For release: 17 October 2017

genedrive plc ("genedrive" or the "Company")

Preliminary Results

genedrive plc (AIM:GDR), the near patient molecular diagnostics company, today announces its audited Preliminary Results for the year ended 30 June 2017.

Financial Highlights

- Turnover of £5.8m, up 13.7% (2016: £5.1m)

  - Strong growth in Genedrive® development income to £2.6m (2016: £2.0m) principally driven by the US Department of Defense (DoD) biohazard programme

  - Moderate increase in Service income to £3.2m (2016: £3.1m)

- Trading loss improvement to £4.9m (2016: £5.4m) despite increased Research & Development and Administrative costs
- Cash at 30 June 2017 of £5.1m (2016: £1.1m) post £6.0m equity fund raising in July 2016; 30 September 2017 cash of £4.2m (unaudited)
- Loss for the year £6.4m, up 8.5% from £5.9m in the prior year reflecting an impairment charge and tax credit

Operational Highlights

- Proprietary Genedrive® Hepatitis C (HCV) test submitted for CE marking
- Continued positive progress with the US DoD biohazard identifier programme, including extension of programme into next phase
- Successful field trials of Genedrive® aquaculture testing programme, performed in collaboration with the Centre for Environment, Fisheries and Aquaculture Science (Cefas)
- Disappointing uptake of MTB/RIF assay in India, in part owing to sample preparation problems specific to MTB and commercial issues
- Name change from Epistem Holdings Plc to genedrive plc and £6m raised from July 2016 placing - strategic focus on molecular diagnostics business opportunities

Post Year End

- CE marking obtained for Genedrive® HCV ID kit
- Genedrive yesterday announced that it has entered into a distribution agreement with Sysmex Europe for Genedrive® HCV ID kit in the EMEA region with an initial focus on Africa
- Entered next stage of the US DoD biohazard programme, worth approximately $1.4m in development income and a further $0.5m in product sales all expected to be recognised in the current financial year
- £0.6m conditional grant offer from Innovate UK to fund centrifuge free plasma separation device

Commenting on the results Chief Executive, David Budd said:

"During the year, we have continued to follow a disciplined approach to executing our strategy to become a near patient molecular diagnostics company. We achieved significant milestones particularly in HCV where the CE marked Genedrive® HCV ID kit positions the Company as first to market with an affordable and cost effective decentralised HCV test. With a strong commercial partner now in place for HCV in EMEA, we look forward to beginning commercialisation activities in certain markets *for this important new assay. Overall, the Board is encouraged by the growing momentum in the business and the outlook for genedrive plc."*

Conference call for analysts

A briefing for analysts will be held at 11:00am BST on 17 October 2017 at 85 Gresham Street, London, EC2R 7HE. There will be a simultaneous live conference call with Q&A and the presentation will be available on the Company's website at http://www.genedriveplc.com/.

Please visit the website approximately 10 minutes before the conference call to download the presentation slides. Conference call details:

Participant dial-in: 08006940257
International dial-in: +44 (0) 1452 555566
Participant code: 99057976

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Notes to Editors

About genedrive plc

genedrive plc is a molecular diagnostics company developing and commercialising a low cost, rapid, versatile, simple to use and robust point of need molecular diagnostics platform for the diagnosis of infectious diseases and for use in patient stratification (genotyping), pathogen detection and other indications. The Genedrive® platform and MTB/RIF test have been launched in India and a Genedrive® HCV test has received CE-IVD Certification.

Further details can be found at: www.genedriveplc.com and www.genedrive.com

CHAIRMAN'S STATEMENT

I am pleased to report that 2016/17 has seen us make further progress on our journey to refocus the Company on the highly attractive opportunities which the Genedrive® diagnostics platform offers in the rapidly growing market for decentralised, near patient diagnostic tests.

Key Achievements

A major focus for the year was the development of our Genedrive® HCV ID Kit. With the advent of new 'curative' direct acting antiviral treatments for Hepatitis C (HCV), there is a major opportunity to tackle the global burden of the disease if accurate, decentralised diagnostics can be used to identify those living with HCV and give them access to therapy.

Our Genedrive® HCV ID Kit was submitted for CE registration in April 2017 based on excellent performance data from clinical validation studies. Post year end, I am delighted that we obtained CE marking, a vital first step to commercialization.

We are also delighted to have entered into a distribution agreement with Sysmex Europe to target the commercial HCV opportunity in Africa. The agreement covers the EMEA region with an initial focus on multiple countries in Africa. Working together the two companies will focus on securing the required regulatory approvals and we anticipate commercial traction during the 2017/18 financial year.

