For release: 26th March 2015

Interim Results to 31 December 2014

Epistem Holdings Plc (LSE: EHP), the biotechnology and personalised medicine company, announces today its unaudited interim results for the six months to 31 December 2014. The first half of the 2014/15 financial year saw Epistem continue to accelerate investment in its core Genedrive® platform in preparation for launch of its first molecular diagnostic product test for Tuberculosis.

Financial and Operating Highlights

- Total revenue and other income of £2.2m (2013: £2.9m) underpinned by Preclinical Research Services and Personalised Medicine divisions.
- Preparations for launch of Genedrive® underpinning increased levels of investment in our Personalised Medicine division giving rise to a reported after tax loss of £1.9m (2013: £0.6m loss after tax).
- Cash reserves of £6.6m at 31 December 2014.
- Application for Genedrive® Tuberculosis regulatory approval submitted to Indian regulator. Discussions with the Indian regulator are well advanced.
- Completion of the GHIF collaboration and bond funding agreement in July 2014.
- Preliminary Tuberculosis clinical studies in support of planned future WHO regulatory submission.
- Successful initial results of US Department of Defence 3-plex pathogen detection test.
- £0.4m grant funding from the UK Department of Environment/TSB for Genedrive® aquaculture testing.
- US Patents granted for Genedrive® mutational analysis and test cartridge RFID (Radio Frequency Identification)
- Following successful completion of our Genedrive® patient stratification (genotyping) platform, partnering discussions ongoing.

Recent Developments

- Commenced clinical studies of *IL28B* genotype testing for HCV clinical assessment with Pasteur Institut and 'Hepatitis-C' detection test entering clinical studies around mid year.
- Entered Greater Manchester healthcare accelerator program to help advance Genedrive® to tackle Tuberculosis reduction across NHS England.

For further details please contact:

Epistem Plc

Matthew Walls Chief Executive Officer
John Rylands Finance Director

Chairman and CEO's Statement

In the results for the six months ended 31 December 2014, we report an increased operating loss arising from a weakened first half revenue performance from our Preclinical and Personalised Medicine business, alongside increasing investment in our Genedrive® molecular diagnostic device as we prepare to launch our Tuberculosis (TB) assay in India. We anticipate improved Preclinical Research Services and Personalised Medicine revenues in the second half. Following the successful completion of Indian TB clinical studies at the end of last year, the process of regulatory approval has taken longer than expected, partly due to the request for additional analytical information in support of the regulatory submission. Despite these delays, we are confident that discussions with the Indian regulator are now well advanced. In preparation for launch, significant progress has been made to scale up and manufacture initial batches of Genedrive® v1.0 units and TB assays in readiness for regulatory approval to sell. We remain confident that Genedrive® offers a highly disruptive and strategically important technology targeting low cost disease management at the 'Point of Care', thereby providing a new molecular approach to diagnosis and affordable healthcare. We believe that the launch of our first Genedrive® product for TB, under the previously reported India supply and distribution agreement with Xcelris, offers very attractive growth opportunities.

In July 2014, we announced that we had entered into a collaboration and convertible bond funding agreement with the Global Health Investment Fund I, LLC (GHIF) to support the roll-out of Genedrive® as the Company's TB test prepares for launch. Under the terms of the agreement, Epistem has issued to the GHIF a five-year convertible bond totaling $8.0 million (£4.7 million). As detailed in the notes to these interim results, the GHIF agreement contains provisions which allow the bond to be converted into ordinary Epistem shares using a fixed exchange rate and a fixed conversion price of 489p per share. As part of the collaborative funding agreement, the GHIF and Epistem have made global access commitments to mutually support and facilitate the introduction, distribution and sale of the Genedrive® platform and our expanding menu of infectious disease assays under development for low-and middle-income countries.

