RNS Number : 2976G
Genedrive PLC
29 March 2022

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

Interim results to 31 December 2021

genedrive plc (LSE: GDR), the near patient molecular diagnostics company, announces unaudited interim results for the six months to 31 December 2021.

OPERATING HIGHLIGHTS (including post period)

- Point of Care ("POC") COVID-19 test CE-marked 8 December 2021
- Genedrive® POC COVID-19 test submitted for approval to sell the product in the United Kingdom under the new Coronavirus Test Device Approvals (CTDA) regulation - approval pending
- Distribution agreements for POC COVID-19 signed covering Spain, Portugal, Oman and the United Arab Emirates. Initial commercial orders received subsequently in March 2022
- New Genedrive® System developed and CE-marked for Antibiotic Induced Hearing Loss ("AIHL") launch
- Genedrive® MT-RNR1 test for AIHL now deployed into Manchester Hospital Trust for routine use
- Inspiration Healthcare ("IHC") trained and commenced distributing the Genedrive® MT-RNR1 test in the UK and Ireland
- NICE Medtech Innovation Briefing to advise clinicians and commissioners on the Genedrive® MT-RNR1 test, due 29 March 2022
- JAMA Pediatrics paper (PALOH Study) published supports the implementation of the Genedrive® MT-RNR1 test in routine practice the Neonatal Intensive Care Units
- New product development programme for use of Genedrive® Point of Care device for stroke management in emergency care initiated

FINANCIAL HIGHLIGHTS

- No revenue in the period, (31 Dec 2020: £0.4m) owing to delayed product development
- Operating loss of £2.8m (31 Dec 2020: £2.9m)
- R&D spend reduced to £1.9m (31 Dec 2020: £2.3m)
- Debt free and cash of £6.3m at 31 December 2021 (30 June 2021: £2.6m)
- Cash of £6.0m as of 25 March 2022 following recent receipt of R&D tax credit of £1.2m

David Budd, CEO of genedrive plc, commented: *"We have achieved some key milestones in this period, namely the CE marking of our Genedrive® POC COVID-19 test, which was closely followed by a number of distribution agreements with key territories. We have also made significant further progress with our AIHL system, establishing initial installations and generating significant evidence and support to make commercial progress. We believe the Company is well positioned to deliver on shareholder value; we have managed our cash position carefully and are poised to progress with our expanded portfolio. On behalf of the Board, I would like to thank our investors who continue to support us on this path as we move further into a commercial phase."*

genedrive plc David Budd: CEO / Matthew Fowler: CFO	+44 (0)161 989 0245
Peel Hunt LLP (Nominated Adviser and Joint Broker) James Steel	+44 (0)20 7418 8900
finnCap (Joint Broker) Geoff Nash / Kate Bannatyne / Alice Lane	+44 (0)20 7220 0500
Walbrook PR Ltd (Media & Investor Relations) Paul McManus / Anna Dunphy	+44 (0)20 7933 8780 or genedrive@walbrookpr.com +44 (0)7980 541 893 / +44 (0)7876 741 001

About genedrive plc (http://www.genedriveplc.com)
genedrive plc is a molecular diagnostics company developing and commercialising a low cost, rapid, versatile, simple to use and robust point of need molecular diagnostics platform for the diagnosis of infectious diseases and for use in patient stratification (genotyping), pathogen detection and other indications. Genedrive has two point of care tests on market: one for Covid-19 and to help in the

prevention of hearing loss caused by certain antibiotics in neonates. In addition, the Company also has assays on market for the detection of HCV, certain military biological targets and a high throughput SARS-CoV-2 assay.

INTERIM MANAGEMENT REPORT

As a necessity of the COVID-19 pandemic the Company has had to refocus its direction over the past two years. Resources that had previously been focused on bringing assays to the developing world were shifted first to a high throughput COVID-19 test and more recently to focusing on providing point of care solutions for COVID-19 and AIHL in infants. Both of these point of care tests are now on market and we are promoting adoption to drive growth that would support the business into the future. The move was also a strategic decision by the Company to focus on markets closer to home that support more predictable commercial processes and price points.

