

Decentralising molecular diagnostics



WHAT WE DO

Introduction and highlights

genedrive plc

commercialising Point of Need molecular diagnostics

Rapid, point of need or clinic based results

Prompt treatment decisions –
sample to result typically in 60-90 minutes

Ease of use

Single use disposable reagent cartridge
(razor/ razor blade business model)
No other extensive laboratory equipment required

Low cost

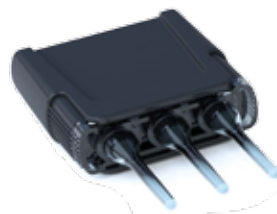
System and test costs are lower than alternatives
Appropriate for target markets

Real world robustness

Battery pack permits use in resource limited settings
Operates in hot and humid environments of
target markets

Versatile

Diverse sample types can be tested including sputum,
blood plasma and buccal cheek swabs



£5.7m

Net cash

£2.9m

Revenue

Genedrive plc, the near patient molecular diagnostics company, announces today its unaudited interim results for the six months to 31 December 2016. The first half of the financial year saw the Company continue investment in its core Genedrive® platform and continue preparations for launch of its test for Hepatitis C.

Operational highlights

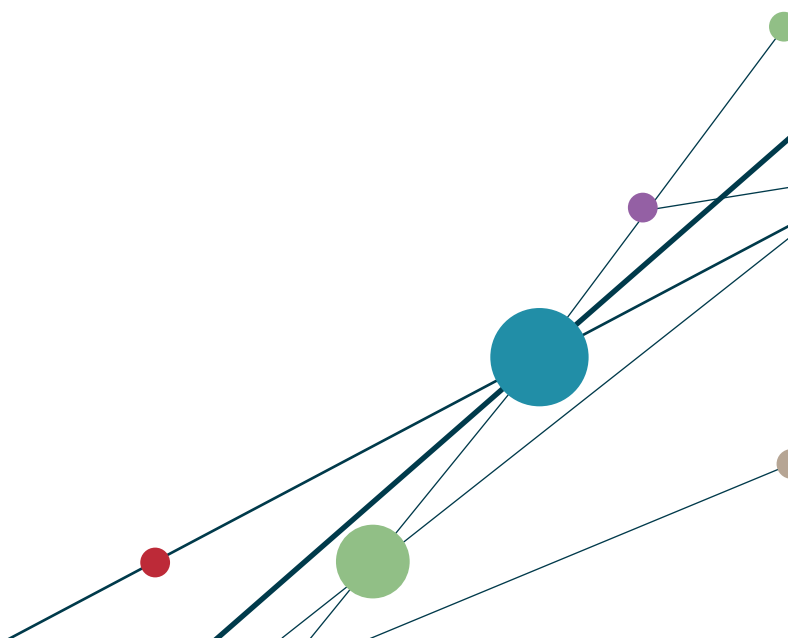
- Proprietary Genedrive® Hepatitis C (HCV) test began external performance assessments
- Continued positive progress with the US Department of Defense (DoD) biohazard identifier programme
- Successful field trials of Genedrive® aquaculture testing programme, performed in collaboration with the Centre for Environment, Fisheries and Aquaculture Science (CEFAS)
- Improved first half revenues from our non-Genedrive® Services operations
- Disappointing uptake of MTB/RIF assay in India, in part owing to sample preparation problems specific to MTB
- Name change from Epistem Holdings Plc to genedrive plc completed to reflect strategic focus on becoming a commercial-stage molecular diagnostics business
- CE-IVD certification for the Genedrive® eIL28B SNP human genotyping test
- Matthew Fowler appointed as Chief Financial Officer

Financial highlights

- Total revenue and other income of £2.9m (2015: £2.0m) up 45.0% on prior period
- Genedrive® related income up 71.4% to £1.2m (2015: £0.7m)
- Continued investment in Genedrive®, giving rise to a reported after tax loss of £2.7m (2015: £3.3m).
- Net cash of £5.7m at 31 December 2016 (30 June 2016: £1.1m); post £6.5m fund raising in July 2016

Recent developments

- Genedrive® HCV ID test submitted for CE marking after excellent clinical trial results yielding sensitivity greater than 99% and specificity of 100%
- £0.8m tax credit received post period end



INTERIM MANAGEMENT REPORT

The period to 31 December 2016 has seen continued reorganisation and development for genedrive plc as we focus on the significant opportunity we see in molecular diagnostics and commercialising our rapid, point of need Genedrive® system.