Other Activities

The pathogen detection programme with the US DoD contributed significantly to the current year revenues and included shipments of Genedrive® units and assays for field use testing. Post year end we also received confirmation that following successful evaluations, the programme will be entering its next phase, worth approximately $1.4m in development income and $0.5m in product sales to be recognised in the year to 30 June 2018.

As previously announced, we encountered a specific sample preparation problem relating to a supplier component in the MTB/RIF test. An alternative solution had been successfully tested in Indian laboratories however we have had difficulty assessing the impact of this through our commercial partner. In the light of these challenges, we are considering how best to address the Indian MTB/RIF market and the broader potential of Genedrive® in this area. As stated in the trading statement of 13 July 2017, no additional short term revenues were expected from MTB/RIF in India. However, the TB market is large and there is significant potential for Genedrive®.

Away from our core human healthcare focus, we enjoyed success with funded field trials of Genedrive® for white-spot disease detection in farmed shrimp. The results validated Genedrive's potential as a rapid cost-effective system for disease detection in animals. The Company however remains focused on the human health market and will only pursue this opportunity further if a commercial partner can be identified.

With modest investment, the Services division continued to contribute to the Group. Revenues and operating margin were up on the same period last year. The Board wishes to see the division divested and discussions are ongoing in order to pursue that as a strategic aim and thereby secure additional investment capital for Genedrive. While we remain optimistic that an appropriate divestment can be secured, we believe the division can continue to contribute to the Group should a sale not be secured.

Governance and People

Strong governance and values are vitally important to the success of the Company and the Board remains focused on ensuring its own effectiveness and that of the governance processes throughout the Company. The Board has recently gone through some changes. John Rylands, stepped down from the Board in November 2016 and we thank him for his excellent contribution to the Company and wish him well for the future. Matthew Fowler joined the Board on 13 December 2016 in his role as Chief Financial Officer. Matthew brings to the role strong business skills and extensive experience in listed businesses, which are already proving of great benefit to the Company.

On behalf of the Board, I would like to thank our staff and extend this thanks to our investors and customers for their commitment and support. We look forward to updating investors during the year on further progress and delivery against our strategic objectives.

Dr Ian Gilham
Chairman

CHIEF EXECUTIVE'S REVIEW

Overview

Our transition to a commercial stage diagnostics business is well underway. genedrive plc now has a clear strategic direction and the efforts of the Company are focused towards advancing our offerings as a disease detection business built around the Genedrive® platform. I am pleased with the progress made in the year but we are aware there are still challenges ahead of us for the Company to fully realise the considerable potential of Genedrive®.

Our Performance

Revenue for the period was £5.8m, up 13.7% from the £5.1m on the prior period. This year-over-year growth in revenue was driven by the Diagnostics division that saw revenue growth of 36.8% to £2.6m (2016: £1.9m). Our pathogen detection programme with the DoD was central to this growth with revenue of £2.2m, up £0.5m from 2016. Services revenue was £3.2m (2016: £3.1m), up 3.2%. We closed the year with £5.1m of cash (2016: £1.1m). Targeted investment of our cash resources remains vital as we assess and prioritise the various commercial and development opportunities before us.

The Genedrive® Platform – Strategic Progress

During the year we announced the successful studies on our HCV ID kit conducted at the Institut Pasteur, Paris and Queens University Nottingham. Following these successful studies that showed overall sensitivity of greater than 99% and specificity of 100%, the product was submitted for CE marking in April 2017. I am pleased that in September 2017 the product obtained its CE registration. With the HCV ID kit now CE registered we are in a position to begin commercialisation efforts. We have signed a distribution agreement with Sysmex Europe, a world leader in clinical laboratory systemization and solutions, for the EMEA with an initial focus on Africa. Working together, the companies will now focus on securing the required regulatory approvals in individual territories of Africa and we anticipate commercial traction during the 2017/2018 financial year. This agreement is an important step to providing access to Genedrive® across target countries in Africa and we are delighted to be working with Sysmex Europe who have the experience and networks needed to market and commercialise the product.

Our Genedrive® HCV ID kit will initially be launched and sold into decentralised laboratories; being facilities outside of large hospitals. Our test is performed from plasma, which is currently isolated from whole blood using a centrifuge. As direct acting antiviral use increases in the future, we anticipate an increased demand for diagnostics in even smaller, point-of-need facilities. To support future positioning in this user segment, the Company has secured a £0.6m conditional offer of development funding from Innovate UK. The grant will be used to further our Centrifuge Free Plasma Separation device concept, so that smaller facilities without centrifuges can also use Genedrive® HCV ID. We also intend to refine, improve and simplify other aspects of the HCV test to make it even more suitable for point of need testing to maximize its commercial potential.