POINT OF CARE - COVID-19

The Genedrive® COV19-ID Kit ("COVID-19 test") is a molecular point of care test that can provide positive results in as little as 7.5 minutes. The test was CE-marked in December 2021, later than originally intended due to complexity of technical development. Following evaluation processes, the Company signed distributor agreements covering Spain, Portugal, Oman and the United Arab Emirates, and continues to pursue additional geographic coverage. The customer base that these distributors are targeting include pharmacies, sports and private workplaces, where fast and accurate "gold standard" testing provides a significant advantage over lateral flow test ("LFT") or longer test times associated central testing approaches - in other words, where people are happy to pay for an immediate and accurate test. These initial distributor arrangements were chosen to both access and assess the longer-term market potential the countries and as we understand more we will be able to flex our approach to the various markets.

Shortly following its CE-marking, the COVID-19 test was submitted for regulatory approval in the UK. The Department of Health and Social Care acknowledges that it is not able to meet its review and approval period targets. There is no formal timetable for approval but we have no reason at this time not to expect a positive outcome. The UK market has changed rapidly and COVID-19 testing is being pushed firmly into the private sector as the UK Government withdraws provision of free testing. During this transition we believe there is a gap in the market for 'gold standard' tests that provide more accurate results than LFTs albeit at a higher price point.

There is also significant commercial potential outside of the UK and we are encouraged by the opportunities being targeted by our commercial partners. The future epidemiological path of COVID by geography, variant, and severity is unknown, but to date our test has shown to be robust against new variants as well as more sensitive than other molecular point of care options. We are optimistic about the contribution that the test can make to managing COVID-19 and contributing to the Company's growth. However currently visibility of the near-term sales potential is limited whilst our partners continue to develop and execute their marketing plans and we seek to broaden further our commercial opportunities and relationships.

POINT OF CARE - AIHL

The AIHL assay is a unique point of care commercial test from the Company. It is used to screen for a genetic mutation that can cause life-long hearing loss following administration of certain antibiotics. With around 100,000 babies admitted to neonatal intensive care units in the UK each year, and the majority receiving antibiotics, there is a clearly identified expanded global market for fast accurate testing that can test infants prior to prescribing antibiotics and save children's hearing.

The assay was CE marked in December 2019 and performance trials at Manchester University NHS Trusts completed in June 2021 with in excess of 750 babies tested, 160 staff trained and valid test results confirmed as 100% accurate through genetic sequencing.

Two key elements needed to happen to support commercial launch of the product - first was the adoption of the test at the hospitals from which the test was co-created - Manchester Hospitals. The second was the publication of the performance trials (PALOH study) which evidences the evolution of the product and its clinical utility in its commercial form. Both of these milestones occurred in March 2022, with the PALOH paper published on 21 March 2022 in JAMA Pediatrics. The publication gives an extremely positive appraisal of the technology and the process for testing in an emergency setting. Such strong clinical support will aid adoption and promotion which is critical for progress. The product was also reviewed by NICE in a Medtech Innovation Briefing paper, which is due to be issued shortly. This is an early first review by NICE and we will continue to work with Inspiration Healthcare ("IHC"), our UK and Ireland distribution partner, to build key opinion leaders support and aim to get the use of the AIHL assays written into best practice guidance, at which point its adoption should become more standard across the NHS.

Commercially the test has now been launched and is deployed at Manchester NHS effective 18 March 2022. This date was later than expected, owing to the hospitals' focus on other critical matters at the end of 2021, and some supply chain issues with reagent manufacturers early in 2022. We also expect a number of early adopters to acquire the test to facilitate neonate testing in the very near future. Commercial sales forces have been fully trained and have commenced their sales processes referencing off the new Manchester installation. We have confidence in their ability to target the right experts to allow mainstream adoption in the NHS.

