have determined the matter described below to be the key audit matter to be communicated in our report.

Investor Placing Agreement:

Key audit matter description

(Refer to page 52 regarding the accounting policy in respect of financial instruments, including the Investor Placing Agreement, page 53 regarding critical accounting estimates and note 18 in respect of the accounting treatment of the Investor Placing Agreement).

In March 2023 the group entered into a £5m funding arrangement with RiverFort ('the Noteholders') of which £2.3m had been drawn down by the balance sheet date. Each draw down included an issuance of warrants and the terms of the financing include a number of settlement features, including conversion to shares of the company. 6,500,000 ordinary shares have been issued to the Noteholders under the arrangement.

The group's accounting policies require the derivative components of the arrangement to be recorded at fair value.

The treatment of such instruments is complex and the measurement requires use of judgement.

Management measured the fair value of the derivative components of the arrangement at the dates of issue and at the balance sheet date. A fair value loss of £675,000 has been recorded in the Consolidated Statement of Comprehensive Income.

How the matter was addressed in the audit

We obtained the signed agreement with the Noteholders and assessed management's proposed accounting treatment against the requirements of IAS 32 *Financial Instruments: Presentation* and IFRS 9 *Financial Instruments*.

We used valuation specialists to review and challenge measurement of the derivative financial instrument performed by management's expert.

The specialists reviewed the valuation techniques and assessed whether they were appropriate.

We assessed the inputs into the measurement of the derivative financial instrument including comparing share price volatility assumptions to historic movements in the company's own share price.

We inspected evidence relating to the issue of shares and warrants.

We reviewed the disclosures in the financial statements relating to the instruments to assess whether they met the requirements of the accounting framework.

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	£265,000 (2022: £281,000)	£75,000 (2022: £24,300)
Basis for determining overall materiality	5% of loss before taxes adjusted for changes in fair value of derivative financial instruments.	3% of total assets
Rationale for benchmark applied	This measure is consistent with the expectation of the users of the financial statements of an AIM listed entity and consistent with the cash burn of the entity.	We believe that total assets is an important measure in assessing the performance of the parent company.
Performance materiality	£198,000 (2022: £211,000)	£56,200 (2022: £18,225)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £13,200 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £3,750 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 one component, which is 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 2025, 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 achieve a certain level of sales and raising 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 and within the control of management and can be actioned within the assumed timeframe.
- Comparing the budgeted results for the year ended 30 June 2023 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.

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 38, 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 framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- 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.

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.

G Bond

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
Date

29 November 2023

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2023

	Note	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Continuing operations			
Revenue	3	55	49
Research and development costs	4	(3,924)	(3,871)
Administrative costs	4	(1,355)	(1,793)
Operating loss	4	(5,224)	(5,615)
Finance costs	7	(757)	(16)
Loss on ordinary activities before taxation		(5,981)	(5,631)
Taxation	8	831	956
Loss for the financial year		(5,150)	(4,675)
Loss/total comprehensive expense for the financial year		(5,150)	(4,675)
Loss per share (pence)			
– Basic and diluted	10	(5.5p)	(5.5p)

Consolidated Balance Sheet

as at 30 June 2023

	Note	30 June 2023 £'000	30 June 2022 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	392	206
		392	206
Current assets			
Inventories	13	525	748
Trade and other receivables	14	158	107
Contingent consideration receivable	12	-	15
Current tax asset		831	956
Cash and cash equivalents	15	2,601	4,589
		4,115	6,415
Total assets		4,507	6,621
Liabilities			
Current liabilities			
Trade and other payables	16	(935)	(994)
Lease liabilities	17	(222)	(16)
Derivative financial instruments	18	(1,290)	-
		(2,447)	(1,010)
Non-current liabilities			
Lease liabilities	17	(19)	-
Total liabilities		(2,466)	(1,010)
Net assets		2,041	5,611
Equity			
Called-up equity share capital	22	1,485	1,388
Other reserves	23	52,777	51,294
Accumulated losses		(52,221)	(47,071)
Total equity		2,041	5,611

The financial statements were approved by the Board of Directors and authorised for issue on 29 November 2023. They were signed on its behalf by:

