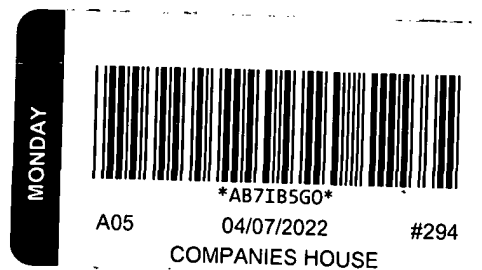


Registered number: 09758999

DNAE DIAGNOSTICS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



DNAE DIAGNOSTICS LIMITED

COMPANY INFORMATION

Directors	K H Tan C Toumazou
Company secretary	Oakwood Corporate Secretary Limited (appointed 15 September 2020)
Registered Number	09758999
Registered Office	Scale Space 58 Wood Lane London W12 7RZ
Independent Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1st Floor One Valpy 20 Valpy Street Reading RG1 1AR
Bankers	Citigroup Centre 33 Canada Square Canary Wharf London E14 5LB
Solicitors	Dorsey and Whitney Europe LLP 199 Bishopsgate London EC2M 3UT

DNAE DIAGNOSTICS LIMITED

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DNAE DIAGNOSTICS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report and the financial statements for the year ended 31 December 2020.

Results

The loss for the year, after taxation, amounted to £18,164,591 (2019: loss £26,330,579).

Directors

The directors who served during the year were:

K H Tan
C Toumazou

Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DNAE DIAGNOSTICS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Going concern basis

The directors have adopted the going concern basis in preparing the financial statements. In assessing whether the going concern assumption is appropriate, the directors have taken into account all relevant available information about the future.

As part of the assessment, management have received confirmation from the parent company, DNAe Group Holdings Limited, that they will continue to support the company for at least the next twelve months from the date of approval of these financial statements. Management of DNAe Group Holdings Limited have prepared forecasts to 31 December 2022 and 1H 2023 on a group basis, which include forecasts for the company, and the effect of Covid 19 and the necessity to manage operations along Government guidelines going forward.

DNAe Group Holdings Limited and its subsidiaries, including DNAe Diagnostics Limited, is currently in the development phase of its business lifecycle and as is common with many research and development businesses, requires significant investment to fund its ongoing development. As with any business in the development phase, the expected timing of achievement of development milestones is difficult to predict and thereby preparing reliable forecasts is inherently uncertain.

At 31 December 2020 the Group headed by DNAe Group Holdings Limited had consolidated net liabilities of £137m and had made a consolidated loss of £30m for the year, due to on-going expenditure on research and development. DNAe Group Holdings Limited's activities have been funded in 2021 through cashflows under the Barda contract, royalty revenues and further loans from its majority shareholder and ultimate parent, Genting Berhad, a listed Malaysian company. These sources of funding covered the Group's cash needs. Following a review of milestones achieved during the second stage the contract with Barda, Barda confirmed in June 2020 funding for the third stage making \$13.9m available to the Group. The Group will require additional funding from 2023 and it is management's intention to initiate fundraising activities by re-engaging with potential strategic partners and investors. Given the track record the Group has of raising funds and its continuing efforts to develop relationships with potential strategic partners and investors, management are confident that the fundraising will be successful.

The Group headed by DNAe Group Holdings Limited has £107.5m of loans due to DNAe Group Holdings Limited's direct parent company, Edith Grove Limited, and associated company, Dragasac Limited, which are due for repayment over the next 12 months. There is an inability for the parent company and Group to generate sufficient free cash flows in order to repay the loans. It is the expectation of the parent company's directors that the loans will be refinanced as in previous years. However, nothing has been agreed as at the date of approval of the financial statements. This and the need for further funding in 2023 and beyond creates a material uncertainty that casts doubt on the company's and Group's ability to continue as a going concern.

