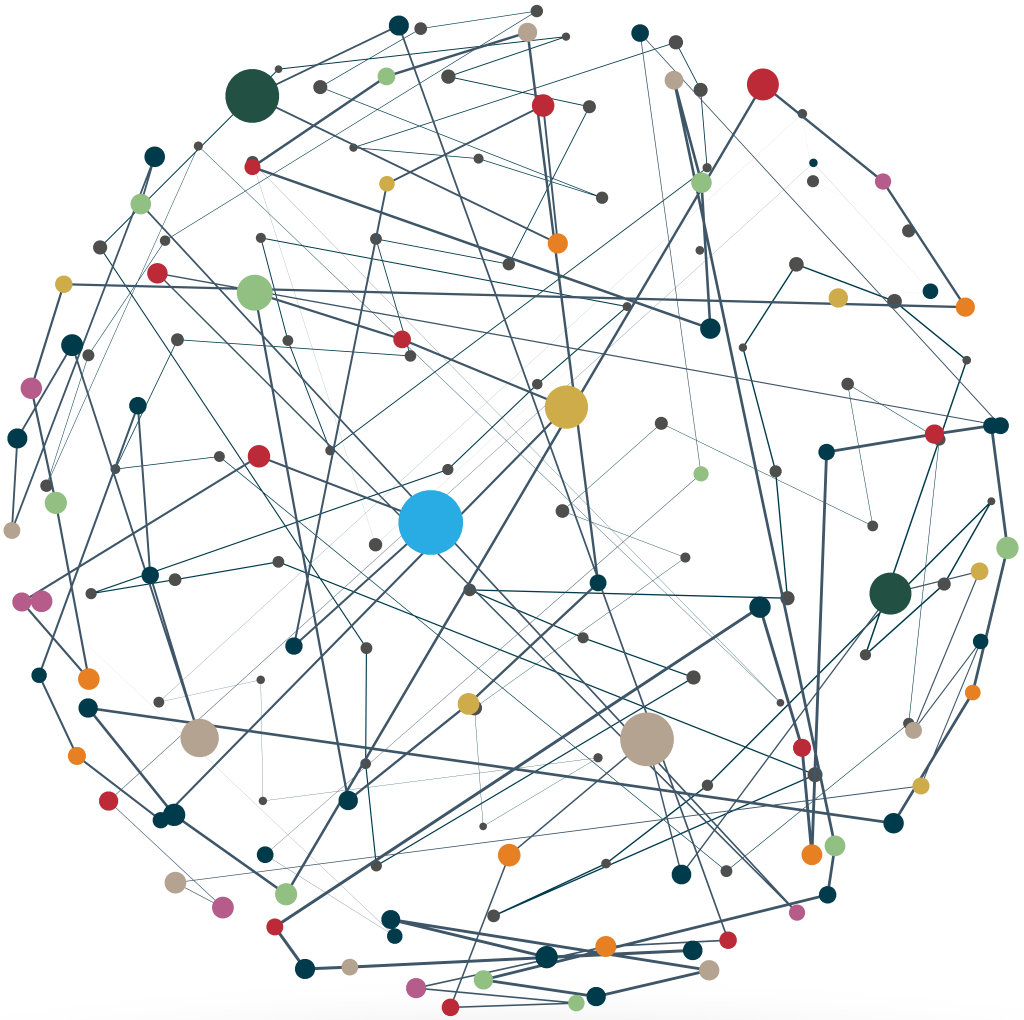
genedrive

Decentralising molecular diagnostics



WHAT WE DO
Introduction and highlights

$30bn

Estimated global Point of Need market

genedrive plc

commercialising Point of Need molecular diagnostics

Strategic Report

Governance

Financial Statements

£6.5m
New equity funding

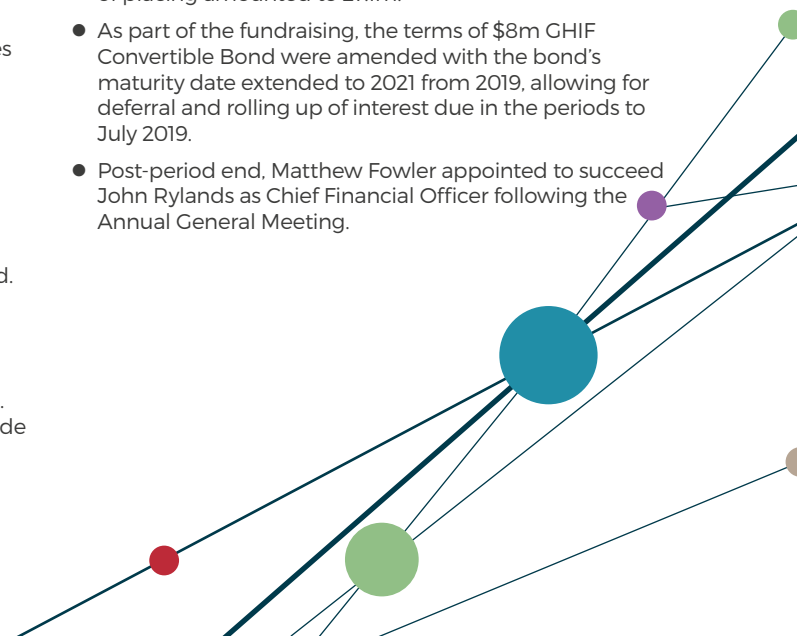
£5.0m
Revenue

Operational Highlights

- The Indian launch of the Genedrive® MTB/RIF test commenced in April 2016. Whilst end user sales are yet to engage, early interest is in line with expectations. We are pleased to report that positive post-market surveillance studies confirm that the Genedrive® MTB test is performing in line with its product performance claims.
- Development of the next Genedrive® test for Hepatitis C (HCV) remains on track. The Company undertook successful initial validation studies of the HCV test at Institut Pasteur in February 2016, paving the way for performance testing of the assay. Initial CE-IVD approval of the HCV test is scheduled for March/April 2017.
- Successful clinical trial results of Genedrive® IL28B human-genotyping test in conjunction with Institut Pasteur at Hospital Cochin, Paris announced in May 2016. Announcement of adoption of the Genedrive® IL28B test in clinical trials being conducted by STOP-HCV campaign.
- Successful progress in the US Department of Defense Programme to develop Genedrive® biohazard identification tests triggers commencement of next $2.9m phase.
- Successful field validation of aquaculture test for detection of Whitespot disease in shrimps in collaboration with the Centre for Environment, Fisheries and Aquaculture Science (CEFAS).
- Detailed strategic review of the Company's Preclinical and Pharmacogenomics Services operations commenced against a background of robust contract wins.
- David Budd joined as CEO in March 2016 bringing 20 years of international commercial and operational experience in the diagnostics and medical devices field.
- Review and redirection of Group management organisation focusing the Company on the Genedrive® molecular diagnostic product range.
- The Group was renamed genedrive plc on 22 July 2016. The Company's Services operations will continue to trade under the Epistem brand.

Financial Highlights

- Growth in turnover up 12% to £5.0m (2015: £4.5m) at the top end of previous guidance.
- Strong growth in Genedrive® development income of £1.9m (2015: £0.9m) principally driven by the US Department of Defense handheld biohazard identification programme.
- No distributor sales to India in the year (2015: £0.2m.) Our distributor continues to operate from their initial distributor stocking order of £0.2m.
- Reduced Service income of £3.1m (2015: £3.6m). Preclinical Service income of £2.0m (2015: £2.3m). Pharmacogenomics Service income of £1.1m (2015: £1.3m).
- Operating loss of £5.4m (2015: £4.0m) following increased development and administrative costs to support the re-focusing of the Company.
- £6.5m (£6.0m net) fundraising announced on 23 June 2016 with proceeds received by the Company after the year end.
- Cash reserves at 30 June 2016 of £1.1m (30 June 2015: £4.9m). Cash reserves at 30 June 2016 plus net proceeds of placing amounted to £7.1m.
- As part of the fundraising, the terms of $8m GHIF Convertible Bond were amended with the bond's maturity date extended to 2021 from 2019, allowing for deferral and rolling up of interest due in the periods to July 2019.
- Post-period end, Matthew Fowler appointed to succeed John Rylands as Chief Financial Officer following the Annual General Meeting.



NEW DIRECTION

Company overview

With the approval in India of our first Genedrive® test for MTB, the Board realigned the Company's Strategic Plan to focus the Company on our Genedrive® molecular testing platform, evidenced in the new management team and the Company's new name, genedrive plc.

We are excited in the future of Genedrive® in bringing the power of hospital-based, central laboratory diagnostics closer to the point of need and the patient setting. These new funds put us in a strong position to deliver on Genedrive®'s potential and expand its testing capabilities.

David Budd
Chief Executive Officer

Rationale

The launch, during the year, of the Company's first test on our Genedrive® platform marks a key stage in the Company's development. Since its listing on AIM in 2007, the Company adopted a dual business model with free standing Services operations, selling high margin niche services alongside corporate investment in research and development, targeting high value opportunities for collaboration with international life sciences companies. This strategy offered the dual benefit, generated by the Services operations, of positive cash flow to fund corporate structure and product development and high level understanding and interaction with international pharmaceutical companies providing a platform for the launch of new products and services. Under this strategy, the Company built up its molecular science, biomarker and assay development expertise as well as the adoption of a point of need molecular diagnostics expertise which underpins the Genedrive® product trademark.

As the market opportunity for Genedrive® in the diagnostics segment of the life science industry has grown so the management and infrastructure requirements have diverged from the requirements of the Services operations. With shareholder expectations being directed at the superior returns offered by the Genedrive® product range in point of need diagnostics, the Company recognised that it is cannot allocate sufficient investment in the Services operation to secure its continued long term growth. Accordingly, the Company announced in June that it is undertaking a strategic review of its Service operations with a view to focussing the point of need opportunity presented by the Genedrive® platform.

New Name; New Focus

The adoption of the new name, genedrive plc, points to the new direction of the Company in targeting diagnostics requirements at the point of need.

This requires focused investment in commercial, regulatory, clinical and operational infrastructure aligned to the quality standards of the international diagnostics industry.

New Leadership

On 1 March 2016, the Board appointed David Budd as CEO. David has over 20 years of international commercial and operational experience in the diagnostics and medical devices field, launching multiple diagnostics products into international markets. He joined genedrive plc from Leica Biosystems (a Danaher company), a fast growing organisation where he served as General Manager of Leica Biosystems Amsterdam. David previously served as Commercial Director at Leica Biosystems Newcastle, with global responsibility for marketing, market research and product launches for diagnostic tests. Prior to joining Leica Biosystems, David's previous roles included Point of Care, molecular and central laboratory marketing and commercialisation responsibilities as a Director of Marketing at Siemens Healthcare Diagnostics, Business Unit Leader at Bayer Diagnostics UK, and Sales Manager at Visible Genetics Inc.

Delivering at Point of Need

Genedrive® is designed to bring the power of central laboratory molecular diagnostics to the Point of Need setting in a device that has a lower cost and faster time to result than molecular alternatives.

For information on Genedrive®
See pages 8-13

CHAIRMAN'S
Statement

Ian Gilham, Ph.D.
Chairman

I am very pleased to report on the progress which the Company has made since my last report.

Our key priorities during the period have been to continue the process of re-focusing the Company on the highly attractive opportunities which the Genedrive® diagnostics platform offers in the market for decentralised, near patient diagnostic tests and ensuring the success of its commercial launch and continued development.

We have begun the launch of our MTB/RIF assay in India, our first commercial market. While we have encountered challenges not uncommon in the launch of new diagnostics products, early interest in the market has been encouraging and our post-market surveillance studies have confirmed that the Genedrive® test offers an attractive, low cost and accessible alternative for MTB/RIF testing.

We remain confident in the potential of the Genedrive® MTB/RIF assay in what are significant market opportunities, and are working to develop further commercialisation efforts and improve certain technical aspects of the product based on our in-market experience.

We also report on the continued broader validation of the Genedrive® platform, with the development of our HCV test on track for CE marking in March/April 2017 and significant progress seen in our US Department of Defense project for the development of Genedrive® as a handheld test for biohazard identification.

Last year, we announced the conclusion of our collaboration with University of Maryland, Baltimore (UMB) in Radiation Biodefense and this has impacted our Services income. However, significant progress towards replacing this income has been achieved. Also, as previously announced, we have appointed advisors to undertake a review of our Services operations and will update on the progress of the review in the coming months.

The period has seen the appointment of David Budd as CEO, bringing over 20 years of international commercial and operational experience in the diagnostics and molecular devices field to the Company and strengthening our ability to exploit fully the opportunity which our Genedrive® platform represents. David's experience and focus is already making a significant impact across the Company.

Furthermore, the £6.5m (£6.0m net) fundraising approved in July 2016 has strengthened our financial position.