J Cheek

James Cheek
Chief Executive Officer



Russ Shaw
Chief Financial Officer

Company number: 06108621

Consolidated Statement of Changes in Equity

for the year ended 30 June 2023

	Share capital £'000	Other reserves (note 23) £'000	Accumulated losses £'000	Total equity £'000
Balance at 30 June 2021	950	45,000	(42,358)	3,592
<i>Transactions with owners in their capacity as owners:</i>				
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
<i>Transactions with owners in their capacity as owners:</i>				
Share issue	-	2	-	2
Investment funding arrangement, net of transaction costs (note 18)	97	1,385	-	1,482
Equity-settled share-based payments	-	96	-	96
Transactions settled directly in equity	97	1,483	-	1,580
Total comprehensive loss for the year	-	-	(5,150)	(5,150)
Balance at 30 June 2023	1,485	52,777	(52,221)	2,041

Consolidated Cash Flow Statement

for the year ended 30 June 2023

	Note	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Cash flows from operating activities			
Operating loss for the year		(5,224)	(5,615)
Depreciation, amortisation and impairment		61	63
Depreciation, right-of-use assets		193	187
Share-based payment		96	38
Operating loss before changes in working capital		(4,874)	(5,327)
Decrease / (increase) in inventories		223	(192)
(Increase) / decrease in trade and other receivables		(51)	51
Decrease in trade and other payables		(59)	(292)
Net cash outflow from operating activities before taxation		(4,761)	(5,760)
Tax received		956	1,166
Net cash outflow from operating activities		(3,805)	(4,594)
Cash flows from investing activities			
Finance income		29	-
Finance costs		-	(16)
Acquisition of plant and equipment		(52)	(62)
Proceeds from disposal of discontinued operations	12	15	107
Net cash (outflow) / inflow from investing activities		(8)	29
Cash flows from financing activities			
Proceeds from the investment placing agreement	18	2,300	-
Transaction costs relating to investment placing agreement		(283)	-
Proceeds from share issue		-	7,200
Transaction costs relating to share issue		-	(506)
Repayment of lease liabilities	17	(193)	(119)
Net inflow from financing activities		1,824	6,575
Net (decrease) / increase in cash equivalents		(1,989)	2,010
Effects of exchange rate changes on cash and cash equivalent		1	5
Cash and cash equivalents at beginning of year		4,589	2,574
Cash and cash equivalents at end of year		2,601	4,589
Analysis of net funds			
Cash at bank and in hand	15	2,601	4,589
Net cash		2,601	4,589

Notes to the Consolidated Financial Statements

for the year ended 30 June 2023

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 3-12. The principal risks and uncertainties are shown on page 20 while the Group's financial position is described on pages 17 and 18. The Group funds its day-to-day cash requirements from existing cash reserves and drawdowns from the Investor Placing Agreement, which are subject to certain conditions as described in note 18. 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 2025. 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. Therefore, the Company will need to raise further equity, or other funding, in early 2024 in order to continue as a going concern. The forecasts prepared by the Directors include a plan to raise additional funds from equity investors or debt providers in early 2024 to allow the Company to continue as a going concern.

The Company is confident that given the health benefits and economics that RNR1 will be a commercial success. The NICE EVA (Early Value Assessment) recommendation is testimony to it. Our CYP2C19 product is now at validation and verification stage and has a much larger potential market than RNR1 with a far less complex route to market. The Company recognises the uncertainty regarding the timing of the associated revenues, given we are first to market for RNR1 and the funding complexities within the NHS. NICE recommendations and Specialist Commissioning will bring significant upside to our sales forecasts, but they are outside of our control and are therefore uncertain. The Directors have reasonable confidence in their ability to raise additional funds given the progress described above and having made enquiries, have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

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. The combination of the above factors represents a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

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.

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.

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 four 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 (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 Investor Placing Agreement (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, during the year the Company entered into an Investor Placing Agreement, which resulted in the issuances of ordinary shares, share warrants and the recognition of a derivative financial liability.

The ordinary shares meet the definition of an equity instrument, as defined by IAS 32 and the warrants are for a fixed amount of cash for a fixed number of shares are therefore classified as equity, with the initial recognition being recorded at fair value net of issue costs

The liability arising from the outstanding amounts drawn down from the facility met the definition of a derivative financial instrument under IFRS 9 and is initially recognised at fair value with changes in fair value recognised in profit and loss. At each reporting date, the fair value of the derivative financial liability is reassessed by management. Where there is no market for such derivatives, the Company uses option pricing models to measure the fair value.