UK adoption is expected to be moderate until the test is considered 'best practice'. As well as pushing the test in the UK, we already have a pilot site in Greece using the test and are working to build the European market, as the product that has equal applicability in many places across the globe.

OTHER PRODUCTS AND PIPELINE DEVELOPMENT

The resources of the Company is heavily currently focused on commercialisation of the two, new to market, point of care products. However, the Company has a portfolio of products that remain available and support a development strategy centered around the key advantages of the Genedrive® unit.

The Company has initiated the development of a new stroke marker test, driven by the obvious efficacy and ease of use demonstrated by MT-RNR1 for an emergency care setting. Clinical guidelines are already in place in countries recommending the use of genetically guided therapy for anticoagulant delivery. While there are competitive products in the market, in our view these fall short in terms of genetic diversity, usability, and price, all factors that can be addressed with Genedrive® instrumentation and chemistry.

The Genedrive® pathogen detection tests developed for the US DoD provided excellent development income and support over the period to 2019/20. When the development programme ceased, we partnered with specialist US military distributor Mountain Horse Solutions to promote and improve product take up of the assays within the US military. Although there are no current live procurements that we are working on, the Company continues to promote and support the product via Mountain Horse and we remain hopeful that future sales will be achieved from the multiple opportunities and contacts that Mountains Horse continue to bring.

The Company also has a CE-marked high throughput COVID-19 test, (Genedrive® 96 SARS-CoV-2 Kit), and its qualitative point of care HCV assay, (Genedrive® HCV ID Kit). Subsequently efforts around promoting these products were only moderate, and while our new COVID-19 distributor in the Middle East has picked up these products as part of its portfolio, the Company has limited future revenues expectations as previously communicated. Activities to promote the high-throughput COVID-19 test are limited to these new distribution partners and there are no active efforts in the US where our FDA application has now lapsed and consequently we have ceased all activities, including those via partnership arrangements in order to avoid further costs given the delayed approval process.

Looking to the future developments of the Company, our assay focus is around maximising the unique features of the Genedrive® device that are fundamental to the AIHL and Covid point of care product: speed, cost and accuracy. With this focus in mind, we are looking to develop tests in niche areas for specific clinical opportunities in markets closer to home that support more predictable commercial processes and price points.

FINANCIAL RESULTS

There was negligible revenue in the period, (2020: £0.4m), as the Company transitioned to its two new point of care products.

Costs have been managed closely and effectively: Research and development costs were down £0.4m to £1.9m (2020: £2.3m) and Administration costs decreased £862k (2020: £954k), resulting in a reduced trading loss for the period of £2.8m (2020: £2.9m). Finance costs in the period of £14k (2020: £3.6m income) are the interest charge on the lease for the principal premises of the business. Prior period finance income is related to the conversion of historic loan notes. The Company no longer has any loan notes and is debt free.

After financing costs, the loss before taxation was £2.8m (2020: £0.6m profit). The loss decreases to £2.3m (2020: £1.0m profit) after estimating the six-month taxation credit as £500k (2020: £370k). The basic loss per share was 3.3p (20120: 1.9p income per share).

Cash Resources

The operating loss for the period was £2.8m (2020: £2.9m) and working capital consumption was £0.2m, a contrast to the prior year (2020: £1.2m) when stocks were built for the Genedrive® 96 SARS-COV-2 Kit. Net cash out-flows from operations were £2.9m (2020: £4.1m) and as the R&D tax credit was not received in the period the net cash flow from operating activities was also £4.1m.

Contingent consideration from discontinued operations were £107k (2020: £137k) and after finance lease costs and some small capital expenditure net cash inflow from investing activities was £83k (2020: £65k).

In September 2021 the Company completed a placing and open offer in the period and received net proceeds of £6.6m. When added to the operating and investing cashflows for the period, cash increased by £3.7m (2020: £4.4m decrease). Closing cash was £6.3m (2020: £3.8m) with £1.2m owing for the R&D tax credit (2020: £1.0m). The cash balances at 25 March 2022 were £6.0m with £1.2m received from the R&D tax credit post period end; the current burn rate not offset by revenue is around £0.4m per month.