The Group headed by DNAe Group Holdings Limited has cash funding of £34.9m committed by EGL which covers operating cash shortfall until the end of 2022, but not the full period of 12 months from the date of approval of the financial statements. The Group also has third-party borrowings of £25m which are due for repayment on demand. As at the date of approval of these financial statements the directors of the parent company have no reason to believe Genting Berhad will not continue to provide financial support as required for 12 months, including, if required the group's ability to repay the third-party borrowing, however, there can be no certainty that the financial support will continue. This situation creates a material uncertainty that casts significant doubt on the Company's and Group's ability to continue as a going concern.

The directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Company will be able to raise adequate financial resources to continue its operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

DNAE DIAGNOSTICS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 20/6/2022 and signed on its behalf.

Chris Toumazou
C Toumazou
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNAE DIAGNOSTICS LIMITED

Opinion

We have audited the financial statements of DNAe Diagnostics Limited (the 'company') for the year, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances set out in note to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that the company incurred a loss of £18,164,591 during the year ended 31 December 2020 and, as of that date, the company's current liabilities exceeded its total assets by £125,230,009. Management expect the company to require additional funding within the next 12 months, which has not yet been secured, in order to meet its operational plans. Management have noted that there is an inability for the company to generate sufficient free cash flows in order to repay its liabilities and to fund the ongoing operational expenditure and is therefore reliant on either continued financial support from other associated companies or the ability to raise new alternative sources of finance. As stated in note 2.3 in the financial statements, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNAE DIAGNOSTICS LIMITED
(CONTINUED)**

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNAE DIAGNOSTICS LIMITED
(CONTINUED)**

Responsibilities of 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 and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 Auditor's 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.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and industry in which it operates through our commercial and sector experience; making enquiries of management and those charged with governance; and inspection of the company's key external correspondence. We corroborated our enquiries through our review of board minutes and other information obtained during the course of the audit.
- Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks including United Kingdom Accounting Standards including Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNAE DIAGNOSTICS LIMITED
(CONTINUED)**

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas of development costs capitalisation; potential management bias in determining accounting estimates, especially in relation to the amounts held on the balance sheet for taxation claims resulting from research and development activity; and through management override of controls.
- Our audit procedures included:
 - Making enquiries of management concerning the company's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations. We considered whether there is a culture of honesty and ethical behaviour within the company and whether there is a strong emphasis of prevention and deterrence of fraud amongst those charged with governance. We also enquired with management and those charged with governance whether they were aware of any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual, suspected, or alleged fraud.
 - Gaining an understanding of the controls that management has in place to prevent and detect fraud;
 - Challenging significant accounting assumptions, estimates and judgements made by management, including those relevant to estimation and judgemental areas; potential management bias in determining accounting estimates, especially in relation to the amounts held on the balance sheet for taxation claims resulting from research and development activity; and through management override of controls;
 - Using data interrogation software and our understanding of the company to identify and test large or unusual journal entries which may indicate a higher risk of fraud;
 - Gaining an understanding of and testing significant identified related party transactions;
 - Assessing the extent of compliance with the relevant laws and regulations as part of our audit procedures on the related financial statement item; and
 - Performing audit procedures to consider the compliance of disclosures in the financial statements with applicable financial reporting requirements.
- Our audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNAE DIAGNOSTICS LIMITED
(CONTINUED)**

- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - Knowledge of the industry in which the company operates; and
 - Understanding of the relevant legal and regulatory frameworks specific to the company including: the provisions of the applicable legislation; the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules; and the applicable statutory provisions.
 - Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in relation to the estimation and judgemental areas of recognition of revenue; potential management bias in determining accounting estimates, especially in relation to the amounts held on the balance sheet for taxation claims resulting from research and development activity; and through management override of controls in the preparation of the financial statements.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Paul Holland BSc BFP FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading

Date: 20/6/2022

DNAE DIAGNOSTICS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Administrative expenses		(11,895,184)	(20,708,468)
Exceptional charge - provision against inter-company balance		-	(2,077,825)
Operating loss	4	(11,895,184)	(22,786,293)
Interest payable and expenses	7	(6,765,733)	(5,092,551)
Loss before tax		(18,660,917)	(27,878,844)
Tax on loss	8	496,326	1,548,265
Loss for the financial year		(18,164,591)	(26,330,579)
 Total comprehensive loss for the year		 (18,164,591)	 (26,330,579)

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 12 to 24 form part of these financial statements.