The fair value movement in the derivative financial liability is disclosed with finance costs detailed in note 7.

Fair value measurement (Group and Parent Company)

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

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

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

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

Parent Company assets

The assets of the Parent Company which consist primarily of amounts due from other group undertakings 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 £801k (2022: ££695k). 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 £0.3m to an additional decrease of £0.3m.
- R&D tax credit of £0.9m (2022: £1.0m). Determining which components of expenditure fit the definitions of the R&D tax credit regime requires an estimation and interpretation of tax rules on research and development costs. There have been no changes to historic assumptions in the year and there is no expectation of a change in the level of uncertainty within the next financial year. There have been changes made to the way the R&D tax claim is capped, but these changes are unlikely to impact the Group. If the qualifying costs used to 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.
- The Company determines the fair value of share-based payments and employee options using a Black-Scholes methodology. Black Scholes uses certain assumptions to determine fair value including measures of share price volatility, expected conversion or exercise rates, among others. In estimating the value of future share price volatility, a key input of the Black-Scholes methodology, the Company uses historic data relating to its share price.
- Judgement was required in assessing whether warrants issued under the Investor Placing Agreement should be treated as debt or equity. As a financial instrument under IAS 32, warrants are derivative financial instruments as their value changes in response to the Company's share price, however, as the exercise of these warrants results in exchange of fixed amount of cash for fixed number of shares, management concluded that these instruments were equity instruments.
- The Company used judgement in selecting appropriate techniques with which to measure the fair value of the derivative financial liability at the dates of draw down and at the reporting date. The measurement of fair value required use of assumptions regarding the share price volatility and assumes that the investor will seek to achieve the optimal value to settle the outstanding amount. Further detail is provided in note 18.

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 67-72.

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 2023			
Revenue	55	–	55
Trading loss	(3,869)	(1,355)	(5,224)
Net finance costs			(757)
Loss on ordinary activities before taxation			(5,981)
Taxation			831
Loss for the financial year			(5,150)
Total comprehensive expense for the year			(5,150)

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)

	Diagnostics segment £'000	Corporate costs £'000	Total £'000
Year ended 30 June 2023			
Segment assets	960	3,547	4,507
Segment liabilities	(877)	(1,589)	(2,466)
Year ended 30 June 2022			
Segment assets	1,003	5,618	6,621
Segment liabilities	(905)	(105)	(1,010)

Additions to non-current assets: Diagnostics segment £353k (2022: £124k) and Corporate costs £88k (2022: £31k).

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:

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
All on continuing operations		
United Kingdom	35	37
Europe	16	10
United States of America	4	2
Rest of the world	-	-
	55	49

Revenues from three customers accounted for more than 10% of total revenue in the current year (2022: two).

3. Revenue

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Revenue from customer contracts	55	49
Grant and other income	-	-
	55	49

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 2023 £'000	Year ended 30 June 2022 £'000
Research and development expenditure (including staff costs)		3,924	3,871
Depreciation of owned tangible fixed assets	11	61	63
Depreciation of right-of-use assets	11	193	187
Staff costs	5	2,668	2,879
Share-based payments		96	38
Auditors' remuneration, fees payable for:			
– the audit of the Parent Company and consolidated accounts		59	51
– the audit of subsidiary accounts		7	6
– agreed upon procedures for the interim accounts		-	2

5. Particulars of employees

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

	Year ended 30 June 2023 Number	Year ended 30 June 2022 Number
Research and development	31	28
Administration	12	12
	43	40

The aggregate employee costs (including Directors) were:

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Wages, salaries and other benefits	2,352	2,535
Social security costs	261	295
Pension cost-defined contribution plans	55	49
	2,668	2,879

6. Remuneration of key management, including directors

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Wages, salaries and other benefits	947	1,048
Social security costs	117	136
Equity-settled share-based payments	63	25
Pension cost-defined contribution plans	25	20
	1,152	1,229

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 five (2022: 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 30-35 and form part of these financial statements.