Commercialisation of our MTB test in India has continued to be challenging in the past year, primarily owing to a component issue in the sample preparation process specific to that test, but also compounded by commercial issues. We believe we have resolved the problem but, until validated in the field, revenues are not expected in the short term. The market dynamics of MTB have not changed since genedrive plc identified the opportunity, the market is large and well defined and there is significant potential in smaller laboratories. However, with the benefit of experience acquired in the field, we are considering how best to address the Indian market and the broader potential of Genedrive® MTB/RIF in this area. It is possible that to fully exploit the potential of MTB we may need to more fully refine our sample preparation processes before re-engaging the market.

The programme with the DoD has seen continued success. This work involves collaboration with the DoD to develop biohazard tests for Genedrive® in the context of a small portable diagnostics device capable of deployment in the field. The work not only validates Genedrive® as a flexible and accurate diagnostics device, it has helped to fund important developments such as Bluetooth connectivity and uninterruptible power supply that will benefit customer adoption. The DoD has not indicated the intended future sustained use of Genedrive® and as such it is not possible for us to predict future commercial revenues. However, post year end an additional funding award was made to support the continuation of the project and an award was made to support ongoing validation work. This additional funding is expected to generate approximately $1.4m in development and commercial income of $0.5m for the financial year to 30 June 2018.

Services Operations

As previously stated, we have been seeking strategic alternatives for our Services business including considering divestment. We have yet to secure a disposal although discussions are ongoing but should a divestment on acceptable terms not be possible, we remain flexible to the division being retained within the Company. We do believe that focusing our efforts on Genedrive® should remain a core strategic priority.

Revenues from our larger US based programmes were slightly down in the year, 8.8%, but the decline is owing to the life-cycle of the projects as opposed to underlying trends in the market. Conversely European business enjoyed a good period of growth, 17.8% year over year. The growth was delivered from a growing number of programmes with smaller customers, and was aided by improvements to our marketing, contacts and relationship management.

Outlook

We are now entering a defining period for genedrive plc. The CE marked Genedrive® HCV ID kit positions the Company as first to market with an affordable and cost-effective HCV test. In the current financial year, we will be working with our distribution partner(s) to begin commercialisation efforts and secure requisite regulatory approvals. While we have challenges with MTB our experience in the market and successes with the DoD and CEFAS projects underline the potential of the Genedrive® as a flexible, portable and cost-effective platform for decentralised molecular diagnostics. To more fully realise that potential, particularly outside decentralised laboratories at point of care, we intend to focus some development work on refining, improving and simplifying product workflow. This will maximise the commercial potential in HCV and in other infectious diseases including MTB. The Board is encouraged by the growing momentum in the business and the outlook for genedrive plc.

FINANCIAL REVIEW

Results for the year delivered revenue and other income of £5.8m (2016: £5.1m). Research and development costs were £5.1m (2016: £4.8m) reflecting the continued investment in our Genedrive® technology. Contract and administration costs were £5.6m (2016: £5.7m), resulting in a trading loss for the year of £4.9m (2016: £5.4m).

During the year, the Group reviewed the useful economic life of its intangible assets. The conclusion from this review was that the assumed useful economic lives were too long given the rapid advances of technology in the market. The Group has therefore shortened the remaining lives of the assets and impaired the assets down to their fair value. This £2.4m non-cash charge (2016: £nil) has been separated out on the face of the income statement to give readers a better understanding of the underlying performance of the Group.

Financing costs of £0.2m (2016: £1.1m) relate to the dollar denominated Global Health Investment Fund (GHIF) convertible bond. The terms of the bond were amended in the year to 30 June 2016 but had an effective date for accounting period to 30 June 2017. The total charge comprised £0.1m related to foreign exchange losses and £0.1m of fair value movements. The fair value movements include both the IFRS financing charge for the year and a fair value gain on the amendment signed in the year. The financing costs are all non-cash following an election under the signed amendment to defer interest payable into the principal. After financing costs and the impairment of intangibles, the loss before taxation was £7.5m (2016: £6.5m). This reduces to £6.4m (2016: £5.9m) after the Research and development taxation credit for the year. The basic loss per share was 34.9p (2016: 56.2p).

Cash Resources

Operating cash outflows were £7.3m (2016: £5.4m). Working capital contributed £1.3m (2016: £nil) to give a net cash outflow from operations of £2.6m (2016: £4.2m). Working capital movements were mainly owing to debtors as the Company benefitted from a movement to monthly invoicing on the DoD contract and the successful management of long overdue items. Interest inflows were £nil (2016: £0.3m outflow).

Tax received was £0.8m (2016: £0.7m) and relates to cash received under the Corporation Tax Research and Development tax relief scheme operated in the UK.

