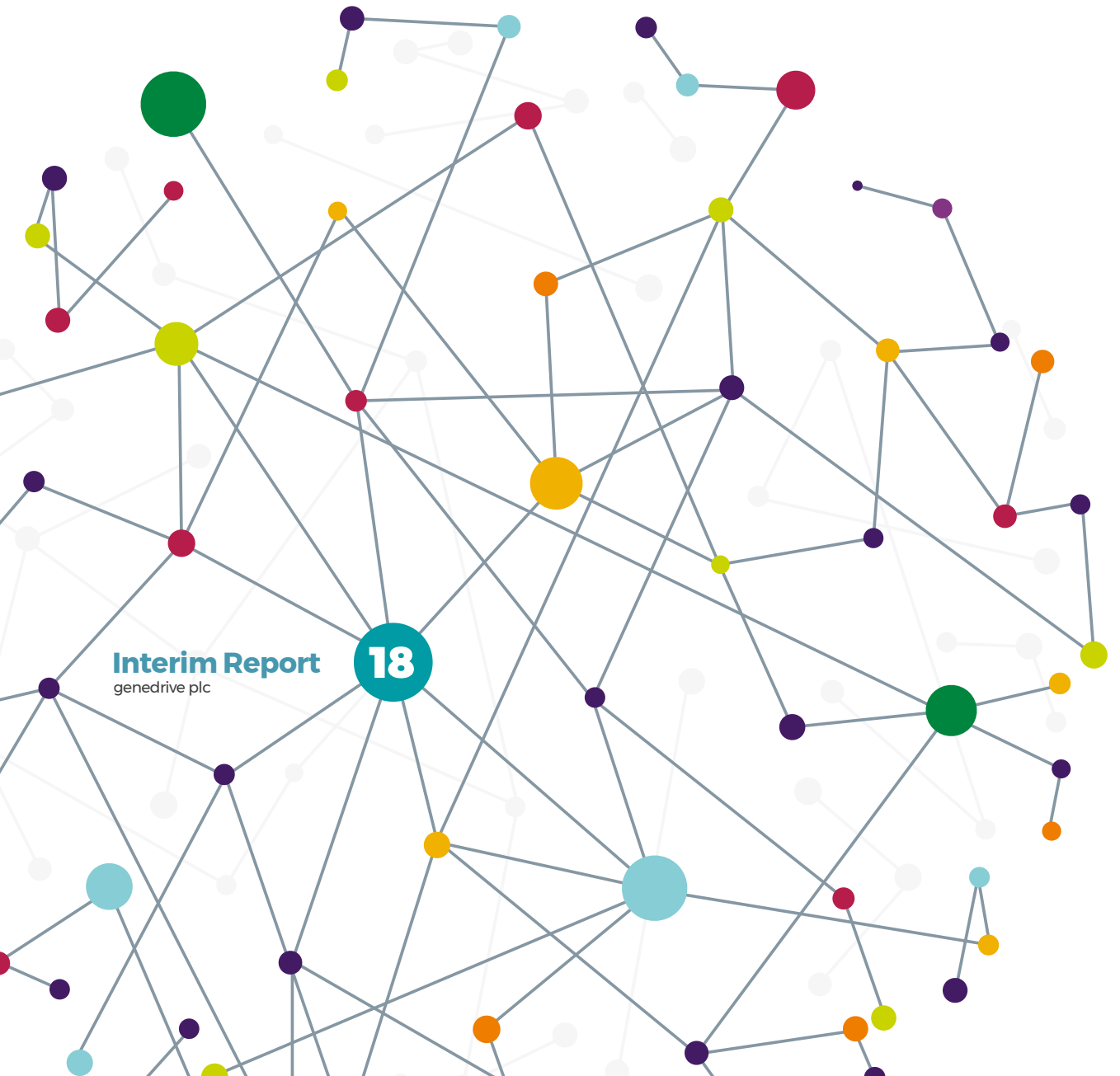
genedrive

Decentralising
molecular diagnostics



Interim Report 18

genedrive plc

WHAT WE DO
Introduction and highlights

genedrive plc is focused on decentralising molecular diagnostics, concentrating on applications where our technology will provide sustainable growth.

SIMPLE
Easy to use single button operation with simple software.

