
genedrive

***Advancing molecular
diagnostics to the
point of care***



Company number: 06108621

Annual Report and Accounts 2019

INTRODUCTION

***Genedrive® is a low cost,
rapid and reliable solution that
provides molecular diagnostic testing
where speed and timely delivery of
results is vital.***

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DIRECTORS, SECRETARY AND ADVISERS

Directors

Ian Gilham
David Budd
Matthew Fowler
Tom Lindsay
Chris Yates

Company Secretary

Matthew Fowler

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Independent Auditors

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Chartered Accountants and Statutory Auditors
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OUR PERFORMANCE

Financial Highlights

- Revenue of £2.36m (2018: £1.94m), up 21.6%
- Successful fund raise of £6.0m (gross), a combination of £3.5m equity and £2.5m convertible loan
- Cash at 30 June 2019 of £5.2m (2018: £3.5m)

Operational Highlights

- Genedrive® Hepatitis C (HCV) assay registered in 12 countries
- World Health Organization process under way to Pre-Qualify the Genedrive® Hepatitis C test
- £0.9m of orders fulfilled for the US Department of Defense (DoD) with further orders on hand for delivery in 2019/20
- Antibiotic Induced Hearing Loss (AIHL) test cycle time reduced to under 30 minutes and hospital training for trials commenced post year end

Delivering the strategy

Genedrive is now a focused molecular diagnostics company, with two assays on-market and with two more in development; supporting our strategy to get material revenues from three assays by 2021.

Acronyms used throughout this document

HCV	Hepatitis C Virus
mTB	Tuberculosis
DoD	US Department of Defense
AIHL	Antibiotic Induced Hearing Loss

OUR GENEDRIVE® SOLUTION

Genedrive® is an innovative, easy to use platform that brings molecular diagnostics to decentralised laboratories

Overview

Genedrive® is a patented small molecular diagnostic platform which enables rapid nucleic acid amplification and detection from various sample types, including plasma, sputum and buccal swabs. With minimal hands-on time and single button operation, it provides diagnostic results, without the need for specialist knowledge or data interpretation. With no manual calibration or maintenance required, Genedrive® is ideal for lower throughput, decentralised laboratories.

How Genedrive® works

Genedrive® utilises proprietary technology to rapidly amplify and detect target nucleic acid sequences without the requirement for nucleic acid isolation.

Following amplification, melt curve analysis is used to establish the presence of the target sequence in the sample and the results are automatically interpreted by Genedrive®. Depending on the specific assay, results can be available in as little as 30 minutes.

This Genedrive® HCV assay may positively impact the continuum of HCV care from screening to cure by supporting real-time treatment decisions.

BMJ GUT Journals

<http://gut.bmj.com/content/early/2018/04/03/gutjnl-2017-315783>

Results
available in
as little as
30 minutes

OUR HCV KIT

Since signing our distribution agreements with Sysmex, we have continued to build momentum in the market and we are beginning to see initial commercial sales.

Genedrive® HCV ID Kit is a qualitative molecular HCV assay, providing results within 90 minutes.

Many clinics and smaller hospital laboratories lack the appropriate resources to perform confirmatory molecular testing and so are forced to send patient samples away for testing. Many patients have to wait weeks for their test results and often have to schedule a subsequent follow-up appointment at the local clinic.

Indirect patient cost is a significant burden. When samples are sent away for molecular testing, between 5-50% of patients do not return for their result and required treatment. The patient drop-out rate and indirect patient cost can be significantly reduced by performing the molecular confirmatory HCV test on-site using the Genedrive® HCV ID Kit.

The Genedrive® HCV ID Kit is a simple and cost-effective molecular solution for HCV testing. The assay is ideal for use in low throughput, decentralised laboratories by providing rapid results direct from plasma without any requirement for viral RNA extraction.

Process

We have commenced commercial sales and shipments of the Genedrive® HCV ID Kit and Genedrive® platform into the EMEA region. The products have been shipped from genedrive's distributor, Sysmex Corporation ('Sysmex'), a world leader in clinical laboratory systemisation and solutions, and are now destined for use in various initial target countries. In addition, the first commercial sales and shipments of the Genedrive® HCV ID Kit and Genedrive® platform are expected to commence in the Asia Pacific region.

GENEDRIVE® CONNECT

By developing a mobile app that allows added data management flexibility and results transmission, we will help improve the customer experience and help drive wider adoption.

Benefits

- *Enhanced data capture*
supplementary patient demographic data
- *Improve laboratory management*
append data to test results
- *Easily transfer data*
to a secondary endpoint location for storage/processing

We have developed our Genedrive® connectivity solution, allowing for clinical data transmission from decentralised testing facilities.

The Genedrive® Connect app is designed to enhance usability, but will also provide functional surveillance-based data to further promote product adoption in the longer term. Genedrive® Connect is an android-based mobile app, providing wireless data management to a single Genedrive® or a larger network installation. The phase 1 release of Genedrive® Connect allows Genedrive® users to manage patient demographics and user data, device and instrument data, and append this supplementary information to test results. The comprehensive data can then be transferred if needed to another local or distant location for rapid patient management or longer-term data storage.

Over the longer term, subsequent phases of Genedrive® Connect are planned to target collection of market surveillance capabilities for treatment facilities or funding agencies, to facilitate cost and performance analysis of their investments in Genedrive® technology.

CHAIRMAN'S STATEMENT

**WE ARE EXECUTING OUR STRATEGY
TO DRIVE MATERIAL REVENUES BY
JUNE 2022.**

***genedrive plc is on track
with its assay strategy and
well-positioned for growth***

Introduction

The Company remains focused and increasingly positioned to exploit opportunities in low- and middle-income countries with our Global Health assays (HCV and mTB) and in developed markets with our military and hearing assays (DoD and AIHL). We remain committed to the opportunities achievable by a focused molecular testing company. Core to the execution of our plan was the fund-raise of £6.0m (gross) in December 2018, which supports our aims and has strengthened our cash position.

Delivering Our Strategy

I am pleased that we are executing on our strategy to deliver material revenues from multiple assays by the end of our financial year 2022. During the year we saw revenue growth from our on-market assays and good progress with our new product development programmes.

Despite the positive progress overall, commercialisation of our HCV assay has lagged behind our previous expectations principally owing to a slower than anticipated rate of country registrations and the overall level of funding for HCV drugs and diagnostics. Funding remains in its infancy in many countries, requiring increased focus on those countries where we believe the opportunity looks likely to grow. We now expect the revenue ramp for the assay to occur in the year to June 2020, behind our original plans.

Our commercial relationship with the DoD exceeded our expectations in the year and underpinned much of our financial performance. We fulfilled large orders for both assays and units during the year totalling £0.9m. Discussions with the customer have progressed and we are confident of further orders. Owing to the nature of the work we still lack clarity on the potential but the continued engagement and order flow provides us with confidence on the future business and the performance of Genedrive® as an effective molecular diagnostic technology.

Governance and People

The Board recognises that a strong governance framework, internal controls, values and culture firmly embedded across the organisation are vitally important and, as such, the Board remains focused on ensuring its own effectiveness and that of the governance processes throughout the Group. We believe we have a Board that reflects our strategy and ambition and will continue to review its effectiveness.

Outlook

Overall our on-market assays are beginning to build commercial traction. Multiple orders for DoD products were fulfilled in the year and we already have new orders for 2019/20. HCV commercialisation has been slower than anticipated, but we hope to overcome delays encountered in the next 12 months and remain optimistic of WHO pre-qualification by the end of the calendar year.

Looking further ahead, we have exciting opportunities with AIHL and mTB. The AIHL assay could be transformative to the lives of many children as well as placing genedrive at the front line of NHS urgent care for neonates. In addition to the UK market, the test has applicability across Europe and North America and represents significant potential for the Company should we be able to access these markets. The mTB assay would also give the Company access to the large and well-funded tuberculosis testing market.

I remain confident of genedrive's ability to deliver growth from its on-market assays and genuinely excited by the potential of our in-development assays.

Finally I would like to take this opportunity to thank our staff, customers and shareholders for their valuable support during the year.

Dr Ian Gilham
Chairman
3 October 2019

“During the year we saw growth from our on-market assays and excellent progress with our new product development programmes.”

Dr Ian Gilham
Chairman

CHIEF EXECUTIVE'S STATEMENT

We are entering exciting phases with both our on-market and in-development assays

Overview

The opportunities for genedrive plc are significant. We are working and developing products for important global healthcare and environmental pathogen concerns, based in the dynamic and scientifically rich city of Manchester. Over the past few years we have recruited and cultivated a talented team of experienced, clever, and knowledgeable IVD professionals that share my vision of building a business that contributes to global efforts in the eradication of disease and providing more immediate patient care. Each week we make strides forward in our development, positioning in the market, and commercial capability of the Company and its products.

During the year we continued to execute on our strategy to bring material assay revenues to genedrive by the financial-year ending June 2022. The fund raising in December 2018 (£6.0m gross) improved our cash position and strengthened our balance sheet. We now have two products on market: HCV and our military portfolio for the US DoD; and two exciting products in development: AIHL and mTB. Continued successful execution of this strategy will leave the Company well placed to generate returns for our shareholders.

Our Performance with On Market Assays

HCV

The Genedrive® HCV ID Kit is the first low cost, qualitative HCV molecular decentralised testing product on the market. Molecular testing for HCV represents a potentially large market for Genedrive® that should be efficiently serviced via our partnerships, which include Sysmex for EMEA and Asia, Arkray for India and others for rest of world regions.

The process to Pre-qualify (PQ) the HCV product with WHO is currently on-going. The process of registrations and approvals is often not in our direct control, and we use our experience and judgement to predict timelines. The WHO PQ site Quality Audit was completed in January with no significant findings. However, the clinical study is taking much longer than expected, originally owing to a shortage of certain low viral level samples for analysis, and then subsequently the need to repeat some small sets of data collection. So while the process continues past our originally expected timelines, we remain optimistic that we can achieve WHO pre-qualification by the end of the calendar year.

Similarly, in country registrations are taking longer than anticipated. As it is the first entry of Genedrive® into these markets most countries require a performance study after the registration process, the duration of which can be unpredictable. At June 2019 Genedrive® was registered in 12 countries, below our initial target. We are targeting additional registrations during 2019/20 and significantly we expect the product will be approved for distribution in India by January. India is the largest single market for our product and we are confident of attracting demand during 2019/20.

Pathogen detection tests for US DoD

The initial development phase of the DoD agreement ended in the prior year and transitioned into a standard commercial arrangement. We were very pleased to see the strong uptick in the commercial orders received during 2019. We fulfilled multiple large orders and booked £0.9m of revenue.

Quality issues with a component supplier meant another large DoD order was delayed into the 2019/20 fiscal year. The supply issue was ultimately resolved and we will soon complete establishment of dual sourcing for this key component. The DoD have placed orders for 2019/20, remained positive during this supply issue and supported the move to a second supplier.

The DoD work has been a real success for genedrive, supporting the development of Genedrive® capabilities, providing funding to the Group, delivering a complex product to the customer specification, and providing ongoing revenue. Their continued engagement and support makes us very optimistic about the future potential of the business and we remain confident it will be a recurring part of our future revenues.

In-Development Assays

AIHL

The Group was part of an award from UK NHS National Health Research in June 2018 for the development and implementation of a point of care test for the prevention of hearing loss in newborn children. This opportunity is well suited to genedrive's design, needing multiple, low cost units to deliver fast testing at a point of need.

The full value of the award was just over £1m with £0.6m allocated to genedrive. The programme is approximately halfway through, now entering clinical validation. Since commencing the grant work we have reduced the test time to under 30 minutes, which easily exceeds the clinical turn-around time requirement. Hospital trials for the clinical validation are scheduled to commence in November, and should take circa six months. These trials will assess the application of the assay in an urgent care setting, and are focused around the practical

implications of testing neonates in a variety of intensive care environments. Product launch is planned for Autumn 2020 and it is expected that commercial traction from early adopters will follow swiftly on from clinical approvals, with further demand anticipated following write-up and inclusion in pediatric care guidelines; if successful there is every reason to be positive for widespread adoption across the NHS.

The market is attractive as being both large and at a higher margin compared to Global Health related tests. Outside of the UK the test will be equally applicable in Europe and North America, although we would likely need to partner for entrance into North America owing to the costs of regulatory hurdles.

mTB (Tuberculosis)

The market for mTB testing is one of the largest molecular testing market in the world and in terms of market dynamics it is well defined. It is an important market for the Group and a vital component of our strategy.

We were awarded a £1.1m development grant from Innovate UK in January 2018 to develop an automated sample module for the Genedrive® system. The project commenced at the start of the financial year and much of the product development performed to date has been covered under the grant. During the year we have also reformulated the test and designed the Innovate funded companion product to the Genedrive® that automates the extraction and concentration of mTB from a patient sample. As price is a significant driver in the developing world, we positioned costings at the core of design and have the potential to deliver at a market leading cost point at volume.

We remain on track to bring a product to market during the financial year ending June 2021, further supporting our assay strategy by 2022.

Outlook

We have two assays on market and two assays in development. While the year has seen slower commercial traction on HCV than we hoped, growth in DoD and the prospects for 2019/20 are positive and the Group is focused on generating material revenues across multiple assays during the financial year ending June 2022. Our pipeline provides us with confidence that we will continue to make good progress.