On behalf of the Board, I would like to thank our staff, investors, and customers for their commitment and support over the past year and we look forward to updating investors on our progress over the coming year.

Dr. Ian Gilham
Chairman
1 November 2016

CHIEF EXECUTIVE'S
Q&A

David Budd
Chief Executive Officer

What were your reasons for joining the Company?

The requirement for simple and affordable testing for patients at a clinic or point of need to enable early diagnosis and correct therapy is increasingly well understood in healthcare settings. I thought that Genedrive® was a very compelling and interesting solution, and I was very impressed with the development team's capabilities and enthusiasm. From a business perspective, the opportunities are large unfolding markets with a relatively small competitive footprint. While these markets can be complex, the rewards are great for those that are successful in navigating the development and commercial path.

What are your first impressions?

Now that I have had the opportunity to see the development programmes first hand, I have been very impressed by the team of professional staff at genedrive plc as well as encouraged by the robustness demonstrated in the Genedrive® instrument and the wide variety of applications in which it can successfully perform. I think this bodes well as we look to menu and applications development, both in what we might do directly ourselves and where we might look to partners for co-development opportunities.

What are your immediate priorities?

My two priorities are to demonstrate Genedrive®'s adoption in the market place, and to give the organisation the focus and direction to execute on the commitments we have made. While it is very early days, we need to be vigilant on the commercial progress we have made in the launch of the MTB/RIF assay in India and any learning we can take from that. We will need to spend additional time on engaging with clinical opinion leaders. This understanding will help support our launch processes for our Genedrive® HCV test in the EU next year, and the subsequent work needed to gain regulatory clearances in target countries.

What is your vision for the future?

Spearheading new diagnostics solutions in non-laboratory settings has the potential to position Genedrive® as an internationally leading molecular diagnostic platform. We have staked our current development focus squarely on MTB and HCV, but I'm eager to explore the partnerships that can help us potentially not only to build further the Genedrive® menu, but allow us to explore additional routes to market as we move beyond our initial focus in India.

HOW WE OPERATE

Business model and strategy

Our new focus will strengthen our business model by allowing us to concentrate on opportunities where our technology will provide sustainable growth

Validation of concept

Genedrive® is positioned to offer lower cost, easy to use, point of need or clinic based tests via a 'razor/razor blade' business model across an increasing range of applications. The instrument's development has been significantly de-risked through a range of varied applications and external independent validations.

Validating Genedrive®

Tuberculosis (TB)

Sputum testing. Limited resource settings

Hepatitis C (HCV)

Blood-based, viral testing

US DoD Biohazard ID

$7.8m programme. Multiplexing ruggedness

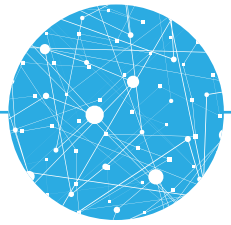
Pharmacogenomics

Buccal swab. Human genotyping

Aquaculture

Non-healthcare applications

Development partnerships

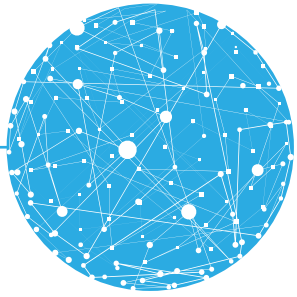


Our development process has been well supported through capital efficient grants and project income. These programmes have progressed positively, strengthening our confidence in a growing number of application areas that Genedrive® platform can be applied. Genedrive® development has been supported by £4m in grants and revenues and a $8m (£4.7m) convertible bond from the Global Heath Investment Fund with a primary focus on the development of diagnostic solutions in low to middle income countries for diseases such as MTB and HCV.

Futher validation

- April 2016 – successful initial validation studies of the HCV test at Institut Pasteur. Initial CE-IVD approval scheduled for H2 2016/17.
- May 2016 – successful clinical trial results of Genedrive® IL28b genotype testing in conjunction with Institut Pasteur.
- Successful independent testing of Genedrive® biohazard identification tests in collaboration with the US DoD.

Commercialisation



Genedrive®'s initial commercial introduction occurred in April 2016 with the launch of our MTB/RIF test in India. The benefits and opportunities for Genedrive® are not restricted to India and the Company intends to expand its footprint with an increase in Genedrive®'s menu capability.

Today, an extensive list of companies provide a wide range of clinically relevant tests, primarily to hospital based laboratories. We intend to partner with existing successful developers and commercial partners that will benefit from an additional decentralised route to market that is offered by Genedrive®.

Priorities

- TB Commercialization in India and engagement of appropriate advocates.
- Attain CE marking for HCV qualitative test and use 2017 for market specific trials and target country registrations.
- Establish global or regional distributor partners for Genedrive® beyond India.

GLOBAL OPPORTUNITY

Market overview

The use of Point of Need diagnostics enables improved healthcare accessibility, reduced waiting times, immediate discussion of results and treatment and fewer follow-up visits.

$30bn

The global market for Point of Need diagnostics expected sales in 2020

$1bn

Infectious diseases market

Target applications

Tuberculosis and RIF antibiotic resistance detection

- TB is the largest single infectious cause of death among young people and adults.
- TB diagnosis in many countries is still reliant on older tools, but new diagnostics are changing the landscape.
- Molecular testing is the fastest growing TB diagnostic test segment and is expected to erode market share in smear microscopy.
- Highest priority is a rapid, low-cost, sputum-based, molecular test with drug resistance test capability for microscopy centres.

Hepatitis C detection

- HCV is a blood-borne virus which primarily affects the liver - no vaccine currently available.
- Chronic HCV infection is curable if diagnosed: opportunity to reduce costs of chronic infection and treatment (e.g. liver transplant).
- Global HCV diagnostics market is estimated to be $500m.
- Hepatitis C is a significant public health concern that affected approximately 100m patients globally in 2012. Even more alarming, only 0.4m were treated that year, showing the need for increased screening and timely diagnosis.
- Low/middle income countries have <10% diagnosis rate.
  - Current diagnostic paradigm is too costly for low-income countries
  - 84-96% of population live in areas where testing is not accessible
  - Strong need for rapid, inexpensive and accessible molecular test

Eradicate TB by 2020

World Heath Organisation STOP-TB initiative

77m tests pa

In 22 high burden countries

9.6m

New cases of TB in 2014

Bio hazard identification

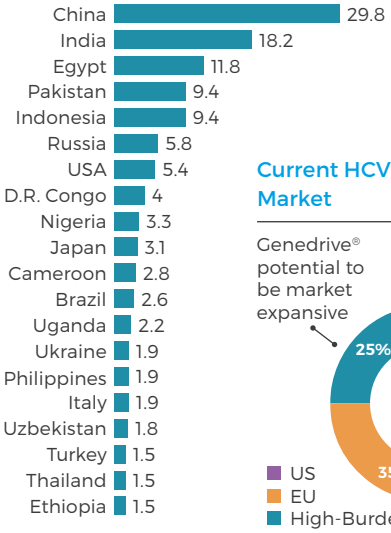
The Company will progress its successful collaborative programme with US Department of Defense (DoD) for the development of biohazard identification tests. The next stage of the project has a budget of $2.9m and we will seek to work with US DoD to secure future funding in the coming financial years.

Pathogen testing for aquaculture

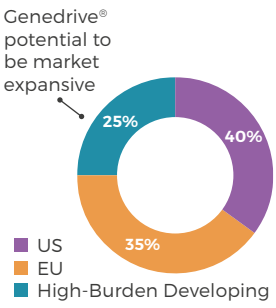
There is a smaller scale opportunity to work with CEFAS to develop our test for the detection of Whitespot. The market for this test is likely to be driven by government budgeting but we retain the rights to market this globally and plan to investigate routes to key markets.

Hepatitis C (HCV) – Disease and Market

Prevalence of HCV in Top 20 countries (millions)



Current HCV Testing Market



In May 2016, The World Health Assembly adopted the first 'Global Health Sector Strategy on Viral Hepatitis, 2016-2021'. The strategy has a vision of eliminating viral hepatitis as a public health problem and this is encapsulated in the global targets of reducing new viral hepatitis infections by 90% and reducing deaths due to viral hepatitis by 65% by 2030**.

**http://www.who.int/mediacentre/factsheets/fs164/en/

c.170m

People infected globally with HCV

POINT OF NEED DELIVERY

Product overview

The Genedrive® molecular diagnostic system has been developed as a next generation low cost, rapid, versatile, simple to use and robust platform for the diagnosis of infectious diseases and for use in patient stratification, pathogen detection and other indications.

Overview

Genedrive® is rapidly reconfigurable for specific assays and is suitable for use in a 'Point of Need' setting. Genedrive® analyses nucleic acids from fresh or stored samples in clinical and remote settings to provide near-patient diagnostics.

Application for Tuberculosis (MTB/RIF)

- Genedrive® tuberculosis test has been designed as an affordable, rapid PCR-based test for the detection of Mycobacterium tuberculosis (MTB) and rifampicin resistance in sputum samples
- Early, near-patient detection of MTB/RIF enables rapid treatment and a reduction in transmission rates
- Genedrive® MTB/RIF is intended for use in decentralised facilities and has a fast turnaround of c.75 minutes
- Commercially available in India under a licence from the Drug Controller General of India (DCGI)

Application for Hepatitis C (HCV)

- Genedrive® HCV test has been developed on a blood-based platform: either finger stick or phlebotomy.
- Information gathered allows physician to:
  - Diagnose and make decision to treat
  - Guide treatment based on monitoring of viral status
- Development part funded by grants from European Commission.
  - Successful external clinical validation by France's Institut Pasteur announced in February 2016
  - Clinical trials in progress with CE-mark and launch targeted for 2017
- Availability of new treatments for HCV (i.e. Sovaldi™) in developing countries at sustainable prices driving need for decentralised diagnostics.
- Significant global players could offer future opportunity for partnership, development and distribution opportunities.
  - Current diagnostic paradigm is too costly for low-income countries

Genedrive®

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

PROGRESS IN STRATEGY

Commercial roll-out in India

Our first commercial market for Genedrive® is in tuberculosis and antibiotic resistance testing in India with the aim of increasing the adoption and availability of sophisticated molecular diagnostic analysis.

> *The results are fully aligned to the Company's DCGI performance claims. These results show that Genedrive® offers an acceptable, low cost and accessible alternative for facilities without the sophisticated infrastructure and equipment which we have in our main laboratory.*

Dr Bhavini Shah
Head of TB testing services at
Supratech Inc, India

This year saw the commercial launch of our Genedrive® MTB/RIF assay in India under a licence from the Drug Controller General of India (DCGI). Currently molecular diagnostic testing is generally only available through selected large hospital central laboratory settings. We believe that providing decentralised laboratories with the cost effective ability to carry out molecular testing with Genedrive® will be very attractive to them and impact positively on patient treatment.

Our commercial approach is to access the market through a distribution partner, Xcelris Laboratories Ltd. We are initially targeting small and medium laboratories in the private sector, which is presently the largest market by revenue and is where we believe our cost will be a competitive advantage.

In support of commercialisation, we have undertaken further post-market surveillance studies in India. These studies have confirmed the Genedrive® MTB/RIF test is performing in line with our product performance claims and offers an acceptable, low cost and accessible alternative for MTB/RIF testing.

Tuberculosis – India Commercialisation Strategy

Large Hospital Labs

Predominantly public

- Fully automated
- Hospital KOLs
- High throughput
- Low PoN usage

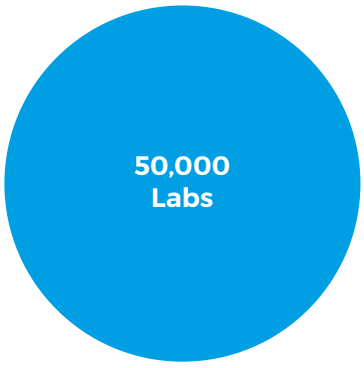
Small/Medium Labs

Genedrive®

Predominantly private

- Manual
- Low skill level
- Medium PoN usage

Small Out-Reach Labs



Predominantly public

- Semi-automated
- Medium skill level
- High PoN usage

OPERATIONAL PERFORMANCE

Diagnostics, The Genedrive® platform

Tuberculosis

The period under review included the Indian launch of the Genedrive® MTB assay in April 2016 under an import licence from the Drug Controller General of India (DCGI). This licence was obtained on the basis of external clinical studies approved by the DCGI.

In support of commercialisation, we have undertaken further post-market surveillance studies in India. These studies have confirmed the Genedrive® MTB test is performing in line with our product performance claims and offers an acceptable, low cost and accessible alternative for MTB/RIF testing.

Early interest from Indian laboratories post-launch is in line with our assessment of the market but the sales cycle is proving longer than we had anticipated and user sales have yet to engage. We have identified the need to establish the right user training and address some variable performance in the sample preparation process. While we expected a gradual ramp up in sales in the early months post launch, we booked no new sales to our distributor, Xcelris Laboratories Ltd, following the £0.2m stocking order in 2015.