In addition to scaling up for the launch of our TB test in India, we have been working to prepare our product for the African market. We are in discussions with prospective and strategic distribution partners in relation to our TB test (for markets outside of India) as well as for our second emerging infectious disease test for the diagnosis of Hepatitis C. The Hepatitis C genotyping test (*IL28B*) has now commenced clinical studies with the Pasteur Institut and INSERM and the Hepatitis C (HCV) detection assay is expected to start clinical studies in June 2015. We are encouraged by the early clinical data generated for our Hepatitis C test and believe this test will be of significant commercial value to the business going forward and demonstrating the Genedrive® platform's ability to host an expanding menu of tests.

Further, as part of the increasing focus of medical authorities on the role of personalised medicine in targeting therapeutic treatments, we anticipate significant potential for the genotyping capabilities of Genedrive®. We continue to engage with pharmaceutical companies to understand and exploit interest in these applications.

We can also report that work with the US Department of Defence (US DoD) has successfully progressed with the first phase Bio-plex detection assay (3 pathogens) passing through its initial round of performance assessment. We are now working with the US DoD to expand the programme into the second phase detection of 8 pathogens for military use.

We will receive £0.4m grant funding for Genedrive® from the UK Department of Environment/TSB over the next 36 months to develop an assay for aquaculture testing in relation to shrimp farming. This programme will commence in the second half of this financial year.

Genedrive® has been also entered into the Greater Manchester – Academic Health Science Network accelerator program with the intention of introducing Genedrive® via NHS-England to tackle the clinical priority of reducing the prevalence of TB by targeting early detection and treatment leading to improved health outcomes. This provides our first inroad into making our TB test available to the UK (NHS) home market.

This interim report covers the six-month period from the 01 July 2014 to 31 December 2014.

Chairman and CEO's Statement (continued)

Financial Results

Results for the first six months delivered revenues of £2.2m (2013: £2.9m). Increased levels of investment and headcount in our Personalised Medicine (Genedrive®) programme gave rise to a Company reported loss of £1.9m (2013: £0.6m loss after tax). Reported cash reserves at 31 December 2014 were £6.6m (£5.2m at 30 June 2014.)

Progress across each of the Company's three divisions is outlined below:

Preclinical Research Services income for the first six months was £1.0m (2013: £1.6m). First half weakness in our EU business was the prime reason for the below par performance. We are reorganising our business development team and anticipate a recovery in second half revenues and a breakeven position for this division for the full year. In the US territory, our Preclinical Research Services are supported by the current five year US government bio-defence contract, due for renewal in September 2015, which remains on track as we continue to strengthen our relationship with the US Department of Defence and provide local support and new business opportunities for our US clients. We continue to develop carefully, and extend, our range of higher margin service offerings around our rheumatoid arthritis (RA) and oncology imaging leukaemia models. The division continues to build its core scientific strengths, especially in the US, to maintain and strengthen its platform for future growth.

Personalised Medicine first half revenues were £1.2m (2013: £1.3m) primarily reflecting the business generated by our pharmacogenomic (Biomarker) sub division. Whilst year-on-year revenues were flat the division is engaged in a number of collaborations with its pharmaceutical partners which we expect to drive significant future value. Revenues from these contracts are expected to generate increased revenue in the second half of the current financial year and beyond.

The Personalised Medicine division continues to make significant investment in Genedrive® including finalising the development of the Genedrive® v1.0 unit and TB test and scale up manufacture in readiness for our first product launch. The Genedrive® and TB regulatory submission was delivered to the Indian regulator in October 2014 and following initial review and a subsequent request for additional analytical information, we now believe we are at the final stages with the regulator. Regulatory approval of our first infectious disease TB test will mark a significant milestone for the Company and signal the beginning of a test menu expansion process targeted at positioning Genedrive® at the forefront of the growing field of molecular 'point of care' diagnostics.

Initial studies targeting a WHO recommendation for TB have commenced, although these studies are expected to extend out into 2016 based on the need to enrol significant patient numbers and to carefully control, support and learn from our initial clinical testing and user feedback.