In July 2016, the Company raised £6.0m after costs, from the placement of 8,125,000 new ordinary shares. The Group closed the year with cash of £5.1m (30 June 2016: £1.1m).

Balance Sheet

At the year end, the convertible bond was £5.2m up from £5.0m in 2016. The fair value gains from the amendment in July 2016 were offset by foreign exchange losses and the annual finance cost on the bond. Genedrive® related revenue was key to the growth in revenue for the year. Given this growth we are approaching the criteria for triggering the £1.3m (2016: £1.3m) deferred consideration payable in shares, however the Directors still consider it appropriate to classify the liability as non-current.

Balance sheet net assets at 30 June 2017 totaled £3.4m (30 June 2016: £3.8m). The increase in share capital of £6.0m is directly from the shares issue in July 2016. Offsetting this increase was the consolidated loss for the year £6.4m (2016: £5.9m loss).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	**Year ended 30 June 2017 £'000**	Year ended 30 June 2016 £'000
Revenue	2	**3,166**	3,094
Other income – development grant funding		**2,619**	1,969
Revenue and other income		**5,785**	5,063
Contract costs	3	**(2,998)**	(3,285)
Research and development expenditure	3	**(5,086)**	(4,836)
Administrative costs	3	**(2,614)**	(2,368)
Trading loss		**(4,913)**	(5,426)
Impairment of intangible assets		**(2,379)**	—
Operating Loss	3	**(7,292)**	(5,426)
Finance costs	6	**(195)**	(1,071)
Loss on ordinary activities before taxation		**(7,487)**	(6,497)
Taxation on ordinary activities	7	**1,051**	582
Loss for the financial year		**(6,436)**	(5,915)
Total Comprehensive Expense for the financial year		**(6,436)**	(5,915)
Loss per share (pence)			
– Basic	9	**(34.9)**	(56.2)
– Diluted	9	**(34.9)**	(56.2)

All of the activities of the Group are classed as continuing.

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Income Statement.

CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Note	**30 June 2017 £'000**	30 June 2016 £'000
Assets			
Non-current assets			
Plant and equipment	11	**568**	713
Intangible assets	10	**3,038**	6,273
		3,606	6,986
Current assets			
Inventory	12	**444**	202
Trade and other receivables	13	**1,654**	2,797
Current tax asset	7	**1,213**	757
Cash and cash equivalents	14	**5,129**	1,114
		8,440	4,870
Liabilities			
Current liabilities			
Deferred revenue	15	**(98)**	(88)
Trade and other payables	16	**(2,058)**	(1,774)
		(2,156)	(1,862)
Net current assets		**6,284**	3,008
Total assets less current liabilities		**9,890**	9,994
Deferred consideration payable in shares	17	**(1,250)**	(1,250)
Convertible Bond	18	**(5,199)**	(4,991)
		(6,449)	(6,241)
Net assets		**3,441**	3,753
Capital and reserves			
Called-up equity share capital		**281**	158
Share premium account		**25,988**	20,088
Employee share incentive plan reserve		**(229)**	(240)
Share options reserve		**1,382**	1,281
Reverse acquisition reserve		**(2,484)**	(2,484)
Accumulated losses		**(21,497)**	(15,050)
Total equity		**3,441**	3,753

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Called-up equity share capital £'000	Share premium account £'000	Employee share incentive plan reserve £'000	Share options reserve £'000	Reverse acquisition reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 30 June 2015	158	20,088	(196)	1,197	(2,484)	(9,218)	9,545
Allotment of ordinary shares	—	—	—	—	—	—	—
Purchase of own shares (SIP)	—	—	(44)	—	—	—	(44)
Lapsed share options	—	—	—	(83)	—	83	—
Forfeit of share options	—	—	—	(6)	—	—	(6)
Equity-settled share-based payments	—	—	—	173	—	—	173
Total comprehensive expense for the year	—	—	—	—	—	(5,915)	(5,915)
Balance at 30 June 2016	158	20,088	(240)	1,281	(2,484)	(15,050)	3,753
Share issue	123	5,900	—	—	—	—	6,023
Transfer of shares to SIP members	—	—	11	—	—	(11)	—
Equity-settled share-based payments	—	—	—	101	—	—	101
Total comprehensive expense for the year	—	—	—	—	—	(6,436)	(6,436)
Balance at 30 June 2017	**281**	**25,988**	**(229)**	**1,382**	**(2,484)**	**(21,497)**	**3,441**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2017