DNAE DIAGNOSTICS LIMITED
REGISTERED NUMBER:09758999

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	10	239,264	131,403
Tangible assets	11	366,426	653,884
		<u>605,690</u>	<u>785,287</u>
Current assets			
Debtors: amounts falling due within one year	12	2,230,375	4,156,924
Cash at bank and in hand	13	340,304	183,125
		<u>2,570,679</u>	<u>4,340,049</u>
Creditors: amounts falling due within one year	14	(128,406,378)	(112,190,754)
Net current liabilities		<u>(125,835,699)</u>	<u>(107,850,705)</u>
Total assets less current liabilities		<u>(125,230,009)</u>	<u>(107,065,418)</u>
Net liabilities		<u>(125,230,009)</u>	<u>(107,065,418)</u>
Capital and reserves			
Called up share capital	16	100	100
Profit and loss account	15	(125,230,109)	(107,065,518)
		<u>(125,230,009)</u>	<u>(107,065,418)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20/6/2022

Chris Toumazou
C Toumazou
 Director

The notes on pages 12 to 24 form part of these financial statements.

DNAE DIAGNOSTICS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital £	Retained earnings £	Total equity £
At 1 January 2020	100	(107,065,518)	(107,065,418)
Loss for the year	-	(18,164,591)	(18,164,591)
Total comprehensive income for the year	-	(18,164,591)	(18,164,591)
At 31 December 2020	100	(125,230,109)	(125,230,009)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital £	Retained earnings £	Total equity £
At 1 January 2019	100	(80,734,939)	(80,734,839)
Loss for the year	-	(26,330,579)	(26,330,579)
Total comprehensive income for the year	-	(26,330,579)	(26,330,579)
At 31 December 2019	100	(107,065,518)	(107,065,418)

The notes on pages 12 to 24 form part of these financial statements.

DNAE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. General information

DNAe Diagnostics Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Scale Space, 58 Wood Lane, London, W12 7RZ.

The principal activity of DNAe Diagnostics Limited is research and experimental development on biotechnology.

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 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 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 Financial Reporting Standard 101 - reduced disclosure exemptions

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- A statement of cash flows and related notes
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group
- Presentation of comparative reconciliation's for property, plant and equipment,
- Disclosure of key management personnel compensation
- Capital management disclosures
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- The effect of future accounting standards not adopted
- Disclosures in respect of financial instruments

DNAE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.3 Going concern**

The directors have adopted the going concern basis in preparing the financial statements. In assessing whether the going concern assumption is appropriate, the directors have taken into account all relevant available information about the future.

As part of the assessment, management have received confirmation from the parent company, DNAe Group Holdings Limited, that they will continue to support the company for at least the next twelve months from the date of approval of these financial statements. Management of DNAe Group Holdings Limited have prepared forecasts to 31 December 2022 and 1H 2023 on a group basis, which include forecasts for the company, and the effect of Covid 19 and the necessity to manage operations along Government guidelines going forward.

DNAe Group Holdings Limited and its subsidiaries, including DNAe Diagnostics Limited, is currently in the development phase of its business lifecycle and as is common with many research and development businesses, requires significant investment to fund its ongoing development. As with any business in the development phase, the expected timing of achievement of development milestones is difficult to predict and thereby preparing reliable forecasts is inherently uncertain.

At 31 December 2020 the Group headed by DNAe Group Holdings Limited had consolidated net liabilities of £137m and had made a consolidated loss of £30m for the year, due to on-going expenditure on research and development. DNAe Group Holdings Limited's activities have been funded in 2021 through cashflows under the Barda contract, royalty revenues and further loans from its majority shareholder and ultimate parent, Genting Berhad, a listed Malaysian company. These sources of funding covered the Group's cash needs. Following a review of milestones achieved during the second stage the contract with Barda, Barda confirmed in June 2020 funding for the third stage making \$13.9m available to the Group. The Group will require additional funding from 2023 and it is management's intention to initiate fundraising activities by re-engaging with potential strategic partners and investors. Given the track record the Group has of raising funds and its continuing efforts to develop relationships with potential strategic partners and investors, management are confident that the fundraising will be successful.