FAST
Results available in as little as 50 minutes.

VERSATILE
Various sample types including plasma, sputum or buccal swab

LOW COST
Affordable platform facilitates testing in low throughput settings.

PORTABLE
Decentralised testing supported by mains power or UPS battery pack.

genedrive plc (LSE: GDR) ("genedrive" or the "Company"), the near patient molecular diagnostics company, announces today its unaudited interim results for the six months to 31 December 2017. The first half of the financial year saw the Company continue investment in its core Genedrive® platform and continued preparation for launch of its Genedrive® Hepatitis C assay.

Financial Highlights

- Total revenue and other income of £2.6m (2016: £2.9m)
- Genedrive® related income up 8.3% to £1.3m (2016: £1.2m)
- Cash of £4.6m at 31 December 2017 (30 June 2017: £5.1m) post receipt of £1.2m R&D tax credit
- Continued investment in Genedrive®, giving rise to a pre-tax loss of £2.2m (2016: £3.0m)

Operational Highlights

- CE marking obtained for Genedrive HCV ID kit and commercialisation activities commenced
- Signed exclusive distribution agreements for HCV ID kit with Sysmex Europe GmbH ("Sysmex EMEA") to cover Europe and Africa and Sysmex Asia ("Sysmex APAC") for Asia Pacific, excluding India
- Successful external validation of Genedrive HCV ID kit, 100% sensitivity and specificity in independent user evaluation in South Africa
- Terminated Xcelris distribution agreement in India that included countries in the South Asian Association for Regional Cooperation
- £0.6m Innovate UK grant award to fund centrifuge free plasma separation device

Post-Period end Highlights

- Initial sales of Genedrive® units and assays made to Sysmex EMEA and Sysmex APAC as part of the launch of the HCV product
- £1.1m conditional grant offer from Innovate UK to part-fund development of the sample preparation process for the mTB assay
- Unaudited cash of £3.9m as at 28 February 2018

INTERIM MANAGEMENT REPORT

The six months to 31 December 2017 has seen further realignment for genedrive plc as we continue to progress the Company towards the significant opportunity we see in molecular diagnostics.

Diagnostics (The Genedrive® Platform)

Hepatitis C (HCV)

Receipt of CE-IVD certification for our HCV ID Kit in September 2017 was a significant achievement for the Company, positioning us as the first to market with a decentralised qualitative molecular HCV test for use at point of need. We subsequently signed two distribution agreements with Sysmex EMEA and Sysmex APAC to cover the EMEA and Asia Pacific regions. With the advent of new 'curative' direct acting antiviral treatments for Hepatitis C (HCV), genedrive and Sysmex believe that there is a major opportunity to support tackling the global burden of the disease if accurate, decentralised diagnostics can be used to identify those living with HCV and give them access to therapy.

At October's IFCC WorldLab 2017 Congress, the Genedrive® HCV ID Kit was launched, and it is rapidly becoming available in target countries. Commercialisation will be across a large market through Sysmex and our distributor arrangements, with them covering regions which encompass countries with a high HCV burden and Directing Acting Antiviral availability. Regulatory hurdles exist in most countries, but we are working towards generating income in line with market forecasts. Post period end, we are pleased to announce our first commercial sales of instruments and assays into Sysmex EMEA and subsequently Sysmex APAC.

Our first external validation study was successfully conducted in South Africa with results announced in early January 2018 showing 100% specificity and sensitivity in independent use, confirming that our good clinical validation performance can be translated into real-world settings.

Looking further forwards, we have begun work on a device to allow the separation of plasma from whole blood without the need for a centrifuge. Such a device will ultimately broaden the target users for the Genedrive® HCV ID kit by removing the need for laboratory equipment in the upfront workflow in generating plasma. The work to develop the sample preparation device is part funded by a £0.6m Innovate grant awarded during the period. We expect the device to be commercially ready by around summer 2020.

Tuberculosis (mTB)
We are in the process of developing a new upfront sample workflow for the mTB assay that we believe will make the test viable in the expanded commercial markets we can now reach through our Sysmex distribution channels. A target to launch a version 2 of the TB test at an end user cost to serve the target markets with minimum or no subsidy would align to our new global distribution partner channels. We intend to update on a launch date for version 2 during our next financial year. Post period end we secured a £1.1m conditional offer from Innovate UK to fund the up-front sample preparation development which would provide a significant contribution to the development costs which we expect to incur over the periods to 30 June 2018 and 2019.