The Genedrive® Platform (Diagnostics)

Diagnostics revenue was £1.2m up 71.4% from 2015 (2015: £0.7m). This increase is primarily related to pathogen detection projects with the DoD and with CEFAS.

For Tuberculosis, end user sales engagement in India for the Genedrive® MTB/RIF assay has continued to be challenging. We have also encountered some performance related issues which are evident in field use and connected to sample preparation complexities that are unique to the TB assay. The Company has isolated the issues to a specific component of the MTB/RIF assay preparation kit and is now rectifying the problem. There were no unit or assay sales to our Indian distributor in the period and they continue to operate from their initial £0.2m stocking order. We continue to work to address the issues and assess our position in the Indian MTB market.

We have been pleased with the progress on our HCV identification assay (HCV ID), which is used to identify the presence or absence of Hepatitis C RNA in a patient sample. Post period end, independent validation trials performed at Institut Pasteur, Paris, and Queen's Medical Centre, Nottingham, have yielded excellent results with an overall sensitivity of greater than 99% and specificity of 100% over 950 patient samples. These analytical results served as the basis for our March submission for CE certification under the EU Medical Devices Directive for Genedrive® HCV ID Kit. We remain confident of approval in the first half 2017. HCV represents significant potential for the Company and we are now engaging with key stakeholders and organisations to support additional performance trials and in country studies following CE marking. Post approval we have the potential to be first to market globally with a decentralised point of need HCV qualitative test, and we intend to lever this position with careful selection of distributor and territory pairings.

Pathogen detection projects have underpinned the revenue growth in the period: the US DoD funded collaboration project on biohazard tests for genedrive plc has continued to be successful and we have now delivered Genedrive® units and assays for field trials in the US. We generated revenues of £0.9m (2015: £0.6m) during the period, and have a project pipeline of approximately £1.1m for the second half of the year. We are hopeful that the project will lead to further programmes of work.



During the period we obtained CE certification for our IL28B SNP human genotyping assay. The certification is a further example of how our technology platform can be put in practice in pharmacogenomics applications.

Beyond our core human healthcare market, funded field trials of Genedrive® for white-spot disease detection in farmed shrimp were conducted in collaboration with CEFAS and had very positive outcomes. The results demonstrate that Genedrive® has further potential as a rapid and cost-effective system for the detection of infectious diseases in animals. While the Company remains focused on the human market, we are exploring options to partner or license Genedrive® without having to directly fund or develop the product for animal usage.

In addition to the core assays of HCV and MTB/RIF, we are exploring further opportunities with external parties to bring existing laboratory based tests onto the Genedrive® system to exploit its unique characteristics and potential. While the Company wishes to remain focussed on the opportunities previously described to shareholders and investors, there is a proven potential in adjacent market segments that other companies and specialists may want to exploit via an 'open-source' model similar to our achievements in biohazard and aquaculture.

Services operations

Services revenue was £1.7m (2015: £1.3m) up 30.7% on the same period in 2015.

The services business delivers highly specialised testing comprising of both preclinical and clinical services. The former involves efficacy testing of potential new drugs in various disease models (such as inflammatory bowel diseases or various cancers), whilst the latter involves evaluating RNA and protein biomarkers of drug treatments. We collaborate with customers to discover and validate new drug targets or biomarkers indicative of target engagement. The collaborative programmes can run for several years and generate a relatively large income, but each also has a natural finite life cycle.

As previously highlighted, the first half revenue for the prior year suffered from a change in activity from a major US customer. We have worked hard to replace this revenue and build new customer collaborations. We have also sought to rebuild the EU market, which had suffered due to business

development staff turnover. Both have proven a success and we have substantially rebuilt the revenue. However, the market remains competitive and we remain cautious about the full year outlook.

With modest investment, the division continued to contribute to the Group. The board have determined that the best value for the Group is to divest the Services business. Such divestment is expected to provide key investment capital for the core Genedrive® platform and enable all the Company's resources to be focused on Genedrive®. No disposal has been secured as yet, but the Group continues to work to secure a disposal on attractive terms.