All on continuing operations		**Year ended 30 June 2017 £'000**	Year ended 30 June 2016 £'000
Cash flows from operating activities			
Operating loss for the year		**(7,292)**	(5,426)
Depreciation, amortisation and impairment		**3,451**	1,174
ATL Research credits		**(162)**	(151)
Share-based payment expense		**101**	167
Operating loss before changes in working capital and provision		**(3,902)**	(4,236)
Increase in inventories		**(242)**	(39)
Decrease/(Increase) in trade and other receivables		**1,256**	(606)
Increase decrease in deferred revenue		**10**	38
Increase in trade and other payables		**284**	651
Net cash outflow from operations		**(2,594)**	(4,192)
Tax received		**757**	691
Net cash outflow from operating activities		**(1,837)**	(3,501)
Cash flows from investing activities			
Finance income		**14**	7
Acquisition of plant and equipment and intangible assets		**(70)**	(164)
Net cash outflow from investing activities		**(56)**	(157)
Cash flows from financing activities			
Proceeds from share issue		**6,023**	—
Finance costs – interest paid		**—**	(304)
Share Investment Plan – purchase of own shares		**—**	(44)
Net inflow/(outflow) from financing activities		**6,023**	(348)
Net increase/(decrease) in cash equivalents		**4,129**	(4,006)
Effects of exchange rate changes on cash and cash equivalents		**(115)**	192
		4,015	(3,814)
Cash and cash equivalents at beginning of year		**1,114**	4,928
Cash and cash equivalents at end of year		**5,129**	1,114
Analysis of net funds			
Cash at bank and in hand	12	**5,129**	1,114
Net funds		**5,129**	1,114

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

These consolidated financial statements have been prepared in accordance with the accounting policies set out in the annual report for the year ended 30 June 2016. While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), as adopted for use in the EU, this announcement does not itself contain sufficient information to comply with IFRSs. The Group expects to publish full financial statements that comply with IFRSs in October 2017. The financial information set out above does not constitute the company's statutory accounts for the years ended 30 June 2017 or 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006. The financial statements have been prepared on the historical cost basis of accounting except as disclosed in the accounting policies set out in the annual report for the year ended 30 June 2017. The same accounting policies, presentations and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. The annual financial statements of Genedrive plc are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Segment information

For internal reporting and decision making, the Group is organised into three operating divisions – Preclinical Research Services, Pharmacogenomic Services and Diagnostics. Preclinical Research Services provides pre-clinical testing services. Pharmacogenomic Services specialises in molecular measures of biological effect. Diagnostics is commercialising the Genedrive® Point of Need molecular testing platform.

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 three operating divisions of the Group are detailed below.

Business segments	Preclinical Research Services £'000	Pharmaco-genomics Services £'000	Diagnostics Segment £'000	Administrative earnings £'000	Total £'000
Year ended 30 June 2017					
Revenue	2,069	1,097	2,619	—	5,785
Segment EBITDA	246	14	(1,592)	(2,510)	(3,842)
Less depreciation and amortisation	(118)	(51)	(811)	(91)	(1,071)
Impairment of intangible assets	—	—	—	(2,379)	(2,379)
Operating profit/(loss)	**128**	**(37)**	**(2,403)**	**(4,980)**	**(7,292)**
Net Finance costs					(195)
Loss on ordinary activities before tax					**(7,487)**
Taxation					1,051
Loss for the financial year					**(6,436)**

	Preclinical Research Services £'000	Pharmaco-genomics Services £'000	Diagnostics Segment £'000	Administrative earnings £'000	Total £'000
Year ended 30 June 2016					
Revenue	2,010	1,147	1,906	—	5,063
Segment EBITDA	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 tax					**(6,497)**
Taxation					582
Loss for the financial year					**(5,915)**

	Preclinical Research Services £'000	Pharmaco-genomics Services £'000	Diagnostics Segment £'000	Administrative earnings £'000	Total £'000
Year ended 30 June 2017					
Segment assets	612	985	3,783	6,666	12,046
Segment liabilities	(402)	(429)	(686)	(7,082)	(8,605)
Year ended 30 June 2016					
Segment assets	1,072	1,303	7,454	2,027	11,856
Segment liabilities	(248)	(328)	(467)	(7,060)	(8,103)

Geographical segments

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

All on continuing operations	**Year ended 30 June 2017 £'000**	Year ended 30 June 2016 £'000
United Kingdom	**1,674**	1,035
Europe	**430**	365
United States of America	**3,651**	3,529
Rest of world	**30**	134
	5,785	5,063

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

(a) £2,233k revenue was derived from the US Department of Defense with revenue included within the Diagnostics Segment (2016: £1,739k);

(b) £585k revenue was derived from a major international pharmaceutical company, with revenue included within the Preclinical Research Services (2016: £460k).