The Group headed by DNAe Group Holdings Limited has £107.5m of loans due to DNAe Group Holdings Limited's direct parent company, Edith Grove Limited, and associated company, Dragasac Limited, which are due for repayment over the next 12 months. There is an inability for the parent company and Group to generate sufficient free cash flows in order to repay the loans. It is the expectation of the parent company's directors that the loans will be refinanced as in previous years. However, nothing has been agreed as at the date of approval of the financial statements. This and the need for further funding in 2023 and beyond creates a material uncertainty that casts doubt on the company's and Group's ability to continue as a going concern.

The Group headed by DNAe Group Holdings Limited has cash funding of £34.9m committed by EGL which covers operating cash shortfall until the end of 2022, but not the full period of 12 months from the date of approval of the financial statements. The Group also has third-party borrowings of £25m which are due for repayment on demand. As at the date of approval of these financial statements the directors of the parent company have no reason to believe Genting Berhad will not continue to provide financial support as required for 12 months, including, if required the group's ability to repay the third-party borrowing, however, there can be no certainty that the financial support will continue. This situation creates a material uncertainty that casts significant doubt on the Company's and Group's ability to continue as a going concern.

DNAE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.3 Going concern (continued)**

The directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Company will be able to raise adequate financial resources to continue its operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

2.4 Intangible assets

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

Intangible assets are amortised on a straight line basis over their useful economic life of 20 years.

2.5 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 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:

Lab Equipment	- 3 years straight line
Fixtures and fittings	- 3 years straight line
Computer equipment	- 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 profit or loss.

DNAE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.6 Research and development costs**

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Costs that are directly attributable to the development phase of new customised technologies are recognised as intangible assets provided they meet the following recognition requirements:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the company intends to complete the intangible asset and use or sell it;
- the company has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

DNAE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.9 Financial instruments (continued)****Impairment of financial assets**

The company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities**Fair value through profit or loss**

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.10 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

DNAE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**2.11 Foreign currency translation****Functional and presentation currency**

The company's functional and presentational currency is GBP.

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 profit or loss 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 profit or loss within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the Statement of comprehensive income 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.

2.13 Interest income

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

DNAE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 of assets 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.

2.15 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

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

Preparation of the financial statements requires management to make significant judgments and estimates. The items in the financial statements where these judgments and estimates have been made include:

Development costs

Management consider whether any development costs meet the criteria for capitalisation as intangible assets and make judgments as part of this process.

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**4. Operating loss**

The operating loss is stated after charging:

	2020 £	2019 £
Research & development charged as an expense	3,416,903	8,929,131
Depreciation of tangible fixed assets (note 11)	406,797	444,133
Amortisation of intangible assets, including goodwill (note 10)	9,590	5,496
Exchange differences	(2,372,872)	(410,611)

5. Auditors' remuneration

The audit fee was borne by the parent company.

6. Employees

The company has no employees other than the directors, who did not received any remuneration (2019: £Nil).

The directors are remunerated through DNAe Group Holdings Limited.

7. Interest payable and similar expenses

	2020 £	2019 £
Other loan interest payable	569,796	392,042
Loans from group undertakings	6,195,937	4,700,509
	<u>6,765,733</u>	<u>5,092,551</u>

8. Taxation

	2020 £	2019 £
Corporation tax		
Research and development tax credit	(496,326)	(686,698)
Adjustments in respect of previous periods	-	(861,567)
	<u>(496,326)</u>	<u>(1,548,265)</u>
Total current tax	<u>(496,326)</u>	<u>(1,548,265)</u>