Our Genedrive® collaboration with INSERM and the Pasteur Institute for development of a 'Hepatitis C' (HCV) 'Point of Care' test is now well progressed. Commencement of clinical testing for the *IL28B* (patient genotyping marker) started in March 2015 with the intention of stratifying patients for HCV therapeutic treatment. We anticipate clinical testing of our HCV detection test to commence around the middle of this year. Hepatitis C diagnosis and effective therapeutic treatment remains a key area of unmet medical need. The same technology enables doctors at the 'Point of Care' to identify patient 'gene types' (for genotyping of DNA and RNA) allowing patients to be genotypically aligned with the most appropriate and effective therapeutic course of treatment. We believe the Hepatitis C test will offer significant commercial value to the business going forward.

We have been awarded a £0.4m grant to develop Genedrive® as a 'Point of Need Diagnostic' (POND) for shrimp aquaculture. Current estimates predict that up to 40% of tropical shrimp production (>$3bn) is lost annually to disease, the majority due to White Spot Syndrome Virus (WSSV) and Early Mortality Syndrome (EMS).
The consortium led by Epistem will establish a mobile testing model in which WSSV/EMS POND are linked with data transmission to central facilities for regional disease management.

Genedrive® has also been entered into the Greater Manchester – Academic Health Science Network accelerator program with the intention of introducing Genedrive® via NHS-England to tackle the clinical priority of reducing the prevalence of TB. Rapid simple to use diagnostics at the Point of Care (clinic or GP surgery) will empower GP's to take informed healthcare decisions based on timely and accurate patient test results. This will enable patients to

Chairman and CEO's Statement (continued)

be rapidly tested and more effectively treated in local (primary care) settings rather than at the centralised (acute) hospital level. Genedrives® rapid and simplified 'gold standard' diagnosis also enables efficient and cost-effective changes to patient workflows and improved healthcare.

In addition to the application of Genedrive® in infectious disease, the Personalised Medicine division continues its pharmacogenomic development of near patient clinical management in genotype testing for patient alignment with the appropriate course of treatment. Various clinical collaborations are currently being negotiated with our pharmaceutical partners. We anticipate further news flow on these developments over the coming months.

Our Novel Therapies' drug development programme remains on hold, whilst we complete the launch and delivery of our first revenues from our Genedrive® product.

Based on the ongoing investment in our Genedrive® technology and reducing investment in our Novel Therapies programme, the Company reports a loss for the first half of £1.9m (2013: £0.6m loss for the period) and loss per share of 19.0p (2013: 6.0p loss per share).

Outlook

The outlook for the second half of the financial year remains firmly focused on obtaining Indian regulatory approval of our first TB assay and preparing for launch of Genedrive®. This will mark the beginning of Epistem's first product related revenues and will bring about a breakthrough in rapid, high sensitivity and low cost molecular (DNA and RNA) diagnostic testing across a broad range of disease areas. We are dedicated to delivering the strategic value of Genedrive® and to generating shareholder returns from the disruptive market response which we expect to create. We are also intent on driving an improved second half revenue delivery in our preclinical and personalised medicine divisions, with both divisions anticipating increased revenues in the second half. With the delays in the key Indian TB regulatory approval process, we have restricted our initial product revenue expectations for the second half resulting in the Board's current full year revenue expectations being in the region of £5.0m. It should be noted that this revenue guidance excludes any product or new Genedrive® collaborative revenues, the timing of which remain difficult to accurately forecast, however any such revenues being recognised in the remaining months of the current financial year would represent an attractive upside to this guidance.

We have made significant progress over the past few months in preparing for our first product launch, which we are poised to deliver upon receipt of regulatory approval. With our Genedrive® v1.0 product and first TB test development now complete, we anticipate the following key objectives over the coming months:

- Completion of our Indian regulatory process and licence to sell Genedrive® and TB test in India
- Selectively place Genedrive® with Indian Key Opinion Leaders (KOL's) as a forerunner to roll-out of the TB test in India
- Acceleration of our collaboration with GHIF and engagement of the Global Access Commitment
- Completion of our *IL28B* genotype testing for HCV clinical assessment and commence HCV clinical detection studies
- Discussions with pharmaceutical and other distribution partners in relation to the use of Genedrive® for genotype testing and patient stratification for alignment with appropriate therapy

Whilst we have been disappointed by the first half revenue development in our core businesses, we are encouraged by the progress of our flagship Genedrive® platform, especially the Genedrive® TB and Hepatitis C programmes, and the commercial value they can provide to the business going forward.