We are working closely with Xcelris to address the commercial challenges. The product launch phase initiated a programme of product based training for Xcelris' sales team, followed up with a programme of customer site demonstrations to establish initial reference sites. In response to slower than anticipated sales, we are taking steps to further align product training for the distributer and customers aligned to their level of experience. We now directly employ four in-country trainers (all Indian nationals) to support demonstration and post sale processes.

We will evaluate additional distribution arrangements, should we consider alternatives are necessary in order to drive sales of the Genedrive® platform in India.

Alongside these near-term actions in support of commercialisation, we have commenced a non-capital intensive development programme to address certain product characteristics related to sample preparation to ensure the full expected market is ultimately available to it.

Our initial focus continues to be on small and medium decentralised laboratories. These are predominantly in the private sector, which is presently the largest market by revenue and is where we believe our cost will be a competitive advantage. In connection with the sample refinements above, we are also exploring appropriate expanded public markets for which we will engage further Key Opinion Leaders (KOLs) and subsequently deploy commercial teams. We remain confident in the potential of the Genedrive® MTB/RIF test in the Indian market.

Hepatitis C (HCV)

Following continued positive progress, the Company's research and development team is working to achieve CE marking for the HCV assay in anticipation of phase 1 launch in the EU in 2017. With this approval, we will begin KOL engagement and apply for regulatory approval for product launch in resource limited settings, where access to laboratory equipment is less available. In February, we announced successful external assessment of the Genedrive® HCV test at the Institut Pasteur, Paris, which allowed for the start of clinical trials required to achieve CE marking.

A programme of independent validation trials in Scotland, England, France and Spain is planned for the test which we anticipate will yield results around which we can conclude agreements for the distribution of the test. The Company is currently in discussion with both international and country specific partners for distribution opportunities.

The product development team is progressing new low-cost technology to develop a disposable plamsa separation unit that would deliver plasma from a minimally invasive finger stick collection of blood without the need for centrifuge and the more invasive vial of blood which centrifuge requires. The successful development of this technology will remove a major barrier to tests that require plasma at the point of care or point of need used outside of a laboratory. We are pleased with progress being made with the development of this minimally invasive disposable unit and are targeting to make this available to support phase 2 of the commercial launch.

Pathogen detection

The Company can report excellent progress in our US DoD funded collaboration to develop biohazard tests for Genedrive®. We have booked revenues in the financial year of $2.2m for the first phase of the project and announced, in March 2016, the outline approval for the next $2.9m phase which, subject to continued technical progress, we expected to be largely undertaken during the current financial year. The project represents significant external validation for our development capability and processes as well as extensive enhancement of our development know-how and supply chain. The terms of reference for the programme have been set by US DoD and do not point to a specific level of future sales which may arise from continued successful development.

The Company is also collaborating with the Centre for Environment, Fisheries and Aquaculture Science (CEFAS) in a funded programme for the development of a diagnostic aquaculture test for Whitespot, a disease which is causing significant disruption of shrimp farms in Asia, in particular. The Genedrive® test successfully passed its initial field trial conducted by CEFAS in August this year. We will now seek within the CEFAS collaboration to undertake on-site trials to gather data designed to establish the possible commercial potential for the test.

Human genotyping assay (IL28B)

The division has completed successful trials of the IL28B human genotyping test and the test has been adopted by the STOP-HCV programme for inclusion in its clinical trials (http://www.stop-hcv.ox.ac.uk/stop-hcv-1-trial). The results from this field trial will allow us to market test our genotyping platform and to assess the extent to which it will complement our infectious disease product range. Genedrive® is providing 20 Genedrive® units and associated tests for use in the STOP-HCV programme.

New product development

The new management team plan to develop an increasing range of tests for the Genedrive® platform.

Business development

In addition to addressing our Genedrive® proprietary pipeline, we are finalising a review of our commercial priorities. We will address opportunities with external parties to bring existing laboratory based tests onto the Genedrive® system to exploit its unique characteristics and potential in near patient applications. Such development would more rapidly expand the range of tests available on the Genedrive® platform and build validation in a capital efficient manner. We also see significant scope to pursue new client funded opportunities to develop new assays, along the model of our biohazard programmes.

Summary

During the year, Diagnostics grew income by 52% to £1.9m (2015: £0.9m). Growth in development expenditure increased Diagnostics loss to £2.9m (2015: £1.5m).

OPERATIONAL PERFORMANCE CONTINUED

Services Operations

As previously stated, while the Services business has been a very valuable component of the Company's development since incorporation, it is clear that our resources do not allow the level of investment required to ensure the division's continued progress and growth. In June 2016, we announced that we had appointed advisers to undertake a strategic review of our Services operations. We will keep shareholders updated with progress on this review over the coming months.

Preclinical Research Services

Preclinical Research Services delivers specialised testing services to biotechnology and international drug development companies. The division has developed a versatile range of models across high value therapeutic pathways covering oncology, oncology supportive care, gastrointestinal disease, inflammation, skin care and wound healing. We have also been international recognised as 'Subject Matter Experts' in radiation treatment.

Each disease area is supported by specialist scientists with expertise covering imaging, FACS analysis, histopathology, immunohistochemistry and multiplexing. Over recent years, the division has achieved substantial progress in developing its models with particular emphasis on inflammatory bowel disease, oncology imaging leukaemia and rheumatoid arthritis models.

Last year, we reported that the US Government agencies, NIH/NIAID, would not be continuing its funding to University of Maryland, Baltimore (UMB) beyond September 2016. Running at £1m pa, our participation as a sub-contractor to UMB had historically generated a significant share of the division's income. Last year, we also reported on weakness in our EU markets. The division has responded to these challenges with an in-depth programme of client presentations and has made great progress in replacing the capacity recently utilised by UMB. Sales of £2.0m were booked in the period (2015: £2.3m) with continuing improvement expected in the coming period.

Pharmacogenomics Services

The Pharmacogenomics Services team engages in the application of molecular expertise towards collaborative projects for pharmaceutical and biotechnology organisations engaged in the discovery and validation of new drug and biomarker targets. The pharmacogenomics platform builds on proprietary RNA and DNA amplification technology and highly sensitive amplification kits to offer multi system transcriptional profiling.

We work with major pharmaceutical and biotech companies to develop preclinical and clinical biomarkers to measure the effect of a drug on targeted tissue. Our accumulated data allows us to offer a focussed understanding of differing patient group's response to drug treatment, allowing treatment regimens to be personalised to patients' need which, if successful, will enhance the chances of a successful outcome of the clinical trial.

During the year, the division has continued to build up its niche small tissue expertise and to enhance its offering using laser capture microscopy (LCM).

The division portfolio includes its expertise in developing and running tests for blood based biomarkers. We offer a proprietary test for the JAK2 allele burden marker from our GcLP certified facility.

The current period saw a slight weakening of Service income to £1.1m (2015: £1.3m). This was accounted for by a change in activity by an international pharma client moving from committing to an agreed full time equivalent (fte) programme towards a service model. This change was followed by the Company being granted Preferred Supplier Status. Our fte programme delivered first class quality results for our client and we fully expect that income for the current period will show an improvement in the coming period.

FINANCIAL REVIEW

On June 23 we announced a proposed placing to raise £6.5m (£6.0m net) by means of conditional placing with new and existing investors of 8,125,000 shares. Calculus Capital acted as cornerstone investor, subscribing for 3,125,000 shares. The placing was approved by shareholders on 11 July 2016.

In addition to completing the Placing process, the Company has worked with the Global Health Investment Fund (the GHIF) to agree the amended terms of the Collaboration and Convertible $8m Bond agreement entered into in July 2014. These amendments, which came into effect on 25 July 2016 and which are detailed in this Annual Report, allow for a two year extension of the maturity date for the bonds as well as a deferral of interest payments otherwise due up to July 2019. The amendments also adjust to £1.50 per share (from £4.89) the fixed conversion price in respect of $2m out of the $8m bonds.

Overall we report revenues and other income for the year of £5.0m (2015: £4.5m).

Operating loss was £5.4m (2015: £4.0m) following increased investment in Genedrive® development and administrative costs to support the refocusing of the Company's activities which is highlighted in this report.

The reported loss per share was 56.2p (2015: 30.2p).

Cash reserves at 30 June 2016 were £1.1m (2015: £4.9m), prior to £6.0m (net) received from the Placing of shares approved on 25 July 2016.

The Company's annual audit was completed 1 November 2016 by PriceWaterhouseCoopers, Chartered Accountants, and their audit report is included in this Annual Report.

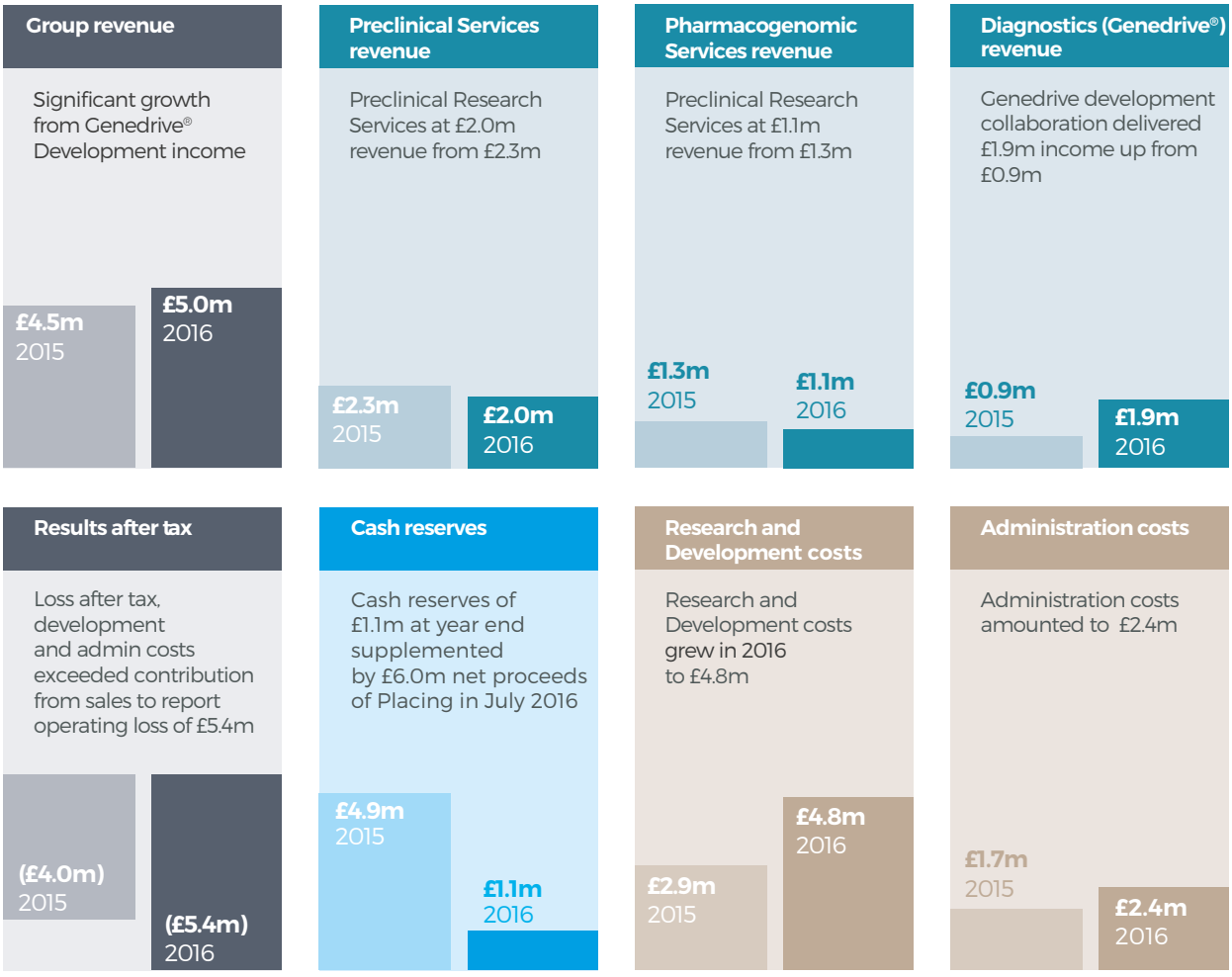
Outlook

Our report last year highlighted the Company's achievements in developing the Genedrive® platform on very modest resources by comparison with peer developments. In this subsequent period, we have continued the process of re-focusing on the significant and fast-growing global molecular diagnostics opportunity we see as available to us. The period of scrutiny which has accompanied the management changes has increased our confidence in the technical quality of the underlying Genedrive® platform. We have strengthened our investment in delivering reliable and accurate tests for the MTB/RIF and HCV infectious disease markets. With regard to the roll out of our MTB/RIF test in India, we are early in our launch phase and cannot yet be clear about the timescale within which user acceptance in India will be demonstrated and when growth in sales will commence.

