Registered number: 09705888

DNANUDGE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2022

DNANUDGE LIMITED

COMPANY INFORMATION

Directors	C Toumazou M Karvela T Fawaz K Foley J Amos P Kobboon J Heosontaty
Registered number	09705888
Registered office	Scale Space, Imperial College White City 58 Wood Lane London England W12 7RZ
Independent auditors	PricewaterhouseCoopers LLP One Chamberlain Square Birmingham England B3 3AX

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2022

Business review and future developments

The principal activities of the Company are the provision of consumer genetic services that are designed to nudge users towards healthier lifestyles and better choices, and the provision of medical grade diagnostic testing.

The financial statements reflect the results of the Company. Revenue for the year was £7,593,097 resulting in profit before tax for the year of £3,526,170. At 31 July 2022 the Company had net assets of £6,649,269.

Demand for Covid PCR tests remained resilient in the first half of the financial year. In response, DnaNudge pioneered point-of-need PCR testing in high-street clinics and pharmacies. In the second half of the financial year, DnaNudge focussed more on consumer genetic services as the demand for PCR Covid tests reduced due to the easing of Covid restrictions and greater reliance being placed on lateral flow testing. Consequently, the provision of PCR Covid tests to the Department of Health and Social Care (DHSC) ceased in December 2021. The Royal Academy of Engineering acknowledged DnaNudge's achievements in the pandemic by awarding the Company the prestigious MacRobert award for engineering innovation. Regius Professor Chris Toumazou, DnaNudge's co-founder, was also awarded UNESCO's Research in the Life Sciences prize - the first UK recipient to be so honoured, President of the Royal Academy special award for Pandemic Service for the invention of the CovidNudge cartridge and the Life Science prize made Regius Professor Chris Toumazou a Unesco laureate for life sciences. Exceptional income of £55m has been recognised in the year relating to the release of advanced payments received due to termination of the DHSC contract in the year.

With the opening of the economy and nation's progress to end lockdowns and "going back to normal", DnaNudge resumed its consumer retail offering. DnaNudge launched its Skincare product in January 2022 and deepened the relationships with strategic partners such as Holland & Barratt and developed its strategy based on "Our Technology, Your Store". The Company's strategy since then is to form partnerships with strategic retailers, which can enhance its reach to faster and easier customer acquisition, benefiting from established channels, and reducing overheads and customer acquisition costs.

Following the launch of its Nutrition panel in late 2019 and the successful presence in the CES 2020 (the world's largest and global tech show), DnaNudge prioritised developing the Skincare panel (Skincare Nudge). The pace of development slowed down in the pandemic but the team carried on developing both the test panel and the relevant database, benefiting from the infrastructure created since the inception of the Company. Similar to the nutrition panel (Nutrition Nudge), Skincare Nudge targets a multitude of genetic mutations that can help with indicating the risk level to certain conditions as well as product ingredients. The customer receives an actionable report with a coloured snapshot to understand their risks, e.g. for collagen degradation, developing deep wrinkles, eyelid sagging, etc. The report also comes with a summary of "your skin needs" empowering the customer to not only shop by simply scanning the product and getting a DnaNudge recommendation, but also enables them to consult with their skincare consultant for further products.

Following the success and traction of the CovidNudge, and in response to the interests raised by collaborating clinicians, the Company expanded its medical diagnostics development. The second product that has been approved by Medicines and Healthcare products Regulatory Agency in the UK, MHRA, is RVP1 which detects flu A, flu B, RSV, and Covid, leveraging the multiplexing capability of the point of decision platform and testing for multiple assays for each target. Another panel under development is for Diabetic Foot Infection (DFI) which currently costs £1 of every £100 the national health service in the UK spends. Diabetic foot care cost in England is £1.4b and still we experience 1 amputation per hour. Current methods rely on culturing sample tissues which are time consuming and costly, also risking the patient's amputation and/or death. A point of care PCR test such as DnaNudge's is very much encouraged by key opinion leaders whereby a rapid sample to result test can help with both identifying the infection type and bacteria, as well as identifying the suitable treatment, in the course of 60-90min.

The DFI challenge is a global issue and a consequence of the rise in obesity and diabetes, where 1 in 10 adults in the world are diabetic. The International Diabetes Federation (IDF) projections show that by 2045, 783 million adults will be living with diabetes – or one in eight adults. This would be an increase of 46%, more than double the estimated population growth (20%) over the same period.
With 15% of diabetics developing DFI in their lifetime, the opportunity for a PoC PCR DFI test market could be extensive. DnaNudge has formed a partnership with MyLab, one of the largest, pioneering life science companies in India, for developing and trialling DnaNudge's DFI panel.

During the financial year the Company worked extensively in pursuit of approval for its system and software and the CovidNudge test from the Australian Government Therapeutic Goods Administration (TGA). Approval to supply was subsequently awarded in August 2023 for each element; the NudgeBox, the CovidNudge cartridge and the DnaNudge Cloud. TGA is the medicine and therapeutic regulatory agency of the Australian Government. As part of the Department of Health and Aged Care, the TGA regulates the quality, supply and advertising of medicines, pathology devices, medical devices, blood products and most other therapeutics. The regulatory approval by TGA involved a visit to the DnaNudge facility and laboratory in London and sponsorship from Pantonic, our local Australian partner. DnaNudge expect to proceed with gaining further TGA regulatory approvals for new test types.

DnaNudge's research and development pipeline includes other multiplex test panels for infectious disease (such as sexually transmitted infections and urinary tract infection) as well as pharmacogenetics (PGx). Following the 2022 report from the Royal College of Physicians and British Pharmacological Society, the need for PoC PGx is appreciated whereby a rapid PCR test can help with identifying the right prescription for a patient of ischaemic stroke or a cancer patient receiving chemotherapy. The strong multiplexing capability of the DnaNudge technology along with its portability and cloud-connectivity, makes it an ideal candidate for such applications, with a potential to transform genotyping in the healthcare system, providing a de-centralised and scalable solution (e.g. whether in a hospital, in primary care, in an ambulance, etc). DnaNudge's decentralised testing has also been appraised by global institutes for being a solution in regions where no laboratory infrastructure exists. It has not only successfully passed its tests during the pandemic for providing automated covid test results into the government database systems, but also received successful grants on its patents.

The multi-facet nature of DnaNudge's technology utility in both medical and lifestyle applications has also attracted healthcare service providers that sit across the two streams for occupational health. This will be another partnership arm that DnaNudge seeks in its future partnership strategy.