David Evans — Chairman

Matthew Walls — Chief Executive Officer

26 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2014

	Note	Six months ended 31 December 2014 (unaudited) £000	Six months ended 31 December 2013 (unaudited) £000	Year Ended 30 June 2014 (audited) £000
Revenue		1,668	2,544	4,497
Other Income - development grant funding		547	344	1,264
Revenue & Other Income	(3)	2,215	2,888	5,761
Contract costs		(1,916)	(2,022)	(4,489)
Discovery and development costs		(1,281)	(716)	(2,037)
General administrative costs		(895)	(853)	(1,530)
Operating (loss)	(4)	(1,877)	(703)	(2,295)
Finance income		7	8	15-
Financing costs	(5)	(376)	(35)	(69)
(Loss) on ordinary activities before taxation		(2,246)	(730)	(2,349)
Taxation on ordinary activities		389	146	656
Total Comprehensive Income for the financial period		(1,857)	(584)	(1,693)
(Loss) per share (pence)				
Basic	(6)	(18.6)p	(6.0)p	(17.5)p
Diluted	(6)	(18.6)p	(6.0)p	(17.5)p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2014

	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
Balance at 1 July 2013	146	18,230	(182)	1,013	(2,484)	(4,668)	12,055
Exercise of options	-	69	-	(25)		25	69
Purchase of own shares (SIP)	-	-	(23)	-	-	-	(23)
Forfeit of options	-	-	-	-	-	-	-
Recognition of equity- settled share-based payments	-	-	-	87	-	-	87
Total comprehensive income for the period	-	-	-	-	-	(584)	(584)
At 31 December 2013	**146**	**18,299**	**(205)**	**1,075**	**(2,484)**	**(5,227)**	**11,604**
Exercise of options	4	317	-	(114)	-	114	321
Purchase of own shares (SIP)	-	-	(23)	-	-	-	(23)
Forfeit of options	-	-	-	(58)	-	-	(58)
Recognition of equity- settled share-based payments	-	-	-	129	-	-	129
Total comprehensive income for the period	-	-	-	-	-	(1,109)	(1,109)
At 30 June 2014	150	18,616	(228)	1,032	(2,484)	(6,222)	10,864
Exercise of options	-	5		(2)	-	2	5
Purchase of own shares (SIP)	-	-	(35)	-	-	-	(35)
Recognition of equity-settled share-based payments	-	-		86	-	-	86
Total comprehensive income for	-	-	-	-	-	(1,857)	(1,857)
At 31 December 2014	**150**	**18,621**	**(263)**	**1,116**	**(2,484)**	**(8,077)**	**9,063**

CONSOLIDATED BALANCE SHEET
As at 31 December 2014

	Note	31 December 2014 (unaudited) £000	31 December 2013 (unaudited) £000	30 June 2014 (audited) £000
Non-current assets				
Intangible assets		7,328	4,044	6,785
Plant and equipment		759	706	840
Deferred taxation		154	1,123	154
		8,241	5,873	7,779
Current assets				
Trade and other receivables		2,214	1,657	1,125
Tax receivables		1,246	362	1,474
Cash and cash equivalents		6,609	5,190	4,238
		10,069	7,209	6,837
Liabilities				
Current liabilities				
Deferred income		68	466	86
Trade and other payables		1,394	1,012	1,016
Deferred consideration payable in shares	(7)	2,650	-	2,650
		4,112	1,478	3,752
Net current assets		5,957	5,731	3,085
Total assets less current liabilities		14,198	11,604	10,864
Non-current liabilities				
Liabilities payable 1 – 5 years	(8)	5,135	-	-
Net Assets		**9,063**	**11,604**	**10,864**
Capital and reserves				
Called-up equity share capital		150	146	150
Share premium account		18,621	18,299	18,616
Employee share incentive plan reserve		(263)	(205)	(228)
Share options reserve		1,116	1,075	1,032
Reverse acquisition reserve		(2,484)	(2,484)	(2,484)
Retained earnings		(8,077)	(5,227)	(6,222)
Total shareholders' equity		**9,063**	**11,604**	**10,864**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31 December 2014