3. Operating loss

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

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Research and development expenditure	**5,086**	4,836
ATL Research Credit (note 7)	**(162)**	(151)
Amortisation of intangible assets	**856**	934
Depreciation of owned tangible fixed assets	**216**	240
Impairment of intangible assets	**2,379**	—
Cost of inventories consumed	**263**	248
Auditors' remuneration		
– as auditors	**87**	48
– for other services	**—**	5
Operating lease costs – property rent	**458**	398

The current year auditors' remuneration includes a £17.5k under accrual from the 2016 audit and £18,500 of audit costs related to the Convertible Bond amendment. The basic audit fee for the year ending 30 June 2017 is £51,350 which includes a limited review of the Interim Accounts. Other services in the prior year related to grant claim work.

4. Particulars of employees

The average number of staff (including Directors) employed by the Group during the financial year was:

	Year ended 30 June 2017 No	Year ended 30 June 2016 No
Contract services	**32**	36
Research and Development	**34**	28
Administration	**13**	15
	79	79

The aggregate employee costs (including Directors) were:

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Salaries and other short-term employee benefits	**3,649**	3,818
Social security costs	**414**	396
Equity-settled share-based payments	**102**	167
Pension cost-defined contribution plans	**61**	154
Cost of SIP matching shares provision	**43**	52
	4,269	4,587

5. Directors' remuneration (key management)

	Year ended 30 June 2017	Year ended 30 June 2016
Salaries and other short-term employee benefits	**1,146**	899
Social security cost	**147**	124
Equity-settled share-based payments	**105**	122
Pension cost-defined contribution plans	**18**	7
Cost of SIP matching shares provision	**12**	8

	1,428	1,160

For the current year the key management of the Company is the executive team. The executive teams includes the four Executive Board members plus three members of the senior staff. For the prior year there was no equivalent and so the key management is defined as the Directors of the Company. Full details of the Directors' remuneration and Directors' options are contained in the Directors' Remuneration Report.

6. Finance income/(costs)

Group	**Year ended 30 June 2017 £'000**	Year ended 30 June 2016 £'000
Interest income on bank deposits	**13**	7
Gain on amendment to Convertible Bond	**380**	—
Movement in fair value of derivative embedded in Convertible Bond	**30**	37
Finance cost of Convertible Bond	**(308)**	(304)
Unwind of discount on Convertible Bond	**(209)**	(272)
Foreign exchange movement in Convertible Bond	**(101)**	(539)
	(195)	(1,071)

7. Taxation on ordinary activities

(a) Recognised in the income statement

Group	**Year ended 30 June 2017 £'000**	Year ended 30 June 2016 £'000
Current tax:		
Research and development tax credits	**(1,220)**	(763)
Less: recognised as ATL Research Credit	**162**	151
Adjustments in respect of prior years	**7**	—
Total current tax	**(1,051)**	(612)
Total deferred tax	—	30
Total tax credit for the year	**(1,051)**	(582)

b) Reconciliation of the total tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2016: higher) that the weighted average applicable tax rate for the year ended 30 June 2017 of 19.75% (2016: 20%). The differences are explained below:

	2017	2016
Loss before tax	**(7,487)**	(6,497)
Tax using the UK corporation tax rate of 19.75%	**(1,478)**	(1,299)
Adjustment in respect of R&D tax credit recognised above the line 'ATL'	**162**	151
Adjustment in respect of R&D tax credit claimed	**(585)**	(397)
Items not deductible for tax purposes – permanent	**24**	5
Items not deductible for tax purposes – temporary	**29**	21
Deferred tax not recognised	**790**	937
Adjustment relating to a previous year	**7**	—
Total tax credit for the year	**(1,051)**	(582)

No deferred tax assets are recognised at 30 June 2017 (2016: £nil). Having reviewed future profitability in the context of trading losses carried, it is not probable that there will be sufficient profits available to set against brought forward losses.

The Group had losses, as computed for tax purposes, of approximately £9,455k (2016: £8,513k) available to carry forward to future periods.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main tax rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantially enacted on 26 October 2015.

As the change to 17% had not been substantially enacted at the Balance Sheet date, its effects are not included in these financial statements. If the change had applied to the deferred tax balance at the Balance Sheet date, the overall effect on both 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 the year ended 30 June 2017 is £1,220k (2016: £763k) which includes £162k (2016: £151k) disclosed as ATL Research Credit deducted from Research and Development Costs with the balance of £1,051k (2016: £582k) disclosed within Taxation on ordinary activities as detailed above.

8. Profit attributable to members of the Parent Company

The loss dealt with in the accounts of the Parent Company was £24,812k (2016: loss of £1,378k).