Balance Sheet

Balance sheet net assets at 31 December 2021 were £7.9m (30 June 2021: £3.6m). The increase in the net assets in the period is owing to the consolidated loss of the period of £2.3m (2020: £1.0m profit) offset by the £6.6m (2020: £nil) increase in shareholder funds from the placing and open offer completed in the period.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Company'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 2021; a more detailed explanation of the risks for the Company can be found on page 19 of the 2021 annual report.

Going Concern

Following the equity fund raise in the September 2021 the Company has sufficient cash in the business for its current plans and forecasts. We are confident in these forecasts but securing commercial traction and initial revenues in the forthcoming months is necessary otherwise the Group will have to consider delaying further development spend. Based on the current cash position and the forecasts, the Board believe it is appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements.

OUTLOOK

Whilst the future trajectory of the pandemic is not possible to predict, as a Board we are excited about the COVID-19 point of care assay's technical performance and unique selling points, and we remain optimistic that it has the opportunity to generate meaningful revenues for the Company. The AIHL product is now launched and although adoption into healthcare systems will be step by step until formally recognised as being "best practice", we remain confident in the business case and predict escalating adoption in the UK and abroad, and expect in the medium to long term that the assay has the potential to sustain the business through to profitable revenues.

Looking forwards we expect to drive value from other single target test markets and are focusing our resources on point of care opportunities that can complement AIHL in emergency care settings, and bring long term revenue growth to the business.

This is a critical phase of the Company, but we have sufficient cash resources to allow both point of care products to embed themselves and have confidence that over time we can build successful revenues streams for these and other point of care products in the future.

David Budd
Chief Executive Officer

Dr I Gilham
Chairman

29 March 2022

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2021

		Six months ended 31 December 2021	Six months ended 31 December 2020	Year ended 30 June 2021 Audited
		Unaudited	Unaudited	
	Note	£000	£000	£000
Revenue & other income	(4)	2	355	687
Research and development costs		(1,933)	(2,332)	(4,509)
Administrative costs		(862)	(954)	(1,660)
Operating loss	(4)	**(2,793)**	**(2,931)**	**(5,482)**
(Finance costs)/ income	(5)	(14)	3,552	3,630
(Loss)/ Profit on ordinary activities before taxation		(2,807)	621	(1,852)
Taxation		500	370	1,161
(Loss)/ Profit for the financial year		(2,307)	991	(691)
Total Comprehensive (Expense)/ Income for the period		**(2,307)**	**991**	**(691)**

(Loss)/ Earnings per share (pence)			
-Basic	(3.0p)	1.9p	(1.2p)
-Diluted	(2.9p)	1.8p	(1.2p)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2021

	Share Capital (unaudited) £000	Other Reserves (unaudited) £000	Accumulated Losses (unaudited) £000	Total (unaudited) £000
At 30 June 2020	**780**	**42,620**	**(46,742)**	**(3,342)**
Share issue - conversion of BGF bond	167	2,332	5,167	7,666
Equity -settled share-based payments	-	14	-	14
Transactions settled directly in equity	167	2,346	5,167	7,680
Total comprehensive income for the financial period	-	-	991	991
At 31 December 2020	**947**	**44,966**	**(40,584)**	**5,329**
Share issue	3	44	**-**	47
Equity -settled share-based payments	-	(10)	(4)	(14)
Share issue - conversion of BGF bond	-	-	(88)	(88)
Transactions settled directly in equity	3	34	(92)	(55)
Total comprehensive loss for the period	-	**-**	**(1,682)**	(1,682)
At 30 June 2021	**950**	**45,000**	**(42,358)**	**3,592**
Share issue	427	**6,183**	**-**	**6,610**
Share issue	8	**(8)**	**-**	**-**
Equity -settled share-based payments	-	**12**	**-**	**12**
Transactions settled directly in equity	435	**6,187**	**-**	**6,622**
Total comprehensive loss for the period	**-**	**-**	**(2,307)**	**(2,307)**
At 31 December 2021	**1,385**	**51,187**	**(44,665)**	**7,907**