David Budd
Chief Executive Officer
3 October 2019

BUSINESS REVIEW ON MARKET ASSAYS

HEPATITIS C

A First to Market Opportunity to support the WHO's goal of eliminating HCV by 2030



Market Overview

- It is estimated that 70 million people are living with chronic HCV infection with 1.7 million new cases annually.
- In 2015, only 7.4% of those diagnosed with HCV infection (or 1.1 million people) had started treatment.
- Low- and middle-income countries account for the largest proportion of people living with HCV (72%), yet access to testing and treatment is limited in these geographies.
- 15-45% of patients spontaneously clear the virus after infection. With antibodies still present in the immune system, a molecular test is needed to assess the presence of active viral infection in their blood prior to treatment.

The increased availability of Direct Acting Antivirals (DAAs) for HCV offer the promise of cost-effective eradication for the developing world. As the availability of cheaper generic HCV DAAs increases, genedrive's CE-marked HCV test is the first decentralised qualitative molecular test in the market that can be used to identify patients eligible for therapy.



Progress

- Product launched in March 2018.
- Distribution partner network secured for main markets, and includes Sysmex for EMEA and Asia Pacific, and Arkay in India.
- WHO site audit fundings completed in May 2019. WHO clinical trials taking longer than expected owing to lack of availability of low viral load samples – but expected to complete before the calendar year end.
- Product registered in 12 countries at June 2019.
- Completion of various independent studies in the year confirming the performance of the product in real-world settings.



Outlook

- The largest single market, India, should be registered by January 2020 – we now expect sales to India during financial year 2019/20.
- The WHO pre-qualification steps are virtually complete (site audit and clinical study) and we are awaiting the final reports. We are confident of qualified status in the forthcoming months.
- The market dynamics for HCV remain largely unchanged since our product was launched and the potential for point-of-need testing still represents huge potential for the Group as funding becomes available.
- Although disappointed with the rate of commercial progress to date, we are confident with the Genedrive® HCV ID kit performance and expect traction to June 2020 should the funding of the market continue to grow.

Excellent Product Performance

Six Independent studies and in-country evaluations are now complete.

In almost 2,000 patient tests the sensitivity has ranged from 96.5% to 100% and the specificity has been 100% in all studies.

96.5% → 100%
SENSITIVITY RATE

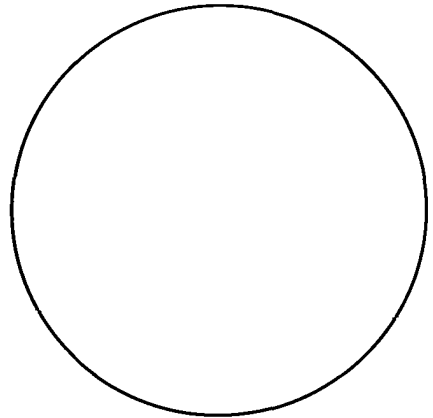
“With a strong commercial partner now in place for HCV in EMEA, ASIA and India, we look forward to gaining commercial traction.”

David Budd
Chief Executive Officer

HCV Launch

- Prioritised list of countries based on HCV dynamics.
- Positive engagement with global and regional NGOs to support roll-out.

Launch locations



Partners

Distribution deals signed with:

BUSINESS REVIEW

ON-MARKET ASSAYS

PATHOGEN DETECTION

Portable, rugged, accurate – ideally suited to pathogen detection markets



Market Overview

genedrive has been working with the US Department of Defense since 2013 and the business has contributed close to \$10.0m in revenues.

The programme of work has been centred on developing a set of pathogen detection tests appropriate for military requirements. This work has been integral to the development of the Genedrive® unit over the years, as well as a key source of funding for the Group. The development programme concluded in 2018 and we understand genedrive was the only successful participant in the programme. Following deployment we have now moved into commercial stage with the product being used and tested by a number of end users within the DoD.



Progress

- During the year, total revenues from the DoD were £0.9m (2018: £1.6m), with Genedrive® unit and assay sales of £0.9m (2018: £0.5m).
- We understand the customer base within the DoD has widened, and the 'marketing' of our molecular testing solution continues to attract additional DoD interested parties.
- During the second part of the year we experienced some quality issues with a component supplier that delayed shipment of an order. This issue is now resolved and we have secured a second source of supply for the product.



Outlook

- Our customer does not provide forecasts, but remains supportive and active with both assays and units.
- We have received additional orders for 2019/20 and continue to work to build visibility of the pipeline.
- We understand that a wider portfolio of end users have been working with final product and have high expectation of recurring and growing revenues.

£0.9m

BUSINESS REVIEW

IN-DEVELOPMENT ASSAYS

ANTIBIOTIC INDUCED HEARING LOSS

Development of a point-of-care test with initial implementation in the NHS, targeted to avoid antibiotic-related hearing loss in newborn children.



Market Overview

In the UK, approximately 90,000 babies are admitted to intensive care settings, with approximately 80% being treated with antibiotics on admission. Owing to an identified genetic predisposition, when exposed to certain antibiotics, a fraction of these babies will develop irreversible hearing loss. Alternative treatments can be prescribed, but lack of testing means that unfortunately a number of infants suffer profound hearing loss each year, which also creates a lifetime cost to the NHS. Genedrive® suits the requirements for a point-of-need device as it is small, portable and quick – providing results with the ‘golden hour’ of admittance. The gene defect is not geographically specific and therefore the assay addresses a global market – with European and North American markets each being around seven times larger than the size of the UK.



Progress

- In June 2018 Genedrive was part of a grant award for the development and implementation of a point-of-care test for the prevention of hearing loss in newborn children.
- During the year, the test has been developed to satisfy the specificity and speed requirements – work under the grant has developed a test for the mutant gene which will return results in under 30 minutes.
- Proof of principle batches and initial scale size batches have been successfully manufactured and tested, providing excellent initial specificity and sensitivity.



Outlook

- Clinical trials will commence in November 2019 and are expected to last circa six months depending on enrollment.
- Product launch is expected in 2020 with some initial uptake from participant Trusts following swiftly.
- Longer term uptake will be by clinical guidelines and evidence reviews but likely to see wholesale uptake across the NHS if the trials prove successful.
- European markets provide similar potential and entry with CE marking should not be overly onerous.
- Entry to the large North American market will be reviewed in light of its regulatory hurdles and may result in entry via partners.

£550,000 grant award to genedrive¹

“We look forward to working with genedrive and our colleagues in Manchester and Liverpool to assess the impact of rapid genetic testing as a method of avoiding irreversible hearing loss in babies.”

Professor William Newman

Professor of Translational Genomic Medicine at the University of Manchester and Consultant at Manchester University NHS Foundation Trust

1. Through the UK National Institute for Health Research's Innovation programme and in Partnership with Manchester University NHS Foundation Trust and other partners

“This is a very exciting opportunity that has the potential for the Genedrive® unit to be distributed across all NHS emergency settings as well as Europe and the rest of the world.”

David Budd

Chief Executive Officer

BUSINESS REVIEW

IN-DEVELOPMENT ASSAYS

TUBERCULOSIS (mTB/RIF)

Genedrive tuberculosis test designed as an affordable, rapid PCR-based test for the detection of mTB and rifampicin (RIF) resistance



Market Overview

The TB market is large and well-defined. The Genedrive® mTB/RIF assay aims to increase the adoption and availability of sophisticated molecular diagnostic analysis.

- TB is the largest single infectious disease causing death among young people and adults globally.
- TB diagnosis in many countries is still reliant on microscopy, which is manual, prone to human error and provides no information for proposed treatment options.
- Molecular testing is the fastest growing TB test segment and provides quicker diagnosis and therefore faster TB treatment.



Progress

- The Group was awarded grant funding of £1.1m in February 2018 to design and develop a sample preparation process for the Genedrive® mTB assay.
- A new companion device and associated processing cartridge is being developed, which will deliver full automation, simplicity of design and ultimately a low cost of goods for the user. The system is based on a pathogen enrichment technology that has the potential to be applied to targets other than mTB.



Outlook

- Design and development to be locked and completed during 2020.
- CE certification to follow design completion with country specific registrations via Sysmex and Arkray to follow.
- Product launch is targeted for the year ending June 2021 with first commercial revenues following thereafter.

£1.1m

Innovation UK grant
for our Tuberculosis
System

“The grant-funded projects
have performed well and
we are excited about the
opportunities these provide.”

David Budd
Chief Executive Officer

FINANCIAL REVIEW

We are committed to achieving material revenues by 2022

Overview

Revenue and other income for the year was £2.4m (2018: £1.9m). Research and development costs were £4.9m (2018: £5.2m) while administration costs were £1.9m, down slightly from the prior year (£2.0m). The operating loss for the year was £4.0m (2018: £7.4m) and is stated after the effects of exceptional items.

Financing costs were £0.5m (2018: £0.4m), broadly in line with the prior year. The finance cost of the convertible loans was £0.9m (2018: £0.5m), offsetting this finance cost were £0.6m (2018: £nil) of gains; which arose on the December 2018 amendment of the convertible loan and on share price movements in the year. In addition there was a £0.3m loss (2018: £0.1m gain) on the US dollar denominated convertible loan owing to the dollar exchange rate.

The tax credit for the year was £0.9m (2018: £0.8m) and the expected tax receivable on the balance sheet is £1.0m (2018: £1.0m).

The loss for the financial year after tax was £3.6m (2018: £6.0m).

Exceptional items

Two items have been separated out on the income statement to give a clear picture of underlying trading for the year.

As part of the fund-raise that closed in December 2018, the terms of deferred consideration payable to the former owner of Visible Genomics were amended. The fair value of the amended terms was £0.6m lower than the pre-amendment figure and this gain has been treated as exceptional on the face of the income statement.

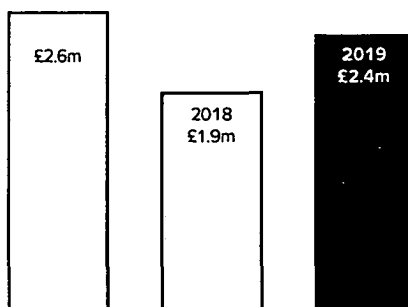
On 8 June 2018 the Group disposed of the business and assets of its Services Divisions. The balance sheet at that time included deferred consideration of £0.5m. During June 2019 the acquirer made a payment under the terms of the deferred consideration clauses for its first six months of trading. The payment was under the forecasted amount and as such the deferred consideration on the balance sheet has been written down to its expected value. A charge of £0.2m has been recorded to reflect the lower than expected first six months payment.

The exceptional income in the period was £0.4m compared to an exceptional cost of £2.1m in the prior year which was an impairment to the carrying value of intangible assets.

KEY PERFORMANCE INDICATORS

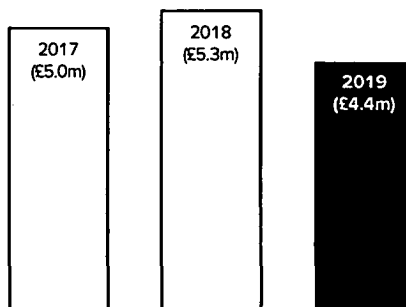
Diagnostics (Genedrive®)

Diagnostics revenue up on prior year owing to sales to DoD.



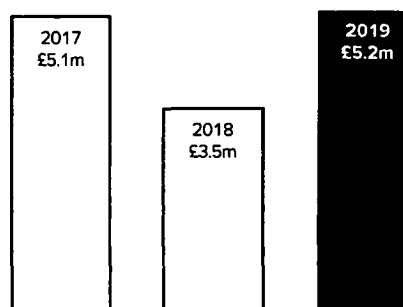
Trading Result

Loss before tax, interest, finance costs and exceptionals, down over prior years owing to lower costs and higher revenues.



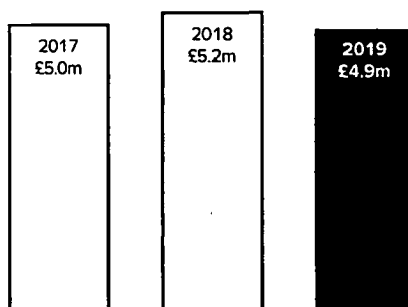
Cash Reserves

Cash reserves of £5.2m, boosted by the £6.5m fund-raise in December 2018.



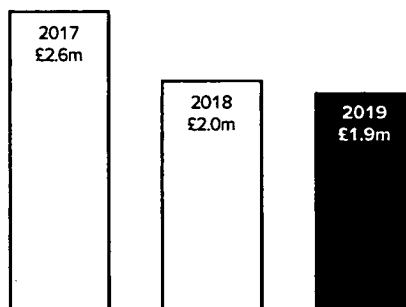
Research and Development Costs

Research and Development costs declined slightly to £4.9m, but we continue to invest in the Genedrive® offering.



Administration Costs

Administration costs amounted to £1.9m, down on prior years following tight control of costs.



Cash Resources

Net cash outflow from operations was £4.6m (2018: £3.8m). The Operating losses were £4.4m (2018: £4.3m) with working capital consuming £0.2m (2018: £0.6m contribution).

The tax credit received was £1.0m (2018: £1.2m) and relates to cash received under the Corporation Tax Research and Development tax relief scheme operated in the UK. The current year tax receivable is £1.0m (2018: £1.0m).