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019: *higher than*) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Loss on ordinary activities before tax	(18,660,917)	(27,878,844)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(3,545,574)	(5,296,980)
Effects of:		
Deferred tax not recognised	2,805,565	2,783,997
Adjustment closing deferred tax to average rate of 19%	-	1,871,409
Adjustment opening deferred tax to average rate of 19%	-	(1,543,102)
Research and Development Tax credits	(496,287)	(686,698)
Expenses not deductible	1,177,228	1,640,145
Adjustments in respect of prior periods	-	(861,567)
Group relief	1,470,397	544,531
Fixed asset differences	226	-
Remeasurement of deferred tax	(1,907,881)	-
Total tax charge for the year	(496,326)	(1,548,265)

Factors that may affect future tax charges

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the UK corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020 so the unrecognised UK deferred tax balances have been measured at 19% (recognised: £nil). In the Spring Budget 2021, the UK Government announced that the headline UK corporation tax rate would increase from 19% to 25% from 1 April 2023 on profits in excess of £250,000. As this new law had not been substantively enacted at the balance sheet date current tax is calculated at 19%.

The Company has tax losses of £98.8 (2019: £92.7m) and fixed asset differences of £1.3 (2019: £0.9m) for which no deferred tax asset has been recognised due to uncertainty over future recoverability. The unrecognised deferred tax asset is £19.0 (2019: £15.9m).

DNAE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

9. Exceptional items

	2020 £	2019 £
Provision against amounts owed by group undertaking	-	2,077,825

10. Intangible assets

	Patents, Trademarks & Other IP rights £
Cost	
At 1 January 2020	139,097
Additions	117,451
At 31 December 2020	256,548
Amortisation	
At 1 January 2020	7,694
Charge for the year on owned assets	9,590
At 31 December 2020	17,284
Net book value	
At 31 December 2020	239,264
At 31 December 2019	131,403

Amortisation on intangible assets is charged to admin expenses.

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11. Tangible fixed assets

	Lab Equipment £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2020	1,458,376	2,210	76,728	1,537,314
Additions	119,339	-	-	119,339
At 31 December 2020	1,577,715	2,210	76,728	1,656,653
Depreciation				
At 1 January 2020	847,872	532	35,026	883,430
Charge for the year on owned assets	379,818	737	26,242	406,797
At 31 December 2020	1,227,690	1,269	61,268	1,290,227
Net book value				
At 31 December 2020	350,025	941	15,460	366,426
At 31 December 2019	610,504	1,678	41,702	653,884

12. Debtors

	2020 £	2019 £
Amounts owed by group undertakings	862,263	663,201
VAT	69,559	1,137,405
Prepayments and accrued income	122,146	105,485
Research and development tax credit receivable	1,176,407	2,250,833
	<u>2,230,375</u>	<u>4,156,924</u>

13. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>340,304</u>	<u>183,125</u>

DNAE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Creditors: Amounts falling due within one year

	2020 £	2019 £
Other loans	25,071,655	25,040,318
Trade creditors	48,373	771,564
Amounts owed to group undertakings	86,489,560	70,156,580
Amounts owed to other participating interests	16,750,199	16,089,669
Accruals and deferred income	46,591	132,623
	<u>128,406,378</u>	<u>112,190,754</u>

Amounts owed to group undertakings are repayable on demand and attract interest at 5%.

The bank loan is repayable on demand and attracts interest at 1.55%

Amounts owed to related parties were due for repayment in March 2020 and have an effective interest rate of 10%.

15. Reserves**Profit and loss account**

Profit and loss account includes all current and prior year retained profits and losses.

16. Share capital

	2020 £	2019 £
Shares classified as equity		
Allotted, called up and fully paid		
100 (2019: 100) Ordinary shares of £1.00 each	<u>100</u>	<u>100</u>

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

17. Related party transactions

At the year end £16,750,199 (2019: £16,089,669) was owed to Edith Grove Limited, a related party by virtue of its majority shareholding in the company's parent undertaking, DNAe Group Holdings Limited. Further details are given in note 14.

DNAE DIAGNOSTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

18. Controlling party

The directors consider that the ultimate controlling party is Genting Berhad, a listed Malaysian group, due to that company's indirect interest in the preference shares of the immediate parent company, DNAe Group Holdings Limited, outstanding at the year end.