With the increased funding now available to the Company, we are confident that we will deliver momentum in the roll out of our programmes during the coming financial year. We see positive performance in Genedrive® across a wide range of applications and targets which gives us confidence that we can make progress in winning partnerships to develop assays for the Genedrive® platform and win new and extended development programmes to fund new Genedrive® tests. We believe that these activities will generate enhanced income in the year ahead and demonstrate the position which the Genedrive® platform can secure in the increasingly attractive near patient, decentralised molecular diagnostics market.

KEY PERFORMANCE INDICATORS

We report a significant growth in overall income, driven by Genedrive® development income. Services income was down in the period. We report continued increase in development expenditure and increased administration costs as the Company focuses on the launch of the Genedrive® molecular diagnostics platform.



PRINCIPAL RISKS AND UNCERTAINTIES

For the year ended 30 June 2016

The Board meets regularly to review operations and to discuss risk areas. Details of the financial risks are disclosed in Note 21 to the financial statements. The Directors regularly assess and monitor the business risks faced by the Group. Risk is an inherent feature of business and set out below are some key risks, together with associated mitigating factors. This list does not purport to be exhaustive.

Development risk

The Group undertakes significant development activity with the aim of commercialising new products and services. There can be no guarantee that the product development activity will enable the programmes to accurately match customer requirements or meet the technical and intellectual property hurdles required for a successful commercial launch. The Group seeks to mitigate this risk by ensuring, over time, that development programmes are planned and undertaken by staff with the requisite skills. The Group monitors industry trends and customer needs to ensure that its development targets remain relevant. The Group's services to clients relate to projects which are also subject to development risk. The Board regularly monitors the client profile and seeks to broaden the client base where possible. Further information on significant clients is detailed in Note 2 to the financial statements.

Going Concern review

On 23 June 2016, the Company received approval for a £6.5m Placing which was completed after the year end on 11 July 2016. The Board has undertaken a detailed review of the Company's working capital requirements and is satisfied that it has sufficient resources to conduct its operations planned for the forthcoming 12 month period.

Quality Assurance and Regulatory risk

The Group operates in a regulated industry and maintains significant investment in its Quality Assurance systems. In respect of its services, the Group is accredited with GcLP Certification. In respect of its products, the Group is registered to ISO 13485 Certification and its tests require CE-IVD certification. There can be no guarantee that the Group's products or services will be able to obtain or maintain the necessary approval or certification for the orderly conduct of its business. Approvals can require evaluation of data relating to safety, quality and efficacy standards. The Group seeks to mitigate regulatory risk by conducting its operations within recognised quality assurance standards and by undergoing external assessment.

Manufacturing risk

On commencing the supply of products, (Genedrive® units and assays) the Group is dependent on two key suppliers for the timely delivery of product at appropriate quality and prices. One key supplier is based in the Far East and one key supplier is based in the UK. Whilst there is some scope for undertaking in-house manufacture (for low volume/R&D use) of some components of the supply chain, it is unlikely that dual sourcing of supply will be achievable in the short term, although the manufacturing risk is likely to ameliorate as volumes increase.

Management and Employees

The Group's future success is dependent on its management team and staff. There is an on-going risk that staff will leave to join competitor companies. The Group seeks to mitigate this risk by establishing effective management organisation and leading staff incentive schemes.

Economic risk

Successful introduction of new products for the detection of infectious diseases is likely to require in-country approval and commitment by Government health systems or international aid organisations to fund new diagnostics strategies. There can be no guarantee that this funding will be available and, in the current economic climate, clients' plans may be subject to changes which may adversely affect the financial performance of the Group. Changes in legislative requirements may impact on our ability to launch in new markets. The Group seeks to mitigate this risk by operating a diversified business model across various technologies and territories. This business model is currently under review.

On 23 June 2016, a referendum was held in the UK and the outcome of the vote determined that the UK would leave the EU. At the time of signing of the Annual Report the details of how and when the UK will leave the EU, and its effect on the financial markets, are unclear and as such it is not possible to estimate the impact of the event.

Approved by the Board

Dr. Ian Gilham
Chairman
1 November 2016

BOARD OF DIRECTORS

Ian Gilham, Ph.D.

Chairman (56)

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 three life sciences companies, including AIM quoted Horizon Discovery Group Plc, which provides gene-editing tools to support translational genomics and the development of personalised medicine, Multiplicom NV focussed on the development and commercialisation of next generation DNA sequencing products and Biosurfit SA, focused on development and commercialisation of point of care diagnostic products. Ian also serves as non-executive director of Vernalis plc, a commercial stage pharmaceuticals business. Dr. Gilham was formerly Chief Executive Officer of Axis-Shield Plc.

David Budd

Chief Executive Officer (48)

David was appointed a Director and Chief Executive on March 1, 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.

3 John Rylands

Finance Director (62)

John originally joined Epistem as an investor and Non-executive Director, and in 2005, he took over his current role. John provided corporate finance advice to private companies before joining Epistem. Prior to 1999 he was an investor in and consultant to the SDS group of companies. John holds a degree in Economics and Accountancy from Manchester University and is a Fellow of ICAEW. John will be standing down as a Director at the conclusion of the 2016 AGM.

4 Catherine Booth, Ph.D.

Managing Director,
Contract Research Services (51)

Catherine is a co-founder of Epistem and prior to starting Epistem she worked for ten years with Prof. Chris Potten at the Paterson Institute. Whilst at the Paterson Institute she developed many pre-clinical assays. This knowledge is at the core of the Epistem Contract Research Service. Catherine received her Ph.D. from Emmanuel College, University of Cambridge.

5 Robert Nolan, Ph.D.

Non-executive Director (73)

Robert has been a Non-executive Director of the Company since 2004. Having gained US post doctoral experience at Dartmouth Medical School and MIT, he joined SANDOZ Forschungsinstitut in Vienna in 1972 to work on mechanism of antibiotic action and was also coopted on to Sandoz global strategic planning group. He joined ICI pharmaceuticals (which became AstreaZeneca) in 1979 to head up a natural products discovery programme and subsequently joined their product licensing group. He brings with him a wealth of expertise in partnering and licensing negotiations with both small biotechnology and large pharmaceutical companies. Prior to his retirement he was Director, Global Licensing, at AstraZeneca. He is also a non-executive director of Phico Therapeutics Ltd.

6 Roger Lloyd, Ph.D.

Non-executive Director (68)

Roger joined the Board as a Non-executive Director on 1 July 2007. Trained as a biochemist, Roger has 37 years experience in the healthcare and biotechnology sector, particularly in the areas of strategic planning and business development. International business management with ICI Plc and AstraZeneca Plc included living and working in the United States and Germany, and having territorial responsibilities for EU, Japan, Korea, Mexico and the Middle East. As executive director of Global Licensing at AstraZeneca he personally completed 24 transactions. He operates as a Board Adviser in the Biotech sector.

7 Allan Brown, Ph.D.

Chief Operating Officer
Diagnostics Division (55)

Allan has spent his career in the Life Sciences/ diagnostics industry. During a 17 year period with Tepnel Life Sciences plc, latterly as Divisional Managing Director, Allan's technical management roles covered product development through to commercial product launch; his commercial management roles covered sales and business development and M&A. After leaving Tepnel/Gen-Probe, Allan joined the leading Sample and Assay Technologies company, QIAGEN N.V., in Manchester and managed the final development and launch of the company's first US FDA approved products, helping secure the site as QIAGEN's Global Centre of Excellence for molecular diagnostic product development. Allan was appointed to the Board on 1 February 2014.

DIRECTORS' REPORT
For the year ended 30 June 2016

The Directors present their report for genedrive plc ('the Company') and its subsidiaries (together 'genedrive plc' or 'the Group') for the year ended 30 June 2016.

Results and dividends

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 32 – 70 of this report.

Going concern

After due consideration, the Directors have a reasonable expectation that the Group will have access to adequate resources to continue in operational existence for the foreseeable future. Whilst mindful of the financing risk detailed above, the Directors continue to adopt the going concern basis in preparing the financial statements.

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 2016	1 July 2015
Ian Gilham	**20,500**	–
David Budd (appointed 1 March 2016)	**–**	–
Catherine Booth	**988,126**	987,568
Allan Brown	**26,257**	2,145
Roger Lloyd	**–**	–
Robert Nolan	**5,065**	5,065
John Rylands	**221,569**	197,466
Matthew Walls (resigned 23 October 2015)	**N/A**	13,213

Significant shareholdings

In addition to the Directors' holdings, at the date of this report and taking into account the recent Placing of ordinary shares, the Company has been advised of the following interests of over 3% of the issued ordinary shares:

	Percentage holding
Calculus Capital	16%
ODEY Asset Management	13%
River and Mercantile Asset Management	6%
M&G Investments	5%
Amati Global	4%

Directors' and Officers' liability insurance

Qualifying indemnity insurance cover has been arranged in respect of the personal liabilities which may be incurred by Directors and Officers of the Group during the course of their service with the Group. This insurance has been in place during the year and on the date of this report.

Research and development

During the year ended 30 June 2016 the Group has incurred research and development costs of £4,836k (2015: £2,942k).

Expenditure on Intangible Assets (relating to research and development activities) was £16k (2015: £550k) as detailed in Note 10 to the financial statements.

A review of this expenditure is included within the Strategic Report on pages 2 to 19.

Post balance sheet events

Following the year end, on 11 July 2016, shareholders approved the £6.5m (£6.0m net of expenses) Placing of new ordinary shares in the Company which were admitted to AIM on 12 July 2016.

On 25 July 2016, the Company changed its name to genedrive plc.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Reporting Standards (IFRSs) as adopted by the EU. 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 the Company and of the profit or loss of the Group for the period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS's as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

DIRECTORS' REPORT
For the year ended 30 June 2016
CONTINUED

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Other information included in the Report

Other information relevant to the Directors' Report has been incorporated elsewhere in the 2016 Report as follows:

Directors remuneration (Directors' Remuneration Report) – pages 25-27
Corporate governance disclosures (Corporate Governance Report) – pages 28-29
Future developments (Strategic Report) – pages 2-19
Financial Instruments and risk management (notes to the Accounts) – pages 36-70

Provision of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 71. 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 be taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the 2016 AGM.

Approved by the Board

H J J Rylands
Company Secretary
1 November 2016

DIRECTORS' REMUNERATION REPORT
For the year ended 30 June 2016

Introduction

This report has been prepared in accordance with the requirements of Schedule 2 Pt1 to the Companies Act 2006 ('the Schedule') and also meets the relevant requirements of the Listing Rules of the Financial Services Authority 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.

Unaudited information

Remuneration 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.

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

Executive Directors are entitled to accept appointments outside the Company provided the Board's permission is sought.

The remuneration of the Non-executive Directors is determined by the Board within limits set out in the Articles of Association.

Non-executive Directors' terms of engagement

The Non-executive Directors have 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.

DIRECTORS' REMUNERATION REPORT
For the year ended 30 June 2016
CONTINUED

Audited information

Aggregate Directors' remuneration

	Salary and fees £	Bonus £	Benefits in kind £	Pension £	2016 total £	2015 total £
Executive						
David Budd (appointed 1 March 2016)	71,050	25,000	382	4,065	**100,497**	–
Catherine Booth	107,847	7,500	425	32,105	**147,877**	143,561
Allan Brown	132,591	7,500	547	25,113	**165,751**	158,542
John Rylands	92,517	7,500	1,641	49,550	**151,208**	140,847
Matthew Walls (resigned 23 October 2015)	358,316	–	1,091	–	**359,407**	344,191
Non-executive						
Ian Gilham	65,000	–	–	–	**65,000**	40,249
David Evans (resigned 11 May 2015)	–	–	–	–	**–**	26,250
Roger Lloyd	24,000	–	–	–	**24,000**	24,000
Robert Nolan	24,000	–	–	–	**24,000**	24,000
	875,321	47,500	4,086	110,833	**1,037,740**	901,640

Directors' share options

The fair value of share options amortised in the year is detailed in Note 5 to the accounts.