The net proceeds from financing activities were £5.6m (2018: £nil). The proceeds from equity were £3.2m and £2.4m from the issue of the new convertible loan note. Cash paid to the former owner of Visible Genomics of £0.3m has been included in net financing as the payment was contingent on a successful fund-raise.

The increase in cash was £1.7m (2018: £1.6m decrease) meaning a closing cash position of £5.2m (2018: £3.5m).

Balance Sheet

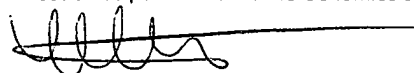
Balance sheet net liabilities at 30 June 2019 totaled £2.5m (30 June 2018: £2.4m). The Company was in a net liability position throughout the year and so section 656 of the Companies Act 2006 was not a requirement.

Non-current assets closed at £0.3m (2018: £0.5m). The decline is owing to the write-down in the carrying value of deferred consideration receivable on the disposal of the Services business. The portion of consideration for Services that will be received at least 12 months from the balance sheet date has been fair valued, discounted and reported as non-current, £0.2m (2018: £0.3m).

Current assets of £6.9m (2018: £5.4m) included cash of £5.2m (2018: £3.5m) following the successful December 2018 fund-raise and tax receivable of £1.0m (2018: £1.0m) for the current year Corporation Tax Research and Development tax claim. The remaining working capital related items make up £0.8m (2018: £0.9m).

Current liabilities were £1.2m (2018: £2.7m) with the large reduction related to the amendment to the Visible genomic contingent consideration agreement that saw elements of the prior year liability move to equity £0.3m, an element paid £0.3m and the remainder credited to the income statement as an exceptional gain £0.6m.

Capital and reserves were bolstered by the December 2018 fund-raise, with a £3.2m equity injection in addition to the £0.3m of shares to be issued as part of the Visible Genomics amendment.



Matthew Fowler
Chief Financial Officer
3 October 2019

PRINCIPAL RISKS AND UNCERTAINTIES FOR THE YEAR ENDED 30 JUNE 2019

Risk is an inherent part of our business and it is important for us to identify and understand the degree to which its impact and likelihood of occurrence will affect the delivery of our key objectives.

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 they are not presented in priority order.

Risk	Impact	Mitigation	Risk Movement
Business Strategy The Board develops the wrong strategy or fails to implement strategy effectively	Negative impact on long-term prospects	- Clear strategy which is reviewed regularly - Progress of strategy clear in KPIs and reporting	↑
Competitor Entry	Loss of first to market advantage and reduction of potential market share	- Product improvement projects to differentiate and protect Genedrive® - Cost programmes in place to support future price-down strategies - Constant market monitoring and competitor analysis	↑
HCV Efficacy The Genedrive® HCV ID Kit does not work as intended in real-world settings	Loss of revenue and profit Loss of brand value and reputation	- Independent clinical studies performed - Ongoing improvement programmes to refine and update - Close monitoring and review of in-field performance	↓
HCV sales slower than expected Delays in the processes to Register and commence the sales of the Genedrive® HCV ID kit in target markets	Loss of revenue and profit Loss of reputation	- Close working relationship with Sysmex and Arkvay - Detailed registration plans per country - Close monitoring and reporting to the Board	↑
Regulatory & Reimbursement Risk The Company strategy relies on the availability of funds from Government and other large organisations to fund drug treatments	Negative impact on long-term prospects	- Company is progressing preferred status (eg WHO pre-qualification) with key bodies - Registration trackers are reported to the Board monthly	↑
Supply Risk The Company is reliant on certain key suppliers of raw materials and components	Inability to fulfil demand Loss of revenue and profit	- Contractual arrangements exist where possible - Secondary suppliers scoped and in progress - Programme of audits for key suppliers	↑
Financial Position The Company is loss making and will continue to be so until it builds a portfolio of profitable diagnostics assays	Negative impact on Company's prospects	- Company continues to seek non-dilutive sources of funding - Cash consumption a key Board metric	↑

INTRODUCTION TO CORPORATE GOVERNANCE

The statement of corporate governance practices set out on pages 22 to 39, including the reports of Board Committees, and information incorporated by reference, constitutes the Corporate Governance Report of genedrive plc.

On behalf of the Board, I am pleased to present genedrive plc's Corporate Governance Report for the year ended 30 June 2019. This report seeks to provide shareholders and stakeholders with a clear understanding of how we discharge our governance duties. As a Group we apply the principles of good governance as set down in the Quoted Companies Alliance Corporate Governance Code (the QCA Code), which was adopted for the first time in the prior year. The Board continues to remain fully supportive of the principles laid down in that Code and keeps under review its systems, policies and procedures that support the Group's sustainability and governance practices.

The Board is responsible for maintaining high standards of corporate governance which necessitates managing the business in a transparent and accountable way. Transparency is fundamental to delivery of the Group's strategy and to enabling value creation for shareholders and stakeholders. We continue to communicate our strategy and progress through clear published announcements and presentations and feel this is fundamental to maintaining the support of our shareholders.

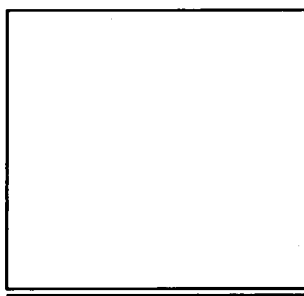
The composition of the Board has been reviewed to ensure that we have the diverse balance of skills, experience and industry knowledge required to achieve our strategic goals. Board succession planning is an important element of our corporate governance regime and procedures are in place to attract, assess and develop Board and Executive Team talent. All appointments are made on merit, and the Board will consider suitably qualified applicants from as diverse a range as possible, with no restrictions on age, gender, religion, and ethnic background or current executive employment.

In line with our previous practice all Directors will be proposed for re-election at the Annual General Meeting of the Company to be held on 27 November 2019 in Manchester, details of which are included in this report. Together with my Board colleagues, I look forward to meeting shareholders at that meeting.

Dr Ian Gilham
Chairman
3 October 2019

BOARD OF DIRECTORS

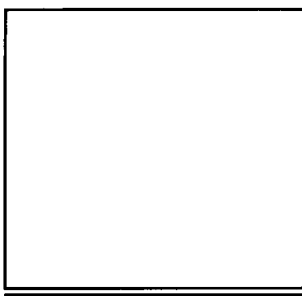
THE RIGHT MIX OF SKILLS AND EXPERIENCE



Ian Gilham
Ph.D.

Chairman

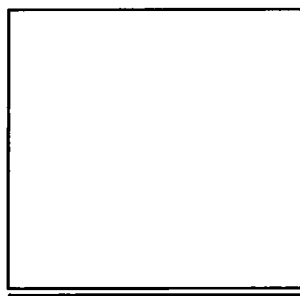
Ian was appointed a Director on 24 November 2014 and as Non-Executive Chairman on 11 May 2015. He is currently Non-Executive Chairman of two other life sciences companies: AIM-quoted Horizon Discovery Group Plc, which provides gene-editing tools to support translational genomics and the development of personalised medicine; and Biosurfit SA, focused on development and commercialisation of point-of-care diagnostic products. Dr Gilham was formerly Chief Executive Officer of Axis-Shield Plc.



David Budd

Chief Executive Officer

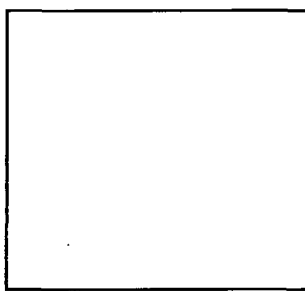
David was appointed a Director and Chief Executive on 1 March 2016. He has over 20 years of international commercial and operational experience in the diagnostics and medical devices field. He previously served as General Manager of Leica Biosystems Amsterdam and Commercial Director at Leica Biosystems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



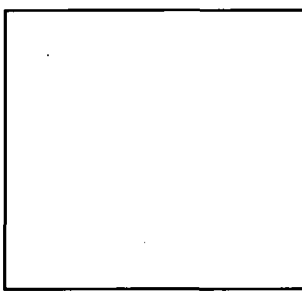
Matthew Fowler

Chief Financial Officer

Matthew was appointed Chief Financial Officer on 13 December 2016. He has over 15 years of experience in senior positions in the manufacturing, power and support services industries. Prior to joining genedrive, Matthew spent eight years as Group Financial Controller of Scapa Group plc, a multinational manufacturing AIM-quoted business. At Scapa Group plc, Matthew was responsible for shaping and managing finance within the Group as well as strategy development and other core processes. Prior to that, Matthew spent three years at British Nuclear Group as Finance Manager where he managed the corporate centre's finance team and was responsible for planning, reporting and accounting. Matthew trained and qualified in the audit department of Deloitte & Touche.

**Tom Lindsay****Non-Executive Director**

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

**Chris Yates****Non-Executive Director**

Chris was appointed to Board on 22 August 2018. He is CEO of Abingdon Health, 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.

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 28 to 31. 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.

Nominations Committee

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

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.

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 the Company against the approved budget;
- review of governance issues affecting the Company; and
- assessment of the corporate risk register.

The Board currently comprises two Executive Directors, a Non-Executive Chairman and two Non-Executive Directors. The names, biographical details and Committee memberships of the current Board members are set out on pages 24 and 25 of this report. Given the size and strategy of the Company, the Board believes that two Non-Executive directors as well as a Non-Executive Chairman is an appropriate structure going forwards.

Division of Responsibilities of the Chairman and Chief Executive

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

The Chairman's principal responsibility is to lead the Board in the determination of its strategy and the achievement of its 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 12 Board meetings during the year to 30 June 2019, seven in-person Board meetings and five by telephone. The Board met more regularly than in previous years to deal with matters associated with the December 2018 fund-raising. 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 are 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 in the table below.

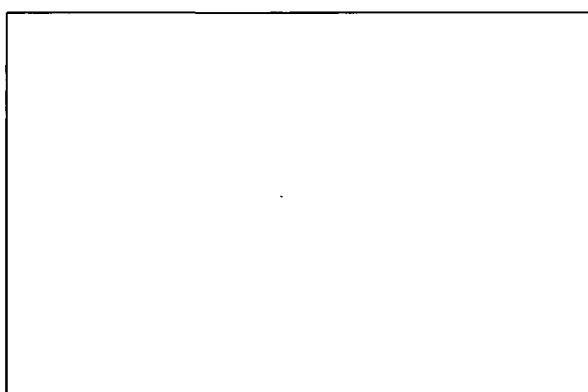
Attendance at Meetings

	Board	Audit and Risk Committee	Remuneration Committee ^a	Nominations Committee
Ian Gilham	11	3	2	—
Tom Lindsay	12	3	2	—
Chris Yates	12	3	2	—
David Budd ^a	12	3	2	—
Matthew Fowler ^a	12	3	2	—

^a Attendance via invitation.

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.

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 2019 is set out on the following pages 28 and 29. The Committee completed its work for the year and continuously reviewed internal control, risk, accounting policies and regulatory guidance. There is nothing to bring to your attention as a result of the work. In summary, the Committee considers that it has delivered what it set out to do and has a clear plan for 2019/20. Together with members of the Committee, I will be available at the Annual General Meeting to respond to any questions on any of the Committee's activities.

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. 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. The Audit and Risk Committee has met twice during the year as well as the Board meeting to review and approve the register of significant risks in the Group.

Composition

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

The two 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 Limited. 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 both Horizon Discovery Group plc and Biosurfit SA and previously was CEO at Axis Shield Plc as well as having held a number of independent director roles at various life sciences and healthcare businesses. Tom Lindsay has held a number of senior roles within major diagnostics businesses, with specific focus and knowledge of the Africa region. This relevant experience allows the members to:

- understand the risks facing a pre-profit diagnostics business and approaches to managing its risks;
- maintain an oversight of the Group's internal control environment through the internal audit plan and risk management framework;
- review strategic financial management in a diagnostics company 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 Activities

During the year the Committee met three times in 2018/19 and undertook the following activities:

Audit Committee Terms of Reference

The Committee formally reviewed and revised the Audit Committee's Terms of Reference in November 2018.

Financial Statements and Reports

- Reviewed the interim financial statements and related statements and discussed key accounting judgements, Income Statement for the half year, specifically convertible loans, share issue, revenue and cash projections.

- Advised the Board that, taken as a whole, the Annual Report and accounts are fair, balanced and understandable.
- Reviewed and considered the significant issues in relation to the financial statements and how these have been addressed, including:
 - Requirements around going concern.
 - Adjustment and treatment of Convertible Loans on the Balance Sheet.
 - Fund-raising and the renegotiation of historic earn-out arrangements.

Going Concern

The Committee reviewed whether it was appropriate to adopt the going concern basis for the preparation of the Annual Report. Consideration was given to the Group's forecasts and the current 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 business is in the early-stages of commercialising its products, and the level of uncertainty as to the timing and quantum of these revenues, the stress-testing of the Group's revenues forecasts led the Director's to conclude that a material uncertainty exists regarding the Group's ability to continue as a going concern and therefore the financial statements include disclosure of this matter on page 49.

Risk Management

- Reviewed and approved the key risks (financial and operational) facing the Group and the ongoing development and implementation of action plans to mitigate these risks.
- Reported to the Board on how it has discharged its responsibilities.
- Reviewed and approved the Group's insurance coverage and extended cover in certain areas.
- Reviewed and considered the Group's Whistleblowing Arrangements and Anti-Bribery Policy.
- Received a presentation, along with the wider Board, on the current AIM Rules and related legislation from the Company's Nominated Adviser, Peel Hunt.