7. Finance income and costs

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Interest income on bank deposits	30	-
Transaction costs relating to investment placing agreement (note 18)	(81)	-
Movement in fair value of derivative financial instrument (note 18)	(675)	-
Finance lease costs	(31)	(16)
Net finance costs	(757)	(16)

8. Taxation

(a) Recognised in the income statement

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Current tax:		
Research and development tax credits	(831)	(956)
Total tax credit for the year	(831)	(956)

(b) Reconciliation of the total tax credit

The tax credit assessed on the loss for the year is lower (2022: lower) than the weighted average applicable tax rate for the year ended 30 June 2023 of 20.5% (2022: 19.0%). The differences are explained below:

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Loss before taxation on continuing operations	(5,981)	(5,631)
Tax using UK corporation tax rate of 20.5% (2022: 19.0%)	(1,226)	(1,070)
Adjustment in respect of R&D tax credit claimed	(295)	(412)
Items not deductible / (taxable) for tax purposes – permanent	140	(7)
Items not deductible for tax purposes – temporary	(2)	(3)
Deferred tax not recognised	686	703
Rate differences	(134)	(167)
Total tax credit for the year	(831)	(956)

No deferred tax assets are recognised at 30 June 2023 (2022: £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 £21,676k (2022: £19,032k) available to carry forward to future periods; this excludes management expenses.

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 £1,152k (2022: loss £5,993k).

10. Earnings per share

	2023 £'000	2022 £'000
Loss for the year after taxation	(5,150)	(4,675)
Group		
	2023 Number	2022 Number
Weighted average number of ordinary shares in issue	94,165,295	84,860,240
Potentially dilutive ordinary shares	–	–
Adjusted weighted average number of ordinary shares in issue	94,165,295	84,860,240
Loss per share on continuing operations		
– Basic	(5.5)p	(5.5)p
– Diluted	(5.5)p	(5.5)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, the conversion into shares of options whose exercise price was below the share price at the reporting date would have increased the number of ordinary shares as follows:

	2023 Number	2022 Number
Potentially dilutive shares from share options and warrants	1,163,817	971,238
Potentially dilutive shares within the SIP	339,967	208,703
Potentially dilutive ordinary shares	1,503,784	1,179,941

11. Property, 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 2021	296	417	114	242	1,069
Additions	93	48	–	14	155
Disposals	–	–	–	–	–
At 30 June 2022	389	465	114	256	1,224
Additions	–	26	–	28	54
Modifications	387	–	–	–	387
Disposals	(389)	–	–	(2)	(391)
At 30 June 2023	387	491	114	282	1,274
Accumulated depreciation					
At 1 July 2021	186	257	114	211	768
Charge for the year	187	48	–	15	250
Depreciation on disposed assets	–	–	–	–	–
At 1 July 2022	373	305	114	226	1,018
Charge for the year	193	45	–	16	254
Depreciation on disposed assets	(389)	–	–	(1)	(390)
At 30 June 2023	177	350	114	241	882
Net book value					
At 30 June 2021	110	160	–	31	301
At 30 June 2022	16	160	–	30	206
At 30 June 2023	210	141	–	41	392

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 2021	47	75	122
Balance at 30 June 2022	–	15	15
Received in the period	–	(15)	(15)
Balance at 30 June 2023	–	–	–

The amount provided on the balance sheet dated 30 June 2022 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

	2023 £'000	2022 £'000
Raw materials	373	661
Finished goods	152	87
	525	748

The inventory valuation at 30 June 2023 is stated net of a provision of £801k (2022: £695k) 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 £106k (2022: £197k).

14. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	38	2
Other receivables	12	30
Prepayments	108	75
	158	107

Analysis of trade receivables

	2023 £'000	2022 £'000
Neither impaired nor past due	28	2
Past due but not impaired	10	-
Trade receivables	38	2

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

	2023 £'000	2022 £'000
Not overdue	28	2
Less than 1 month overdue	-	-
Later than 1 month but less than 3 months overdue	10	-
Later than 3 months overdue	-	-
Total	38	2

There is no 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

	2023 £'000	2022 £'000
Cash at bank and in hand	2,601	4,589

Cash and cash equivalents comprise current accounts held by the Group with immediate access and short-term bank deposits with a maturity of four 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	2023 £'000	2022 £'000
Trade payables	432	173
Accruals	382	677
Other payables	121	144
	935	994

17. Lease liabilities

	2023 £'000	2022 £'000
Lease liabilities falling due within one year	222	16
Lease liabilities falling due over one year	19	-
Lease liabilities	241	16

Lease liabilities relate to land and buildings right-of-use assets as detailed in note 11.