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

	As at 1 July 2015	Exercised/ Lapsed	Options granted	As at 30 June 2016	Exercise price	Earliest exercise date	Expiry date
Executive							–
Catherine Booth[2]	15,528	(15,528)	–	**–**	£1.20	Exit	09/01/2016
David Budd	–	–	244,444	**244,444**	£0.90	07/04/2019	06/04/2026
John Rylands[3]	83,333	–	–	**83,333**	£1.20	04/04/2007	09/01/2018
John Rylands[1]	127,847	–	–	**127,847**	£1.20	04/04/2007	09/01/2018
Matthew Walls[4]	177,653	–	–	**177,653**	£1.24	31/10/2010	27/03/2017
Matthew Walls[5]	80,644	–	–	**80,644**	£1.24	31/10/2010	27/03/2017
Matthew Walls[6]	254,631	–	–	**254,631**	£3.73	30/09/2013	29/03/2021
Matthew Walls[6]	5,369	–	–	**5,369**	£3.60	30/09/2013	10/05/2021
Matthew Walls[7]	23,758	–	–	**23,758**	£5.50	27/03/2016	25/03/2023
Allan Brown[2]	200,000	–	–	**200,000**	£3.25	25/03/2017	25/03/2024
Non-executive							
Ian Gilham[6]	100,000	–	–	**100,000**	£2.78	17/12/2018	16/12/2025
Ian Gilham	–	–	50,000	**50,000**	£2.78	07/04/2019	06/04/2026
Roger Lloyd[6]	30,000	–	–	**30,000**	£2.78	17/12/2018	16/12/2025
Robert Nolan[1a]	78,000	–	–	**78,000**	£1.29	31/05/2005	30/03/2017
Robert Nolan[1]	15,528	(15,528)	–	**–**	£1.20	10/01/2006	–

1 Unapproved stand-alone agreement, no performance criteria.
1a Unapproved stand-alone agreement, no performance criteria, on 30 March 2015 expiry date extended by two years.
2 EMI Company scheme, no performance criteria.
3 EMI stand-alone scheme, no performance criteria.
4 EMI and Unapproved stand-alone scheme exercisable prior to 4 February 2017.
5 EMI stand-alone scheme exercisable prior to 4 February 2017.
6 2007 Epistem Share Option Scheme exercisable prior to 4 February 2017.

Share Investment Plan

The details of the Epistem Share Investment Plan are outlined in Note 19 (B) to the accounts. The cost of SIP matching shares arising in the year is detailed in Note 5 to the accounts. The Directors' interests in the shares of the Company include shares acquired under the Share Investment Plan as follows:

	Partnership Shares No	Cost of Matching Shares £	Matching Shares No	Total SIP Shares 30 June 2016 No	SIP Shares 30 June 2015 No
Catherine Booth	3,780	22,000	7,559	11,339	7,568
Allan Brown	1,975	7,250	3,950	5,925	2,154
John Rylands	3,780	22,000	7,559	11,339	7,568
Matthew Walls	–	–	–	–	7,568

Approved by the Board

Dr. Ian Gilham
Chairman
1 November 2016

CORPORATE GOVERNANCE REPORT
For the year ended 30 June 2016

The Group is subject to the continuing requirements of the AIM Rules and is committed to adhering to corporate governance standards appropriate for a company of its size. Under the rules of the London Stock Exchange AIM Market, the Group is not required to comply with the UK Corporate Governance Code. This statement sets out below how the Board has applied the principles of good corporate governance in its management of the business in the year ended 30 June 2016.

The Group follows the Quoted Companies Alliance guidelines and has Remuneration, Audit and Nomination committees with written terms of reference and a schedule of matters reserved for the Board, which generally meets each month.

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee. The membership of these committees and attendance at meetings is as follows:

	Audit Committee	Remuneration Committee	Nominations Committee
Ian Gilham (Non-executive Chairman)	2	3	1
Robert Nolan (Non-executive Director)	2	3	1
Roger Lloyd (Non-executive Director), Remuneration/Nominations Committees only	N/A	3	1

Remuneration Committee

The Remuneration Committee reviews 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.

Audit Committee

The Audit Committee has responsibility for receiving accounts and reviewing reports from the management and the Company's auditors, relating to Annual and Interim Accounts and the accounting and internal controls in place throughout the Group. 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 Committee has met twice during the year.

Nomination Committee

The Nomination Committee has responsibility for reviewing the size, structure and composition of the Board, as well as retirements and appointments of replacement and additional Directors, and for making appropriate recommendations to the Board.

Relations with shareholders

The Group recognises the importance of communicating with its shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders. The Board as a whole is responsible for ensuring that a satisfactory dialogue with shareholders takes place, while the Chairman and Chief Executive ensure that the views of the shareholders are communicated to the Board as a whole. The Board ensures that the Group's strategic plans have been carefully reviewed in terms of their ability to deliver long-term shareholder value.

Internal controls

The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls and will continue to ensure that management keeps these processes under regular review and improves them where appropriate. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Social, environmental and ethical matters

The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to take into account the interests of the Group's stakeholders, including its investors, employees, suppliers and business partners, when operating the business.

Employment

At a subsidiary level the individual company has established policies which address key corporate objectives in the management of employee relations, communications and employee involvement, training and personal development and equal opportunities.

Health, safety and environmental issues

The Board recognises its legal responsibilities to ensure the well-being, safety and welfare of its employees and to maintain a safe and healthy working environment for them and for its visitors and sub-contractors. Health and Safety is on the agenda for regularly scheduled Board meetings.

By their nature, the Group's regular operations are judged to have a low environmental impact and are not expected to give rise to any significant, inherent environmental risks over the next 12 months.

The Group is committed to maintaining high standards in implementing appropriate health, safety and environmental protection policies. Waste materials are recycled where possible, and hazardous waste is catalogued and handled by licensed specialist disposal companies.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENEDRIVE PLC

Report on the group financial statements

Our opinion

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

- give a true and fair view of the state of the group's affairs as at 30 June 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the consolidated balance sheet as at 30 June 2016;
- the consolidated statement of profit or loss and comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the EU, and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example, in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

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. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on pages 23 to 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK and Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Company financial statements of genedrive plc for the year ended 30 June 2016.

Hazel Macnamara (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
1 November 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016 £'000	2015 £'000
Revenue		**3,094**	3,703
Other income – development grant funding		**1,969**	814
Revenue and other income	2	**5,063**	4,517
Contract costs		**(3,285)**	(3,933)
Research and development costs		**(4,836)**	(2,942)
Administrative costs		**(2,368)**	(1,682)
Operating loss	3	**(5,426)**	(4,040)
Finance (costs)/income	6	**(1,071)**	616
Loss on ordinary activities before taxation		**(6,497)**	(3,424)
Taxation on ordinary activities	7	**582**	399
Loss for the financial year		**(5,915)**	(3,025)
Other Comprehensive Income for the year		**–**	–
Total Comprehensive Expense for the financial year		**(5,915)**	(3,025)
Loss per share (pence)			
– Basic	9	**(56.2)p**	(30.2)p
– Diluted	9	**(56.2)p**	(30.2)p

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 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Plant and equipment	11	**713**	805
Intangible assets	10	**6,273**	7,191
Deferred tax assets	12	**–**	30
		6,986	8,026
Current assets			
Inventories	13	**202**	163
Trade and other receivables	14	**2,797**	2,191
Current tax assets		**757**	685
Cash and cash equivalents	15	**1,114**	4,928
		4,870	7,967
Liabilities			
Current liabilities			
Deferred revenue	16	**88**	50
Trade and other payables	17	**1,774**	1,123
Deferred consideration payable in shares	18	**–**	1,250
		1,862	2,423
Net current assets		**3,008**	5,544
Total assets less current liabilities		**9,994**	13,570
Non-current liabilities			
Deferred consideration payable in shares	18	**1,250**	–
Convertible Bond	19	**4,991**	4,025
		6,241	4,025
Net assets		**3,753**	9,545
Capital and reserves			
Called-up equity share capital	24	**158**	158
Share premium account	25	**20,088**	20,088
Employee share incentive plan reserve	25	**(240)**	(196)
Share options reserve	25	**1,281**	1,197
Reverse acquisition reserve	25	**(2,484)**	(2,484)
Retained earnings	25	**(15,050)**	(9,218)
Total shareholders' equity		**3,753**	9,545

The notes on page 36 to 70 form an integral part of these consolidated financial statements. These financial statements were approved by the Directors and authorised for issue on 1 November 2016 and are signed on their behalf by:

Dr. Ian Gilham
Chairman

H J J Rylands
Finance Director

genedrive plc
Company number: 06108621

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Share capital £'000	Share premium account £'000	Employee share incentive plan reserve £'000	Share options reserve £'000	Reverse acquisition reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2014	150	18,616	(228)	1,032	(2,484)	(6,222)	10,864
Allotment of ordinary shares	7	1,393	–	–	–	–	1,400
Purchase of own shares (SIP)	–	–	32	–	–	–	32
Exercise of share options	1	79	–	(29)	–	29	80
Forfeit of share options	–	–	–	(11)	–	–	(11)
Recognition of equity-settled share-based payments	–	–	–	205	–	–	205
Total comprehensive expense for the year	–	–	–	–	–	(3,025)	(3,025)
At 30 June 2015	158	20,088	(196)	1,197	(2,484)	(9,218)	9,545
Balance at 1 July 2015	158	20,088	(196)	1,197	(2,484)	(9,218)	9,545
Purchase of own shares (SIP)	–	–	(44)	–	–	–	(44)
Lapsed share options	–	–	–	(83)	–	83	–
Forfeit of share options	–	–	–	(6)	–	–	(6)
Recognition of equity-settled share-based payments	–	–	–	173	–	–	173
Total comprehensive expense for the year	–	–	–	–	–	(5,915)	(5,915)
At 30 June 2016	**158**	**20,088**	**(240)**	**1,281**	**(2,484)**	**(15,050)**	**3,753**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Operating loss for the year	**(5,426)**	(4,040)
Depreciation, amortisation and impairment	**1,174**	387
ATL Research credits	**(151)**	(202)
Share-based payment expense	**167**	194
Operating loss before changes in working capital and provisions	**(4,236)**	(3,661)
(Increase) in inventories	**(39)**	(163)
(Increase) in trade and other receivables	**(606)**	(1,066)
Increase/(decrease) in deferred revenue	**38**	(36)
Increase in trade and other payables	**651**	107
Net cash outflow from operations	**(4,192)**	(4,819)
Tax received	**691**	1,513
Net cash outflow from operating activities	**(3,501)**	(3,306)
Cash flows from investing activities		
Finance income	**7**	16
Acquisition of plant and equipment and intangible assets	**(164)**	(758)
Net cash outflow from investing activities	**(157)**	(742)
Cash flows from financing activities		
Proceeds from issue of convertible bond	**–**	4,700
Costs of issue of convertible bond	**–**	(100)
Finance costs – interest paid	**(304)**	(212)
Exercise of share options	**–**	80
Share Investment Plan – purchase of own shares	**(44)**	(22)
Net (outflow)/inflow from financing activities	**(348)**	4,446
Net (decrease)/increase in cash equivalents	**(4,006)**	398
Effects of exchange rate changes on cash and cash equivalents	**192**	292
Cash and cash equivalents at beginning of year	**4,928**	4,238
Cash and cash equivalents at end of year	**1,114**	4,928
Analysis of net funds		
Cash at bank and in hand	**1,114**	4,928
Net funds	**1,114**	4,928

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

General information

genedrive plc ('the Company') is a company incorporated in the UK which changed its name from Epistem Holdings Plc on 22 July 2016.

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 need 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 been successfully assessed by the Institut Pasteur, Paris. The Group also provides contract research services to drug development companies under the Epistem brand name.

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 EU 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 consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). They are presented in pounds sterling and all values are rounded to the nearest one thousand (£k) except where otherwise indicated.

The Group funds its day-to-day working capital requirements through its bank resources. The Group's forecasts and projections, which take into account the £6m net proceeds on the placing of ordinary shares completed on 11 July 2016 and taking account of reasonable alternative assumptions other than those upon which the forecast were based, show that the Group should be able to operate within the limit of the working capital resources available at the date of this report.

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 the value of Deferred Income and Expenditure requires an assessment of the duration of the contract to which the deferred income and expenditure relates, and inform decisions as to when to recognise revenue and whether to carry forward costs.
- Determining the value of Intangible Assets requires a judgement about the extent to which the relevant asset will be brought into economic use by the Company. The filing of a Patent will generally lead to a judgement that the cost of filing the Patent will have future economic use. Research and Development expenditure will generally be expensed unless associated income can be identified.

1. Significant accounting policies continued

- Determining the fair value of share options requires a judgment as to the most appropriate valuation model to be used. In applying the model requires a judgement as to the most appropriate interest rate and volatility level of the market value of the Company's shares.
- 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.
- Determining the value of a Derivative requires a judgement as to the most appropriate valuation model to be used. The Board seeks the opinion of experts in making this judgement.
- Determining the fair value of share options requires a judgment as to the most appropriate valuation model to be used. In applying the model requires a judgement as to the most appropriate interest rate and volatility level of the market value of the Company's shares.

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.

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.

On 16 March 2007, Epistem Holdings Plc merged with Epistem Limited, and on that date 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 was 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.