External Audit

- Monitored and ensured the independence and objectivity of the external auditor.
- Reviewed and approved the external audit fees for 2018/19.
- Reviewed and approved the scope and methodology of the external audit strategy for 2018/19.

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.

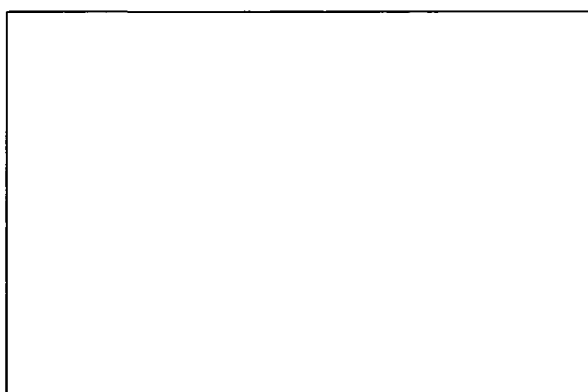
In all services purchased, the Group selects the provider best placed to deliver the work in terms of quality and cost. As a general principle the external auditor is excluded from consultancy work and other non-audit work. However, there may be occasions when it is appropriate to use our external auditor for non-audit services and this will be reviewed on an individual basis and allocated according to merit. The external auditor did not undertake any non-audit services during the year.

Tendering Policy and Review of Auditor Effectiveness

Since the year end the Group's Board, advised by the Audit Committee, has carried out a review of Group audit arrangements and invited a number of firms to tender for the audit of the Group and the Company. As a result of this review the Board intends to propose a resolution to appoint a new auditor to the Group and the Company with effect from the close of the forthcoming Annual General Meeting and to authorise the Directors to determine their remuneration.

Chris Yates
Chairman of the Audit and Risk Committee
3 October 2019

REPORT OF THE REMUNERATION COMMITTEE



Dr Ian Gilham
Chairman

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 June 2019.

This report sets out the activities of the Remuneration Committee for the year ended 30 June 2019. The report has been prepared in accordance with the requirements of Schedule 2 Pt1 to the Companies Act 2006 ('the Schedule') and describes how the Board has applied the Principles of Good Governance relating to Directors' Remuneration. Section 497 of the Act requires the auditors to report to the Company's members on the 'auditable part' of the Directors' Remuneration Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with Part 3 of the Schedule. This report has therefore been divided into separate sections for audited and unaudited information. The information provided in this part of the Directors' Remuneration Report is not subject to audit.

Our Strategy

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

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 2019

Full details of the decisions of the Committee made in 2019 are set out in the Directors' Annual Remuneration Report on pages 32 to 35.

The Committee agreed to increase the salary of the Chief Executive to £230,049 per annum and the Chief Financial Officer to £146,395 (both representing an increase of 1.5%) with effect from 1 September 2019. This increase is in line with the projected general workforce increase for 2019.

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 60% of salary for 2019. Having reviewed the targets, the bonus achieved was 40% of entitlement for both the Chief Executive Officer and the Chief Financial Officer.

Remuneration Committee

The Remuneration Committee is responsible for determining 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. 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.

Transparency

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

- this statement, which sets out a summary of and explains the major decisions on Directors' remuneration; and
- the Directors' Annual Remuneration Report, 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 2019.

The Directors' Annual Remuneration Report will be subject to an advisory vote by shareholders at the 2019 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

3 October 2019

REMUNERATION POLICY

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.

Salary: Salaries are set to attract and retain the right calibre of executive. Salaries are usually determined by reference to market data. All increases and changes are at the discretion of the Committee.

Pension: Both the Chief Executive and the Chief Finance Officer received a contribution to pension equivalent to 2% of salary up to August 2018 and then 3% for the remainder of the year. The executives may elect for contributions to be paid via a salary sacrifice scheme.

Annual bonus: Schemes are designed to link an individual's performance to rewards and encourage the achievement of results aligned to the strategy and objectives of the Company. Bonus decisions are based on Executive Directors performance during the year measured against Group and personal objectives. The value of bonus is limited to a percentage of salary. The current maximum percentages are 100% for the Chief Executive and 60% for the Chief Finance Officer.

Long-Term Incentive Plan (LTIP): The LTIP schemes are designed to discourage excessive risk-taking and inappropriate short-term behaviors as well as aligning interests with shareholders. Awards vest after three years subject to the achievement of vesting criteria. Awards are made annually up to a maximum percentage of 100% of salary.

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

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

Non-Executive Directors' Terms of Engagement

The remuneration of the Non-Executive Directors is determined by the Board within limits set out in the Articles of Association. Each Non-Executive Director has specific terms of engagement. Their remuneration is determined by the Board. 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.

Audited information**Single Figure for Total Remuneration**

The following table sets out the single figure for total remuneration for Directors for the financial years ended 30 June 2019 and 2018.

		Salary & fees £	Bonus £	Benefits in kind £	Pension £	Total £
Executive						
David Budd	2019	226,650	90,660	1,100	6,422	324,832
	2018	223,300	103,332	1,100	4,466	332,198
Matthew Fowler	2019	144,230	34,615	—	4,087	182,932
	2018	142,100	70,000	—	2,842	214,942
Non-Executive						
Ian Gilham	2019	65,000	—	—	—	65,000
	2018	65,000	—	—	—	65,000
Tom Lindsay	2019	24,000	—	—	—	24,000
	2018	6,000	—	—	—	6,000
Chris Yates ¹	2019	10,000	—	—	—	10,000
	2018	—	—	—	—	—
Robert Nolan ²	2019	12,000	—	—	—	12,000
	2018	24,000	—	—	—	24,000
Roger Lloyd ²	2019	12,000	—	—	—	12,000
	2018	24,000	—	—	—	24,000

1 Appointed 22 August 2018.

2 Resigned from the Board on 31 December 2018.

Additional Disclosures for Single Figure Total Remuneration to 30 June 2018**Salary**

The Chief Executive's salary at 30 June 2018 was £226,650 and was increased by 1.5% from 1 July 2019 to £230,049. The CFO's salary at 30 June 2018 was £144,230 and was increased by 1.5% from 1 July 2019 to £146,395. The Committee believes that the increase of 1.5% awarded was in line with the performance of the Group and the individuals, as well as being entirely consistent with the pay increases awarded to other members of staff.

REMUNERATION POLICY

CONTINUED

Annual Performance Bonus

The 2019 bonus for the Executive Directors and Senior Management was based on:

- Revenue targets on sales of Genedrive® units and assays.
- The cash position of the Group at 30 June 2019.
- Progress on attaining WHO pre-qualification.
- Milestone achievement on projects.

The specific targets have not been disclosed. The overall achievement was 40%.

Long-Term Incentive Plans

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

	Outstanding 30 June 2019	Date granted	Exercised	Lapsed	Exercise price	Earliest exercise date	Expiry date
Executive							
David Budd	540,000	04/04/2019	—	—	£0.235	05/04/2022	04/04/2029
	222,260	19/07/2018	—	—	£0.305	20/07/2021	19/07/2028
	397,590	04/04/2017	—	—	£0.430	05/04/2020	04/04/2027
	244,444	07/04/2016	—	—	£0.900	07/04/2019	06/04/2026
Matthew Fowler	340,000	04/04/2019	—	—	£0.235	05/04/2022	04/04/2029
	264,046	19/07/2018	—	—	£0.305	20/07/2021	19/07/2028
	141,666	22/12/2016	—	—	£0.600	14/12/2019	13/12/2026
Non-Executive							
Ian Gilham	100,000	17/12/2014	—	—	£2.78	17/12/2018	16/12/2025
	50,000	07/04/2016	—	—	£2.78	07/04/2019	06/04/2026
Roger Lloyd	—	—	—	30,000	£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 2019	30 June 2018
Executive		
David Budd	145,380	31,250
Matthew Fowler	86,957	—
Non-Executive		
Ian Gilham	266,424	114,250
Tom Lindsay	65,217	—
Chris Yates	16,304	—
Roger Lloyd	12,500	12,500
Robert Nolan	5,065	5,065

Share Investment Plan

The details of the Epistem Share Investment Plan (SIP) are outlined in note 21 to the financial statements. None of the current Directors participate in the SIP.

Advice Received by the Committee

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

This Remuneration Report was approved by a duly authorised Committee of the Board of Directors on 3 October 2019 and signed on its behalf by:

Dr Ian Gilham

Chairman of the Remuneration Committee

3 October 2019

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 2019. genedrive plc is the holding company for a group of company's operating in the disease diagnostics markets. A review of the performance of the Group's businesses is contained on pages 10 to 17 and forms part of this report.

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 financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and company financial statements in accordance with IFRSs as adopted by the European Union. 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 financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- 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.

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 10 to 17 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 to 48 of this report. The Directors do not recommend paying a dividend.

Going Concern

The Directors have concluded that it is necessary to draw attention to the revenue and cost forecasts in the business plans. In order for the Group and Company to continue as a going concern, there is a requirement to achieve a certain level of sales. Given the Company is in the early stages of commercialising its products, the forecast level of sales in the next 12 months is subject to uncertainty. If an adequate sales level cannot be achieved to support the Group and Company, the Directors have the options to reduce on-going spend or seek additional funding from shareholders. While the Board is confident that it will achieve the required revenue and has a successful track record in both cutting costs and raising funds, there remains uncertainty as to the level of sales that will be achieved, the amount of cost reduction that may be required and the amount of funding that could be raised from shareholders. This combination of factors represents a material uncertainty that may cast significant doubt on the group and company's ability to continue as a going concern. However, based on the relative likelihood of achieving versus not achieving, the Board believe it is appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements. These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Annual General Meeting

The Annual General Meeting will be held on 27 November 2019 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 25 to the Company's financial statements on page 77. 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 Director's Holdings is disclosed on page 35. No person has any special rights of control over the Company's share capital and all issued shares are fully paid. Subject to the provisions of the Company's Articles of Association and the Companies Act 2006, at a General Meeting of the Company the Directors may request authority to allot shares and the power to disapply pre-emption rights and the authority for the Company to purchase its own ordinary shares in the market. The Board requests such authority at each Annual General Meeting. Details of the authorities to be sought are set out in the Notice of Annual General Meeting.

Share Options

Details of the Company's share capital and options over the Company's shares under the Company's employee share plans are given in notes 21 and 25.

DIRECTORS' REPORT

CONTINUED

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.

The Company issued a convertible bond to the Global Health Investment Fund 1 LLC in July 2014. Under the terms of this arrangement the bond holder has various options to convert its bond into shares over the term of the bond as detailed in note 20 on pages 69 and 70.

The Company issued a convertible bond to the Business Growth Fund in December 2018. Under the terms of this arrangement the bond holder has various options to convert its bond into shares over the term of the bond as detailed in note 20 on pages 69 and 70.

On 10 December 2018 the Company amended the terms of the sale and purchase agreement related to the acquisition of Visible Genomics Limited in July 2010. As part of the amendment 869,565 shares will be issued to the former owner of Visible Genomics on 10 December 2019 followed by a further 500,000 shares on 10 December 2021.

Board of Directors

The names of the present Directors and their biographical details are shown on pages 24 and 25. At the Annual General Meeting, to be held on 27 November 2019, all the Directors will offer themselves for re-election.

Significant Shareholdings

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

	Holding
Calculus Capital	19.4%
M&G Investment Mgt	15.2%
BGF Investment Mgt Ltd	12.8%
Odey asset Mgt	5.5%
River & Mercantile asset Mgt	5.4%

Research and Development

During the year ended 30 June 2019 the Group has incurred research and development costs of £4.9m (2018: £5.2m). Expenditure on intangible assets (relating to research and development activities) was £nil (2018: £nil) as detailed in note 11 to the financial statements. A review of this expenditure is included within the Strategic Report on pages 1 to 21.

Financial Risk Management

The Company's approach to managing financial risk is covered in note 22 to the financial statements.

Provision of Information to Auditors

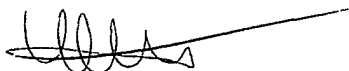
The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 24 and 25. Having made enquiries of fellow Directors and of the Group's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no 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

As a result of a review performed shortly after the year end, the Board intends to propose a resolution to appoint a new auditor to the Group and the Company with effect from the close of the forthcoming Annual General Meeting and to authorise the Directors to determine their remuneration.

Approved by the Board of Directors and signed on its behalf by:



Matthew Fowler
Company Secretary
3 October 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENEDRIVE PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, genedrive plc's group financial statements and company financial statements (the 'financial statements'):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2019 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2019 (the 'Annual Report'), which comprise: consolidated statement of comprehensive income for the year ended 30 June 2019, consolidated balance sheet as at 30 June 2019, consolidated statement of changes in equity for the year ended 30 June 2019, consolidated cash flow statement for the year ended 30 June 2019, company balance sheet as at 30 June 2019, company statement of changes in equity for the year ended 30 June 2019, company statement of cash flows for the year ended 30 June 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Group and Company – material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. Note 1 describes the uncertainty related to the Group's and Company's ability to generate future revenue and cash inflows and, if necessary, reduce costs and / or raise additional funding from shareholders. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Explanation of material uncertainty

As described in note 1 the Directors have prepared a cash flow forecast extending to December 2020 in order to assess the Group's and Company's ability to continue as a going concern. The cash flow forecast indicates the Group will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements, however this is dependent on the Group's ability to achieve its revenue forecasts which show growth versus the prior year. If the Group is not able to achieve its revenue forecasts it would need to reduce costs and / or raise additional funding from shareholders.