Corporate developments

The period saw the completion of our name change from Epistem Holdings Plc to genedrive plc, in July, and we also appointed Matthew Fowler as Chief Financial Officer in September. Mathew joined genedrive plc with over 15 years' experience in senior financial positions in the manufacturing, power and support services industries. John Rylands stepped down from the Board in November 2016. We thank him for his work at the Company and wish him well for the future.

Financial results

Results for the first six months delivered revenue and other income of £2.9m (2015: £2.0m). Research and development costs were £2.4m (2015: £1.9m) and the increases reflect the continued investment in our Genedrive® technology. Other costs were £2.9m (2015: £3.2m), giving an operating loss for the period of £2.4m (2015: £3.1m).

Financing costs of £0.6m (2015: £0.5m) relate to the dollar denominated Global Health Investment Fund (GHIF) convertible bond and are £0.2m of cash interest and £0.4m of foreign exchange losses. An amendment to the GHIF convertible bond was signed in July 2016 and gives the Group the option to defer future interest payments; second half interest payable will be lower than the first half. After financing costs, the loss before taxation was £3.0m (2015: £3.6m). This reduces to £2.7m (2015: £3.3m) after estimating the taxation credit. The basic loss per share was 14.8p (2015: 31.7p)

INTERIM MANAGEMENT REPORT CONTINUED

Cash resources

Operating cash outflows were £1.9m (2015: £2.5m). Working capital contributed £0.6m (2015: nil) to give a net cash outflow from operations of £1.3m (2015: £2.5m). Working capital movements were mainly owing to debtors as the period benefitted from a movement to monthly invoicing on the DoD contract. Interest outflows were £0.2m (2015: £0.1m).

There was no cash movement from tax (2015: £ nil), tax debtors of £0.8m were received post period end. In July 2016 the Company raised £6.0m after costs, from the placement of 8,125,000 new ordinary shares. The Group closed the period with net cash of £5.7m (30 June 2016: £1.1m).

Balance sheet

Balance sheet Net assets at 31 December 2016 totalled £7.1m (30 June 2016: £3.8m). The increase in share capital of £6.0m is directly from the share issue in July 2016. Offsetting this increase was the consolidated loss for the period £2.7m (2015: £3.3m loss).

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Directors do not consider that these principal risks and uncertainties have changed materially since publication of the annual report for the year ended 30 June 2016; a more detailed explanation of the risks for the Group can be found on page 19 of that annual report.

Outlook

The Genedrive® HCV ID programme represents substantial commercial potential supported by excellent clinical study results supporting its CE Mark application. The focus to the end of the year for HCV will be designing and defining the best routes to market to maximise the potential HCV offering. The overall potential for MTB/RTF will be reviewed alongside that of HCV as the board makes decisions about where to focus the Group's resources. The Group will continue to review the potential of the MTB/RIF product in India. Ongoing commercial issues coupled with the recent test-specific sample preparation problems make short term revenue growth unlikely.

The Board will continue to explore disposal options for the Services business as a method of funding the wider Genedrive® investment. If an attractive disposal cannot be secured the Group will seek alternative non-dilutive funding to bridge the gap to full commercialisation of the Genedrive® product.

Despite the difficulties in accessing the full potential of the Genedrive® system thus far through the MTB/RIF launch, the Board remains confident of the business strategy. We are excited about the future of the platform, especially in HCV and pathogen testing, and its potential in the attractive near patient, decentralized molecular diagnostics market.

David Budd
Chief Executive

Dr I Gilham
Chairman

30 March 2017

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2016

	Note	Six months ended 31 December 2016 Unaudited £'000	Six months ended 31 December 2015 Unaudited £'000	Year Ended 30 June 2016 Audited £'000
Revenue		1,645	1,177	3,094
Other Income - development grant funding		1,237	793	1,969
Revenue & other income	3	2,882	1,970	5,063
Contract costs		(1,837)	(1,904)	(3,285)
Discovery and development costs		(2,360)	(1,851)	(4,836)
General administrative costs		(1,094)	(1,330)	(2,368)
Operating loss	4	(2,409)	(3,115)	(5,426)
Net financing costs	5	(614)	(512)	(1,071)
Loss on ordinary activities before taxation		(3,023)	(3,627)	(6,497)
Taxation on ordinary activities		320	278	582
Total Comprehensive Income for the financial period		(2,703)	(3,349)	(5,915)
Loss per share (pence)				
Basic	6	(14.8)p	(31.7)p	(56.2)p
Diluted	6	(14.8)p	(31.7)p	(56.2)p