	£'000
Balance at 30 June 2022	16
Modifications - lease renewals	387
Interest	31
Repayment of lease liabilities	(193)
Balance at 30 June 2023	241

There was a £1k cash outflow in the year relating to short-term and low-value lease payments (2022: £nil).

18. Derivative Financial Instruments

On 31 March 2023, the Company entered into an Investor Placing Agreement for up to £5m with RiverFort Global Opportunities PCC Limited ("Noteholders"). The instrument was entered by way of an initial drawdown in the amount of £2m and related issuance of 6,250,000 shares priced at nominal value of 1.5 pence to be used to facilitate the settlement of amounts advanced under the investment agreement. A further drawdown was made in June 2023 of £0.3m and the remaining balance as at the balance sheet date of £2.7m under the Facility is available for the Company to drawdown, at its discretion, but subject to there being no trading Material Adverse Change:

- (a) the Share Price falling below 16 pence
- (b) the 3 day average volumes traded being less than £100,000
- (c) the 10 day average trading volumes being less than £100,000 and
- (d) the amount outstanding under the Facility being no more than £700,000;

Any outstanding liability after the disposal by the Noteholder of the shares issued in exchange for each drawdown can be settled at the discretion of the Noteholder by further subscription to the Company's shares. The Company can also elect to settle the outstanding liability with a 10% premium on the balance. As the value of the outstanding amount is expected to move with the Company's share price, the instrument met the definition of a derivative and is initially recognised at fair value with changes in fair value recognised in profit and loss.

Pursuant to the facility, the Noteholders were granted warrants exercisable at 41.6p to subscribe for 2,500,000 ordinary shares and were granted warrants exercisable at 24.607p to subscribe for 682,731 ordinary shares. All warrants remain outstanding at 30 June 2023 and can be exercised at any time from the date of issue for a period of four years.

The warrants are initially valued using a model which utilised observable market factors such as the share price at the date of the grant, the term of the award, the share price volatility and the risk-free interest rate (Level 2 inputs).

The Company made drawdowns of £2.3m during the financial year which can be summarised as follows:

	Derivative financial liability £'000	Finance costs £'000	Equity £'000	Warrants £'000	Total £'000
Proceeds	615	-	1,117	568	2,300
Transaction costs	-	(81)	(191)	(91)	(363)
	615	(81)	926	477	1,937
Fair value movement	675				
At 30 June 2023	1,290				

Transaction costs include fees of £80,000 payable to the Noteholders that were settled by issue of shares and included in share premium (note 23).

19. Share-based payments

(a) Share options outstanding at 30 June 2023

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	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	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	75,000	£0.235	05 Apr 2022 to 05 Apr 2029	£0.02p	£1,500
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	122,500	£0.215	10 Nov 2022 to 10 Nov 2029	£0.031p	£3,798
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	73,750	£0.470	14 Dec 2023 to 14 Dec 2030	£0.234p	£17,258
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	190,000	£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
2017 Epistem Share Option Scheme	70,000	£0.1925	05 Jul 2025 to 05 Jul 2032	£0.0156p	£10,901
2017 Epistem Share Option Scheme	3,570	£0.1800	10 Aug 2025 to 10 Aug 2032	£0.0132p	£470
2017 Epistem Share Option Scheme	610,500	£0.1225	21 Oct 2025 to 21 Oct 2032	£0.0968p	£59,073
2017 Epistem Share Option Scheme	10,000	£0.0875	29 Nov 2025 to 29 Nov 2032	£0.0675p	£675
2017 Epistem Share Option Scheme	10,000	£0.0975	15 Dec 2025 to 15 Dec 2032	£0.0759p	£759
	5,606,746				

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	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	0.10	Note(e)
2017 Epistem Share Option Scheme	06 Apr 2020	3 years	0	18	0.10	Note(e)
2017 Epistem Share Option Scheme	14 Dec 2020	3 years	0	19	0.10	Note(e)
2017 Epistem Share Option Scheme	27 Jan 2021	3 years	0	18	0.10	Note(e)
2017 Epistem Share Option Scheme	02 Dec 2021	3 years	0	57	0.10	Note(e)
2017 Epistem Share Option Scheme	03 Dec 2021	3 years	0	93	0.10	Note(e)
2017 Epistem Share Option Scheme	04 Apr 2022	3 years	0	105	0.75	Note(e)
2017 Epistem Share Option Scheme	05 Jul 2022	3 years	0	115	1.25	Note(e)
2017 Epistem Share Option Scheme	10 Aug 2022	3 years	0	121	1.75	Note(e)
2017 Epistem Share Option Scheme	21 Oct 2022	3 years	0	126	2.25	Note(e)
2017 Epistem Share Option Scheme	29 Nov 2022	3 years	0	130	3.00	Note(e)
2017 Epistem Share Option Scheme	15 Dec 2022	3 years	0	132	3.50	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) The risk-free rate used is based upon the prevailing UK bank base rate at the date of the grant.