There is a risk that the Group will not achieve its anticipated revenue growth and, if necessary, reduce costs and / or raise additional funding from shareholders. If this were the case, the Group may not have sufficient cash to meet its obligations as they fall due. Given this risk, the directors have drawn attention to this in disclosing a material uncertainty relating to going concern in the basis of preparation to the financial statements.

What audit procedures we performed

In concluding there is a material uncertainty, our audit procedures included:

- obtaining management's cash flow forecast, which supports its use of the going concern basis of accounting, and tested the mathematical accuracy of this model. We compared significant forecast revenue to supporting information including purchase orders and found these to be consistent. We compared forecast costs to equivalent amounts incurred in the current year and discussed with management the reasons for any significant variances;
- considering the historical accuracy of management's forecasting; and
- reviewing management's downside sensitivities and performing our own sensitivity analysis, focusing on reasonable downside scenarios including lower than, or a deferral of, forecast revenue. We also understood the level of committed versus discretionary spend to determine where costs could be reduced if necessary to mitigate any short term cash shortfall.

If the Group does not achieve its anticipated revenue growth and, if necessary, reduce costs and/or raise additional funding from shareholders it may not have sufficient cash to meet its obligations as they fall due. This has been deemed a material uncertainty which, if realised, may affect the Group's and Company's ability to continue as a going concern.

Our audit approach

Overview

- Overall group materiality: £247,850 (2018: £232,650), based on 5% of loss before tax adjusted for exceptional items.
- Overall company materiality: £84,380 (2018: £69,140), based on 1% of net liabilities.
- We performed work over genedrive plc (the parent company of the Group) and Genedrive Diagnostics Limited, a 100% owned subsidiary, which account for 100% of revenue and 99% of loss before tax, adjusted for exceptional items.
- We performed audit work over all material financial statement line items of the company financial statements.
- Accounting treatment and disclosure of convertible bonds (Group and Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENEDRIVE PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

CONTINUED

Key audit matter

Accounting treatment and disclosure of convertible bonds (Group and Company)

Refer to note 20.

During the year, the Group entered into the following agreements related to convertible bonds:

- a second Deed of Amendment related to its existing bond held by the Global Health Investment Fund 1 LLC ('GHIF'); and
- the issue of a new convertible bond to the Business Growth Fund ('BGF').

The Deed of Amendment to the bond held by GHIF was accounted for as a modification of the existing instrument, rather than an extinguishment.

The debt and derivative financial liability components of the compound financial instrument were remeasured at the amendment date with the difference in the total fair values being recognised as a gain in the Income Statement.

The convertible bond issued to BGF was accounted for as a compound financial instrument comprised of a debt host and a derivative financial liability. Both elements of the compound financial instruments were measured at fair value on inception.

Management engaged external valuations experts to assist with the valuations performed at the date of the agreements and at the year end date.

How our audit addressed the key audit matter

We read the GHIF Deed of Amendment and the BGF bond agreement and assessed management's proposed accounting treatment and consider it to be appropriate.

We audited the valuations performed by management including the following key elements:

- we assessed the conclusion that the Deed of Amendment represented a modification rather than an extinguishment with reference to the qualitative terms of the amendment and the quantitative change in the net present value of the contractual cash flows;
- we compared the contractual cash flows included in management's calculations to the signed bond agreements;
- we agreed other key terms from the signed bond agreements to management's calculations, including share price conversion amounts;
- we assessed the market rate of interest used by comparing it to the yield to maturity of comparable traded debt securities with a similar credit rating;
- we compared the risk free rate used to UK Government bond yields for appropriate maturities; and
- we compared the volatility assumption used to convertible debt arrangements with similar characteristics.

We found the assumptions used and the resultant valuations to be within a reasonable range.

We have reviewed the disclosures in the financial statements and consider these to be sufficient and appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£247,850 (2018: £232,650).	£84,380 (2018: £69,140).
How we determined it	5% of loss before tax adjusted for exceptional items.	1% of net liabilities.
Rationale for benchmark applied	We believe that loss before tax adjusted for exceptional items is an important measure in assessing the performance of the group, and is a generally accepted benchmark.	We believe that net liabilities is an important measure in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £80,000 and £240,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £12,393 (Group audit) (2018: £11,600) and £4,219 (Company audit) (2018: £3,450) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENEDRIVE PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

CONTINUED

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 36, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Hazel Macnamara (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

3 October 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

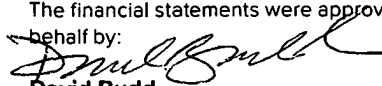
	Note	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Continuing operations			
Revenue	2	2,362	1,938
Research and development costs	3	(4,877)	(5,180)
Administrative costs	3	(1,934)	(2,022)
Trading loss		(4,449)	(5,264)
Exceptional items	4	439	(2,111)
Operating Loss	3	(4,010)	(7,375)
Net finance costs	7	(508)	(413)
Loss on ordinary activities before taxation		(4,518)	(7,788)
Taxation on ordinary activities	8	882	758
Loss for the financial year from continuing operations		(3,636)	(7,030)
Discontinued operations			
Profit for the year from discontinued operations	9	–	1,063
Loss/total comprehensive expense for the financial year		(3,636)	(5,967)
Loss per share (pence) from continuing operations – Basic and diluted	11	(14.0)	(37.6)
Loss per share (pence) from continuing and discontinued operations – Basic and diluted	11	(14.0)	(31.9)

CONSOLIDATED BALANCE SHEET

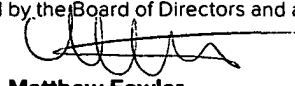
AS AT 30 JUNE 2019

	Note	30 June 2019 £'000	30 June 2018 £'000
Assets			
Non-current assets			
Plant and equipment	12	164	165
Contingent consideration receivable	13	153	340
		317	505
Current assets			
Inventories	14	123	171
Trade and other receivables	15	556	551
Contingent consideration receivable	13	106	172
Current tax asset		971	980
Cash and cash equivalents	16	5,184	3,529
		6,940	5,403
Liabilities			
Current liabilities			
Deferred revenue	17	(88)	–
Trade and other payables	18	(1,129)	(1,470)
Deferred consideration payable in shares	19	–	(1,250)
		(1,217)	(2,720)
Net current assets		5,723	2,683
Total assets less current liabilities		6,040	3,188
Convertible bond	20	(8,518)	(5,625)
Net liabilities		(2,478)	(2,437)
Capital and reserves			
Share capital			
Called-up equity share capital	25	510	282
Other reserves	26	28,112	24,745
Accumulated losses		(31,100)	(27,464)
Total deficit		(2,478)	(2,437)

The financial statements were approved by the Board of Directors and authorised for issue on 3 October 2019. They were signed on its behalf by:



David Budd
Chief Executive Officer



Matthew Fowler
Chief Financial Officer

Company number: 06108621

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Share capital £'000	Other reserves £'000	Accumulated losses £'000	Total equity £'000
Balance at 30 June 2017	281	24,657	(21,497)	3,441
Share issue	1	–	–	1
Transfer of shares to SIP members	–	33	–	33
Equity-settled share-based payments	–	55	–	55
Transactions settled directly in equity	1	88	–	89
Total comprehensive expense for the year	–	–	(5,967)	(5,967)
Balance at 30 June 2018	282	24,745	(27,464)	(2,437)
Share issue	228	3,015	–	3,243
Deferred consideration equity component	–	315	–	315
Equity-settled share-based payments	–	49	–	49
FX on translation of overseas assets	–	(12)	–	(12)
Transactions settled directly in equity	228	3,367	–	3,595
Total comprehensive expense for the year	–	–	(3,636)	(3,636)
Balance at 30 June 2019	510	28,112	(31,100)	(2,478)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Cash flows from operating activities		
Operating loss for the year	(4,010)	(7,375)
Depreciation, amortisation and impairment	98	3,117
Exceptional items (all non-cash)	(439)	–
ATL Research credits	(89)	(59)
Share-based payment (credit)/expense	49	(12)
Operating loss before changes in working capital and provision	(4,391)	(4,329)
Decrease/(increase) in inventories	(12)	241
Decrease in trade and other receivables	60	119
Increase/(Decrease) in deferred revenue	88	(115)
(Decrease) in trade and other payables	(346)	(547)
Cash flow from discontinued operations	–	864
Net cash outflow from operations	(4,601)	(3,767)
Tax received	980	1,220
Net cash outflow from operating activities	(3,621)	(2,547)
Cash flows from investing activities		
Finance income	7	18
Acquisition of plant and equipment and intangible assets, net of loss on disposals	(97)	(24)
Proceeds from disposal of discontinued operations	13	957
Cash paid to settle deferred consideration	(300)	–
Net cash inflow/(outflow) from investing activities	(322)	946
Cash flows from financing activities		
Proceeds from share issue	3,243	–
Proceeds from bond issue	2,366	–
Net inflow from financing activities	5,609	–
Net increase/(decrease) in cash equivalents	1,666	(1,601)
Cash and cash equivalents at beginning of year	3,529	5,129
Effects of exchange rate changes on cash and cash equivalents	(11)	1
Cash and cash equivalents at end of year	5,184	3,529
Analysis of net funds		
Cash at bank and in hand	16	5,184
Net funds	5,184	3,529

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

General Information

genedrive plc ('the Company') is a company incorporated and domiciled in the UK.

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

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

1. Significant accounting policies

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

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation, IFRS Interpretations Committee ('IFRSIC') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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.

Following the disposal of the Group's Services business, on 8 June 2018, the respective prior year results for this business are disclosed as a discontinued operation.

The Group has elected to take exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account.

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

Going concern: The Directors have concluded that it is necessary to draw attention to the revenue and cost forecasts in the business plans. In order for the Group and Company to continue as a going concern, there is a requirement to achieve a certain level of sales. Given the Company is in the early stages of commercializing its products, the forecast level of sales in the next 12 months is subject to uncertainty. If an adequate sales level cannot be achieved to support the Group and Company, the Directors have the options to reduce ongoing spend or seek additional funding from shareholders. While the Board is confident that it will achieve the required revenue and has a successful track record in both cutting costs and raising funds, there remains uncertainty as to the level of sales that will be achieved, the amount of cost reduction that may be required and the amount of funding that could be raised from shareholders. This combination of factors represents a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern. However, based on the relative likelihood of achieving versus not achieving, the Board believe it is appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements. These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

CONTINUED

1. Significant accounting policies continued

Basis of consolidation

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

Revenue

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

Revenue recognition

a. Contract revenue

Contract revenue is recognised by reference to the stage of completion of the related transaction at the end of the reporting period. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

b. Collaboration & 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 milestone.

Income which is related to ongoing research activity is recognised as the research activity is undertaken, in accordance with the contract.

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 Statement of Comprehensive Income on a systematic and rational basis over the useful lives of the related assets.

d. Product sales

Revenue from product sales is recognised on shipment to customers in line with contractual agreements.

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.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated so as to write off the cost of an intangible asset, less its estimated residual value, over the useful economic life of that asset, as follows:

- Acquired intellectual property – the shorter of 5% straight-line basis or their estimated useful life.
- Developed intellectual property – the shorter of 10% straight-line basis or their estimated useful life.
- Patents – over the shorter of 17 years or their estimated useful lives on a straight-line basis.

No amortisation is charged on those assets which are not yet available for use.

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 & fittings – straight-line over 48 months
 Other equipment – straight-line over 48 months

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement over the period of the lease.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

CONTINUED

1. Significant accounting policies continued

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 22.

Share-based payments

The Group issues equity-settled share-based payments to certain employees (including Executive 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.

Exceptional items

Items which are both material, either qualitatively or quantitatively, and infrequent in nature are presented as exceptional items so as to provide a better indication of the Company's underlying business performance and are shown separately on the face of the Income Statement. Items classed as exceptional in the Income Statement are treated as exceptional in the cash flow until the items are fully unwound.

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 doubtful debts. Bad debts are written off when identified. After initial recognition, these are carried forward at amortised cost using the effective interest method.

Cash and cash equivalents

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

Interest-bearing loans and borrowings

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 account when liabilities are derecognised or impaired, as well as through the amortisation process.

Investments

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

Taxation

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

Taxation credits which fall under the category of Above the Line Research & Development credits ('ATL Research credit') as detailed in the Finance Act 2013 are offset against the expenditure to which they relate and, in the Statement of Profit and Loss, are disclosed within Contract and Discovery 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

CONTINUED

1. Significant accounting policies continued

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

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

Financial instruments (including convertible bond)

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 20, the Company has in issue a convertible bond which is a compound instrument comprising a liability component, or debt host, and an equity derivative component.

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

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

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

Parent Company assets

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

New standards and interpretations not applied

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

The following new standards have been adopted in the year:

IFRS 9 Financial Instruments: The Standard was adopted on 1 July 2018, replacing IAS 39 Financial Instruments. This Standard covers the classification, measurement, impairment and derecognition of financial assets and financial liabilities together with a new hedge accounting model. IFRS 9 requires the Group to recognise expected credit losses and to update these estimates periodically to reflect changes in the credit risk of financial assets. The Group transition to this Standard has not had a material impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers: The Standard was adopted on 1 July 2018, replacing IAS 11 Construction Contracts and IAS 18 Revenue. This Standard requires the separation of performance obligations within contracts with customers and the contractual value to be allocated to each of the performance obligations. Revenue is then recognised as each performance obligation is satisfied. The Group transition to this standard has not had a material impact on the financial statements.