9. Earnings per share

Group	**2017 £'000**	2016 £'000
Loss for the year after taxation	**(6,436)**	(5,915)

Group	2017 Number	2016 Number
Weighted average number of ordinary shares in issue	**18,466,232**	10,564,546
Weighted average number of SIP matching shares not vested	**—**	(32,931)
Adjusted weighted average number of ordinary shares in issue	**18,466,232**	10,531,615
Dilutive ordinary shares from options and warrants in issue	**—**	3,385
Dilutive weighted average number of ordinary shares	**18,466,232**	10,535,000
(Loss) per share		
– basic	**(34.9)p**	(56.2)p
– diluted	**(34.9)p**	(56.2)p

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

As the Company is loss making, no potentially dilutive options have been added into the EPS calculation. Had the Company made a profit in the period: there would be no potentially dilutive share options because all share options in issue are underwater and there would be 90,175 of dilutive SIP shares.

10. Intangible assets

Group	Patents £'000	Acquired Intellectual Property £'000	Developed Intellectual property £'000	Total £'000
Cost				
At 1st July 2016	717	3,193	4,001	7,911
Additions	—	—	—	—
At 30 June 2017	**717**	**3,193**	**4,001**	**7,911**
Accumulated amortisation				
At 1 July 2016	363	509	766	1,638
Charge for the year	68	358	430	856
Impairment	256	252	1,871	2,379
At 30 June 2017	**687**	**1,119**	**3,067**	**4,873**
Net book value				
At 30 June 2016	354	2,684	3,235	6,273
At 30 June 2017	**30**	**2,074**	**934**	**3,038**
Cost				
At 1st July 2015	717	3,177	4,001	7,895
Additions	—	16	—	16
At 30 June 2016	717	3,193	4,001	7,911
Accumulated amortisation				
At 1 July 2015	362	85	257	704
Charge for the year	1	424	509	934
At 30 June 2016	363	509	766	1,638
Net book value				
At 30 June 2015	355	3,092	3,744	7,191
At 30 June 2016	354	2,684	3,235	6,273

The net book value of Intangible assets all relates to the Genedrive® unit and assays (2016: £6,273k). The charges for amortisation are included in the Contract and Research and Development expense headings. During the year to 30 June 2017, the cost of the Company's Patents assessed as not being available for economic use amounted to £nil (2016: £nil).

During the year the Intangible assets have been 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 and then deflated down to zero in year four – as the estimated useful economic life of the assets in their current state without further investment is three and a half years. These projected cashflows were discounted at a pre-tax discount rate of 12.5%. As a result of this analysis the carrying value of the intangible assets at 30 June 2017 was reduced to £3,038k (2016: £6,273k) and an impairment charge of £2,379k (2016: £nil) was booked during the period. The Group has conducted sensitivity analysis on the impairment test. An increase in the pre-tax discount rate to 16.5% would still support the carrying value of the intangible assets of £3,038k. A reduction in the year two and year three growth rate of 7.5% would still support the carrying value of the intangible assets of £3,038k.

11. Plant and equipment

Group	Lab equipment £'000	Fixtures & fittings £'000	Other equipment £'000	Total £'000
Cost				
At 1 July 2016	1,957	185	418	2,560
Additions	42	2	33	77
Disposals	(7)	—	(2)	(9)
At 30 June 2017	**1,992**	**187**	**449**	**2,628**
Accumulated Depreciation				
At 1 July 2016	1,480	88	279	1,847
Charge for the year	125	35	56	216
Depreciation on disposed assets	(2)	—	(1)	(3)
At 30 June 2017	**1,.603**	**123**	**334**	**2,060**
Net book value				
At 30 June 2016	477	97	139	713
At 30 June 2017	**389**	**64**	**115**	**568**

Group	Lab equipment £'000	Fixtures & fittings £'000	Other equipment £'000	Total £'000
Cost				
At 1 July 2015	1,922	131	364	2,417
Additions	35	54	59	148
Disposals	—	—	(5)	(5)
At 30 June 2016	1,957	185	418	2,560
Accumulated Depreciation				
At 1 July 2015	1,325	50	237	1,612
Charge for the year	155	38	47	240
Depreciation on disposed assets	—	—	(5)	(5)
At 30 June 2016	1,480	88	279	1,847
Net book value				
At 30 June 2015	597	81	127	805
At 30 June 2016	477	97	139	713

12. Inventories

Group	**2017 £'000**	2016 £'000
Raw materials	**332**	202
Finished goods	**112**	—
	444	202

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

13. Trade and other receivables

Group	**2017 £'000**	2016 £'000
Trade receivables	**1,376**	2,290
Less: provisions for impairment	**(218)**	—
Trade receivables - net	**1,158**	2,290
Other receivables	**86**	217
Prepayments	**410**	290
	1,654	2,797