UNAUDITED CONSOLIDATED BALANCE SHEET
As at 31 December 2021

	Note	31 December 2021 (unaudited) £000	31 December 2020 (unaudited) £000	30 June 2021 (audited) £000
Non-current assets				
Intangible assets		-	-	-
Plant and equipment		204	432	301
Contingent consideration receivable		-	47	47
		204	479	348
Current assets				
Inventories		717	707	556
Trade and other receivables		344	373	158
Contingent consideration receivable		15	75	75
Current tax asset	(6)	1,666	1,398	1,166
Cash and cash equivalents		6,297	3,793	2,574
		9,039	6,346	4,529
Liabilities				
Current liabilities				
Trade and other payables		(1,301)	(1,245)	(1,166)

Lease liabilities	(35)	(37)	(119)
	(1,336)	(1,282)	(1,285)
Non-current liabilities			
Lease liabilities	-	(214)	-
Total liabilities	-	(1,496)	(1,285)
Net assets	**7,907**	**5,329**	**3,592**
Capital and reserves			
Called-up equity share capital (8)	1,385	947	950
Other reserves (9)	51,187	44,966	45,000
Retained earnings	(44,665)	(40,584)	(42,358)
Total shareholder equity	**7,907**	**5,329**	**3,592**

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 December 2021

	31 December 2021 (unaudited)	**31 December 2020 (unaudited)**	30 June 2021 (audited)
	£'000	**£'000**	£'000
Cash flows from operating activities			
Operating loss for the year	(2,793)	(2,931)	(5,482)
Depreciation and amortisation on non-leased assets	29	29	60
Depreciation on right-of-use assets	78	-	186
ATL Research credits	-	(10)	(5)
Share - based payment	12	15	4
Operating loss before changes in working capital and provisions	(2,674)	(2,897)	(5,237)
Increase in inventories	(160)	(294)	(143)
(Increase)/ decrease in trade and other receivables	(186)	25	240
Decrease in deferred revenue	-	(67)	(67)
Increase/ (decrease) in trade and other payables	135	(884)	963
Net cash outflow from operations	**(2,885)**	**(4,117)**	**(6,170)**
Tax received	**-**	**-**	1,018
Net cash outflow from operating activities	**(2,885)**	**(4,117)**	**(5,152)**
Cash flows from investing activities			
Finance income	-	4	1
Finance costs	(14)	(15)	(33)
Proceeds from disposal of discontinued operations	107	137	137
Acquisition of plant and equipment and intangible assets	(10)	(61)	(104)
Net cash inflow	**83**	**65**	**1**
Cash flows from financing activities			
Proceeds from share issue	6,609	-	746
Repayment of lease liabilities	(72)	-	(144)
Cash paid to settle convertible bonds	-	(359)	(358)
Net inflow/ (outflow) from financing activities	**6,537**	**(359)**	**(456)**
Net Increase/ (decrease) in cash equivalents	**3,735**	**(4,411)**	(5,607)
Effects of exchange rate changes on cash and cash equivalents	**(12)**	**(14)**	(37)
Cash and cash equivalents at beginning of period/ year	2,574	8,218	8,218
Cash and cash equivalents at end of period/ year	**6,297**	**3,793**	2,574
Analysis of net funds			
Cash at bank and in hand	**6,297**	**3,793**	2,574

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 AIM.

The financial information for the period ended 31 December 2021 and similarly the period ended 31 December 2020 has been neither audited nor reviewed by the auditor. The financial information for the year ended 30 June 2021 has been based on information in the audited financial statements for that period. The interim financial statements for the period ended 31 December 2021 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 2021 has been delivered to the Registrar of Companies, the accounts had an unqualified audit opinion and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

These interim financial statements were approved by the Board of Directors on 29 March 2022.