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016

	Share capital £'000	Share premium account £'000	Employee share incentive plan reserve £'000	Share options reserve £'000	Reverse acquisitions reserve £'000	Retained earnings £'000	Total £'000
At 1 July 2015	158	20,088	(196)	1,197	(2,484)	(9,218)	9,545
Exercise of options	-	-	-	-	-	-	-
Purchase of own shares (SIP)	-	-	-	-	-	-	-
Equity-settled share-based payments	-	-	-	98	-	-	98
Total comprehensive expense for the financial period	-	-	-	-	-	(3,349)	(3,349)
At 31 December 2015	158	20,088	(196)	1,295	(2,484)	(12,567)	6,294
Forfeit of options	-	-	-	(6)	-	-	(6)
Purchase of own shares (SIP)	-	-	(44)	-	-	-	(44)
Lapsed share options	-	-	-	(83)	-	83	-
Equity-settled share-based payments	-	-	-	75	-	-	75
Total comprehensive expense for the financial period	-	-	-	-	-	(2,566)	(2,566)
At 1 July 2016	158	20,088	(240)	1,281	(2,484)	(15,050)	3,753
Issue of shares	122	5,899	-	-	-	-	6,021
Equity-settled share based payments & SIP scheme	-	-	37	16	-	(37)	16
Total comprehensive expense for the financial period	-	-	-	-	-	(2,703)	(2,703)
At 31 December 2016	280	25,987	(203)	1,297	(2,484)	(17,790)	7,087

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	31 December 2016 (unaudited) £'000	31 December 2015 (unaudited) £'000	30 June 2016 (audited) £'000
Non-current assets				
Intangible assets		5,806	6,726	6,273
Plant and equipment		635	750	713
Deferred taxation		-	30	-
		6,441	7,506	6,986
Current assets				
Inventories		243	276	202
Trade and other receivables		2,288	2,494	2,797
Tax receivables		1,161	1,047	757
Cash and cash equivalents		5,664	2,293	1,114
		9,356	6,110	4,870
Liabilities				
Current liabilities				
Deferred income		(205)	(60)	(88)
Trade and other payables		(1,800)	(1,535)	(1,774)
Deferred consideration payable in shares	7	-	(1,250)	-
		(2,005)	(2,845)	(1,862)
Net current assets		7,351	3,265	3,008
Total assets less current liabilities		13,792	10,771	9,994
Non-current liabilities				
Deferred consideration payable in shares		(1,250)	-	(1,250)
Convertible bond	8	(5,455)	(4,477)	(4,991)
		(6,705)	(4,477)	(6,241)
Net assets		7,087	6,294	3,753
Capital and reserves				
Called-up equity share capital		280	158	158
Share premium account		25,987	20,088	20,088
Employee share incentive plan reserve		(203)	(196)	(240)
Share options reserve		1,297	1,295	1,281
Reverse acquisition reserve		(2,484)	(2,484)	(2,484)
Retained earnings		(17,790)	(12,567)	(15,050)
Total shareholders' equity		7,087	6,294	3,753

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016

	31 December 2016 (unaudited) £'000	31 December 2015 (unaudited) £'000	30 June 2016 (audited) £'000
Cash flows from operating activities			
Operating loss for the period/year	(2,409)	(3,115)	(5,426)
Depreciation, amortisation and impairment	577	590	1,174
Research tax credits	(85)	(84)	(151)
Share based payment expense	20	98	167
Operating (loss) before changes in working capital and provisions	(1,897)	(2,511)	(4,236)
Increase in inventories	(41)	(113)	(39)
Decrease/(increase) in trade and other receivables	506	(303)	(606)
Increase in deferred income	117	10	38
Increase in trade and other payables	27	412	651
Net cash outflow from operations	(1,288)	(2,505)	(4,192)
Tax received	-	-	691
Net cash outflow from operating activities	(1,288)	(2,505)	(3,501)
Cash flows from investing activities			
Finance income - interest received	9	11	7
Acquisition of fixed assets	(33)	(21)	(164)
Net cash outflow from investing activities	(24)	(10)	(157)
Cash flows from financing activities			
Proceeds from share issue	6,021	-	-
Finance costs - interest paid	(159)	(132)	(304)
Purchase of own shares	-	-	(44)
Net cash inflow/(outflow) from financing activities	5,862	(132)	(348)
Net increase/(decrease) in cash equivalents	4,550	(2,647)	(4,006)
Foreign exchange adjustments	-	12	192
Cash and cash equivalents at beginning of period/year	1,114	4,928	4,928
Cash and cash equivalents at end of period/year	5,664	2,293	1,114
Analysis of net funds			
Cash at bank and in hand	5,664	2,293	1,114
Net funds	5,664	2,293	1,114