(d) 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	
	2023	2022	2023	2022	2023	2022
Outstanding as at 1 July	5,410,417	5,226,038				
Granted during the year	704,070	722,500	13p	31p		
Exercised during the year	(7,500)	(271,546)	22p	24p		
Forfeited during the year	-	-	-	-		
Lapsed during the year	(500,241)	(266,575)	35p	35p		
Outstanding as at 30 June	5,606,746	5,410,417	33p	35p	7.4	6.9
Options exercisable at 30 June	4,228,926	2,589,559	27p	57p	6.6	5.6

Options over 7,500 shares were exercised in the year ended 30 June 2023 (2022: 271,546). The weighted average market price at exercise was £0.35 (2022: £0.36). 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 2023 the number of Partnership Shares earned by employees was 96,280 (2022: 67,941). The total number of potential Matching Shares provided for employees at 30 June should all the employees meet the three-year vesting rule was 192,575 (2022: 135,882). Of the 192,575 shares, 98,152 (2022: 63,634) 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 2023, included within trade and other payables, was £51k (2022: £43k).

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 (2022: 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.

	2023 £'000	2022 £'000
Outstanding at 30 June	196	196

(c) Warrants in the period or outstanding

As part of the Investor Placing Agreement entered into with RiverFort Global Opportunities on 31 March 2023, the Company issued 2,500,000 warrants in March 2023 and a further 682,731 warrants were issued in June 2023 (note 18). The fair value of the warrants issued in the year was £568,000.

As at 30 June 2023 the Company had 3,182,731 warrants outstanding.

Each warrant gives the holder the right to subscribe for one new Ordinary Share at a price of 140% of the reference price at the date of issue, at any time for a period of four years.

20. Financial risk management objectives and policies

	Classification	2023 £'000	2022 £'000
Financial assets			
Cash and cash equivalents	Amortised cost	2,601	4,589
Trade and other receivables	Amortised cost	50	32
Financial liabilities			
Trade and other payables	Amortised cost	938	994
Lease liabilities	Amortised cost	241	16
Derivative financial liability	Fair value	1,290	-

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
2023		
Cash and cash equivalents	25	3
2022		
Cash and cash equivalents	25	6

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 April 2023 the Company issued 6,500,000 (2022: 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:

	2023 £'000	2022 £'000
Payable within 1 year	1,157	1,010
	1,157	1,010

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 (2022: £nil) to manage foreign currency risk.

Balances which are denominated in US dollars are detailed below:

	2023 £'000	2022 £'000
Trade and other receivables	-	-
Cash and cash equivalents	9	7
	9	7

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
2023		
Trade and other receivables	5%	-
Cash and cash equivalents	5%	-
2022		
Trade and other receivables	5%	-
Cash and cash equivalents	5%	2

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

Fair values of financial assets and liabilities

Recognised fair value measurements

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading securities) is based on quoted market prices at the end of the reporting period.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value instrument are observable, the instrument is included in Level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data the instrument is included in Level 3.

The derivative financial liabilities are categorised as Level 2 within the fair value hierarchy under IFRS 13. Further information is contained in note 18.

There is no material difference between the book value and the fair value of the Group's other financial assets or liabilities (Level 3), due to the short maturity of the cash, debtors and creditors.

Market risk: The fair value of the derivative financial liability is impacted by changes in the Company's share price although an increase in the share price of 100% would not have a material impact on the fair value at the reporting date.

Changes in liabilities resulting from financing activities

	Derivative financial liability £'000	Lease liability £'000	Total £'000
Balance at 30 June 2022	-	16	16
Net cash from / (used) in financing activities			
Proceeds from Investor Placing Agreement	2,300	-	2,300
Transaction costs	(283)	-	(283)
Lease repayments	-	(193)	(193)
	2,017	(193)	1,824
Other movements			
Lease modifications	-	387	387
Equity and warrant components of the Investor Placing Agreement (note 18)	(1,403)	-	(1,403)
Transaction costs settled by issue of shares	(80)	-	(80)
Finance costs	81	31	112
Fair value movement	675	-	675
Balance at 30 June 2023	1,290	241	1,531

21. Related party transactions

Other than items relating to Directors' remuneration and employment, there were no related party transactions during the year (2022: £nil).