In November, the Company terminated its agreement with Xcelris for the distribution of the Genedrive mTB/RIF test in India, and countries in the South Asian Association for Regional Cooperation, following supplier issues with sample preparation. Subsequent commercial and contract issues impaired the ability to re-engage the market. Despite the challenges experienced in our initial launch in India through Xcelris, TB is a large and well-defined market and we are confident of future success given the strengths of the Genedrive® platform, and our experiences and learnings from India.

US Department of Defense (DoD)
The DoD funded collaboration project on biohazard tests for Genedrive® has been fundamental to the growth and development of genedrive in recent years. During the period to 31 December, we completed the final stages of the programme and part shipped the final instrument order on the contract. The contract is now predominantly complete; we expect a small amount of revenue in the second half from the final shipment at which point we will migrate to an ongoing monitoring fee. The project has been a success for genedrive and for the customer and the product is being used and deployed in the field – however given the nature of the intended final use we have no visibility of the future demand and are therefore currently forecasting no material future revenues with this customer.

Aquaculture
Beyond the human healthcare market, Genedrive® has been funded on trials for white-spot disease detection in farmed shrimp. This work was successfully completed early in the period. The Company is seeking partners to realise the commercial opportunities that may exist, but is not investing in pursuing the market itself.

Other
As the programme sponsored DoD and Aquaculture projects end, we are looking to identify other opportunities where the rapid results made possible by the Genedrive® platform address unmet clinical need. We are focusing on human genotyping opportunities, and have set the target of selecting one definitive application before the end of the current financial year.

Services Operations

The performance for the six months was below that of 2016, but broadly in line with the run rate seen in the second six months of the year ended June 2017. Without any material investment, the business continues to make a moderate contribution to the Group and does not present a distraction to the core disease detection operations.

INTERIM MANAGEMENT REPORT CONTINUED

We have a stated strategic objective to dispose of the Services division to provide cash to help fund the Genedrive® platform. Some time ago, the Company engaged an external advisor to approach potential buyers, solicit interest and run a controlled disposal. This process has taken much longer than expected. Despite the issues encountered, we are now in a period of exclusivity with a prospective buyer and expect to update the market on the outcome before the end of the current financial year.

Financial Results

Results for the first six months delivered revenue and other income of £2.6m (2016: £2.9m). Diagnostics revenue was £1.3m up 8.3% from 2016 (2016: £1.2m). This increase is primarily related to pathogen detection projects with the DoD. Services revenue was £1.3m (2016: £1.7m), down 23.5% on the same period in 2016 owing to a reduction in the like for like revenues from Pharmacogentics, but on the same run rates as for the six-month period to 30 June 2017.

Research and development costs were £2.2m (2016: £2.4m). Other costs were £2.5m (2016: £2.9m), giving an operating loss for the period of £2.1m (2016: £2.4m).

Financing costs of £0.1m (2016: £0.6m) relate to the dollar denominated Global Health Investment Fund (GHIF) convertible bond and are £0.3m of fair value adjustments and £0.2m of foreign exchange losses; there was no cash interest paid on the instrument during the period as the Company has elected to defer interest payments, and will do so for the rest of the financial year.

After financing costs, the loss before taxation was £2.2m (2016: £3.0m). This reduces to £1.7m (2016: £2.7m) after estimating the taxation credit. The basic loss per share was 9.0p (2016: 14.8p)

Cash Resources

Operating cash outflows were £1.7m (2016: £1.9m). Working capital consumed £0.1m (2016: £0.5m inflow) to give a net cash outflow from operations of £1.8m (2016: £1.4m).

Cash received relating to the year-end tax debtor was collected in November, earlier than in prior years, £1.2m (2016: £nil). The Group closed the period with cash of £4.6m (30 June 2017: £5.1m) with unaudited cash of £3.9m as at 28 February 2018. The net movement in cash of £0.5m is after one-off inflows from the R&D tax credit and the final stages of the DoD contract, neither of which will repeat in the second half of the financial year; we expect our second half cash consumption to be approximately £2.5m.