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 in these accounting policies.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

1. Significant accounting policies continued

b. Collaboration and licensing revenue

Contractually agreed upfront payments and similar non-refundable payments in respect of collaboration or licence agreements which are not directly related to 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 Statement of Comprehensive Income on a systematic and rational basis over the useful lives of the related assets.

Segment reporting

A segment is a group of assets, liabilities and operations engaged in providing products or services that are subject to risks and returns that are different from those of other parts of the business. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

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.

1. 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, 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 and fittings – 25% reducing balance basis
Other equipment – 25% reducing balance basis

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits 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 (CGUs). 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 2016
CONTINUED

1. Significant accounting policies continued

Foreign currencies

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 each entity operates ('the functional currency'). The consolidated financial statements are presented in 'GBP', which is the Group's presentation currency.

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. The foreign currency risks relating to assets and liabilities are detailed in Note 21.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the income statement within finance income or costs. Exchange differences arising on non-monetary items, carried at fair value, are included in the income statement within finance income or cost, 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 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.

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

The Matching shares have vesting conditions which require participants to remain employed with the Company and retain their investment in Epistem shares for at least three years. The cost of the Matching shares is expensed on a straight line basis over the vesting period.

1. Significant accounting policies continued

Pension contributions

Contributions to personal pension plans of employees on a defined contributions basis are charged to the income statement in the year in which they are payable.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a first in and first out basis and includes bought in cost and, where appropriate, other direct costs and attributable overheads. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

1. Significant accounting policies continued

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 and 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.

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 19, 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 6.

1. Significant accounting policies continued

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 International Accounting Standards Board ('IASB') and IFIRC have issued the following standards and interpretations that are not effective for the financial year beginning 1 July 2015 and have not been adopted early:

Annual improvements to IFRSs: 2012–2014 cycle	
IFRS 9 amendments	Financial instruments
IFRS 15	Revenue recognition from contracts with customers
IFRS 16	Leases
IAS 7	Disclosure initiative

The Directors do not anticipate that the adoption of these standards and interpretations will have a material effect on the Group's financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

2. Segment information

For internal reporting, the Group is organised into 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.

Management have selected the segment classification by reference to the operating activities of the divisions. Preclinical Research Services activities relate to the testing of drugs for drug development companies. Personalised Medicine activities relate to gene expression analysis. Geographical factors have been reviewed and but substantially all operating activities are undertaken from the UK. Accordingly, only sales have been analysed into geographical statements.

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

Business segments

	Preclinical Research Services £'000	Pharmaco-genomics Services £'000	Diagnostics Segment £'000	Admin-istrative costs £'000	Total £'000
Twelve months ended 30 June 2016					
Revenue	2,010	1,147	1,906	–	5,063
Segment trading result	49	(79)	(1,918)	(2,288)	(4,236)
Add ATL Research Credit	83	68	–	–	151
Less depreciation and amortisation	(62)	(141)	(885)	(86)	(1,174)
Less equity-settled share-based payments	(19)	(27)	(77)	(44)	(167)
Operating profit/(loss)	**51**	**(179)**	**(2,880)**	**(2,418)**	**(5,426)**
Twelve months ended 30 June 2015					
Revenue	2,322	1,266	929	–	4,517
Segment trading result	135	62	(2,266)	(1,593)	(3,662)
Add ATL Research Credit	111	91	–	–	202
Less depreciation and amortisation	(163)	(71)	(102)	(50)	(386)
Less equity-settled share-based payments	(15)	(27)	(113)	(39)	(194)
Operating profit/(loss)	68	55	(2,481)	(1,682)	(4,040)
Twelve months 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**
Twelve months ended 30 June 2015					
Segment assets	1,308	1,418	7,349	5,918	15,993
Segment liabilities	257	208	248	5,735	6,448

2. Segment information continued

Geographical segments

The Group's operations are located in the UK. The following table provides an analysis of the Group's revenue by geographical market:

	2016 £'000	2015 £'000
United Kingdom	**1,035**	912
Europe	**365**	1,061
United States of America	**3,529**	2,034
Asia	**134**	510
	5,063	4,517

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

(a) £1,739k revenue was derived from the US Department of Defense with revenue included within Diagnostics (2015: £209k);

(b) £149k revenue was derived from the University of Maryland on behalf of the US Government with revenue included within Preclinical Research Services (2015: £948k);

(c) £460k revenue was derived from international pharmaceutical company, Glaxo SmithKline, with revenue included within Preclinical Research Services (2015: £454k); and

(d) £nil revenue was received within Personalised Medicine for FP7 grants (2015: £513k).

3. Operating loss

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

	2016 £'000	2015 £'000
Research and development expenditure	**4,836**	2,942
ATL Research Credit (Note 7)	**(151)**	(202)
Amortisation of intangible assets	**934**	144
Depreciation of owned tangible fixed assets	**240**	241
Cost of inventories consumed	**248**	61
Auditors' remuneration		
– as auditors	**48**	35
– for other services	**5**	–
Operating lease costs – property rent	**398**	320

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

4. Particulars of employees

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

	2016 No	2015 No
Contract services	**36**	39
Research and development	**28**	18
Administration	**15**	14
	79	71

The aggregate employee costs (including Directors) were:

	2016 £'000	2015 £'000
Wages and salaries	**3,818**	3,647
Social security costs	**396**	374
Equity settled share-based payments	**167**	194
Pension cost – defined contribution plans	**154**	143
Cost of SIP matching shares	**52**	58
Aggregate employee costs	**4,587**	4,416

5. Directors' remuneration (key management)

Group	2016 £'000	2015 £'000
Salaries and other short-term employee benefits	**927**	858
Pension contribution	**111**	44
Equity-settled share-based payments	**122**	103
Cost of SIP matching shares	**9**	12
	1,169	1,017

The Directors are regarded as the key management of the Company. Full details of the Directors' remuneration and Directors' options are contained in the Directors' Remuneration Report.

6. Finance (costs)/income

Group	2016 £'000	2015 £'000
Finance income and costs		
– gain on issue of Convertible Bond	–	1,004
– movement in fair value of derivative embedded in Convertible Bond	37	73
– finance cost of Convertible Bond	(304)	(212)
– accounting adjustment to Convertible Bond finance cost	(272)	(205)
– foreign exchange movement in Convertible Bond	(731)	(298)
– interest receivable	7	16
– foreign exchange gains	192	238
	(1,071)	616

7. Taxation on ordinary activities

(a) Recognised in the income statement

Group	2016 £'000	2015 £'000
Current tax:		
Research and development tax credits	(763)	(688)
Less; recognised as ATL Research Credit	151	202
	(612)	(486)
Adjustments in respect of prior periods	–	(37)
Total current tax	(612)	(523)
Deferred tax:		
Current year tax losses	211	133
Current year capital allowances in excess of depreciation	(152)	(108)
Movement in provisions	4	(4)
In respect of current year share options charges	(33)	32
Tax withheld from ATL Research Credit	–	71
Total deferred tax	30	124
Total tax (credit) for the year	(582)	(399)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

7. Taxation on ordinary activities continued

(b) Reconciliation of the total tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2015: higher) that the weighted average applicable tax rate for the year ended 30 June 2016 of 20% (2015: 20.75%). The differences are explained below:

Group	2016 £'000	2015 £'000
Loss before taxation	**(6,497)**	(3,424)
Tax using the UK corporation tax rate of 20% (2015: 20.75%)	**(1,299)**	(711)
Recognised as ATL Research Credit	**151**	202
Tax withheld from ATL Research Credit	**–**	71
Movement in share options	**7**	43
Rate differences – corporation tax v deferred tax	**21**	(102)
Rate differences – deferred tax	**(8)**	(4)
Item not deductible/chargeable for tax purposes	**5**	6
Adjustments in respect of research and development tax credits	**(397)**	(462)
Deferred tax not recognised	**810**	595
Change in recoverability of deferred tax assets	**114**	–
Adjustment relating to a previous year	**–**	(37)
Other differences	**14**	–
Total tax in income statement	**(582)**	(399)

The Group had trading losses, as computed for tax purposes, of approximately £9,959k (2015: £6,146k) 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 and Development Credit ('ATL Research Credit') 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 2016 is £763k (2015: £688k) which includes £151k (2015: £202k) disclosed as ATL Research Credit deducted from Research and Development Costs with the balance of £612k (2015: £486k) 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 £1,378k (2015: profit £379k).

9. 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 less the weighted average number of Matching Shares held by the Epistem Share Investment Plan which are not yet vested.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares in relation to share options and share warrants and also the weighted average Matching Shares held by the Epistem SIP which are not yet vested. The number of share options has been adjusted to take into account the issue price and the fair value, consistent with IAS 33, 'Earnings per share'.

Due to the Company being loss making during the year, the dilutive weighted average number of shares has not been used in the diluted earnings per share calculation.

Group	**2016 £'000**	2015 £'000
(Loss) for the year after taxation	**(5,915)**	(3,025)

Group	**2016 Number**	2015 Number
Weighted average number of ordinary shares in issue	**10,564,546**	10,047,756
Weighted average number of SIP matching shares not vested	**(32,931)**	(36,415)
Adjusted weighted average number of ordinary shares in issue	**10,531,615**	10,011,341
Dilutive ordinary shares from options and warrants in issue	**3,385**	303,103
Dilutive weighted average number of ordinary shares	**10,544,541**	10,314,444
(Loss) per share		
– basic	**(56.2)p**	(30.2)p
– diluted	**(56.2)p**	(30.2)p

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

10. Intangible assets

Group	Patents £'000	Acquired intellectual property £'000	Developed intellectual property £'000	Total £'000
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**
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**
Cost				
At 1st July 2014	552	3,177	3,616	7,345
Additions	165	–	385	550
At 30 June 2015	717	3,177	4,001	7,895
Amortisation				
At 1 July 2014	361	46	153	560
Charge for the year	1	39	104	144
At 30 June 2015	362	85	257	704
Net book value				
At 30 June 2014	191	3,131	3,463	6,785
At 30 June 2015	355	3,092	3,744	7,191

The net book value of Intangible assets principally relates to the Genedrive® unit and assays which have a carrying value of £5,612k (2015: £6,384k).

The charges for amortisation are included in the Contract and Research and Development expense headings.

The Intangible assets have been assessed for impairment in accordance with the Company's Accounting Policies. There was no impairment charge during the year ended 30 June 2016 (2015: £nil).

During the year to 30 June 2016, the cost of the Company's Patents assessed as not being available for economic use amounted to £nil (2015: £nil).

11. Plant and equipment

Group	Lab equipment £'000	Fixtures and 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**
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**

Group	Lab equipment £'000	Fixtures and fittings £'000	Other equipment £'000	Total £'000
Cost				
At 1 July 2014	1,908	58	253	2,219
Additions	24	73	111	208
Disposals	(10)	–	–	(10)
At 30 June 2015	1,922	131	364	2,417
Depreciation				
At 1 July 2014	1,142	39	198	1,379
Charge for the year	191	11	39	241
Depreciation on disposed assets	(8)	–	–	(8)
At 30 June 2015	1,325	50	237	1,612
Net book value				
At 30 June 2014	766	19	55	840
At 30 June 2015	597	81	127	805

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

12. Deferred taxation

Recognised

Group	2016 £'000	2015 £'000
Tax losses carried forward	**516**	727
Excess of tax allowances over depreciation and amortisation	**(529)**	(681)
Share-based payment transactions	**13**	(20)
Other timing differences	**–**	4
	–	30

Deferred tax assets are recognised to the extent that the Directors, having reviewed expectations of future profitability in the context of the trading losses carried forward, consider it is probable that there will be sufficient profit available against which the deferred tax asset may be utilised. No deferred tax assets are recognised at 30 June 2016 (2015: £30k). The movement in Deferred Taxation has been recognised in the Profit and Loss statement.

The Group did not recognise deferred tax assets £1,443k (2015: £1,272k) in respect of share-based payment transactions and trading losses carried forward.

13. Inventories

Group	2016 £'000	2015 £'000
Finished goods	**202**	163

14. Trade and other receivables

Group	2016 £'000	2015 £'000
Trade receivables	**2,290**	1,725
Other receivables	**217**	100
Prepayments	**290**	366
	2,797	2,191

Analysis of trade receivables

	2016 £'000	2015 £'000
Neither impaired nor past due	**1,338**	1,384
Past due but not impaired	**952**	341
Trade receivables	**2,290**	1,725

14. Trade and other receivables continued

Aging of past due but not impaired trade receivables

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. The age analysis of the trade receivables have been considered from the date of the invoice and, net of £nil (2015: £nil) allowances which are past due, is given below:

	2016 £'000	2015 £'000
Not later than one month	**112**	219
Later than one month but not later than three months	**409**	122
Later than three but not later than six months	**218**	–
Later than six months	**213**	–

15. Cash and cash equivalents

Group	2016 £'000	2015 £'000
Cash at bank and in hand	**952**	1,382
Short term bank deposits	**162**	3,546
	1,114	4,928

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.