At the balance sheet date, in respect of T Lindsay, trade and other payables included amounts of £nil (2022: £3k).

22. Share capital

Allotted, issued and fully paid:

	Number	£'000
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
Share issue – equity-settled share-based payments	7,500	-
Share issue	6,500,000	97
Balance at 30 June 2023	99,049,946	1,485

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.

On 3 April 2023 the Company issued 6,500,000 shares with a nominal value of £97,000 as part of the Investor Placing Agreement detailed in note 18.

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 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
Investment funding arrangement (note 18)	910	477	-	-	-	1,387
Equity-settled share-based payments	-	-	-	96	-	96
Transactions settled directly in equity	910	477	-	96	-	1,483
Balance at 30 June 2023	53,336	477	(196)	1,656	(2,496)	52,777

Shares to be issued relates to the warrants issued; full details are contained in note 19.

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.

24. Post balance sheet events

The Company made two £0.3m drawdowns under the Investor Placing Agreement (note 18) and issued 724,997 and 1,614,669 warrants to the Noteholders in July 2023 and November 2023 respectively.

The Company signed the DEVOTE funding grant post year end, described in detail on page 13.

Company Balance Sheet

as at 30 June 2023

	Note	30 June 2023 £'000	30 June 2022 £'000
Assets			
Non-current assets			
Investment in subsidiaries	a	–	–
Current assets			
Amounts receivable from Group undertakings and other receivables	b	2,520	–
Cash and cash equivalents	c	10	812
		2,530	812
Liabilities			
Current liabilities			
Derivative financial instruments	f	1,290	–
Non-current liabilities			
		–	–
Net assets/ (liabilities)		1,240	812
Capital and reserves			
Called-up equity share capital		1,485	1,388
Share premium account		53,336	52,426
Share options reserve		1,990	1,894
Shares to be issued		477	–
Accumulated losses:			
At 1 July		(54,896)	(48,903)
Transactions settled directly in equity		–	–
Total comprehensive (expense)/income for the year		(1,152)	(5,993)
		(56,048)	(54,896)
Total shareholders' funds equity		1,240	812

These financial statements were approved by the Directors and authorised for issue on 29 November 2023 and are signed on their behalf by:

JCheek



James Cheek
Chief Executive Officer

Russ Shaw
Chief Financial Officer

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 £1.2m (2022: £6.0m loss).

Company Statement of Changes in Equity

for the year ended 30 June 2023

	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 2021	950	46,055	1,856	115	(48,903)	73
<i>Transactions with owners in their capacity as owners</i>						
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
<i>Transactions with owners in their capacity as owners</i>						
Investment funding arrangement (note f)	97	910	–	477	–	1,484
Equity-settled share-based payments	–	–	96	–	–	96
Transactions settled directly in equity	97	910	96	477	–	1,580
Total comprehensive income for the year	–	–	–	–	(1,152)	(1,152)
Balance at 30 June 2023	1,485	53,336	1,990	477	(56,048)	1,240

Company Statement of Cash Flows

for the year ended 30 June 2023

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Cash flows from operating activities		
Operating loss for the year	(395)	(5,993)
Group undertaking loan impairment	300	5,955
Impairment of investment	96	38
Operating profit before changes in working capital and provision	1	-
Increase in amount owed from Group companies	(2,820)	(5,955)
Net cash outflow from operating activities	(2,819)	(5,955)
Cash flows from financing activities		
Proceeds from the investment placing agreement	2,300	-
Transaction costs relating to investment placing agreement	(283)	-
Proceeds from share issue	-	7,200
Transaction costs relating to share issue	-	(506)
Net inflow from financing activities	2,017	6,694
Net (decrease) / increase in cash equivalents	(802)	739
Cash and cash equivalents at beginning of year	812	73
Cash and cash equivalents at end of year	10	812
Analysis of net funds		
Cash at bank and in hand	10	812
Net funds	10	812

Notes to the Company Financial Statements

for the year ended 30 June 2023

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 3-12. The principal risks and uncertainties are shown on page 20 while the Group's financial position is described on pages 17 and 18. The Group funds its day-to-day cash requirements from existing cash reserves, grant funding and drawdowns from the Investor Placing Agreement, which are subject to certain conditions as described in note 18. 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 2025. 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. Therefore, the Company will need to raise further equity, or other funding, in early 2024 in order to continue as a going concern. The forecasts prepared by the Directors include a plan to raise additional funds from equity investors or debt providers in early 2024 to allow the Company to continue as a going concern.