During the past financial year DnaNudge has continued securing patents on its platform technology. This has not only further strengthened DnaNudge's position in securing its intellectual property (IP), but also possibly creating a third business vertical for licensing out its IP while managing the potential competition. Of 75 active applications across 11 regions in the world (covering over half the world population), 36 so far have been granted, covering DnaCartridge and NudgeBox platform, cloud-based connectivity of the platform, personalised product recommendation based on biological information, personalised product recommendation based on activity, NudgeSocial, and the DnaBand wearable. Similarly, DnaNudge has been successful with progressing its design registrations (12 applications) and trademarks (13 applications).

Overall, as a start-up/scale-up with a disruptive innovation targeting both the health & wellness and life sciences & diagnostics markets, DnaNudge has made significant progress towards developing unique and appealing commercial propositions. The Directors are satisfied with the overall trading performance and position of the Company for the reporting period and the latest strategic direction. They, along with the shareholders backing the Company, are committed to execute on DnaNudge's strategy. As a further strategic measure the Company has engaged financials advisors to assess any merger and acquisition (M&A) activity that may present itself.

Principal risks and uncertainties

The Company's products, whilst increasingly diversified, are focussed primarily on the consumer health and medical diagnostics markets. These market segments are serviced via different routes to market, including from the Company's direct to consumer, via third party intermediaries and through strategic partners.

The fulfilment of the Company's Consumer business plan is influenced by volatility within the consumer market, in particular by customer confidence, disposable income, broader health awareness, buying preferences and any further Covid restrictions. Part of our consumer offering is a technology wearable, a market in which there are already established players, albeit with a different application and focus to our product, where we are protected by extensive global patents.

The Company's Medical Diagnostics product brings specific unique advantages against an already-developed market in which established players already operate. The Company see these unique advantages as compelling but are aware that product development from competitors could close this gap in the future. The Company continues to invest in product development to maintain our lead and benefit of innovation. Any regulatory approval delays for the medical grade products presents a commercial risk to go to new markets.

In order to de-risk against the uncertainties, DnaNudge strategically analyses and closely monitors developments. Externally, DnaNudge forms partnerships that can help not only with distribution through their existing, established channels but also where they can add value for localisation to help with efficiently satisfying regional requirements (defined by regulatory or market segments). DnaNudge takes into account the market potential, time to commercialise, cost to enter, as well as intangible benefits that a market can have by indirectly opening the door for other opportunities in different markets (for example the endorsement of one regulatory system to accelerate progress in another territory). Each strategic project/opportunity is allocated certain budget with hands-on involvement of senior leadership to walk it through. This also creates an opportunity to steer with agile management and avoiding duplication of costs and resources.

Supply chain risks

The business is dependent on a few component suppliers and manufacturing suppliers to manufacture the NudgeBox and cartridges and work in close collaboration on forecast and other requirements to ensure objectives are met.
The United Kingdom's withdrawal from the European Union could have an adverse impact on our business. On the other hand, the diagnostics industry is somewhat coming out of the Covid hangover and therefore the stakeholders in the supply chain need to revisit and address issues triggered by fast scaling at the peak of Covid pandemic. DnaNudge and its suppliers are not exempt to this but DnaNudge carries on managing this risk by maintaining its partner development suppliers in play in addition to contract manufacturers, creating a degree of agility in responding to any potential disruption in the chain.

Financial risk management

The Company's operations are exposed to a number of financial risks including the effect of price risk, foreign currency exchange risk and cash flow risk. The main risk is the purchase price of products which is managed through reliable demand signals. Cashflows are reviewed by the board as one of the major KPIs that are tracked by the business on a frequent basis. As a start-up/scale-up that needs to be both strategic and opportunistic, efficient use of funds are critical to the health of the business. Therefore, the board along with senior management closely and regularly review expenditure, assessing the pros and cons of each spend decision, and constantly re-evaluating forecast to close any performance gaps between actual results and the business plan, while ensuring long-term health of the financial position to realise the strategy and the business plan.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2022

General Business Risks

Ongoing litigation could have a significant negative impact on the business (note 25).

We may enter new business areas where we do not have any experience. If we were to enter new business areas, we would likely face competition from entities more familiar with those businesses, and our efforts may not succeed.

The Company's phase of development over the next year requires additional capital, and we cannot be sure that additional financing will be available at acceptable terms or at all.

We face risks related to epidemics and other outbreaks of communicable diseases, including the current Covid (Covid-19) pandemic, which could significantly disrupt our operations and adversely affect our business and financial condition.

Stakeholder engagement

The Directors support the business by engaging with future, new and existing customers. This includes working closely with future partners on the "Our Technology, Your Store" strategy as well as key opinion leaders in diagnostics. With a customer-centric approach, DnaNudge works closely with its partners to ensure the end customer benefits from its value proposition. By constantly being present on the operation floor, side by side with our partners, learnings are reflected in all aspects of the value chain from product development to customer service. This supports the Company in being responsive to our customer pain points, to identifying new product or market opportunities and optimising and prioritising our developments. The Directors also engage closely with suppliers to ensure quality and supply for our customers. The Company also engages extensively with suppliers on research and development activities and new product development. DnaNudge offers flexible working for its employees and a range of employee benefits and events to keep employee engagement high.

Regulatory bodies

The Company's products are manufactured by external contract manufacturers certificated to ISO13485:2016. The Company is currently certified to ISO27001:2017 and ISO9001:2015 and is working towards ISO13485 certification. The Company's medical Covid tests (CovidNudge and FLU/RSV/Covid Nudge Test) are CE marked under IVDD 98/79/EC and approved by the CTDA under UKHSA (UKMDR2002 and The Medical Devices (Covid Test Device Approvals) (Amendment) Regulations 2021).

Key performance indicators ("KPIs")

The Board of Directors regularly monitors purchase orders received, turnover, gross margin, cash flow, cash burn rate (overhead costs) from the 3 primary financial statements (Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash flows) in addition to the operational metrics around demand, production and quality. With a data-driven approach in management, metrics are measured regularly against forecasts, adjusting to minimise any gap versus actual results, and assessing against potential opportunities when prioritising research and development activities. The board has a balanced level of engagement with all verticals of the business to ensure intangible assets and qualitative information is not missed behind the numbers and the intellectual properties and know-how that are the backbone of the value of the Company are well captured. The board is actively informed and educated with the developments in the industry and how DnaNudge is strategically positioned/equipped in this evolving market (technologically, regulatory-wise, and commercially).

STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2022

	2022	2021	
Sales	£7.6m	£11.8m	Revenues reflect resilient demand for Covid tests in the first half of the year
Gross margin	(36)%	(55)%	Gross margin is the ratio of gross profit to turnover, expressed as percentage. The slight improvement in gross margin reflects a change in product mix of sales in the year
Cash	£4.7m	£25.2m	The cash balance reflects the operating losses in the year partially offset by additional funding received

K Foley on behalf of the Board of Directors

30 August 2023

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2022

The Directors present their report and the audited financial statements for the year ended 31 July 2022.

Principal activities

The principal activities of the Company are:
- the provision of direct-to-consumer genetic services that are designed to nudge users towards healthier lifestyles and better choices, and
- medical grade diagnostic testing

Results

The profit for the year, after taxation, amounted to £3,441,855 *(2021: loss £45,304,144)*. The Directors do not propose a payment of a dividend (2021: £nil).

Future developments

Details are within the Strategic report on pages 1 and 2.

Financial risk management

Details are within the Strategic report on page 3.

Directors and Secretary

The Directors who were in office during the year and up to the date of signing the financial statements were:

- Prof. C Toumazou
- Dr. M Karvela
- M El Husseiny (appointed 6 May 2021, resigned 10 June 2022)
- Sir R Sykes (appointed 13 December 2021, resigned 29 April 2022)
- T Fawaz (appointed 1 June 2022)
- A Srivaddhanaprabha (appointed 6 June 2022, resigned 26 June 2023)
- K Foley (appointed 14 June 2022)
- A Lew (appointed 20 August 2022, resigned 18 March 2023)
- J Amos (appointed 3 October 2022)
- P Kobboon (appointed 24 January 2023)
- J Heosontaty (appointed 23 March 2023)

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under Company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations
In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

The financial statements are prepared on a going concern basis. The Company incurred a profit for the financial year of £3,441,855 during the year ended 31 July 2022 and, as of that date, the Company had net current assets of £778,609. The Company regularly reviews the cash flow and in assessing whether going concern is appropriate, the Directors have considered available information about the future, including the revenues and cash forecasts prepared up to 31 August 2024 and the Directors' ability to affect costs and winning new contracts and further roll out with existing partners and, if necessary, secure additional funding.

The Company offers an expanding range of new disruptive and innovative products, and the Directors acknowledge that there are risk factors associated with the launch of such ground-breaking products. During this financial year the Company benefitted from further product development and customer diversification including sales to overseas and strategic partnerships in diagnostics. The business also developed a new skincare service and developed an advancement to the Covid testing through the Quad cartridge which detects FluA, FLuB, RSV as well as Covid. The Quad has been approved by the MHRA.

Looking forward, the business plan is to focus on new product development and focusing on current commercial partners in the United Kingdom and Australia. Focusing the short term on current relationships is a low-cost strategy compared to having our own stores or the high costs associated with entering a new market. Recently the Company entered the Australia market with a strategic retail partner. This provides valuable experience and platform for entering international markets in the near future.

The Company continues to expand on its innovative products with key research and development projects identified along with regulatory approval milestones.

The Company and directors have made it a priority to reduce the cash burden and has undergone restructuring in May 2023 to deliver a lower operating cost base. The significant reduction in overheads helps stretch the current committed funding.

In August 2022 the Company raised a further £6.1m, in addition to £1.8m which was received in the year ended 31 July 2022 from the existing shareholders to support the next phase of its developments.

In May 2023 the Company invited current shareholders to subscribe in a £6m convertible loan. Currently, £3.5m has been committed with the remainder £2.5m still available.

The Directors have prepared cash flow forecasts reflecting the strategy of the business which show that the Company is able to continue as a going concern through to at least 31 August 2024 with the completion of the convertible loan raise and the Company receiving the additional £2.5m available. In addition, the Directors have considered a severe but plausible downside which includes a flat level of sales and excludes the £2.5m available from the convertible loan. Under this severe but plausible downside scenario, the Company would require additional funding of approximately £3.4m either from shareholders or from lenders in order to continue as a going concern for a period of no less than 12 months from the date of approval of these financial statements. The Directors are confident that additional funding would be forthcoming and have therefore concluded it is appropriate to prepare the financial statements on a going concern basis. However, such additional funding as may be required is not committed as at the date of approval of these financial statements.

As disclosed in note 25 to the financial statements the Company is party to a legal claim from Ventura Capital GP Limited, a shareholder. The Directors believe that the Company has a good defence. Consequently, no liability has been recorded for this claim. The Company also has a counter claim against Ventura. As the outcome of this claim is uncertain no recovery has been included in these financial statements. No cash flows associated with these claims have been assumed in the cash flow forecasts prepared to assess whether the Company is a going concern or in the severe but plausible downside scenario. In the event of an adverse ruling on the claim additional funding would be required to enable the Company to continue as a going concern.

In addition, the Company received a claim from a supplier in relation to a contractual dispute. The Company has made a counter claim against the supplier. This dispute is at an early stage and no accounting entries have been reflected in these financial statements as this claim arose after the period end. No cash outflows associated with this claim have been assumed in the cash flow forecasts prepared to assess whether the Company is a going concern or in the severe but plausible downside scenario. No cash inflows have been assumed in respect of the counter claim. In the event if the actual cash flows would be significantly different from the anticipated cash flows additional funding would be required to enable the Company to continue as a going concern.

The company received funds associated with the DHSC contract and a final contractual position was reached in relation to these funds. In the event of any change in circumstances resulting in any of the payments under this contract being reclaimed, additional funding would be required to enable the Company to continue as a going concern. No cash outflows associated with this matter have been assumed in the cash flow forecasts prepared to assess whether the Company is a going concern or in the severe but plausible downside scenario.

In the light of the assumptions underpinning the cash flow forecasts, the ability to secure additional funding and the cash flows associated with the claims described above, the Directors have concluded that a material uncertainty exists which may cast significant doubt as to the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2022

Events after the reporting period

Since the end of the reporting period there have been a number of non-adjusting subsequent events details of which are provided in Note 31.

Auditors

PricewaterhouseCoopers LLP have indicated that they will resign as auditors of the Company. The directors will appoint new auditors during the year.