Analysis of trade receivables

	2017 £'000	2016 £'000
Neither impaired nor past due	**472**	1,338

Past due but not impaired	**686**	952
Trade receivables	**1,158**	2,290

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

Group	**2017 £'000**	2016 £'000
Not overdue	**472**	1,338
Less than 1 month overdue	**203**	112
Later than 1 month less than 3 months overdue	**147**	409
Later than 3 months overdue	**336**	431
Total	**1,158**	2,290

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

Group	**2017 £'000**	2016 £'000
Opening provision	**—**	—
Charge for the year	**218**	—
Closing provision at 30 June	**218**	—

Ageing of impaired receivables

Group	**2017 £'000**	2016 £'000
Greater than 3 months	**218**	—

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.

14. Cash and cash equivalents

Group	**2017 £'000**	2016 £'000
Cash at bank and in hand	**5,129**	952
Short term bank deposits		162
	5,129	1,114

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.

15. Deferred revenue

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

Group	**2017 £'000**	2016 £'000
Amounts to be recognised within 1 year	**98**	88

16. Trade and other payables

Group	**2017 £'000**	2016 £'000
Trade payables	**816**	914
Accruals	**923**	675
Other payables	**319**	185
	2,058	1,774

17. Deferred consideration payable in shares

Group	**2017 £'000**	2016 £'000

Payable in shares	**1,250**	1,250

The deferred consideration relates to the acquisition of Visible Genomics Ltd in July 2010. Under the terms of the acquisition £1,250k becomes payable in the form of shares in genedrive plc to the former owner of Visible Genomics Ltd. The liability becomes payable on the achievement of certain milestones. At 30 June 2017, the Directors reviewed the terms of the earn-out milestones and consider that the criteria will be met during a period greater than twelve months but less than five years following the Balance Sheet date. The liability is therefore classified as non-current.

18. Convertible Bond

Group	**2017 £'000**	2016 £'000
Derivative	**4**	—
Debt host	**5,195**	4,991
	5,199	4,991

Collaboration and Convertible Bond Purchase Agreement

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' or the 'bond holder'). 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. Under the terms of the Agreement, the Company issued to GHIF a five-year Convertible Bond, with a 5% coupon payable half yearly, totalling $8.0m. 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. In addition the Company will establish a tiered pricing framework that is commercially reasonable and reflects the needs of poor patients in developing countries. The Company will, taking into account its profitability and other commercial interests, allocate sufficient capacity and product distribution to make Genedrive® and its assays accessible to people most in need in developing countries. In return GHIF will use commercially reasonable efforts through its global access network to ensure support for the Company in placing Genedrive® and its assays in global territories to reflect the needs and price sensitivity of poor patients in the developing world. Notwithstanding any early Conversion, Redemption or Termination of the agreement, the Global Access Commitment shall endure for five years from 22 July 2014.

During the period of the Agreement, the Company has entered into undertakings commensurate with a Convertible Bond Agreement.

These include: undertakings relating to incurring financial indebtedness and financial default; undertakings relating to maintenance of appropriate records; undertakings relating to standards of social responsibility and ethical behaviour.

Deed of Amendment to Convertible Bond Purchase Agreement

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 extended 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.
- To change the Company conversion option, on the first tranche of US$2m into new Ordinary Shares in circumstances where the average closing price of the Company's Ordinary Shares is greater than or equal to £2.50 per ordinary Share for a period of 20 consecutive days.
- To allow, for interest periods ending on or before (but not after) 21 January 2019, the Company to elect to pay none or a portion of the 5% interest payable semi-annually on the accrued and outstanding principal amount of the GHIF Bond and instead capitalise and compound some or all of such outstanding interest due until the earlier of the date on which the GHIF Bond is repaid if converted into Ordinary Shares.

Accounting

Due to the Convertible Bond being denominated in a different currency to the Company's functional currency, IFRS requires the Convertible Bond to be accounted for as a compound instrument, comprising a Debt Host (liability component) and a Derivative (equity component). The Debt host 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%.

	Host £'000	Derivative £'000	Bond £'000
Balance at 30 June 2015	3,988	37	4,025
Increase/(Decrease) in fair value	272	(37)	235
Increase in liability caused by foreign exchange movements	731	—	731
Balance at 30 June 2016	4,991	—	4,991
Fair value impact from Deed of Amendment	(414)	34	(380)
Increase/(Decrease) in fair value	209	(30)	179
Finance costs on Convertible Bond	308	—	308
Foreign exchange movement in Convertible Bond	101	—	101
Balance at 30 June 2017	**5,195**	**4**	**5,199**