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 accounting
The consolidated interim 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.

The accounting policies used in the preparation of the financial information for the six months ended 31 December 2021 are in accordance with the recognition and measurement criteria of international accounting standards in conformity with the requirements of the Companies Act 2006 as adopted by the UK and are consistent with those which will be adopted in the annual financial statements for the year ending 30 June 2022. Whilst the financial information included has been prepared in accordance with the recognition and measurement criteria of international accounting standards, the financial information does not contain sufficient information to comply with international accounting standards. The Group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK AIM listed Groups, in the preparation of this interim financial report.

Going concern
The financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report and Chairman's statement in the Annual Report and financial statements for the period ended 30 June 2021. The Financial Reporting Council issued "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies" in 2009, and "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks" in 2016. The Directors have considered these when preparing the interim financial statements.

The Directors have performed a robust going concern assessment including review of the business' long-term forecasts and consideration of the principal risks faced by the Group and the Company.

The assessment of going concern included conducting scenario analysis which focused on the commercial uptake of the Company's products. Using this key issue, management have created a scenario to model cashflows where the business experiences very low levels of commercial uptake with no sales in the forecasts. Before any mitigating actions the sensitised cashflows in this scenario show that without any revenue and continuing to spend on the development projects in its plan, the Company has cash runway for a period of 14 months from this report date.

However, this is an unrealistic position, because without any revenues the Company would not continue to invest material amounts on incremental development. The development spend in the forecasts includes amounts for a second-generation GDR-COV-POC product, to expand the sales team and for FDA clearance before entry into the US market - these investments would not be made without some level of certainty around sales. More realistically the Company would begin to delay and reduce development spend if no revenue was generated on its AIHL and GDR-COV-POC products. If there was no pipeline and no sales revenue the Company would begin to reduce development spend in the second half of calendar year 2022 and the cash runway would extend to approximately 16 months from this report date. In addition to the incremental development spend, the Company has the additional option to reduce its discretionary overheads - these cost reductions have not been modelled, but in conjunction with the reduction in the incremental development spend would see the cash window extend to around 19 months from the date of this report.

As a result of this detailed assessment, the Board has concluded that the Company has sufficient liquidity to meet its obligations when they fall due for a period of at least 12 months after the date of this report. For this reason, it continues to adopt the going concern basis for preparing the financial statements.

New accounting standards adopted in the period
There have been no new accounting standards adopted in the period that have had a material impact on the financial statements.

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 2021, with the exception of changes in estimates that are required in:

- determining the provision for taxation; and
- determining the carrying value for inventory

Revenue recognition

a. Product sales

Sales of goods are recognised when all the performance obligations have been completed and when the Group entity has no continuing managerial involvement nor effective control over the goods. The transfer of control of goods can pass at various points depending on the shipping terms of the contract with the customer, they can be at collection from a premises or delivery to the relevant port or customer designated premises. Where items are sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

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 ongoing 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 milestones.

Income which is related to ongoing research activity is recognised as the research activity is undertaken, in accordance with the contract. Activity is measured based on progress and milestones and not cost.

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 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.

Right-of-use assets (ROU)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognised as an ROU asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. At the lease commencement date a ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs to return the asset to its original condition. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the ROU asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges. 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.

3. Revenue

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, £nil (2020: £0.3m).