K.Foley by order of the Board of Directors

30 August 2023

Independent auditors' report to the members of DNANUDGE LIMITED

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph below, DNANUDGE LIMITED's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 July 2022; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for qualified opinion

We were appointed as auditor of the company on 17 December 2021 and did not observe the counting of physical inventories at the start of the financial year ended 31 July 2022. We were unable to satisfy ourselves by alternative means concerning the opening inventory quantities held as at 1 August 2021, which are included in the Statement of Financial Position at £3.1m, through the use of alternative audit procedures. Consequently, we were unable to determine whether any adjustment to this amount was necessary or whether there was any consequential effect on the cost of sales for the year ended 31 July 2022.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

Without further modifying our opinion on the financial statements, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the company's ability to continue as a going concern. The company's downside scenario, outlining the impact of severe but plausible adverse case, results in the company requiring additional funding of approximately £3.4m either from the shareholders or from lenders in order to continue as a going concern for a period of no less than 12 months from the date of approval of the financial statements. However, such additional funding as may be required is not committed as at the date of approval of the financial statements. Furthermore, the outcome of the claims made by and against the company or any potential reclaim of advanced payments by the DHSC following termination cannot be guaranteed and unfavourable results arising from the claims may impact the company's ability to continue as a going concern. These conditions, along with the other matters explained in note 2.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

INDEPENDENT AUDITORS'S REPORT TO THE MEMBERS OF DNANUDGE LIMITED (CONTINUED)

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 July 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS'S REPORT TO THE MEMBERS OF DNANUDGE LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and to enquire of any known instances of non-compliance with Laws and Regulations and Fraud
- Reviewing legal expense account, board minutes and in-house legal counsel documentation
- Challenging assumptions and judgements made by management in their significant accounting estimates
- Identifying and testing journal entries, in particular journal entries posted with unexpected account combinations

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

In respect solely of the limitation on our work relating to cost of sales, described in the Basis for qualified opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the company.

Under the Companies Act 2006 we are also required to report to you if, in our opinion:

INDEPENDENT AUDITORS'S REPORT TO THE MEMBERS OF DNANUDGE LIMITED (CONTINUED)

- returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Christopher Hibbs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
30 August 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2022

	Note	2022 £	2021 £
Turnover	4	7,593,097	*11,812,242*
Cost of sales		(10,292,073)	*(18,364,959)*
Gross loss		(2,698,976)	*(6,552,717)*
Administrative expenses		(48,894,590)	*(39,356,522)*
Other operating income	5	50,000	*88,804*
Operating loss	6	(51,543,566)	*(45,820,435)*
Exceptional Income	7	55,099,436	-
Profit/(loss) before interest and tax		3,555,870	*(45,820,435)*
Interest receivable and similar income	10	1,575	*2,281*
Interest payable and expenses	11	(31,275)	*(30,951)*
Profit / (Loss) before tax		3,526,170	(45,849,105)
Tax on profit / (loss)	12	(84,315)	*544,961*
Profit / (loss) for the financial year		3,441,855	*(45,304,144)*

The notes on pages 18 to 43 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2022

	Note		2022 £		Restated 2021 £
Fixed assets					
Intangible assets	13		-		*692,571*
Tangible assets	14		6,102,100		*29,001,987*
			6,102,100		*29,694,558*
Current assets					
Inventories	15	3,422,839		*3,140,350*	
Debtors: amounts falling due within one year	16	2,269,058		*6,180,302*	
Cash at bank and in hand	17	4,724,407		*25,176,224*	
		10,416,304		*34,496,876*	
Creditors: amounts falling due within one year	18	(7,942,709)		*(58,931,790)*	
Provisions for liabilities	19	(1,694,986)		*(1,969,474)*	
Net current assets /(liabilities)			778,609		*(26,404,388)*
Total assets less current liabilities			6,880,709		*3,290,170*
Creditors: amounts falling due after more than one year	20		(231,440)		*(344,310)*
Net assets			6,649,269		*2,945,860*
Capital and reserves					
Called up share capital	22		187		*187*
Share premium account	23		76,379,228		*76,379,228*
Other reserves	23		1,244,295		*982,741*
Profit and loss account	23		(70,974,441)		*(74,416,296)*
			6,649,269		*2,945,860*

The details of the restatements can be found in note 22

The financial statements on pages 14 to 17 were approved by the Board of Directors on 30 August 2023 and signed on its behalf by K.Foley

STATEMENT OF CHANGES IN EQUITY FORTHE YEAR ENDED 31 JULY 2022

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
Balance at 1 August 2020	158	34,640,402	612,237	(29,112,152)	6,140,645
Shares issued during the year	25	41,738,830	-	-	41,738,855
Loss for the year	-	-	-	(45,304,144)	(45,304,144)
Total comprehensive expense for the year	-	-	-	(45,304,144)	(45,304,144)
Share based payment charge	-	-	370,504	-	370,504
Transactions with owners	-	-	370,504	-	370,504
Balance at 31 July 2021	183	76,379,232	982,741	(74,416,296)	2,945,860
Restatement	4	(4)	-	-	-
Balance at 1 August 2021 (restated)	187	76,379,228	982,741	(74,416,296)	2,945,860
Profit for the year	-	-	-	3,441,855	3,441,855
Total comprehensive income for the year	-	-	-	3,441,855	3,441,855
Share based payment charge	-	-	261,554	-	261,554
Transactions with owners	-	-	261,554	-	261,554
	187	76,379,228	1,244,295	(70,974,441)	6,649,269

The details of the restatement can be found in note 22

The notes on pages 18 to 43 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2022

	Note	2022	2021
		£	£
Net cash from operating activities	24	(16,356,187)	9,270,189
Taxation		(84,315)	544,961
Net cash (used in)/generated from operating activities		**(16,440,502)**	***9,815,150***
Purchase of intangible assets		(188,112)	*(388,556)*
Purchase of tangible assets		(3,793,503)	*(36,276,330)*
Interest received		1,575	*2,281*
Net cash used in investing activities		**(3,980,040)**	***(36,662,605)***
Interest paid		(31,275)	*(30,951)*
Proceeds from issue of share capital (net of costs of issue)		-	*39,944,124*
Net cash generated from financing activities		**(31,275)**	***39,913,173***
Net (decrease)/increase in cash and cash equivalents		(20,451,817)	*13,065,718*
Cash and cash equivalents at the beginning of the year		25,176,224	*12,110,506*
Cash and cash equivalents at the end of the year		**4,724,407**	***25,176,224***
Cash and cash equivalents consist of:			
Cash at bank and in hand		**4,724,407**	***25,176,224***

1. General information

The Company is a private Company limited by shares incorporated in United Kingdom. Its year end is 31 July 2022. Its registered office is Scale Space, Imperial College White City, 58 Wood Lane, London, England, W12 7RZ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. Accounting policies have been applied consistently, other than where new policies have been adopted.