The Company is confident that given the health benefits and economics that RNR1 will be a commercial success. The NICE EVA (Early Value Assessment) recommendation is testimony to it. Our CYP2C19 product is now at validation and verification stage and has a much larger potential market than RNR1 with a far less complex route to market. The Company recognises the uncertainty regarding the timing of the associated revenues, given we are first to market for RNR1 and the funding complexities within the NHS. NICE recommendations and Specialist Commissioning will bring significant upside to our sales forecasts, but they are outside of our control and are therefore uncertain. The Directors have reasonable confidence in their ability to raise additional funds given the progress described above and having made enquiries, have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

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. The combination of the above factors represents a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

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.

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 Company determines the fair value of share-based payments, warrants and employee options using a Black-Scholes methodology. Black-Scholes uses certain assumptions to determine fair value including measures of share price volatility, expected conversion or exercise rates, among others. In estimating the value of future share price volatility, a key input of the Black-Scholes methodology, the Company uses historic data relating to its share price.
- Judgement was required in assessing whether warrants issued under the Investor Placing Agreement should be treated as debt or equity. As a financial instrument under IAS 32, warrants are derivative financial instruments as their value changes in response to the Company's share price, however, as the exercise of these warrants results in exchange of fixed amount of cash for fixed number of shares, management concluded that these instruments were equity instruments.
- The Company used judgement in selecting appropriate techniques with which to measure the fair value of the derivative financial liability at the dates of draw down and at the reporting date. The measurement of fair value required use of assumptions regarding the share price volatility and assumes that the investor will seek to achieve the optimal value to settle the outstanding amount. Further detail is provided in note 18 to the Group's financial statements.
- Estimates in the measurement of the expected credit loss relating to amounts due from group undertakings are described in note b.

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 2021	–
Additions in the year	38
Impairment	(38)
At 30 June 2022	–
Additions in the year	96
Impairment	(96)
At 30 Jun 2023	–

Additions in the year ended 30 June 2023 comprised the fair value of the share options issued to employees of the subsidiary undertaking during the year of £96k (2022: £38k). 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 £96k (2022: £38k).

b. Amounts receivable from Group undertakings and other receivables

Company	2023 £'000	2022 £'000
Opening amounts receivable from Group undertakings	–	–
Additions / (repayments) in the year	2,820	5,955
Changes in expected credit loss	(300)	(5,955)
Closing amounts receivable from Group undertakings	2,520	–

Amounts receivable from Group undertakings are held in intercompany accounts with no security and no specified repayment terms. The Company has assessed the expected credit loss by reference to the subsidiary's liquid resources at the reporting date that would be available to repay the amounts outstanding if repayment was demanded. Due to uncertainties relating to the company's future revenues, no assumptions have been made regarding any further repayments beyond those that could be made at the reporting date.

c. Cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank and in hand	10	812

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	2023 £'000	2022 £'000
Financial assets			
Cash and cash equivalents	Amortised cost	10	812
Amounts due from Group undertakings	Amortised cost	2,520	-
Financial liabilities			
Derivative financial liability	Fair value	1,290	-

Changes in liabilities resulting from financing activities

	Derivative financial liability £'000
Balance at 30 June 2022	-
Net cash from / (used) in financing activities	
Proceeds from Investor Placing Agreement	2,300
Transaction costs	(283)
	2,017
Other movements	
Equity and warrant components of the Investor Placing Agreement (note f)	(1,403)
Transaction costs settled by issue of shares	(80)
Finance costs	81
Fair value movement	675
Balance at 30 June 2023	1,290

f. Derivative financial instruments

Details of the Investor Placing Agreement are provided in note 18 to the Group's financial statements.

Directors, Secretary and Advisers

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Ian Gilham
James Cheek
Russ Shaw
Gino Miele
Tom Lindsay
Chris Yates

Company Secretary

Russ Shaw

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