4. Operating segments

Six months ended 31 December 2021	Diagnostic Segment £'000	Administrative Costs £'000	Total £'000
Revenue and other income	2	-	2
Operating loss	**(1,931)**	**(862)**	**(2,793)**
Net Finance costs			**(14)**
Loss on ordinary activities before taxation			**(2,807)**
Taxation Loss for the financial			**500**
Loss for the financial period			**(2,307)**

Six months ended 31 December 2020	Diagnostic Segment £'000	Administrative Costs £'000	Total £'000
Revenue and other income	355	-	355
Operating loss	**(1,977)**	**(954)**	**(2,931)**
Net Finance costs			**3,552**
Profit on ordinary activities before taxation			**621**
Taxation Loss for the financial			**370**
Profit for the financial period			991

Twelve months ended 30 June 2021	Diagnostic Segment £'000	Administrative Costs £'000	Total £'000
Revenue and other income	687	-	687
Operating loss	**(3,822)**	**(1,660)**	**(5,482)**
Net Finance costs			3,630
Loss on ordinary activities before taxation			**(1,852)**
Taxation Loss for the financial			1,161
Loss for the financial period			**(691)**

5. Net Finance income/ (costs)

	31 December cember 2021 £000	31 December cember 2020 £000	30 June 2021 £000
Net interest income on bank deposits	**-**	4	1
Movement in fair value of derivative embedded in convertible bond	**-**	3,864	3,864
Finance cost of convertible bond measured at amortised cost	**-**	(290)	(202)
Finance lease costs	(14)	(26)	(33)
	(14)	**3,552**	**3,630**

6. Current tax asset

The current tax asset at the year end relates to tax owing under the R&D tax credit scheme of £1,666k (2020: £1,398k). A payment of £1,166k was received in March 2022. The remaining £500k is an estimate of the tax credit for the interim period to December 2021 and this £500k will be received following submission of the tax returns for the 12 months to June 2022, with receipt expected to be before 31 December 2022.

7. 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 period. The weighted average number of shares in issue during the period was 77,525,116 (2020: 53,348,586). Potentially dilutive options, after proceeds from conversion, add 2,539,341 shares to basic weighted average number of shares in issue (2020: 1,289,692).

8. Share capital

Allotted, issued and fully paid:

	No	£'000
Balance at 30 June 2020	**51,986,071**	**780**
Share issue- equity settled share based payments	9,711	-
Share issue - conversion of BGF loan note	4,478,681	67
Share issue - conversion of BGF loan note	6,718,022	100
Balance at 31 December 2020	**63,192,485**	**947**
Share issue- equity settled share based payments	127,563	**3**
Balance at 30 June 2021	**63,320,048**	**950**
Share issue	28,450,852	427
Share issue	500,000	8
Balance at 31 December 2021	**92,270,900**	**1,385**

On 1 October 2021 the Company issued 28,450,852 shares in genedrive plc. These shares were made up of 4,450,852 Open Offer Shares and 24,000,000 Placing Shares from the fund raise announced in September 2021.

On 10 December 2021 the Company issued 500,000 shares in genedrive plc to the former owner of Visible Genomics as part of a Deed of Amendment agreed in December 2018 to the Visible Genomics Sale and Purchase Agreement.

9. Other Reserves

	Share Premium Account £000	Shares to be issued £000	Employee Share Incentive Plan Reserve £000	Share Options Reserve £000	Reverse Acquisitions Reserve £000	Total £000
At 30 June 2020	**43,679**	**115**	**(196)**	**1,518**	**(2,496)**	**42,620**
Share issue - conversion of BGF loan note	2,332	-	-	-	-	2,332
Equity settled share-based payments	7	-	(7)	14	-	14
At 31 December 2020	**46,018**	**115**	**(203)**	**1,532**	**(2,496)**	**44,966**
Equity settled share-based payments	(7)	-	7	(10)	-	(10)
Share issue	44					44
At 30 June 2021	**46,055**	**115**	**(196)**	**1,522**	**(2,496)**	**45,000**
Share issue	6,183	-	**-**	**-**	**-**	6,183
Share issue	107	(115)	**-**	**-**	**-**	(8)
Equity settled share-based payments	-	-	**-**	**12**	**-**	12
At 31 December 2021	**52,345**	**-**	**(196)**	**1,534**	**(2,496)**	**51,187**

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our Privacy Policy.

END

IR EAKDPAFXAEFA