The financial statements are presented in Sterling (£), which is the functional currency of the Company.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going Concern

The financial statements are prepared on a going concern basis. The Company incurred a profit for the financial year of £3,441,855 during the year ended 31 July 2022 and, as of that date, the Company had net current assets of £778,609. The Company regularly reviews the cash flow and in assessing whether going concern is appropriate, the Directors have considered available information about the future, including the revenues and cash forecasts prepared up to 31 August 2024 and the Directors' ability to affect costs and winning new contracts and further roll out with existing partners and, if necessary, secure additional funding.

The Company offers an expanding range of new disruptive and innovative products, and the Directors acknowledge that there are risk factors associated with the launch of such ground-breaking products. During this financial year the Company benefitted from further product development and customer diversification including sales to overseas and strategic partnerships in diagnostics. The business also developed a new skincare service and developed an advancement to the Covid testing through the Quad cartridge which detects FluA, FLuB, RSV as well as Covid. The Quad has been approved by the MHRA.

Looking forward, the business plan is to focus on new product development and focusing on current commercial partners in the United Kingdom and Australia. Focusing the short term on current relationships is a low-cost strategy compared to having our own stores or the high costs associated with entering a new market. Recently the Company entered the Australia market with a strategic retail partner. This provides valuable experience and platform for entering international markets in the near future.

The Company continues to expand on its innovative products with key research and development projects identified along with regulatory approval milestones.

2. Accounting policies (continued)

The Company and directors have made it a priority to reduce the cash burden and has undergone restructuring in May 2023 to deliver a lower operating cost base. The significant reduction in overheads helps stretch the current committed funding.

In August 2022 the Company raised a further £6.1m, in addition to £1.8m which was received in the year ended 31 July 2022 from the existing shareholders to support the next phase of its developments.

In May 2023 the Company invited current shareholders to subscribe in a £6m convertible loan. Currently, £3.5m has been committed with the remainder £2.5m still available.

The Directors have prepared cash flow forecasts reflecting the strategy of the business which show that the Company is able to continue as a going concern through to at least 31 August 2024 with the completion of the convertible loan raise and the Company receiving the additional £2.5m available. In addition, the Directors have considered a severe but plausible downside which includes a flat level of sales and excludes the £2.5m available from the convertible loan. Under this severe but plausible downside scenario, the Company would require additional funding of approximately £3.4m either from shareholders or from lenders in order to continue as a going concern for a period of no less than 12 months from the date of approval of these financial statements. The Directors are confident that additional funding would be forthcoming and have therefore concluded it is appropriate to prepare the financial statements on a going concern basis. However, such additional funding as may be required is not committed as at the date of approval of these financial statements.

As disclosed in note 25 to the financial statements the Company is party to a legal claim from Ventura Capital GP Limited, a shareholder. The Directors believe that the Company has a good defence. Consequently, no liability has been recorded for this claim. The Company also has a counter claim against Ventura. As the outcome of this claim is uncertain no recovery has been included in these financial statements. No cash flows associated with these claims have been assumed in the cash flow forecasts prepared to assess whether the Company is a going concern or in the severe but plausible downside scenario. In the event of an adverse ruling on the claim additional funding would be required to enable the Company to continue as a going concern.

In addition, the Company received a claim from a supplier in relation to a contractual dispute. The Company has made a counter claim against the supplier. This dispute is at an early stage and no accounting entries have been reflected in these financial statements as this claim arose after the period end. No cash outflows associated with this claim have been assumed in the cash flow forecasts prepared to assess whether the Company is a going concern or in the severe but plausible downside scenario. No cash inflows have been assumed in respect of the counter claim. In the event if the actual cash flows would be significantly different from the anticipated cash flows additional funding would be required to enable the Company to continue as a going concern.

The company received funds associated with the DHSC contract and a final contractual position was reached in relation to these funds. In the event of any change in circumstances resulting in any of the payments under this contract being reclaimed, additional funding would be required to enable the Company to continue as a going concern. No cash outflows associated with this matter have been assumed in the cash flow forecasts prepared to assess whether the Company is a going concern or in the severe but plausible downside scenario.

In the light of the assumptions underpinning the cash flow forecasts, the ability to secure additional funding and the cash flows associated with the claims described above, the Directors have concluded that a material uncertainty exists which may cast significant doubt as to the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

2. Accounting policies (continued)

2.3 Functional and presentation currency

The Company's functional and presentational currency is Sterling (£).

2.4 Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non- monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

2. Accounting policies (continued)

2.5 Revenue and exceptional income

The revenue streams of the Company are:

- the provision of direct-to-consumer genetic tests and accessories that are designed to nudge users towards healthier lifestyles and better choices, and
- medical grade diagnostic testing

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods and services

Revenue from the sale of goods and service is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods and services sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Exceptional income

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the administrative expenses in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Research and development

Research and development expenditure is written off in the year in which it is incurred.

2. Accounting policies (continued)

2.8 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.9 Interest income

Interest income is recognised in statement of comprehensive income using the effective interest method.

2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.12 Pensions

Defined contribution pension plan

The Company contributes to a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administeredfunds.

2. **Accounting policies (continued)**

2.13 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profitor loss over the remaining vesting period.

2.14 Taxation

Tax is recognised in the Statement of Comprehensive Income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated taxallowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values ofassets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. Accounting policies (continued)

2.15 Intangible assets

Intangible assets are initially measured at cost. After recognition, under the cost model, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged in the administrative expenses of the statement of comprehensive income so as to allocate the cost of intangibles less their residual values over their useful lives, using the straight-line method.

The estimated useful lives range as follows:

Patents	10% straight-line

2.16 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged in the administrative expenses of the statement of comprehensive income so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 2 years to 8 years straight-line
Office equipment	- 3 years straight-line
Fixtures and fittings	- 3 years straight-line
Computer equipment	- 3 years straight-line
NudgeBoxes	- 3 years straight-line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.17 Inventory

Inventory is stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventory is assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the cost of sales of the statement of comprehensive income

2. Accounting policies (continued)

2.18 Debtors

Short-term debtors are measured at transaction price, less any impairment which is charged against the administrative expenses of the statement of comprehensive income

2.19 Cash and cash equivalents

Cash includes cash in hand and deposits held in financial institutions available without penalty within 24 hours notice. Cash equivalents are highly liquid investments that mature in no more than three months from date of requisition and that are readily convertible to known amounts of cash with significant risk of change in value.