The following amendments have been adopted in the year:

- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IAS 40 (amendments) Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014–2016 Cycle
- Amendments to IAS 28 Investments in Associates and Joint Venture
- IFRS IC 22 Foreign Currency Transactions and Advance Consideration

The above interpretations and revised Standards have not had any material impact on the amounts reported in these financial statements or the disclosures required. At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual improvements to IFRS Standards 2015–2017 Cycle, Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements
- IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits, Plan Amendment, Curtailment or Settlement
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture
- IFRS IC 23 Uncertainty over Income Tax Treatments

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods except as follows:

IFRS 16 is effective for annual periods beginning 1 January 2019 and will replace IAS 17 Leases. It will introduce changes to lessee accounting by removing the distinction between operating and finance leases, requiring the recognition of a right-of-use asset and a lease liability at the commencement of all leases. Leases previously classified as operating leases with lease payments recorded in the Consolidated Income Statement will now be included in the Consolidated Balance Sheet.

IFRS 16 application will result in an increase in current assets and financial liabilities due to the recording of the right-of-use asset and future lease liabilities. The Group estimates that upon transition on 1 July 2019, the Group will recognise a right-of-use lease asset that is expected to be between £0.2m and £0.4m and a financial lease liability that matches the right-of-use asset. Operating profit will not be impacted materially as the operating leases in the Group are less than 18 months in duration.

The Group results announcement for the half year ending 31 December 2019 will be the first to be prepared under IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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1. Significant accounting policies continued

Critical accounting estimates

The preparation of financial statements in conformity with IFRS 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:

- Determining what 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. 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 £97k.
- Determining the market value of the debt component of the convertible bond requires the Board to make a judgement about the market rate of interest to apply to instrument of this nature. The single biggest variable is the discount rate used to present the value of the loan items. The Company assessed the variable and determined that 10% was an appropriate discount rate. If the discount rate used to value the convertible items was 2.5% higher, 12.5%, the value of the balance sheet liability would fall by £0.8m. If the discount rate used to value the convertible items was 2.5% lower, 7.5%, the value of the balance sheet liability would increase by £0.9m.
- Determining the going concern basis of preparation of the accounts required judgment as to the level of cash at the balance sheet date and the forecasted performance over the projected period. Judgment was required to assess the expected level of cash generation from revenue and cash consumption from R&D spend.
- The consideration for the disposal of the Services business included deferred consideration based on the R&D tax credits claimed by the business in the three years post disposal. The deferred consideration is carried at the discounted fair value of the expected R&D tax credits. The estimated value of the R&D tax credits is the value claimed in the period ending December 2018.

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.

2. Segmental reporting

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

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

Business segments	Diagnostics segment £'000	Administrative costs £'000	Total £'000
Year ended 30 June 2019			
Revenue	2,362	–	2,362
Segment EBITDA	(2,483)	(1,868)	(4,351)
Less depreciation and amortisation	(32)	(66)	(98)
Exceptional items	–	439	439
Operating loss	(2,515)	(1,495)	(4,010)
Net finance costs			(508)
Loss on ordinary activities before tax			(4,518)
Taxation			882
Loss for the financial year from continuing operations			(3,636)
Total comprehensive expense for the year			(3,636)

Business segments	Diagnostics segment £'000	Administrative costs £'000	Total £'000
Year ended 30 June 2018			
Revenue	1,938	–	1,938
Segment EBITDA	(2,325)	(1,934)	(4,259)
Less depreciation and amortisation	(917)	(88)	(1,005)
Exceptional items	–	(2,111)	(2,111)
Operating loss	(3,242)	(4,133)	(7,375)
Net finance costs			(413)
Loss on ordinary activities before tax			(7,788)
Taxation			758
Loss for the financial year from continuing operations			(7,030)
Profit for the year from discontinued operations			1,063
Total comprehensive expense for the year			(5,967)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

CONTINUED

2. Segmental reporting continued

	Diagnostics segment £'000	Administrative costs £'000	Total £'000
Year ended 30 June 2019			
Segment assets	720	6,532	7,252
Segment liabilities	(598)	(9,132)	(9,730)
Year ended 30 June 2018			
Segment assets	608	5,300	5,908
Segment liabilities	(584)	(7,761)	(8,345)

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 2019 £'000	Year ended 30 June 2018 £'000
All on continuing operations		
United Kingdom	1,439	230
Europe	16	59
United States of America	907	1,602
Rest of world	–	47
	2,362	1,938

Revenue from continuing operations during the year related to grant income and funded development programmes of £1,401k (2018: £1,811k) and product sales of £961k (2018: £127k).

Revenue from product sales and development was £961k (2018: £1,716k).

Revenue from grants was £1,401k (2018: £222k).

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

- (a) £907k of revenue was derived from the US Department of Defense (2018: £1,602k); and
- (b) £1,100k of revenue was derived from Innovate UK (2018: £221k).

3. Operating loss

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

		Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
	Note		
Research and development expenditure		4,877	5,180
ATL Research credit	7	(89)	(177)
Amortisation of intangible assets		–	897
Gain on settlement of deferred consideration payable in shares		(635)	–
Impairment of deferred consideration receivable	4	196	–
Depreciation of owned tangible fixed assets	12	98	182
Impairment of intangible assets		–	2,111
Staff costs	5	2,775	4,051
Auditors' remuneration, fees payable for			
– the audit of the Parent Company and consolidated accounts		10	10
– the audit of the Company's subsidiaries		81	52
Operating lease costs – property rent		294	484

The auditors remuneration for the current year includes £26,500 for auditing costs associated with risks related to the 2018 fund-raise.

4. Exceptional items

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Exceptional gain on settlement of deferred consideration payable	635	–
Impairment of deferred consideration receivable	(196)	–
Impairment of intangible assets	–	2,111
	439	2,111

During the year the Company entered into a fifth deed of amendment in relation to the Visible Genomics Sale and Purchase Agreement. The fifth deed of amendment became effective on 10 December 2018 and varied the remaining £1,250,000 consideration payable. The difference between the total fair value of amended consideration payable and the £1,250,000 created a gain of £635,000 (2018: £nil) which has been treated as exceptional.

The carrying value of deferred consideration receivable on the disposal of Epistem trade assets was reviewed in the year following receipt of an amount received for an initial part period. The value of expected deferred consideration receivable has been written down to £446k and created an impairment charge of £196k (2018: £nil).

In the prior year management undertook a carrying value review of intangible assets and determined that the carrying value should be written down to £nil and this created an impairment charge of £2,111k in the income statement. The write down results in no intangible assets on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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5. Particulars of employees

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

	Year ended 30 June 2019 No	Year ended 30 June 2018 No
Discontinued operations	—	28
Research and development	31	32
Administration	13	12
	44	72

The reduction in headcount follows the disposal of the Services Divisions in 2018.

The aggregate employee costs (including Directors) were:

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Wages, salaries and other benefits	2,402	3,557
Social security costs	271	350
Equity-settled share-based payments	49	55
Pension cost – defined contribution plans	56	65
Cost of SIP matching shares provision	(3)	24
	2,775	4,051

6. Directors' remuneration (key management)

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Wages, salaries and other benefits	980	1,183
Social security costs	120	154
Equity-settled share-based payments	47	45
Pension cost – defined contribution plans	22	18
Cost of SIP matching shares provision	(1)	4
	1,168	1,404

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

Disclosure of individual Directors' remuneration, share interests, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 is shown in the tables in the Remuneration Committee Report on pages 30 to 31 and forms part of these financial statements.

7. Net finance costs

Group	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Interest income on bank deposits	18	13
Gain on amendment to convertible bond	325	—
Movement in fair value of derivative embedded in convertible bond	318	—
Finance cost of convertible bond	(889)	(531)
Foreign exchange movement in convertible bond	(280)	105
	(508)	(413)

8. Taxation on ordinary activities

(a) Recognised in the income statement

	Continuing operations		Discontinued operations		Total	
	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Current tax:						
Research and development tax credits	(971)	(817)	—	(163)	(971)	(980)
Less: recognised as ATL Research credit	89	59	—	118	89	177
Total tax credit for the year	(882)	(758)	—	(45)	(882)	(803)

(b) Reconciliation of the total tax charge

The tax assessed on the loss on ordinary activities for the year is lower (2018: higher) than the weighted average applicable tax rate for the year ended 30 June 2019 of 19.00% (2018: 19.00%). The differences are explained below:

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Loss before taxation on continuing operations	(4,518)	(7,788)
Tax using UK corporation tax rate of 19.00% (19.00%)	(858)	(1,480)
Adjustment in respect of R&D tax credit recognised above the line (ATL)	4	59
Adjustment in respect of R&D tax credit claimed	(379)	(380)
Items not deductible for tax purposes – permanent	11	543
Items not deductible for tax purposes – temporary	—	(11)
Deferred tax not recognised	304	490
Rate differences	36	21
Total tax credit for the year	(882)	(758)

No deferred tax assets are recognised at 30 June 2019 (2018: £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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

CONTINUED

8. Taxation on ordinary activities continued

The Group had trading losses, as computed for tax purposes, of approximately £11,733k (2018: £9,854k) available to carry forward to future periods; this excludes management expenses.

The Finance Act 2016, which was subsequently enacted on 15 September 2016, includes provisions to reduce the corporation tax rates to 19.0% with effect from 1 April 2017 and 18.0% with effect from 1 April 2020. In addition, the Finance Bill 2017 was substantively enacted on 6 September 2017 which introduced a further reduction in the main rate of corporation tax from 18.0% to 17.0% from 1 April 2020. Both changes are reflected in the balance sheet figures and the overall effect on the deferred tax balance and tax credit for the year is not material.

In accordance with the provisions of the Finance Act 2000 in respect of research and development allowances, the Group is entitled to claim tax credits for certain research and development expenditure. These credits are disclosed partly as Above the line research & development credits ('ATL Research credits') within Research and development costs and partly as Research and development tax credits within Taxation on ordinary activities. The total amount included in the financial statements in respect of Continuing operations for the year ended 30 June 2019 was £971k (2018: £817k) which included £89k (2018: £59k) disclosed as ATL Research credit deducted from Research and development costs with the balance of £882k (2018: £758k) disclosed within Taxation on ordinary activities as detailed above.

9. Disposal of business segment

	Year ended 30 June 2018 £'000
Group	
Fair value of sales proceeds	1,521
Costs of disposal	(163)
Net assets disposed of	(717)
Profit on disposal	641

On 8 June 2018 the Group disposed of the business and assets of its 'Services' business. This division comprised the segments previously reported as Preclinical Research Services and Pharmaco-genomics Services. The consideration was £1,150k subject to normal working capital adjustments, plus up to an additional £750k deferred consideration based on the Research and development tax credits earned by the business in the 36 months post disposal. Management have made their best estimate of the future cash flows expected from the disposal and discounted these using the Company's WACC of 12.5%. The costs of the disposal of £163k include legal costs and corporate finance costs.

Result of discontinued operations

The results of the discontinued operation, which have been included in the income statement, were as follows:

	Year ended 30 June 2019 £'000	Period ended 8 June 2018 £'000
Discontinued operations		
Revenue	–	2,783
Operating costs	–	(2,524)
Above the line tax credit	–	118
Profit before tax	–	377
Attributable tax credit	–	45
Profit on disposal of discontinued operations	–	641
Profit attributable to discontinued operations	–	1,063

The disposed business was not a separate legal entity. Any theoretical tax expense in the periods above would have been settled via Group relief.

During the year to 30 June 2018, the business contributed £332k to the Company's net operating cash flows. All of these cash flows were from operating activities and there were no investing or financing cash flows in the period.

	Year ended 30 June 2019 £'000	Period ended 8 June 2018 £'000
Discontinued operations		
Proceeds from disposal of business	57	957
Operating cash flows from discontinued operations	–	332
Net cash flow from discontinued operations	57	1,289

10. Loss attributable to members of the parent company

genedrive plc has not presented its own statement of comprehensive income as permitted by Section 408 of the Companies Act 2006. The loss dealt with in the accounts of genedrive plc was £5,131k (2018: loss £9,401k).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

CONTINUED

11. Earnings per share per share

Group	2019 £'000	2018 £'000
Loss for the year after taxation continuing operations	(3,636)	(7,030)
Profit for the year after taxation discontinued operations	–	1,063
Group	2019 Number	2018 Number
Weighted average number of ordinary shares in issue	26,037,433	18,692,269
Potentially dilutive ordinary shares	–	–
Adjusted weighted average number of ordinary shares in issue	26,037,433	18,692,269
Loss per share on continuing operations		
– Basic	(14.0)p	(37.6)p
– Diluted	(14.0)p	(37.6)p
Loss per share on continuing operations and discontinuing operations		
– Basic	(14.0)p	(31.9)p
– Diluted	(14.0)p	(31.9)p
Earnings per share on discontinued operations		
– Basic	–	5.7p
– Diluted	–	5.7p

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: there would be no potentially dilutive share options because, as shown in note 21 all share options in issue are underwater; there would be 79,129 of dilutive SIP shares, (as described in note 21, the total accrued shares under the SIP should all shares meet their vesting criteria is 97,993 and the Company holds 18,864 to meet the SIP commitments).