16. Deferred revenue

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

Group	2016 £'000	2015 £'000
Amounts to be recognised within 1 year	**88**	50

17. Trade and other payables

Group	2016 £'000	2015 £'000
Trade payables	**914**	696
Accruals	**675**	346
Other payables	**185**	81
	1,774	1,123

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

18. Deferred consideration payable in shares

Group	2016 £'000	2015 £'000
Payable in shares	**1,250**	1,250

The deferred consideration relates to the provision of £1,250k in respect of the issue 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 which is detailed on page 68.

At 30 June 2016, the Directors reviewed the terms of the earn-out payable and consider that the criteria will be met during a period greater than 12 months but less than five years following the balance sheet date. The liability has therefore been re-classified as non-current.

19. Convertible Bond

Group	2016 £'000	2015 £'000
Derivative	**–**	37
Debt host	**4,991**	3,988
	4,991	4,025

On 21 July 2014, the Company issued an $8m Convertible Bond. The terms of the Convertible Bond are detailed below. Has a principal of $8m and interest is payable half yearly at a coupon rate of 5% on the principal amount until the earlier of maturity (21 July 2021) or conversion. In order to align Company and shareholder requirements, the Company and GHIF have now entered into the GHIF Amendment Agreement, to amend and restate certain terms of the GHIF Bond and Collaboration Agreement.

Whilst the bond holder has the option to convert into a fixed number of ordinary shares, 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 12% in calculating this liability. The fair value of the Debt host at the date of issue was £3,494k ($5,939k) which after taking into account value on issue of the Derivative detailed below of £102k ($173k) and transaction costs on £100k ($160k) gave rise to an initial gain of £1,004k ($1,727k) which IFRS requires is disclosed in the profit and loss account for the year ended 30 July 2015, as detailed in Note 6.

19. Convertible Bond continued

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 at 30 June 2015	21%
Volatility of the Company's Share Price at 30 June 2016	28%
Expected life of the Derivative at 30 June 2015	3.88 years
Expected life of the Derivative at 30 June 2016	2.89 years
Risk free interest rate at 30 June 2015	1.53%
Risk free interest rate at 30 June 2016	1.42%
Dividend yield	0%

	Debt host £'000	Derivative £'000	Convertible Bond £'000
Fair value on issue	3,494	102	3,596
Increase/(decrease) in fair value	204	(73)	131
Increase in liability caused by foreign exchange movements	290	8	298
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

Outline of Convertible Bond 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'). Under the terms of the Agreement, the Company has issued to GHIF a five-year Convertible Bond totalling $8.0m (£4.7m). Further, as part of the Agreement, GHIF and the Company entered into a Global Access Commitment. The purpose of the Agreement is to fund the Company's development, production and commercialisation of Genedrive® to address Global Health Challenges and achieve Global Health Objectives. An outline (only) of the terms of the Agreement is detailed below:

Unless previously converted or redeemed, the Convertible Bond will mature on 21 July 2019 and interest will be payable half yearly at the rate of 5% per annum.

During a Purchaser Optional Conversion Period which runs from 15 January 2015 to 15 May 2019 (or earlier in the event of a change of control of the Company) the bond holder has the option to convert all (but not part only) of the Convertible Bond at the Conversion Price, initially £4.89 per Epistem Ordinary Share at the Fixed Rate of Exchange of $1.6913:£1. (The Conversion Price may be adjusted to take account of changes by the Company of its capital structure or payment of dividends etc.)

The Company has an option conversion period running from 22 January 2015 to 08 July 2019, during which the Company may convert all (but not part only) of the Convertible Bond into Epistem Ordinary Shares at the Conversion Price, initially £4.89 per Epistem Ordinary Share at the Fixed Rate of Exchange of $1.6913:£1 if the current market prices equals or exceeds 1.2 times the Conversion Price. (The Conversion Price may be adjusted to take account of changes by the Company of its capital structure or payment of dividends etc.)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

19. Convertible Bond continued

The Company may redeem the whole of the Convertible Bond on any interest payment date from 22 July 2016. In this event, the bond holder may elect to receive full payment in Epistem Ordinary Shares based on a conversion ratio calculated as a function of the market price at the time of notice of redemption. Without such an election, the bond will be redeemed at par in US dollars.

Deed of Amendment to Convertible Bond Agreement

On 23 June 2016, the Company and GHIF entered into a Deed of Amendment and Restatement of the Agreement, which came into effect on 11 July 2016. The amendment became effective on 11 July 2016 and, as a result has no impact on the results and balances for the current financial year. The effect of the changes on the financial statements for the forthcoming year will be outlined in the 2016 Annual Report and Accounts.

As summary of the principal effect of the Deed of Amendment are detailed below:

The maturity date of the GHIF Bond will be extended by two years to 21 July 2021 and the GHIF Bond will be split into two tranches, with the first tranche of $2m having a Conversion Price of £1.50 per Ordinary Share and the second tranche of $6m having a Conversion Price remaining at £4.89 per Ordinary Share.

In respect of the Company conversion option, the Company will have the option to convert the first tranche of $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.

In addition, for interest periods ending on or before (but not after) 21 January 2019, the Company may 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.

	Debt host £'000	Derivative £'000	Convertible Bond £'000
Balance at 30 June 2016 as detailed above	4,991	–	4,991
Proforma (decrease)/increase in fair value caused by the Deed of Amendment	(414)	34	(380)
Proforma balance at 30 June 2016 taking the Deed of Amendment into account	4,577	34	4,611

Global Access commitment

Under the Global Access Agreement, 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.

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.

19. Convertible Bond continued

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.

General undertakings

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; and
- Undertakings relating to standards of social responsibility and ethical behaviour.

20. Share-based payments

(A) Share options outstanding at 30 June 2016

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 Limited 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

20. Share-based payments continued

Share options

Award	Number of awards	Exercise price	Period within which options are exercisable	Fair value per option	Fair value £
EMI – Unapproved	78,000	£1.29	31 Mar 2005 to 30 Mar 2017	£0.45p	35,100
EMI – Unapproved	127,847	£1.20	10 Jan 2006 to 09 Jan 2018	£0.43p	54,974
EMI – Approved	83,333	£1.20	10 Jan 2006 to 09 Jan 2018	£0.43p	35,833
EMI – Approved	8,200	£1.20	29 Sep 2006 to 28 Sept 2016	£0.43p	3,526
EMI – Approved	80,644	£1.24	28 Mar 2007 to 27 Mar 2017	£0.42p	33,870
EMI – Unapproved	177,653	£1.24	28 Mar 2007 to 27 Mar 2017	£0.42p	74,615
EMI – Approved	23,103	£1.67	27 Jul 2007 to 26 Jul 2017	£0.39p	9,010
EMI – Unapproved	57,727	£1.60	15 Oct 2007 to 14 Oct 2017	£0.36p	20,782
2007 Epistem Share Option Scheme	14,550	£1.77	31 Jul 2011 to 30 Jul 2018	£0.37p	5,384
2007 Epistem Share Option Scheme	8,250	£4.03	10 Dec 2013 to 09 Dec 2020	£1.64p	13,530
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	254,631	£3.73	29 Mar 2014 to 28 Mar 2021	£1.51p	384,492
2007 Epistem Share Option Scheme	5,369	£3.60	10 May 2013 to 09 May 2021	£1.51p	8,107
2007 Epistem Share Option Scheme	10,500	£3.60	10 Feb 2015 to 09 Feb 2022	£1.46p	15,330
2007 Epistem Share Option Scheme	23,758	£5.50	28 Mar 2016 to 27 Mar 2023	£2.23p	52,980
2007 Epistem Share Option Scheme	21,565	£5.50	26 Mar 2016 to 25 Mar 2023	£2.23p	48,090
2007 Epistem Share Option Scheme	81,450	£3.22	29 Jan 2017 to 28 Jan 2024	£1.21p	98,555
2007 Epistem Share Option Scheme	50,000	£3.20	27 Jan 2017 to 26 Jan 2024	£1.21p	60,500
2007 Epistem Share Option Scheme	200,000	£3.25	25 Mar 2017 to 24 Mar 2024	£1.21p	242,000
2007 Epistem Share Option Scheme	34,250	£3.25	12 Aug 2017 to 11 Aug 2024	£0.60p	20,550
2007 Epistem Share Option Scheme	20,000	£3.25	20 Sep 2017 to 19 Sep 2024	£0.60p	12,000
2014 Unapproved Share Options	130,000	£2.75	17 Dec 2017 to 16 Dec 2024	£0.52p	67,600
2007 Epistem Share Option Scheme	71,000	£1.20	11 Dec 2018 to 19 Sep 2025	£0.33p	23,430
2007 Epistem Share Option Scheme	244,444	£0.90	07 Apl 2019 to 06 Apl 2026	£0.29p	70,889
Epistem Unapproved Share Options	50,000	£2.78	07 Apl 2019 to 06 Apl 2026	£0.05p	2,500
2007 Epistem Share Option Scheme	22,000	£0.815	02 May 2019 to 01 May 2026	£0.27p	5,940
2007 Epistem Share Option Scheme	50,000	£0.90	01 Jun 2019 to 31 May 2026	£0.31p	15,550

20. 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	Expected dividend yield % (Note a)	Expected volatility % (Note c)	Risk % rate (Note d)	Performance condition
EMI – Unapproved	31 Mar 2005	5 years	0	60	4.75	None
EMI – Unapproved	10 Jan 2006	5 years	0	60	4.50	Note[e]
EMI – Approved	10 Jan 2006	5 years	0	60	4.50	None
EMI – Approved	29 Sep 2006	5 years	0	60	4.50	None
EMI – Approved	28 Mar 2007	5 years	0	60	5.25	Note[f]
EMI – Unapproved	28 Mar 2007	5 years	0	60	5.25	Note[f]
EMI – Approved	27 Jul 2007	5 years	0	45	5.50	None
EMI – Unapproved	15 Oct 2007	5 years	0	45	5.75	Note[g]
2007 Epistem Share Option Scheme	31 Jul 2008	5 years	0	40	5.00	Note[h]
2007 Epistem Share Option Scheme	10 Dec 2010	5 years	0	50	0.50	Note[h]
2007 Epistem Share Option Scheme	10 May 2011	5 years	0	50	0.50	Note[h]
2007 Epistem Share Option Scheme	29 Mar 2011	5 years	0	50	0.50	Note[i]
2007 Epistem Share Option Scheme	10 May 2011	5 years	0	50	0.50	Note[h]
2007 Epistem Share Option Scheme	10 Feb 2012	5 years	0	50	0.50	Note[h]
2007 Epistem Share Option Scheme	28 Mar 2013	5 years	0	50	0.50	Note[h]
2007 Epistem Share Option Scheme	26 Mar 2013	5 years	0	50	0.50	Note[j]
2007 Epistem Share Option Scheme	29 Jan 2014	5 years	0	43	0.50	Note[h]
2007 Epistem Share Option Scheme	27 Jan 2014	5 years	0	43	0.50	Note[g]
2007 Epistem Share Option Scheme	25 Mar 2014	5 years	0	43	0.50	Note[h]
2007 Epistem Share Option Scheme	12 Aug 2014	5 years	0	43	0.50	Note[h]
2007 Epistem Share Option Scheme	20 Sep 2014	5 years	0	43	0.50	Note[g]
2014 Unapproved Share Options	17 Dec 2014	5 years	0	43	0.50	Note[h]
2007 Epistem Share Option Scheme	11 Dec 2015	5 years	0	30	0.50	Note[g]
2007 Epistem Share Option Scheme	07 Apl 2016	5 years	0	36	0.50	Note[g]
Epistem Unapproved Share Option Scheme	07 Apl 2016	5 years	0	36	0.50	Note[g]
2007 Epistem Share Option Scheme	02 May 2016	5 years	0	37	0.50	Note[g]
2007 Epistem Share Option Scheme	01 Jun 2016	5 years	0	39	0.50	Note[g]

(a) The expected term used in the model is 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

20. Share-based payments continued

(e) These options vest on dates dependant on anniversaries of commencing employment with the Group which commenced 1 September 2005 with the final tranche vesting on 1 September 2008.
(f) The performance conditions for these options to vest were satisfied in 2010.
(g) These options are subject to performance criteria which are appropriate to the option holders' role within the Company and which are assessed by the Remuneration Committee.
(h) 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.
(i) These options may be exercised when the Remuneration Committee determine that the Company has achieved a compound annual growth in EBITDA of at least 15% for the three year period commencing 01 July 2010.
(j) These options may be exercised on achievement of performance criteria determined by the Remuneration Committee which correlate to shareholder value.