2.20 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.21 Financial instruments

The Company is applying section 11 and 12 of FRS 102 and mainly enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2. Accounting policies (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which isan approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.22 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably.

2.23 Share Capital

Ordinary shares are classified as equity.
Preference shares are classified as equity as the entity has no obligation to deliver cash or another financial asset. The shares are non-redeemable and dividends are discretionary.

2.24 Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).
The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating units) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk– free rate and the risks inherent in the asset.
If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in statement of comprehensive income.
If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

3. **Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the amount presented in the financial statements and related disclosures. Management is required to exercise its judgement in selecting and applying the entity's accounting policies. Management makes use of estimates and associated assumptions, which are based on historical experience and other factors that are considered to be relevant. Actual results in the future would differ from these estimates, which may be material to the financial statements.

Significant estimates

Management considers whether assets including intangible assets, tangible assets and inventory are impaired. Where an indication of impairment is identified, the recoverable amount is assessed as the higher of the value in use and the fair value less costs to sell. The value in use is estimated by assessing the present value of the future cash flows relating to the asset. This includes individual asset assessment for tangible fixed assets and inventory.

Value in use calculations use future cash flow projections based on financial business plans approved by the Directors covering a five-year period. This calculation requires the use of assumptions with the key assumption being the budgeted gross margin.

Intangible assets have been impaired to nil book value. The impairment recognised in the year is £0.7m (note 13).

Tangible assets have been impaired in the year down to a valuation supported by a third party valuation specialist utilised to estimate the fair value less cost to sell the assets. The impairment recognised in the year is £17.1m (note 12).

Management assesses each line of inventory for obsolescence and being slow moving and provides 100% for such items. The slow moving and obsolete inventory provision held at 31 July 2022 was £4.7m.

Significant judgements

£55m has been recognised in the income statement in the year as exceptional income on the basis of management's judgement that the £55m of advanced payments from the DHSC are not repayable upon the termination of the contract, despite all the goods and services having not been delivered to recognise the revenue, as full and final settlement has been reached with the DHSC (note 7). In arriving at this conclusion the Company considered the nature of the full and final settlement and obtained independent legal advice to support their conclusion.

Management has applied judgement over the recognition of contingent liabilities and assets in legal claims and supplier disputes on a basis of probability and whether the amounts are measurable with any certainty.

4. Turnover

Analysis by turnover by Geography	2022	*2021*
	£	*£*
United Kingdom	7,524,923	*11,521,037*
Rest of The World	68,174	*291,205*
	7,593,097	*11,812,242*

Analysis by turnover by category	2022	*2021*
	£	*£*
Sale of Goods: Medical Diagnostic	6,607,152	*10,167,469*
Sale of Services: Consumer Services	985,945	*1,644,773*
	7,593,097	*11,812,242*

5. Other operating income

	2022	*2021*
	£	*£*
Innovation award	50,000	-
Covid Job Retention Scheme	-	*88,804*
	50,000	*88,804*

There were no grants in 2022 in relation to the Covid Job Retention Scheme *(2021: £88,804)*
MacRobert Award of £50,000 for engineering innovation was won in 2022 *(2021: £ Nil)*.

6. Operating profit/(loss)

The Operating profit/(loss) is stated after charging:

	2022 £	2021 £
Inventory recognised as an expense	7,778,137	16,184,638
Impairment of inventory	2,513,936	2,180,321
Amortisation	166,940	160,849
Impairment of intangibles	695,848	-
Depreciation	9,639,446	7,791,077
Impairment of tangibles	17,071,840	6,544,977
Research and development	746,385	1,063,325
Auditors' remuneration for statutory audit	120,000	80,000
Employee Share Based Charge	261,554	370,504
Operating lease rentals	1,119,319	1,119,319

7. Exceptional income

	2022 £	2021 £
Exceptional income	55,099,436	-
	55,099,436	-

Exceptional income relates to the release of advanced payments received due to termination of the DHSC contract in the year.

The DHSC made full and final settlements of all and any claims arising out of or in connection with the Supply Agreement for the supply of Nudge Boxes and DNA Cartridges by DNA Nudge Limited ('DNA Nudge') to the Secretary of State for Health ('DHSC') dated 22 April 2020 (as superseded by subsequent supply agreements) (the 'Supply Agreement')

8. Employees

	2022	*2021*
	£	£
Wages and salaries	6,511,643	*5,218,468*
Social security costs	768,767	*596,559*
Pension Costs	717,719	*526,321*
	7,998,129	*6,341,348*

The Company operates an auto-enrolment scheme as a defined contribution pension scheme for the benefit of employees and Directors. The assets of the scheme are administered by an independent pension provider. Pension payments recognised as an expense during the year was £717,719 *(2021: £526,321)*.

The monthly average number of employees of the Company during year was 128 *(2021: 104)*.

	2022	*2021*
	No.	*No.*
Director	3	*2*
Senior Management	13	*12*
Database & Algorithms	12	*11*
Human resources	4	*4*
NudgeBox Division	12	*12*
Clinical Research	3	*2*
Quality Assurance	3	*2*
Engineering/Software	13	*11*
Finance	6	*5*
R&D	10	*9*
Supply Chain	5	*5*
Deployment	11	*11*
Retail	29	*15*
Manufacturing	2	*3*
Marketing	2	-
	128	*104*

9. Directors' remuneration

Remuneration in respect of Directors were as follows:

	2022	2022	*2021*	*2021*
	No.	£	No.	£
Remuneration	4	**441,142**	2	*454,531*
Pension Scheme	1	**14,808**	1	*14,262*
Social Securities	4	**58,872**	2	*43,764*
Benefits in Kind	2	**2,264**	2	*2,264*
Total Emoluments	4	**517,086**	2	*514,821*

No Directors received or exercised share options as part of the long-term incentive scheme (*2021:£ Nil*)

The highest paid director's emoluments were as follows:

	2022	*2021*
	£	*£*
Remuneration	**229,700**	*277,231*
Social Securities	**30,782**	*37,020*
Benefits in Kind	**126**	*126*
Total Emoluments	**260,608**	*314,377*