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. General information

The interim 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 interim financial statements have not been prepared in accordance with IAS 34, Interim Financial Reporting, which has not been adopted by the Group. No new IFRS standards or amendments or interpretations have become effective in the period covered by this Interim Report.

These interim financial statements have not been audited or reviewed in accordance with International Standard on Review Engagement 2410, issued by the Auditing Practices Board and do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The comparative figures for the financial year ended 30 June 2016 are not the statutory accounts for the financial year but are abridged from those accounts which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified.

These interim financial statements were approved by the Board of Directors on 30 March 2016.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods represented in these consolidated financial statements.

2. Significant accounting policies

Basis of consolidation

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 pounds (£k) except where otherwise indicated.

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions between Group companies are eliminated on consolidation.

On 16 March 2007, Epistem Holdings Plc merged with Epistem Limited, when the shareholders of Epistem Limited exchanged their shares for equivalent shares in Epistem Holdings Plc. As Epistem Holdings Plc was newly incorporated at the time of the transaction under the terms of IFRS 3 'Business Combinations', this transaction has been accounted for as a reverse acquisition, on the basis that the shareholders of Epistem Limited gained a controlling interest in the Group. The financial statements therefore represent a continuation of the financial statements of Epistem Limited.

Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended 30 June 2016, with the exception of changes in estimates that are required in determining the provision for taxation.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies *continued*

Revenue recognition

a. Contract revenue

Contract revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

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

Research and development

Research expenditure is written off as it is incurred. Development expenditure is written off as it incurred up to the point of technical and commercial validation. Thereafter, costs are carried forward as intangible assets, subject to having met the following criteria – technical feasibility, intention and ability to sell the product or model and the availability of resources to complete the development. All intangible assets are subject to impairment review and amortisation in each financial reporting period. In assessing value in use, the estimated future cash flows are discounted to their net present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

2. Significant accounting policies *continued*

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. All intangible assets are subject to impairment review and amortisation in each financial reporting period.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. 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.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the Consolidated Statement of Comprehensive Income. Exchange differences arising on non-monetary items, carried at fair value, are included in the income statement, except for such non-monetary items in respect of which gains and losses are recorded in equity.

Share-based payments

The Group issues equity settled and cash-settled share-based payments to certain employees (including directors). Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Group's estimate of the shares that will eventually vest.

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, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where the terms of an equity settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

Cash settled share based payments are fair valued at the date services are delivered. A liability is created on the balance sheet for the value received. Until the liability is settled, the fair value is adjusted at each accounting period with changes reported in the profit and loss for that period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

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.

The Company has in issue a convertible bond which is a compound financial 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.

Equity derivatives embedded in the convertible instruments which are required to be recorded as financial liabilities are initially recognized 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. Finance costs of the debt host are included in Finance costs and income. Similarly, gains or losses on the value of the derivative are also included in Finance costs and income.

The Group's convertible bond is a compound financial instrument, comprising a liability component and an equity component. The fair value of the liability component was estimated using the prevailing interest rate at the date of issue for similar non-convertible instruments. The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component, representing the embedded option to convert the liability into Company's ordinary shares, is included in equity.

The interest expense on the liability component is calculated by applying applicable market rates for similar non-convertible debt prevailing at the dates of issue to the liability components of the instruments.

The difference between this amount and the actual interest paid is added to the carrying amount of the liability component and is included in finance charges together with the interest payable.

3. Revenue and other income

Income receivable in the form of Government grants to fund product development is recognised as development grant funding when the related eligible costs are incurred and recognised, as detailed below.