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

	Number		Weighted average exercise price		Weighted average remaining contracted life – Years	
Group	**2016**	2015	**2016**	2015	**2016**	2015
Outstanding as at 1 July	**1,821,252**	1,707,377	**£2.27**	£2.04		
Granted during the year	**441,194**	190,500	**£1.16**	£2.91		
Exercised during the year	**–**	(68,312)	**–**	£1.18		
Forfeited during the year	**(9,900)**	(8,313)	**£1.69**	£3.86		
Lapsed during the year	**(294,272)**	(8,313)	**£2.23**	£3.86		
Outstanding as at 30 June	**1,958,274**	1,821,252	**£2.22**	£2.27	**5.54**	4.41
Options exercisable at 30 June	**1,005,130**	1,251,491	**£2.23**	£1.18	**2.47**	2.00

The weighted average share price of options exercised at the exercise dates in the year ended 30 June 2015 was £3.18. There were no options exercised in the year ended 30 June 2016.

(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 £125 per month to be invested in ordinary shares ('Partnership Shares')in the Company at the prevailing market price. At the same time as each monthly subscription, a maximum of two Matching Shares for each Partnership Share will be acquired on behalf of the SIP's participants. Both the Partnership and the Matching Shares are purchased on behalf of the scheme's participants by Epistem SIP Trustee Limited, a wholly owned subsidiary of the Company. Participants, who must be employed by the Company may withdraw their Matching Shares once their associated Partnership Shares have been held for three years. The cost of the Matching Shares is expensed on a straight line basis over the vesting period.

	2016	2015
Partnership shares held at 30 June	**45,832**	33,858
Matching Shares held at 30 June	**91,662**	67,713

20. Share-based payments continued

Group	2016 £'000	2015 £'000
Unamortised cost of Matching shares (Comprising Employee SIP reserve)	**240**	196

21. 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 detailed at note 18. The coupon on the Convertible Bond is fixed at 5%. 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.

	Decrease in the basis points	Effect on loss before tax and equity £'000
2016		
Cash and cash equivalents	25	3
2015		
Cash and cash equivalents	25	5

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

21. Financial risk management objectives and policies continued

Capital Management

The Group's objective in managing its capital is to ensure that the Group has adequate capital to fund is 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.

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:

	2016 £'000	2015 £'000
Government related agencies	**1,081**	714
International drug companies	**641**	722
Biotechnology companies with no assigned credit rating	**355**	110
India distributor	**213**	179
	2,290	1,725

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 are detailed below:

	2016 £'000	2015 £'000
Payable within 1 year	**1,862**	2,423
Payable within 1 – 2 years	**1,250**	–
Payable within 3 – 5 year	**4,991**	6,448
	8,103	8,871

21. 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 and those short-term trade receivables which are not invoiced in sterling. There are no significant costs incurred that involve payments in foreign currency.

The Group has no forward contracts at the year end (2015: £nil) to manage foreign currency risk.

Balances which are contracted in US dollars are presented in £ sterling below:

Group	2016 £'000	2015 £'000
Trade and other receivables	**1,087**	383
Cash and cash equivalents	**172**	462
Less: Convertible Bond	**(4,991)**	(4,065)
	(3,732)	(3,220)

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 loss before tax and equity £'000
2016		
Trade and other receivables	**5%**	**54**
Cash and cash equivalents	**5%**	**9**
Convertible Bond	**5%**	**(250)**
2015		
Trade and other receivables	5%	19
Cash and cash equivalents	5%	23
Convertible Bond	5%	(203)

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

22. Commitments under operating leases

At 30 June 2016 the Group had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
Group	**2016 £'000**	2015 £'000
Operating leases which expire:		
Within 1 year	**390**	–
1 year to 2 years	**–**	232

The operating leases are in respect of the Company's office and laboratories are held under short term leases.

23. Related party transactions

Other than items relating Director's remuneration and employment, there were no related party transactions during the year (2015: £nil).

At the balance sheet date, in respect of Dr. I Gilham and Dr. R Nolan, Trade and Other payables included amounts of £5,964 (2015: £nil) and £1,700 (2015: £nil), respectively.

24. Share capital

Allotted and called up:	**2016 No.**	**2016 £'000**	2015 No.	2015 £'000
Brought forward at 1 July	**10,564,446**	**158**	10,004,906	150
Deferred consideration shares	**–**	**–**	491,228	7
Exercise of options	**–**	**–**	68,312	1
Ordinary shares of £0.015 each	**10,564,446**	**158**	10,564,446	158

Note 19 details the terms of the Convertible Bond Agreement entered into on 21 July 2014. The Agreement was amended by a Deed of Amendment and Restatement on 23 June 2016 which came into force on 11 July 2016.

Under the terms of this agreement in force at 30 June 2016, if a conversion occurs at the initial price of £4.89 per ordinary share at the fixed rate of exchange of $1.6913:£1, this would result in the issue of 967,298 shares (2015: 967,298).

Under the terms of the Agreement following the implementation of the Deed of Amendment, if a conversion occurs in respect of $2m at an initial conversion price of £1.50 per share at the fixed exchange rate of $1.6913:£1 together with $6m at an initial conversion price of £4.89 per share at the fixed exchange rate of $1.6913:£1, this would result in the issue of 1,513,821 shares (2015: 967,298).

25. Reserves

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 Limited, during the year ended 30 June 2007.

The employee share incentive plan reserve represents 91,662 shares in Epistem Holdings Plc (2015: 67,713 shares) all of which are held by Epistem SIP Trustee Limited. These shares are listed on the Alternative Investment Market and their market value at 30 June 2016 was £82k (2015: £186k). The nominal value held at 30 June 2016 was £1,375 (2015: £1,015).

COMPANY BALANCE SHEET
As at 30 June 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Investment in subsidiaries	a	**6,615**	6,398
Current assets			
Amounts receivable from Group Undertakings and other receivables	b	**20,542**	17,516
Cash and cash equivalents	c	**314**	3,707
		20,856	21,223
Liabilities			
Current liabilities			
Other payables		**144**	99
Deferred consideration payable in shares		**–**	1,250
		144	1,349
Net current assets		**20,712**	19,874
Total assets less current liabilities		**27,327**	26,272
Non-current liabilities			
Deferred consideration payable in shares		**1,250**	–
Convertible Bond	19	**4,991**	4,025
Net assets		**21,086**	22,247
Capital and reserves			
Called-up equity share capital	24	**158**	158
Share premium account	25	**20,088**	20,088
Share options reserve	25	**1,582**	1,365
Retained earnings		**(742)**	636
Total shareholders' equity		**21,086**	22,247

These financial statements were approved by the Directors and authorised for issue on 1 November 2016 and are signed on their behalf by:

Dr. Ian Gilham
Chairman

H J J Rylands
Finance Director

genedrive plc
Company number: 06108621

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Share capital £'000	Share premium account £'000	Share options reserve £'000	Retained earnings £'000	Total £'000
At 1 July 2014	150	18,616	1,171	257	20,194
Allotment of ordinary shares	7	1,393	–	–	1,400
Recognition of equity settled share-based payments	–	–	205	–	205
Exercise of share options	1	79	–	–	80
Forfeit of share options	–	–	(11)	–	(11)
Total comprehensive expense for the year	–	–	–	379	379
At 30 June 2015	158	20,088	1,365	636	22,247
Balance as at 1 July 2015	158	20,088	1,365	636	22,247
Recognition of equity settled share-based payments	–	–	223	–	223
Forfeit of share options	–	–	(6)	–	(6)
Total comprehensive expense for the year	–	–	–	(1,378)	(1,378)
At 30 June 2016	**158**	**20,088**	**1,582**	**(742)**	**21,086**

COMPANY STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Operating loss for the year	**(115)**	–
Operating profit before changes in working capital and provisions	**(115)**	–
(Increase) in amount receivable from Group companies	**(3,026)**	(2,889)
Increase in trade and other payables	**45**	46
Net cash outflow from operations	**(3,096)**	(2,843)
Cash flows from financing activities		
Proceeds from issue of share capital	**–**	80
Proceeds from issue of Convertible Bond	**–**	4,700
Costs of convertible Bond	**–**	(76)
Interest received	**7**	16
Interest paid	**(304)**	(212)
Net cash (outflow)/inflow from financing activities	**(297)**	4,508
Net (decrease)/increase in cash equivalents	**(3,393)**	1,665
Cash and cash equivalents at beginning of year	**3,707**	2,042
Cash and cash equivalents at end of year	**314**	3,707
Analysis of net funds		
Cash at bank and in hand	**314**	3,707
Net funds	**314**	3,707

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 30 June 2016

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU 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.

a. Investments

Company

The Company is the holding company of the Group.

The Company owns 100% of the issued share capital of Epistem Limited, Epistem SIP Trustees Limited and Epistem Inc. incorporated in the United States of America. The principal activities of the subsidiary companies are:

- Epistem Limited and Epistem Inc. – the provision of services to the biotechnology and pharmaceutical industries; and
- Epistem SIP Trustees Limited – to act as trustee to the Epistem Share Incentive Plan.

On 28 July 2010, Epistem Holdings Plc acquired 100% of the share capital of Visible Genomics Limited, whose principal activity had been the development of diagnostic assays and equipment. The assets of Visible Genomics Limited on 27 July 2010 are summarised below:

	£'000
Acquired intangible assets	100
Short term liabilities	(25)
Long term liabilities	(75)
	–

On 28 July 2010, the above assets and liabilities were hived into Epistem Limited and Visible Genomics Limited ceased to trade. Following a variation of Purchase and Sales agreement agreed with the vendor of Visible Genomics Limited on 5 March 2015, the following earnout deferred consideration payable to the vendors of Visible Genomics Limited remained outstanding:

Group	**2016 £'000**	2015 £'000
Deferred consideration payable in shares		
• Achievement of commercial milestones relating to Genedrive® sales	**1,250**	1,250

The commercial milestones amounting to £1,250k referred to above and outstanding at 30 June 2016 (2015: £1,250k) relates to the recognition of £5m of Genedrive® related income or contractual commitments from any of a list of 16 IVD companies which provide a minimum combined value of £5m.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 30 June 2016
CONTINUED

a. Investments continued

The value at which Consideration shares are to be issued is to be calculated by reference to LSE daily share price over a five day period commencing 30 days after the date that the achievement of the milestone(s) is announced. The Consideration shares are subject to a 'lock-in' provision, under which the Vendor covenants not to sell Consideration shares for a period of up to 24 months without the consent of the Company, except in the event that an offer for the whole of the issued share capital of the Company is received and which is either recommended by the Board or becomes unconditional as to acceptances.

In the event that an offer for the whole of the issued share capital of the Company or for the Genedrive® business is received and which is either recommended by the Board or is declared unconditional as to acceptances, then, the Vendor will become entitled to be allotted shares in the Company up to a maximum value of £2.65m, save to the extent that Consideration shares, as detailed above, have already been issued. The value at which these shares are issued will be the relevant offer price.

The Board is of the opinion that, as at 30 June 2016, the value of further consideration of £1.25m (2015: £1.25m) was capable of assessment and provision for this liability has been made in these accounts. Based on the share price of 90p at 30 June 2016, this would result in the issue of 1,388,889 shares.

Year ended 30 June 2016	Investment in subsidiaries £'000
Cost	
At 1 July 2015	6,398
Additions	217
At 30 June 2016	6,615
Net book value	
At 30 June 2016	6,615
At 30 June 2015	6,398

Year ended 30 June 2015	Investment in subsidiaries £'000
Cost	
At 1 July 2014	6,228
Additions	170
At 30 June 2015	6,398
Net book value	
At 30 June 2015	6,398
At 30 June 2014	6,228

Additions in the year ended 30 June 2016 comprised the fair value of the share options issued to employees of the subsidiary undertaking during the year of £158k (2015: £170k). Full details of the share options issued are set out in Note 20 to the consolidated financial statements.

b. Amounts receivable from Group undertaking and other receivables

Company	2016 £'000	2015 £'000
Amounts receivable from Group undertakings	**20,542**	17,516
	20,542	17,516

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

c. Cash and cash equivalents

Company	2016 £'000	2015 £'000
Cash at bank and in hand	**152**	161
Short term bank deposits	**162**	3,546
	314	3,707

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.

d. Related party transactions

During the course of the year, Epistem SIP Trustee acquired 41,502 (2015: 6,178) shares in Epistem Holdings Plc on behalf of the Epistem Share Investment Plan at a cost of £60k (2015: £21k).

The Company has no controlling shareholder. Details of significant shareholders are listed in the Directors' report.

e. Impairment review

The carrying value of Investments and Amounts Receivable are subject to an annual impairment review. In the view of the Directors, no impairment provision has been required during the year (2015: £nil).

DIRECTORS, SECRETARY AND ADVISERS

Directors

Ian Gilham
David Budd (appointed 1 March 2016)
Catherine Booth
Allan Brown
Roger Lloyd
Robert Nolan
John Rylands

Company Secretary

John Rylands

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