10. Interest receivable and similar income

	2022 £	2021 £
Bank interest receivable	1,575	2,242
Other interest	-	39
	1,575	2,281

11. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	31,275	30,951
	31,275	30,951

12. Tax on profit/(loss)

	2022 £	2021 £
Corporation tax		
Current Tax on profit/(loss) for the year	-	(554,823)
Adjustments in respect of previous periods	84,315	9,862
	84,315	(544,961)

12. Tax on profit/(loss) (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2021: higher than)* the standard rate of corporation tax in the UK of 19% *(2021: 19%)*. The differences are explained below:

	2022 £	*2021* *£*
Profit / (loss) on ordinary activities before tax	3,526,170	*(45,849,105)*
Tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% *(2020: 19%)*	669,972	*(8,711,330)*
Effects of:		
Fixed asset differences	2,031,718	*(66,044)*
Expenses not deductible for tax purposes	215,397	*420,217*
Loss brought back	(1,381,987)	*-*
Additional deductions for R&D	(421,800)	*(410,918)*
Surrender of tax losses for R&D tax credit	-	*727,009*
Adjustments to tax charge in respect of prior periods	84,315	*9,862*
Current period R&D tax credit	-	*(554,823)*
Remeasurement of deferred tax for changes in tax rates	351,568	*(3,772,501)*
Deferred tax not recognised	(1,464,870)	*11,813,566*
Other differences	2	*1*
Total tax charge / (credit) for the year	**84,315**	***(544,961)***

The Company has estimated trading losses of £35,540,276 *(2021: £30,328,217)* available for carry forward against future trading profits which are subject to agreement with HMRC.

The Company has a potential deferred tax asset in relation to losses of £13,432,631 *(2021: £15,718,752)*. The deferred tax asset has not been recognized on the grounds of uncertainty with regard to recoverability.

Factors that may affect future tax charges

In the Spring Budget 2021 the Government announced that corporation tax rates would rise to 25% on 1st April 2023.

13. Intangible assets

	£
Cost	
At 1 August 2021	911,108
Additions in the year	188,112
Reclassification	(17,895)
At 31 July 2022	**1,081,325**
Accumulated amortisation	
At 1 August 2021	218,537
Charge for the year	183,344
Reclassification	(16,404)
Impairment	695,848
At 31 July 2022	**1,081,325**
Net book value	
At 31 July 2022	**-**
At 31 July 2021	**692,571**

The Intangibles impairment is a result a significant estimate (note 3).

14.Tangible assets

	Plant and machinery	Office equipment	Fixtures and fittings	Computer equipment	NudgeBoxes	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 August 2021	24,231,722	47,224	784,659	213,063	18,915,828	44,192,496
Additions	3,226,443	348,848	218,212	-	-	3,793,503
Reclassification	665	230,293	-	(213,063)	-	17,895
At 31 July 2022	27,458,830	626,365	1,002,871	-	18,915,828	48,003,894
Depreciation						
At 1 August 2021	5,467,877	43,220	588,175	118,122	8,973,114	15,190,508
Charge for the year	5,219,646	68,779	206,030	-	4,128,587	9,623,042
Impairment	10,668,597	380,450	208,666	-	5,814,127	17,071,840
Reclassification	610	133,916	-	(118,122)	-	16,404
At 31 July 2022	21,356,730	626,365	1,002,871	-	18,915,828	41,901,794
Net book value						
At 31 July 2022	6,102,100	-	-	-	-	6,102,100
At 31 July 2021	*18,763,845*	*4,004*	*196,484*	*94,941*	*9,942,714*	*29,001,987*

The Plant and Machinery impairment is the result of an external valuation of our plant and machinery based in Ireland. Following the valuation, the recoverable amount of the asset was found to be lower than the purchase price less accumulated depreciation. The plant and machinery was therefore revalued at the recoverable amount, which is deemed to be the fair value less costs to sell as per the external valuation, resulting in the impairment.

Management considers whether assets are impaired. Where an indication of impairment is identified, the recoverable amount is assessed as the higher of the value in use and the fair value less costs to sell. The value in use is estimated by assessing the present value of the future cash flows relating to the asset (note 3). Following the assessment, office equipment, fixtures and fittings, computer equipment and NudgeBoxes have been impaired to nil carrying value.

15. Inventories

	2022	*2021*
	£	*£*
Finished goods and goods for resale	8,117,096	*5,320,671*
Slow moving and obsolete inventory provision	(4,694,257)	*(2,180,321)*
	3,422,839	*3,140,350*

16. Debtors: amounts falling due within one year

	2022	2021
	£	£
Trade debtors	211,018	*467,566*
Other debtors	-	*103*
Prepayments and accrued Income	2,030,292	*4,739,415*
VAT recoverable	27,748	430,146
Tax recoverable	-	*543,072*
	2,269,058	*6,180,302*

Prepayments and deposits in 2022 include £ Nil in respect of supplier deposit for NudgeBox components (2021: £934,121)

17. Cash at bank and in hand

	2022	2021
	£	£
Cash at bank and in hand	4,724,407	*25,176,224*

18. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Trade creditors	4,689,138	*2,278,198*
Other creditors	2,183,351	*264,126*
Accruals and deferred income	1,070,220	*56,389,466*
	7,942,709	*58,931,790*

Included in other creditors is £1.8m of shareholder deposits. Shareholders deposits were interest free and repayable on demand at the balance sheet date but were held to be transferred into convertible loan notes post year end.

Accruals and deferred income in 2022 include £ Nil amount of deferred Income in respect of the DHSC contract *(2021: £55,393,664)*.

19. Provisions for liabilities

	Supplier Abortive costs
	£
At 1 August 2021	**1,969,474**
Utilised in the year	(274,488)
At 31 July 2022	**1,694,986**

Supplier Abortive costs
As part of our overall strategy, our commitments with our suppliers Argonaut and Computime were reviewed and resulted in expected abortive costs still under negotiation at year end. A provision with the most likely amount was created for both suppliers to be utilised during the year ended 31 July 2023

20. Creditors: Amounts falling due after more than one year

	2022	*2021*
	£	£
Property Lease rent free accrual	**231,440**	*344,310*
	231,440	*344,310*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022

21. Financial instruments

	2022	2021
	£	£
Financial assets		
Cash in hand and deposited with bank	4,724,407	25,176,224
Trade debtors	211,018	467,566
Other debtors	-	103
	4,935,425	25,643,893

	2022	2021
	£	£
Financial liabilities		
Trade creditors	4,689,138	2,278,198
Other payables	2,183,351	264,126
Accruals	1,301,660	8,643,094
	8,174,149	11,185,418

22. Called up share capital

Ordinary Shares of £0.001 each

	000s	£
Allotted And Fully Paid		
At 01 August 2022 (restated)	162	162
At 31 July 2022	162	162

Preference Shares of £0.001 each

	000s	£
Allotted And Fully Paid		
At 01 August 2022 (restated)	25	25
At 31 July 2022	25	25

There are two categories of shares issued: Preference shares and Ordinary shares. Preference shares will be first in the distribution priorities (payments and dividends). There are no further restrictions between the two types of shares.