	31 December 2014 (unaudited) £000	31 December 2013 (unaudited) £000	30 June 2014 (audited) £000
Cash flows from operating activities			
Operating (loss) for the year	(1,877)	(703)	(2,295)
Depreciation, amortisation and impairment	156	161	712
Research Tax Credits	(117)	-	(211)
Share based payment expense	86	87	158
Operating (loss) before changes in working capital and provisions	(1,752)	(455)	(1,636)
(Increase)/decrease in trade and other	(1,089)	349	(881)
Increase/(decrease) in deferred income	(18)	256	(124)
(Decrease)/(increase) in trade and other	270	(795)	(791)
Net cash (outflow) from operations	(2,589)	(645)	(1,670)
Finance income	7	8	15
Financing costs	(376)	(35)	(69)
Add: unrealised and accrued items	543	-	-
Tax received	734	-	578
	908	(27)	524
Net cash (outflow) from operating activities	(1,681)	(672)	(1,146)
Cash flows from investing activities			
Acquisition of fixed assets	(618)	(706)	(1,482)
Net cash outflow from investing activities	(618)	(706)	(1,482)
Cash flows from financing activities			
Exercise of share options	5	69	390
Purchase of own shares	(35)	(23)	(46)
Issue of Convertible bond	4,700	-	-
Net cash inflow from financing activities	4,670	46	344
Net increase/(decrease) in cash equivalents	2,371	(1,332)	(2,284)
Cash and cash equivalents at beginning of year	4,238	6,522	6,522
Cash and cash equivalents at end of year	**6,609**	**5,190**	**4,238**
Analysis of net funds			
Cash at bank and in hand	6,609	5,190	4,238
Net funds	**6,609**	**5,190**	**4,238**

NOTES TO THE INTERIM RESULTS TO 31 DECEMBER 2014

1. General Information

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

These interim financial statements have not been audited and do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The comparative figures for the financial year ended 30 June 2014 are not the statutory accounts for the financial year but are abridged from those accounts which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified.

These interim financial statements were approved by the Board of Directors on 25th March 2014.

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.

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

NOTES TO THE INTERIM RESULTS TO 31 DECEMBER 2014

2. Significant Accounting Policies (continued)

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. The Group's primary format for segment reporting is based on business segments.

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

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.

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. The foreign currency risks relating to assets and liabilities are detailed in Note 19.

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

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

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

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

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

3. Revenue and Other Income

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

	31 December 2014 £000	31 December 2013 £000	30 June 2014 £000
Revenue	1,668	2,544	4,497
Other Income - development grant funding	547	344	1,264
Revenue & Other Income	**2,215**	**2,888**	**5,761**

NOTES TO THE INTERIM RESULTS TO 31 DECEMBER 2014

4. Business Segments

	Preclinical Research Services £'000	Personalised Medicine £'000	Novel Therapies £'000	Unallocated £'000	Total £'000
Six months ended 31 December 2014					
Revenue and Other Income	1,003	1,212	-	-	2,215
Segment trading result	(78)	(779)	-	(895)	(1,752)
Add Research Credits	53	64	-	-	117
less depreciation and amortization	(88)	(51)	-	(17)	(156)
less equity-settled share-based	(8)	(66)	-	(12)	(86)
Operating (loss)	**(121)**	**(832)**	**-**	**(924)**	**(1,877)**
Six months ended 31 December 2013					
Revenue and Other Income	1,603	1,285	-	-	2,888
Segment trading result	492	129	(299)	(777)	(455)
less depreciation and amortization	(59)	(55)	(31)	(16)	(161)
less equity-settled share-based	(11)	(14)	(2)	(60)	(87)
Operating profit/(loss)	**422**	**60**	**(332)**	**(853)**	**(703)**
Twelve months ended 30 June 2014					
Revenue and Other Income	2,899	2,862	-	-	5,761
Segment trading result	568	(640)	(216)	(1,349)	(1,637)
Add Research Credits	115	96	-	-	211
less depreciation and amortization	(133)	(109)	(24)	(60)	(326)
Less fixed asset impairment	-	-	(385)	-	(385)
less equity-settled share-based	(8)	(29)	-	(121)	(158)
Operating profit/(loss)	**542**	**(682)**	**(625)**	**(1,530)**	**(2,295)**

5. Finance Costs

Financing costs are detailed below.