12. Plant and equipment

Group	Lab equipment £'000	Fixtures & fittings £'000	Other equipment £'000	Total £'000
Cost				
At 1 July 2018	220	114	215	549
Additions	78	–	21	99
Disposals	–	–	(4)	(4)
At 30 June 2019	298	114	232	644
Accumulated depreciation				
At 1 July 2018	150	84	150	384
Charge for the year	32	24	42	98
Depreciation on disposed assets	–	–	(2)	(2)
At 30 June 2019	182	108	190	480
Net book value				
At 30 June 2018	70	30	65	165
At 30 June 2019	116	6	42	164

13. Contingent consideration receivable

	Greater than 12 months £'000	Less than 12 months £'000	Total £'000
Balance at 30 June 2017	–	–	–
Disposal of Services Business	340	172	512
Balance at 30 June 2018	340	172	512
Received in the period	–	(57)	(57)
Impairment of	(187)	(9)	(196)
Balance at 30 June 2019	153	106	259

Under the terms of sale and purchase agreement for the disposal of the Services business, a total of £512k of future contingent consideration was held on the balance sheet at June 2018. In June 2019 £57k was received for the first six months of trading of the new entity. The amount received was lower than the amount expected and so an impairment charge of £196k (2018: £nil) was posted to value the deferred consideration at the new fair value.

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FOR THE YEAR ENDED 30 JUNE 2019

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14. Inventories

Group	2019 £'000	2018 £'000
Raw materials	123	171
Finished goods	–	–
	123	171

Genedrive units are treated as raw materials. The units are required to go through a testing and software process before being sold.

The inventory valuation at 30 June 2019 is stated net of a provision of £60k (2018: £nil) 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 £60k (2018: £nil).

15. Trade and other receivables

Group	2019 £'000	2018 £'000
Trade receivables	65	182
Less: provisions for impairment	–	(23)
Trade receivables – net	65	159
Other receivables	307	132
Prepayments	184	260
	556	551

Analysis of trade receivables

	2019 £'000	2018 £'000
Neither impaired nor past due	65	127
Past due but not impaired	–	32
Trade receivables	65	159

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

Group	2019 £'000	2018 £'000
Not overdue	65	127
Less than 1 month overdue	–	–
Later than 1 month less than 3 months overdue	–	–
Later than 3 months overdue	–	32
Total	65	159

The movement in the impairment provision for trade receivables is as follows:

Group	2019 £'000	2018 £'000
Opening provision	23	218
Written off in the year	(23)	(218)
Charge for the year	–	23
Closing provision at 30 June	–	23

Ageing of impaired receivables

Group	2019 £'000	2018 £'000
Greater than 3 months	–	23

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

16. Cash and cash equivalents

Group	2019 £'000	2018 £'000
Cash at bank and in hand	5,184	3,529
	5,184	3,529

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

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17. Deferred revenue

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

Group	2019 £'000	2018 £'000
Amounts to be recognised within 1 year	88	—

Deferred revenue relates to the AIHL grant where cash received was ahead of revenue recognised at 30 June 2019.

18. Trade and other payables

Group	2019 £'000	2018 £'000
Trade payables	402	392
Accruals	611	886
Other payables	116	192
	1,129	1,470

19. Deferred consideration payable in shares

Group	2019 £'000	2018 £'000
Payable in shares	—	1,250

During the year the Company entered into a fifth deed of amendment in relation to the Visible Genomics Sale and Purchase Agreement. The fifth deed of amendment became effective on 10 December 2018 and varied the remaining £1,250,000 consideration payable to:

- i) A payment of £300,000 in cash 20 business days after 10 December 2018.
- ii) An allotment of 869,565 shares in genedrive plc on 10 December 2019.
- iii) An allotment of 500,000 shares in genedrive plc on 10 December 2021.

The fair value of the future shares to be issued was calculated based on the share price on the date the deed became effective and was 23.0p per share. The aggregate value of shares to be issued was booked into reserves as a separate component of equity, see note 26.

The difference between the total fair value of the shares (£315,000) and the cash payment made (£300,000) and the £1,250,000 provision on the balance sheet immediately before the deed became effective has been taken to the income statement and disclosed as an exceptional item.

20. Convertible bond

	GHIF host £'000	GHIF derivative £'000	BGF host £'000	BGF derivative £'000	Total host £'000	Total derivative £'000	Total £'000
Balance at 30 June 2017	5,195	4	–	–	5,195	4	5,199
Increase in fair value	227	–	–	–	227	–	227
Finance costs on convertible bond	304	–	–	–	304	–	304
Foreign exchange movement in convertible bond	(105)	–	–	–	(105)	–	(105)
Balance at 30 June 2018	5,621	4	–	–	5,621	4	5,625
Fair value impact of Deed of Amendment	(563)	238	–	–	(563)	238	(325)
Issue of loan note (BGF)	–	–	2,104	396	2,104	396	2,500
Prepaid arrangement fees (BGF)	–	–	(122)	–	(122)	–	(122)
Movement in fair value of embedded derivative	–	(99)	–	(219)	–	(318)	(318)
Finance cost of convertible bonds	710	–	168	–	878	–	878
Foreign exchange movement (GHIF)	280	–	–	–	280	–	280
Balance at 30 June 2019	6,048	143	2,150	177	8,198	320	8,518

Global Health Investment Fund 1 LLC (GHIF)

On 21 July 2014, the Company entered into a Collaboration and Convertible Bond Purchase Agreement ('Agreement') with the Global Health Investment Fund 1 LLC ('GHIF'). The purpose of the Agreement was to fund the Company's development, production and commercialisation of Genedrive® to address Global Health Challenges and achieve Global Health Objectives. Further, as part of the Agreement, GHIF and the Company entered into a Global Access Commitment. Under the Global Access Commitment, the Company will undertake appropriate regulatory strategic steps and registrations to secure access for Genedrive® in developing countries in tuberculosis, malaria or other infectious diseases as agreed between the parties.

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

During the year to 30 June 2019, the Company entered into a second deed of amendment with the Global Health Investment Fund 1 LLC (GHIF) that became effective on the 10 December 2018. The principal effects of the Deed of Amendment were to alter the June 2016 Deed of Amendment and Restatement of the five-year \$8.0m and 5% coupon convertible bond with GHIF as follows:

- The maturity date of the GHIF bond was extended from December 2021 to December 2023.
- The deferment of interest period was extended from January 2019 to January 2022.
- The strike price of the first \$2m tranche was reduced from 150p to 28.75p.
- The strike price of the second \$6m tranche was reduced from 489p to 150p.

All other terms remained the same. The amendment has been treated as a modification and not an extinguishment because material elements of the changes are unaffected and the difference of the cash flows before and after the amendment are approximately equal to 10.4%. The future cash flows from the bond have been discounted at a cost of capital rate of 10.0%.

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20. Convertible bond continued

Business Growth Fund (BGF)

The Company entered into an agreement with the Business Growth Fund (BGF) that became effective on 10 December 2018. Under the terms of the agreement BGF and the Company entered into a convertible loan arrangement. The main terms of the convertible loan note are:

- £2.5m loan that matures on 30 June 2025.
- Interest accrues on the loan at a rate of 7%, payable quarterly.
- Interest can be deferred into the principal up until 31 December 2021 and then needs to be paid in full.
- The loan converts at 28.75p which was 125% of the share price on 10 December.
- Certain warranties have been granted by the Company and the Executive Directors to BGF and BGF consent is required on certain matters.
- The loan came conditional with a £1m subscription to the December 2018 fund-raising process.
- The maximum number of shares to be issued to BGF on conversion of the loan notes, when aggregated with the ordinary shares held by BGF and persons acting in concert with BGF, is capped at 29.9% of the issued share capital of the Company.

The convertible loan has been stated at its fair value and will be subsequently measured at amortised cost. The future cash flows from the bond have been discounted at a cost of capital rate of 10.0%, with loan arrangement costs being prepaid and amortised against the life of the loan.

The convertible nature of the loan grants BGF an option to convert to equity at a certain share price; this has been valued as the residual amount, representing the value of the equity conversion component, and treated as a derivative option.

Accounting for the convertible bonds

IFRS requires the convertible bonds to be accounted for as a compound instrument, comprising a Debt host (liability component) and a Derivative (equity component). The Debt host is required to be recorded initially at fair value. Whilst the coupon is 5%, IFRS requires that the fair value is calculated based on the rate of interest which a market participant would lend to the Company.

Given the nature of the Company's activities, the Company has used a rate of 10.0% in calculating this liability. The Derivative has been valued using a Quanto Option Valuation model which takes account of the multicurrency aspects of the convertible bond. The variables used in running the model are as follows: volatility of the Company's share price 24%, expected life of the Derivative 4.4 years, risk-free interest rate 0.58% and a dividend yield of 0%.

21. Share-based payments

(A) Share options outstanding at 30 June 2018

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, 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	750	£4.03	10 Dec 2013 to 09 Dec 2020	£1.64p	1,230
2007 Epistem Share Option Scheme	30,000	£3.60	10 May 2014 to 09 May 2021	£1.46p	43,800
2007 Epistem Share Option Scheme	750	£3.60	10 Feb 2015 to 09 Feb 2022	£1.46p	1,095
2007 Epistem Share Option Scheme	1,725	£5.50	28 Mar 2016 to 27 Mar 2023	£2.23p	3,847
2007 Epistem Share Option Scheme	21,400	£3.22	29 Jan 2017 to 28 Jan 2024	£1.21p	25,894
2007 Epistem Share Option Scheme	4,000	£3.25	12 Aug 2017 to 11 Aug 2024	£0.60p	2,400
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	11,250	£1.20	11 Dec 2018 to 19 Sep 2025	£0.33p	3,523
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	£0.27p	13,500
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	50,000	£0.90	01 Jun 2019 to 31 May 2026	£0.31p	15,500
2007 Epistem Share Option Scheme	20,000	£0.90	14 Jul 2019 to 13 Jul 2026	£0.12p	2,400
2007 Epistem Share Option Scheme	51,500	£0.80	01 Oct 2019 to 01 Oct 2026	£0.11p	10,478
2007 Epistem Share Option Scheme	9,000	£0.80	15 Oct 2019 to 14 Oct 2026	£0.08p	720
2007 Epistem Share Option Scheme	141,666	£0.60	22 Dec 2019 to 21 Oct 2026	£0.08p	11,333
2007 Epistem Share Option Scheme	70,589	£0.43	04 Apr 2020 to 03 Apr 2027	£0.06p	4,235
Epistem Unapproved Share Option	377,001	£0.43	04 Apr 2020 to 03 Apr 2027	£0.06p	22,620
2017 Epistem Share Option Scheme	65,000	£0.36	30 Nov 2020 to 30 Nov 2027	£0.04p	2,600
Epistem Unapproved Share Option	43,024	£0.36	30 Nov 2020 to 30 Nov 2027	£0.04p	1,721
2017 Epistem Share Option Scheme	88,063	£0.36	05 Dec 2020 to 05 Dec 2027	£0.04p	3,523
2017 Epistem Share Option Scheme	30,000	£0.40	28 Mar 2021 to 28 Mar 2028	£0.05p	1,500
Epistem Unapproved Share Option	222,260	£0.37	20 Jul 2021 to 20 Jul 2028	£0.04p	8,135
2017 Epistem Share Option Scheme	264,046	£0.37	20 Jul 2021 to 20 Jul 2028	£0.04p	9,664
2017 Epistem Share Option Scheme	30,000	£0.34	20 Sep 2021 to 20 Sep 2028	£0.03p	732
2017 Epistem Share Option Scheme	20,000	£0.26	19 Dec 2021 to 19 Dec 2028	£0.03p	522
Epistem Unapproved Share Option	690,000	£0.21	05 Apr 2022 to 05 Apr 2029	£0.02p	14,490
2017 Epistem Share Option Scheme	802,500	£0.21	05 Apr 2022 to 05 Apr 2029	£0.02p	15,120
2017 Epistem Share Option Scheme	10,000	£0.21	20 Apr 2022 to 20 Apr 2029	£0.02p	210
	3,488,968				

Note the share price at grant is the exercise price of the award.

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21. Share-based payments continued

Option valuations

The options were valued using the Black-Scholes option-pricing model. The fair value per option granted and the assumptions used in the calculations are in the table below. The Group's effective date for IFRS 2, ('Share-Based Payments') implementation is 1 July 2006 and the IFRS has been applied to all options granted after 7 November 2002 which have not been vested by this effective date.