Called up share capital and share premium have been restated to correct for a prior period errors. The impact of the first restatement and resulting correction on prior year is to increase called up share capital by £4 and reduce share premium by £4. This error also affects the number of ordinary shares allotted and fully paid and the impact of the correction is to increase the prior year number of ordinary shares allotted and fully paid by 4,000.

The second restatement is due to a reclassification of preference shares as ordinary shares in the prior year. The impact of the resulting correction is to increase the number of preferences shares by 25,000 which equates to an amount of £25 and decrease the number of ordinary shares by 25,000 which equates to an amount of £25 and decrease the number of ordinary shares by 25,000 which equates to £25. This correction has no impact on the total called up share capital.

The second reclassification referred to above follows the decision of the High Court dated 8 March 2023 which determined that a reclassification of Preference Shares as Ordinary Shares purported to have taken place on or about 7 June 2022 was void and of no effect. That decision is subject to an appeal, the outcome of which is awaited.

23. Reserves

Share capital represents the nominal value of the shares that have been issued.

Share premium consists of proceeds received in addition to the nominal value of the shares issued.

Profit and loss account includes all current and prior period profits and losses.

Other reserves

This refers to the cumulative amount of the fair value of the share options that are expected to vest.

24. Notes to the statement of cash flows

	Note	2022 £	2021 £
Profit/(loss) for the financial year		3,441,855	*(45,304,144)*
Adjustments for:			
Tax on profit/(loss)		84,315	*(544,961)*
Net interest expense		29,700	*28,670*
Profit/(loss) before interest and tax		3,555,870	*(45,820,435)*
Amortisation and impairment of intangible assets		862,788	*160,849*
Depreciation and impairment of tangible assets		26,711,286	*14,336,054*
Share based payment charge		261,556	*370,504*
Costs of share issue		-	*1,794,731*
Other provisions less payments		(274,488)	*1,969,474*
Working capital movements:			
Increase in inventories		(282,489)	(2,600,877)
Decrease/(increase) in debtors		3,911,244	(484,671)
(Decrease)/increase in payables		(51,101,954)	39,544,560
Cash flow from operating activities		(16,356,187)	*9,270,189*

Analysis of changes in net funds	1 August 2021 £	Cash flow £	**31 July 2022** £
Cash at bank and in hand	25,176,224	(20,451,817)	**4,724,407**
Cash and cash equivalents	**25,176,224**	**(20,451,817)**	**4,724,407**

25. Contingent liabilities

The Company is party to a significant legal claim from Ventura Capital GP Limited, a shareholder. The Directors believe that the Company has a good defence. Consequently, no liability has been recorded for this claim. The Company also has a counter claim against Ventura. As the outcome of this claim is uncertain no recovery has been included in these financial statements. No cash flows associated with this claim have been assumed in the cash flow forecasts prepared to assess whether the Company is a going concern.

The Company had no contingent liabilities as at 31 July 2022.

26. Capital commitments

The Company has capital commitments as at 31 July 2022 of £3,081,303.55 (*at 31 July 2021 £3,609.063*) in relation to disputed capital expenditure purchase orders to our manufacturer in Ireland

27. Commitments under operating leases

At 31 July 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022	2021
	£	£
Less than 1 year	**1,295,940**	*1,295,940*
More than 1 year and not later than 5 years	**2,704,593**	*3,554,593*
More than 5 years	**445,940**	*891,880*
	4,446,473	*5,742,413*

The Company has recognised lease payments during the year of £1,119,319 *(2021: £1,119,319)*.

28. Share-based payments

The company operates a share-based payment scheme for its employees.

Key-employee share option scheme

Certain employees participate in the key-employee share option scheme which provides additional remuneration for those employees who are key to the operations of the company. The options are granted with an exercise price equaling the nominal value of the shares, are exercisable three years after the date of grant and expire ten years after the date of grant. Employees are not entitled to dividends until the options are exercised. Vesting of the options is subject to continued employment within the company.

	2022	2022 £	*2021*	*2021 £*
	No.	Weighted Average Exercise Price	*No.*	*Weighted Average Exercise Price*
Outstanding at 1 August 2021	**21,860**	498	*18,677*	*104*
Granted	**250**	1,000	*8,160*	*1,096*
Forfeited	**(3,065)**	1,128	*(4,977)*	*250*
Outstanding at 31 July 2022	**19,045**	407	*21,860*	*498*
Exercisable at 31 July 2022	**4,602**	396	*0*	*0*

The company is unable to directly measure the fair value of employee services received.
Instead, the fair value of the share options granted during the year is determined using the Black-Scholes model. The model is internationally recognised as being appropriate to value similar employee share schemes.
The Company has recognised share based expense during the year of £261,554 *(2021: £370,504)*

29. Related party transactions

The following related party transaction took place during the year.
The Company has paid employees that are the offspring of Directors £68,117.39 during the year *(2021:£76,443)*. There is no amount outstanding at the year-end *(2021: £Nil)*

30. Controlling party

The Company is controlled by C. Toumazou by virtue of his shareholding

31. Post balance sheet events

Subsequent to the year end the Company received a significant claim from a supplier in relation to a contractual dispute. The Company has made a counter claim against the supplier. This dispute is at an early stage and no accounting entries have been reflected in these financial statements as this claim arose after the period end.

In October 2022 £7.9m of 3 year convertible loan notes were issued. At the year end a proportion of this was paid up which have been classified as deposits at 31 July 2022 until they were subsequently converted into loan notes in October 2022.

In May 2023 the Company invited its shareholders to subscribe for 3 year convertible loan notes. £3.5m of subscriptions were received.

The Directors are not aware of any other significant events affecting the Company since year end and up to the date of this report.