	31 December 2016 £'000	31 December 2015 £'000	30 June 2016 £'000
Revenue	1,645	1,177	3,094
Other income – development grant funding	1,237	793	1,969
Revenue and other income	2,882	1,970	5,063

4. Business segments

	Preclinical Research Services £'000	Pharmaco- genomics Services £'000	Diagnostic Segment £'000	Admin- istrative Costs £'000	Total £'000
Six months ended 31 December 2016					
Revenue and other income	903	742	1,237	-	2,882
Trading result	53	65	(767)	(1,183)	(1,832)
Less depreciation and amortisation	(62)	(28)	(441)	(46)	(577)
Operating (loss)/ profit	(9)	37	(1,208)	(1,229)	(2,409)
Net Finance costs					(614)
Loss on ordinary activities before taxation					(3,023)
Taxation					320
Loss for the financial year					(2,703)
Six months ended 31 December 2015					
Revenue and other income	1,001	271	698		1,970
Trading result	58	(331)	(945)	(1,294)	(2,525)
Less depreciation and amortisation	(74)	(30)	(443)	(36)	(590)
Operating loss	(16)	(381)	(1,388)	(1,330)	(3,115)
Net Finance costs					(512)
Loss on ordinary activities before taxation					(3,627)
Taxation					278
Loss for the financial period					(3,349)
Twelve months ended 30 June 2016					
Revenue and other income	2,010	1,147	1,906	-	5,063
Trading result	113	(38)	(1,995)	(2,332)	(4,252)
Less depreciation and amortisation	(62)	(141)	(885)	(86)	(1,174)
Operating profit/(loss)	51	(179)	(2,880)	(2,418)	(5,426)
Net Finance costs					(1,071)
Loss on ordinary activities before taxation					(6,497)
Taxation					582
Loss for the financial period					(5,915)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS CONTINUED

5. Finance costs

	31 December 2016 £'000	31 December 2015 £'000	30 June 2016 £'000
Movement in fair value of derivative embedded in convertible bond	-	-	37
Finance cost of convertible bond including interest payable	(159)	(252)	(304)
Foreign exchange movement in convertible bond	(464)	(199)	(272)
Foreign exchange surplus/losses	-	(68)	(731)
Accounting adjustment to Convertible Bond finance cost	-	-	192
Interest receivable	9	7	7
Financing income and costs	(614)	(512)	(1,071)

6. Earnings per share

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. The weighted average number of shares in issue during the period was 18,245,457 (2015: 10,010,564,446).

7. Deferred consideration payable in shares

The deferred consideration relates to the provision of £1,250,000 in respect of shares in the Company which is anticipated to be due following the revaluation of the earn-out payable in respect of the acquisition of Visible Genomics Limited in 2010. The details of the acquisition of Visible Genomics Limited is detailed more fully in the Annual Report and Accounts for the Group.

At 30 June 2016 the Directors reviewed the terms of the earn-out payable and considered that the criteria would be met during a period greater than 12 months but less than five years following the balance sheet date. The liability was therefore reclassified as non-current at this date.

8. Convertible Bond

On 23 June 2016, the Company and the Global Health Investment Fund 1 LLC ("GHIF" or the "bond holder") entered into a Deed of Amendment and Restatement of the 2014 Convertible Bond Purchase Agreement ("Agreement"). The principal effect of the Deed of Amendment are:

The maturity date of the GHIF bond is extended by two years to 21 July 2021. The GHIF bond is split into two tranches, with the first tranche of \$2.0m having a conversion price of £1.50 per ordinary share. The second tranche of \$6.0m has a conversion price remaining at £4.89 per ordinary share.

In addition, for interest periods ending on or before 21 January 2019 the Company can elect to pay none or a portion of the 5% interest payable on the accrued and outstanding principal amount of the GHIF bond and instead capitalise and compound such outstanding interest until the date on which the GHIF bond is repaid or converted into ordinary share. During the period the Company elected to pay no interest on the bond and instead capitalised the outstanding interest.

The details of the GHIF bond and the Deed of Amendment entered into during July 2016 can be found in the 2016 Annual Report and Accounts for the Group.

DIRECTORS, SECRETARY AND ADVISERS

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Matthew Fowler (appointed 13th December 2016)
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Allan Brown
Roger Lloyd
Robert Nolan

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Matthew Fowler

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