	31 December 2014 £000	31 December 2013 £000	30 June 2014 £000
Realised exchange differences	342	(35)	(69)
Unrealised exchange differences	(435)	-	-
Loan interest accrued	(108)	-	-
Other financing professional charges	(175)	-	-
Financing costs	**(376)**	**(35)**	**(69)**

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 10,010,544 (2013: 9,701,568.)

NOTES TO THE INTERIM RESULTS TO 31 DECEMBER 2014

7. Deferred consideration payable in shares

The Deferred consideration payable in shares represents the balance of the consideration which remains payable following the acquisition of Visible Genomics Limited. As detailed more fully in the Annual Report and Accounts for the Company, the Group acquired Visible Genomics Limited on 28th July 2010. The Deferred consideration payable to the vendors of Visible Genomics Limited is detailed below:

- Consideration Shares to a value of £1.4m upon receipt of regulatory approval of Genedrive® from DCGI;
- Consideration Shares to a value of £1.25m upon the achievement of commercial milestones related 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.

  Consideration Shares refer to ordinary shares in the Company of £0.015 which are to rank *pari passu* with other existing issued ordinary shares except as outlined below. The value at which Consideration shares are to be issued is to be calculated by reference to the LSE daily share price over a 5 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.

8. Liabilities payable in 1 – 5 years

The liabilities payable in 1 – 5 years are in respect of the Collaboration and Convertible Bond Purchase Agreement entered into on 22 July 2014 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 on conversion to GBP.)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 commercialization of Genedrive® to address Global Health Challenges and achieve Global Health Objectives. An outline (only) of the terms of the Agreement is detailed below:

Convertible Bond Agreement

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 Fixed Rate of Exchange") (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 of 489p 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.)

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 around the market price at the time of notice of Redemption. Without such an election, the bond will be redeemed at par in US dollars.

Global Access Commitment

Under the Global Access Agreement, the Company will undertake appropriate regulatory strategy and registrations to secure access for Genedrive® in Developing Countries in tuberculosis, malaria or other infectious diseases agreed between the parties.

The Company agrees to establish a tiered pricing framework that is commercially reasonable and reflects the needs of poor patients in Developing Countries. The Company agrees, taking into account its profitability and other commercial interests, to allocate sufficient

NOTES TO THE INTERIM RESULTS TO 31 DECEMBER 2014

8. Liabilities payable in 1 – 5 years (continued)

capacity and product distribution to make Genedrive® and its assays accessible to people most in need in Developing Countries.
GHIF will use commercially reasonable efforts through its global access network to support 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 5 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 & financial default;
- Undertakings relating to maintenance of appropriate records;
- Undertakings relating to standards of social responsibility and ethical behaviour.

Impact on the financial accounts
The Agreement resulted in an injection of cash at bank of $8m (£4.7m) at 22 July 2014.
Interest charges accrue at the rate of 5% (of $8m) per annum from 22 July 2014 and will be booked to the Income Statement.
Unless or until the Convertible Bond is converted or redeemed, the Company will retain a liability of $8m. The liability will be converted to GBP at the dollar/sterling rate of exchange prevailing at each balance sheet date. Differences from previously reported liability arising because of exchange rate differences will be booked to the income statement. At 31 December 2014, the applicable rate was £1: $1.55 giving rise to an unrealised difference of £435k resulting from fluctuations in the exchange rates and this has been reflected in the Income Statement for the period.

Directors, Secretary and Advisers

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David Evans
Ian Gillham (appointed 24 November 2014)
Matthew Walls
Catherine Booth
Allan Brown
Roger Lloyd
Robert Nolan
John Rylands

Company Secretary
John Rylands

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