Balance Sheet

Balance sheet net assets at 31 December 2017 totalled £1.8m (30 June 2017: £3.4m). The movement in the period is owing to the consolidated loss for the period £1.7m (2016: £2.7m loss).

Corporate Developments

Allan Brown stepped down from the board in November. Since joining the Company in 2014 Allan played a key role in the development of the Genedrive® instrument and the board extend their thanks for his significant contributions to the company.

Principal Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Directors do not consider that these principal risks and uncertainties have changed materially since publication of the annual report for the year ended 30 June 2017; a more detailed explanation of the risks for the Group can be found on page 15 of that annual report.

Outlook

We are entering an important stage in the evolution of genedrive. The HCV ID kit is CE marked, we have Sysmex as distributor for EMEA and Asia Pacific, and we have recently dispatched our first orders in both regions. We are confident that the HCV ID kit can play an important role in the diagnosis and management of HCV in territories where access to centralised laboratories is limited. We are currently trading in line with our expectations, and as demand grows and we receive feedback on our product, we will be able to increasingly measure the potential for the HCV market and the impact that it will have on the future of genedrive.
We are excited about the forthcoming periods and potential for our platform in the attractive near patient molecular diagnostics market. The Board remains confident and committed to the business strategy.

David Budd
Chief Executive

Dr I Gilham
Chairman

20 March 2018

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	Note	Six months ended 31 December 2017 Unaudited £000	Six months ended 31 December 2016 Unaudited £000	Year Ended 30 June 2017 Audited £000
Revenue & other income	3	**2,633**	2,882	5,785
Contract costs		**(1,286)**	(1,837)	(2,998)
Discovery and development costs		**(2,233)**	(2,360)	(5,086)
General administrative costs		**(1,238)**	(1,094)	(2,614)
Impairment of intangible assets		**–**	–	(2,379)
Operating loss	4	**(2,124)**	(2,409)	(7,292)
Net financing costs	5	**(71)**	(614)	(195)
Loss on ordinary activities before taxation		**(2,194)**	(3,023)	(7,487)
Taxation on ordinary activities		**520**	320	1,051
Total Comprehensive Expense for the financial period		**(1,675)**	(2,703)	(6,436)
Loss per share (pence)				
Basic	6	**(9.0)p**	(14.8)p	(34.9)p
Diluted	6	**(9.0)p**	(14.8)p	(34.9)p

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	Share Capital £000	Share Premium Account £000	Employee Share Incentive Plan Reserve £000	Share Options Reserve £000	Reverse Acquisitions Reserve £000	Retained Earnings £000	Total £000
At 30 June 2016	158	20,088	(240)	1,281	(2,484)	(15,050)	3,753
Issue of shares	123	5,900	–	–	–	–	6,021
Equity-settled share based payments & SIP scheme	–	–	37	16	–	(37)	16
Total comprehensive expense for the financial period	–	–	–	–	–	(2,703)	(2,703)
At 31 December 2016	281	25,988	(203)	1,297	(2,484)	(17,790)	7,087
Transfer of shares to SIP members	–	–	(26)	–	–	(11)	(39)
Equity-settled share based payments & SIP scheme	–	–	–	85	–	–	16
Total comprehensive expense for the financial period	–	–	–	–	–	(3,696)	(2,703)
At 30 June 2017	281	25,988	(229)	1,382	(2,484)	(21,497)	3,441
Transfer of shares to SIP members							
Issue of shares	–	–	2	–	–	(2)	–
Equity-settled share based payments & SIP scheme	–	–	–	38	–	–	38
Total comprehensive expense for the financial period	–	–	–	–	–	(1,675)	(1,675)
At 31 December 2017	**281**	**25,988**	**(227)**	**1,420**	**(2,484)**	**(23,174)**	**1,804**