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	31 Jul 2008	5 years	0	40	5.00	Note(e)
2007 Epistem Share Option Scheme	10 Dec 2010	5 years	0	50	0.50	Note(e)
2007 Epistem Share Option Scheme	10 May 2011	5 years	0	50	0.50	Note(e)
2007 Epistem Share Option Scheme	10 Feb 2012	5 years	0	50	0.50	Note(e)
2007 Epistem Share Option Scheme	26 Mar 2013	5 years	0	50	0.50	Note(e)
2007 Epistem Share Option Scheme	29 Jan 2014	5 years	0	43	0.50	Note(e)
2007 Epistem Share Option Scheme	12 Aug 2014	5 years	0	43	0.50	Note(e)
2007 Epistem Share Option Scheme	20 Sep 2014	5 years	0	43	0.50	Note(e)
2014 Unapproved Share Options	17 Dec 2014	5 years	0	43	0.50	Note(e)
2007 Epistem Share Option Scheme	11 Dec 2015	5 years	0	30	0.50	Note(e)
2007 Epistem Share Option Scheme	07 Apr 2016	5 years	0	36	0.50	Note(e)
Epistem Unapproved Share Option Scheme	07 Apr 2016	5 years	0	36	0.50	Note(e)
2007 Epistem Share Option Scheme	02 May 2016	5 years	0	37	0.50	Note(e)
2007 Epistem Share Option Scheme	01 Jun 2016	5 years	0	39	0.50	Note(e)
2007 Epistem Share Option Scheme	14 Jul 2016	3 years	0	19	0.25	Note(e)
2007 Epistem Share Option Scheme	1 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	31 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)
2017 Epistem Share Option Scheme	05 Dec 2017	3 Years	0	15	0.50	Note(e)
2017 Epistem Share Option Scheme	28 Mar 2018	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)

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

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

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

- (d) The risk-free rate used is based upon the prevailing UK bank base rate at the date of the grant; and
 (e) These options may be exercised following the third anniversary of grant and are subject to performance criteria which are appropriate to the option holders' role within the Company and which are assessed by the Remuneration Committee.

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

Group	Number		Weighted average exercise price		Weighted average remaining contracted life – Years	
	2019	2018	2019	2018	2019	2018
Outstanding as at 1 July	1,942,252	2,060,675				
Granted during the year	2,038,806	340,337	25p	36p		
Exercised during the year	–	–	–	–		
Forfeited during the year	–	–	–	–		
Lapsed during the year	(492,090)	(458,760)	235p	123p		
Outstanding as at 30 June	3,488,968	1,942,252	132p	132p	8.6	7.8
Options exercisable at 30 June	554,319	497,715	55p	310p	6.1	4.0

There were no options exercised in the year ended 30 June 2019 (2018: nil).

(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 Inland Revenue 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 3 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 2019 the number of Partnership Shares earned by employees was 48,994. The total number of potential Matching Shares provided for employees at 30 June should all the employees meet the three-year vesting rule was 97,993. Of the 97,993 shares 15,957 have vested under the three years service rule.

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21. Share-based payments continued

In order to satisfy the shares accumulated as both Partnership and the 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 18,864 (2018: 28,050) shares in the Company. The historic cost of the purchased shares is recorded as a debit in reserves and the movement over the year period is recorded below.

	2019 £'000	2018 £'000
Historic cost of shares acquired		
Brought forward	196	229
Transferred out to participants	—	(33)
Outstanding at 30 June	196	196

22. Financial risk management objectives and policies

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

- (a) to finance its operations;
- (b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance.

In addition, various financial instruments (e.g. trade receivables, trade payables, accruals and prepayments) 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. In addition to equity, the Group's capital structure includes \$8m convertible bond and £2.5m convertible loan note as detailed at note 20. The coupon on the convertible bond is fixed at 5% and on the convertible loan note is 7%. 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
2019		
Cash and cash equivalents	25	10
2018		
Cash and cash equivalents	25	10

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

Capital management

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 December 2018 the Company issued 15,217,391 new shares as described in note 25.

Credit risk

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

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

	2019 £'000	2018 £'000
Government-related agencies	59	122
Independent companies	6	37
	65	159

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 obligations at the balance sheet date are detailed below:

	2019 £'000	2018 £'000
Payable within 1 year	1,217	2,720
Payable within 1 – 2 years	–	–
Payable within 3 – 5 years	8,518	5,625
	9,735	8,345

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22. Financial risk management objectives and policies continued

Currency risk

The Group's functional currency is sterling. The exposure to currency risk relates to licence income, those short-term trade receivables which are not invoiced in sterling and foreign denominated cash held in UK banks. There are no significant costs incurred that involve payments in foreign currency. The Group has no forward contracts at the year end (2018: £nil) to manage foreign currency risk.

Balances which are denominated in US dollars are detailed below:

Group	2019 £'000	2018 £'000
Trade and other receivables	235	47
Cash and cash equivalents	18	217
Less: convertible bond	(6,191)	(5,625)
	(5,938)	(5,361)

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
2019		
Trade and other receivables	5%	12
Cash and cash equivalents	5%	1
Convertible bond	5%	(310)
2018		
Trade and other receivables	5%	2
Cash and cash equivalents	5%	11
Convertible bond	5%	(260)

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

Fair values of financial assets and liabilities

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

23. Commitments under operating leases

At 30 June 2018 the Group had annual commitments under non-cancellable operating leases as set out below.

Group	Land and buildings	
	2019 £'000	2018 £'000
Operating leases which expire:		
Within 1 year	239	283
1 year to 2 years	–	–

The only material operating leases relate to the rental of main premises. The premise lease expires in April 2020.

24. Related party transactions

Other than items relating Director's remuneration and employment, there were no related party transactions during the year (2018: nil).

At the balance sheet date, in respect of T Lindsay, Trade and other payables included amounts of £2,000 (2018: £2,000).

25. Share capital

Allotted, issued and fully paid:

	No	£'000
Brought forward at 1 July 2017	18,689,446	281
Shares issued	93,669	1
Balance at 30 June 2018	18,783,115	282
Shares issued	15,217,391	228
Balance at 30 June 2019	34,000,506	510

At the balance sheet date there are three convertible and potentially convertible arrangements that could result in the issue of additional shares:

1. Note 19 details the shares to be issued to the former owner of Visible Genomics on 10 December 2019 and 10 December 2021.
2. Note 20 details the option to convert the loan note held by BGF (£2.5m) at 28.75p.
3. Note 21 details the option to convert the loan note held by GHIF (\$8.0m) as follows:
 - a. Tranche 1 \$2.0m plus deferred interest at 28.75p per share.
 - b. Tranche 2 \$6.0m plus deferred interest at 150.0p per share.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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26. 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 2017	25,988	—	(229)	1,382	(2,484)	24,657
Transfer of shares to SIP members	—	—	33	—	—	33
Equity-settled share-based payments	—	—	—	55	—	55
Transactions settled directly in equity	—	—	33	55	—	88
Balance at 30 June 2018	25,988	—	(196)	1,437	(2,484)	24,745
Share issue	3,015	—	—	—	—	3,015
Deferred consideration- equity component	—	315	—	—	—	315
Transfer of shares to SIP members	—	—	—	—	—	—
Equity-settled share-based payments	—	—	—	49	—	49
Transactions settled directly in equity	—	—	—	49	—	49
Balance at 30 June 2019	29,003	315	(196)	1,486	(2,484)	28,124

Shares to be issued relate to the equity component of deferred consideration, full details are contained in note 19.

The employee share incentive plan reserve represents 18,864 shares in genedrive plc (2018: 28,050 shares) all of which are held by Epistem SIP Trustee Ltd. These shares are listed on the Alternative Investment Market and their market value at 30 June 2018 was £3,867 (2018: £10,098). The nominal value held at 30 June 2018 was £283 (2018: £421).

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.

The separate financial statements of genedrive plc are presented on pages 79 to 81.

COMPANY BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Assets			
Non-current assets			
Investment in subsidiaries	a	–	–
Current assets			
Amounts receivable from Group undertakings and other receivables	b	–	–
Cash and cash equivalents	c	80	70
		80	70
Liabilities			
Current liabilities			
Other payables		–	(109)
Deferred consideration payable in shares		–	(1,250)
		–	(1,359)
Net current assets/(liabilities)		80	(1,289)
Total assets less current liabilities		80	(1,289)
Non-current liabilities			
Deferred consideration payable in shares	a	–	–
Convertible bond	d	(8,518)	(5,625)
		(8,518)	(5,625)
Net (liabilities)/assets		(8,438)	(6,914)
Capital and reserves			
Called-up equity share capital		510	282
Share premium account		29,003	25,988
Share options reserve	a	1,820	1,771
Shares to be issued		315	–
Accumulated losses:			
At 1 July		(34,955)	(25,554)
Total comprehensive expense for the year		(5,131)	(9,401)
		(40,086)	(34,955)
Total shareholders' funds equity		(8,438)	(6,914)

These financial statements were approved by the Directors and authorised for issue on 3 October 2019 and are signed on their behalf by:

David Budd
Chief Executive Officer

Matthew Fowler
Chief Financial Officer

Genedrive Plc
Company number: 06108621

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Called-up equity share capital £'000	Share premium account £'000	Share options reserve £'000	Shares to be issued £'000	Accumulated losses £'000	Total equity £'000
At 30 June 2017	281	25,988	1,683	–	(25,554)	2,398
Share issue	1	–	33	–	–	34
Recognition of equity-settled share-based payments	–	–	55	–	–	55
Transaction settled directly in equity	1	–	88	–	–	89
Total comprehensive expense for the year	–	–	–	–	(9,401)	(9,401)
At 30 June 2018	282	25,988	1,771	–	(34,955)	(6,914)
Share issue	228	3,015	–	–	–	3,243
Recognition of equity-settled share-based payments	–	–	49	315	–	364
Transaction settled directly in equity	228	3,015	49	315	–	3,607
Total comprehensive expense for the year	–	–	–	–	(5,131)	(5,131)
At 30 June 2019	510	29,003	1,820	315	(40,086)	(8,438)

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Cash flows from operating activities		
Operating loss for the year	(4,604)	(8,975)
Group undertaking loan impairment	5,300	8,975
Exceptional gain on amendment of equity portion of deferred consideration	(635)	–
Share-based payment expense	49	–
Operating loss before changes in working capital and provision	110	–
Increase in amount owed from Group companies	(5,300)	(4,035)
(Decrease)/increase in trade and other payables	(109)	–
Net cash outflow from operating activities	(5,299)	(4,035)
Cash flows from financing activities		
Proceeds from share issue	3,243	–
Proceeds from bond issue	2,366	–
Cash paid to settle deferred consideration	(300)	–
Net inflow from financing activities	5,309	–
Net (decrease)/increase in cash equivalents	10	(4,035)
Cash and cash equivalents at beginning of year	70	4,105
Cash and cash equivalents at end of year	80	70
Analysis of net funds		
Cash at bank and in hand	80	70
Net funds	80	70

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation, International Financial Reporting Interpretations Committee ('IFRIC') interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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 have been disclosed in the notes to the consolidated financial statements of the Group above.

Going concern: The Directors have concluded that it is necessary to draw attention to the revenue and costs forecasts in the business plans. In order for the Company to continue as a going concern, there is a requirement to achieve a certain level of sales. If an adequate sales level cannot be achieved, the ongoing spend of the Company will have to be reduced. While the Board is confident that it will achieve the required revenue, or reduce spending if this is not achieved, there remains uncertainty as to the level of sales and the amount of cost reduction that may be required. However, based on the relative likelihood of achieving versus not achieving, the Board believes it is appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements. These financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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. Epistem Inc., incorporated in the United States of America, was wound up during the year. The principal activities of the subsidiary companies are:

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

	Investment in subsidiaries £'000
At June 2017	4,101
Additions in the year	55
Impairment	(4,156)
At 30 June 2018	—
Additions in the year	49
Impairment	(49)
At June 2019	—

Additions in the year ended 30 June 2019 comprised the fair value of the share options issued to employees of the subsidiary undertaking during the year of £49k (2018: £55k). Full details of the share options issued are set out in note 21 to the consolidated financial statements. Following an impairment review, the carrying value of the investments were impaired by £49k (2018: £4,156k).

During the year the carrying value of investments and the recoverability of amounts receivable from Group undertakings were assessed for impairment in accordance with the Company's Accounting Policies. The recoverable amount was determined on a value in use basis using the management approved 12-month forecasts. The base 12-month projection was inflated for years two and three using specific growth numbers in the Company's business plan. For years four to seven there was no growth assumed. A seven-year life cycle was chosen as appropriate for the business and technology of the Company. These projected cash flows were discounted at a pre-tax discount rate of 12.5%. As a result of this analysis the carrying value of the investments at 30 June 2018 was reduced to £nil (2018: £nil) and an impairment charge of £49k (2018: £4,156k) was booked during the year.

b. Amounts receivable from Group undertakings and other receivables

Company	2019 £'000	2018 £'000
Opening amounts receivable from Group undertakings	–	784
Additions in the year	5,300	4,035
Impairment provision	(5,300)	(4,819)
Closing amounts receivable from Group undertakings	–	–

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

£5.3m of loans owing from Group undertakings were written off during the year. In the prior year an impairment provision of £4,819k was required at the balance sheet date.

c. Cash and cash equivalents

Company	2019 £'000	2018 £'000
Cash at bank and in hand	80	70
	80	70

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 counter parties are banks with high credit ratings assigned by international credit rating agencies.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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d. Convertible bond

The Company issued a convertible bond to the Global Health Investment Fund 1 LLC in July 2014. This bond was amended and restated on 11 July 2016 and again 10 December 2018. Full details of the bond and the amendment can be found under note 20 of the Group's financial statements.

The Company issued a convertible bond to the Business Growth Fund on 8 December 2018. Full details of the bond and the amendment can be found under note 20 of the Group's financial statements.

e. Related party transactions

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

f. Financial risk management

The Company's approach to managing financial risk is covered in note 22 to the Group's financial statements.