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	31 December 2017 (unaudited) £000	31 December 2016 (unaudited) £000	30 June 2017 (audited) £000
Non-current assets				
Intangible assets		**2,613**	5,806	3,038
Plant and equipment		**483**	635	568
		3,096	6,441	3,606
Current assets				
Inventories		**479**	243	444
Trade and other receivables		**1,285**	2,288	1,654
Current tax asset		**600**	1,161	1,213
Cash and cash equivalents		**4,551**	5,664	5,129
		6,915	9,356	8,440
Liabilities				
Current liabilities				
Deferred income		**(129)**	(205)	(98)
Trade and other payables		**(1,551)**	(1,800)	(2,058)
		(1,680)	(2,005)	(2,156)
Net current assets		**5,235**	7,351	6,284
Total assets less current liabilities		**8,331**	13,792	9,890
Non-current liabilities				
Deferred consideration payable in shares		**(1,250)**	(1,250)	(1,250)
Convertible bond	8	**(5,277)**	(5,455)	(5,199)
		(6,526)	(6,705)	(6,449)
Net assets		**1,804**	7,087	3,441
Capital and reserves				
Called-up equity share capital		**281**	281	281
Share premium account		**25,988**	25,988	25,988
Employee share incentive plan reserve		**(227)**	(201)	(229)
Share options reserve		**1,420**	1,297	1,382
Reverse acquisition reserve		**(2,484)**	(2,484)	(2,484)
Retained earnings		**(23,174)**	(17,790)	(21,497)
Total shareholders' equity		**1,804**	7,087	3,441

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

	31 December 2017 (unaudited) £000	31 December 2016 (unaudited) £000	30 June 2017 (audited) £000
Cash flows from operating activities			
Operating loss for the period/ year	**(2,124)**	(2,409)	(7,292)
Depreciation, amortisation and impairment	**522**	577	3,451
ATL Research credits	**(80)**	(85)	(162)
Share based payment expense	**38**	20	101
Operating loss before changes in working capital and provisions	**(1,644)**	(1,897)	(3,902)
Increase in inventories	**(35)**	(41)	(242)
Decrease in trade and other Receivables	**370**	506	1,256
Increase in deferred revenue	**31**	117	10
(Decrease)/Increase in trade and other payables	**(507)**	(132)	284
Net cash outflow from operations	**(1,785)**	(1,447)	(2,594)
Tax received	**1,220**	–	757
Net cash outflow from operating activities	**(565)**	(1,447)	(1,837)
Cash flows from investing activities			
Finance income – interest received	**6**	9	14
Acquisition of fixed assets	**(12)**	(33)	(70)
Net cash outflow from investing activities	**(6)**	(24)	(56)
Cash flows from financing activities			
Proceeds from share issue	**–**	6,023	6,023
Net cash inflow from financing activities	**–**	6,023	6,023
Net (decrease)/ increase in cash equivalents	**(571)**	4,552	4,129
Foreign exchange adjustments	**(7)**	(2)	(115)
Cash and cash equivalents at beginning of period/ year	**5,129**	1,114	1,114
Cash and cash equivalents at end of period/ year	**4,551**	5,664	5,129
Cash at bank and in hand	**4,551**	5,664	5,129

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. General information

Genedrive plc ('the Company') 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 diagnostics platform for the diagnosis of infectious diseases and for use in patient stratification (genotyping), pathogen detection and other indications. The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is 48 Grafton Street, Manchester, M13 9XX. The Company has its listing on the Alternative Investment Market.

The financial information for the period ended 31 December 2017 and similarly the period ended 31 December 20163 has been neither audited nor reviewed by the auditor. The financial information for the year ended 30 June 2017 has been based on information in the audited financial statements for that period. The interim condensed financial statements for the period ended 31 December 2017 do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 30 June 2017 has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006

These interim financial statements were approved by the Board of Directors on 20 March 2016.

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

2. Significant accounting policies

Basis of consolidation

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

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

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

Estimates

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

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended 30 June 2017, with the exception of changes in estimates that are required in determining the provision for taxation.

Revenue recognition

a. Contract revenue

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

b. Collaboration & licensing revenue

Contractually agreed upfront payments and similar non-refundable payments in respect of collaboration or licence agreements which are not directly related to on-going research activity are recorded as deferred income and recognised as revenue over the anticipated duration of the agreement. Where the anticipated duration of the agreement is modified, the period over which revenue is recognised is also modified.

Non-refundable milestone and other payments that are linked to the achievement of significant and substantive technological or regulatory hurdles in the research and development process are recognised as revenue upon the achievement of the specified milestone.

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

c. Other Income – development grant funding

Income receivable in the form of government grants to fund product development is recognised as development grant funding over the periods in which the Group recognises, as expenses, the related eligible costs which the grants are intended to compensate and when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the income will be received. Government grants whose primary condition is that the Group should purchase or otherwise acquire non-current assets are recognised as deferred revenue in the Consolidated Balance Sheet and transferred to the Consolidated Statement of Comprehensive Income on a systematic and rational basis over the useful lives of the related assets.

Research and development

Research expenditure is written off as it is incurred. Development expenditure is written off as it incurred up to the point of technical and commercial validation.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated so as to write off the cost of an intangible asset, less its estimated residual value, over the useful economic life of that asset.
All intangible assets are subject to impairment review and amortisation in each financial reporting period. In assessing value in use, the estimated future cash flows are discounted to their net present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items carried at fair value and denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value is determined.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS CONTINUED

2. Significant accounting policies continued

Share-based payments

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

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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

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

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

Financial instruments (including Convertible bond)

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

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

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

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

Finance costs of the debt host are included in Finance costs and income. Similarly, gains or losses on the value of the derivative are also included in Finance costs and income.

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

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

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

3. Revenue and Other Income

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

4. Business segments

	Preclinical Research Services £'000	Pharmaco-genomics Services £'000	Diagnostic Segment £'000	Admin-istrative Costs £'000	Total £'000
Six months ended 31 December 2017					
Revenue and other income	1,005	341	1,287	–	2,633
Segment EBITDA	131	(41)	(660)	(1,036)	(1,606)
Less depreciation and amortization	(30)	(12)	(286)	(195)	(523)
Operating profit/(loss)	**101**	**(53)**	**(946)**	**(1,237)**	**(2,135)**
Net Finance costs					(71)
Loss on ordinary activities before taxation					**(2,206)**
Taxation					520
Loss for the financial year					**(1,686)**

	Preclinical Research Services £'000	Pharmaco-genomics Services £'000	Diagnostic Segment £'000	Admin-istrative Costs £'000	Total £'000
Six months ended 31 December 2016					
Revenue and other income	903	742	1,237	–	2,882
Segment EBITDA	53	65	(767)	(1,183)	(1,832)
Less depreciation and amortization	(62)	(28)	(441)	(46)	(577)
Operating (loss)/profit	(9)	37	(1,208)	(1,229)	(2,409)
Net Finance costs					(614)
Loss on ordinary activities before taxation					(3,023)
Taxation					320
Loss for the financial period					(2,703)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS CONTINUED

4. Business segments continued

	Preclinical Research Services £'000	Pharmaco-genomics Services £'000	Diagnostic Segment £'000	Admin-istrative Costs £'000	Total £'000
Twelve months ended 30 June 2017					
Revenue and other income	2,069	1,097	2,619	–	5,785
Segment EBITDA	246	14	(1,592)	(2,510)	(3,842)
Less depreciation and amortization	(118)	(51)	(811)	(91)	(1,071)
Impairment of intangible assets	–	–	–	(2,379)	(2,379)
Operating profit/ (loss)	128	(37)	(2,403)	(4,980)	(7,292)
Net Finance costs					(195)
Loss on ordinary activities before taxation					(7,487)
Taxation					1,051
Loss for the financial period					(6,436)

5. Finance costs

	31 December 2017 £000	31 December 2016 £000	30 June 2017 £000
Interest income on bank deposits	**6**	9	13
Gain on amendment to Convertible Bond	**–**	–	380
Movement in fair value of derivative embedded in Convertible Bond	**–**	(159)	30
Finance cost on Convertible Bond	**(153)**	–	(308)
Unwind of discount on Convertible Bond	**(109)**	–	(209)
Foreign exchange movement in Convertible Bond	**183**	(464)	(101)
Financing income and costs	**(72)**	(614)	(195)

6. Earnings per share

The basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders for the year by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares in issue during the period was 18,689,446 (2016: 18,245,457).

7. Deferred consideration payable in shares

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

At 31 December 2017 the Directors reviewed the terms of the earn-out payable and considered that the criteria would be met during a period greater than 12 months but less than five years following the balance sheet date.

8. Convertible Bond

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

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

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

The details of the GHIF bond and the Deed of Amendment entered into during July 2016 can be found in the 2017 Annual Report and Accounts for the Group.

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