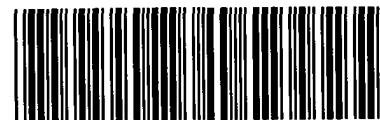

DNAE DIAGNOSTICS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

FRIDAY



ABVMJG17

A03

20/01/2023

#286

COMPANIES HOUSE

DNAE DIAGNOSTICS LIMITED

COMPANY INFORMATION

Directors	K H Tan C Toumazou
Company secretary	Oakwood Corporate Secretary Limited
Registered number	09758999
Registered office	Scale Space 58 Wood Lane London W12 7RZ
Independent auditor	CLA Evelyn Partners Limited Chartered Accountants & Statutory Auditor 45 Gresham Street London EC2V 7BG
Bankers	Citigroup Centre 33 Canada Square Canary Wharf London E14 5LB
Solicitors	Simmons & Simmons LLP 1 Ropemaker Street London EC2 9SS

DNAE DIAGNOSTICS LIMITED

CONTENTS

	Page
Directors' Report	1
Directors' Responsibilities Statement	2
Independent Auditor's Report	3 - 7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 23

DNAE DIAGNOSTICS LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors

The directors who served during the year were:

K H Tan
C Toumazou

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

A zero coupon note totalling \$26.35m in redemption value and maturing on 30 June 2022 has been refinanced for one additional year.

Auditor

The auditor, CLA Evelyn Partners Limited, was appointed during the year and will be proposed for appointment 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 and signed on its behalf.

C Toumazou
C Toumazou (Jan 19, 2023 12:33 GMT)

C Toumazou
Director

Date: 19/01/2023

DNAE DIAGNOSTICS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 of the Company and of the 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; 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 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 to 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.

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 ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2021 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 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.

DNAE DIAGNOSTICS LIMITED

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

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that at 31 December 2021 the Company incurred a total comprehensive loss of £24.6m and the Company had net current liabilities of £150.3m. Management expect the Company to require additional funding within the next 12 months, in order to meet its operational plans.

The Company has £18.6m worth of loans due to its ultimate parent company (Edith Grove Limited) that are due for repayment over the next 12 months. It is the expectation of the 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.

In addition, management have noted that there is an inability for the Company to generate sufficient free cash flows to repay these loans and to fund ongoing operational expenditure and is therefore reliant on continued financial support from its parent company (DNAe Group Holdings Limited). However, the DNAe Group Holdings are reliant on unconfirmed financial support from their intermediate and ultimate parent company.

This gives rise to a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Notwithstanding the above, 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.

Other information

The other information comprises the information included in the Directors' Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Directors' Report and Financial Statements. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

DNAE DIAGNOSTICS LIMITED

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

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.

Matters on which we are required to report by exception

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.

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 exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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.

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

DNAE DIAGNOSTICS LIMITED

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

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

- We obtained a general understanding of the Company's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for any claims that may arise.
- We understand that the Company complies with the framework through:
- Outsourcing accounts preparation and tax compliance to external experts.
- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change.
- Requiring all employees to read and follow the operating manuals, and attend ad-hoc training as requirements change.
- In the context of the audit, The Companies Act 2006, UK-adopted international accounting standards, and FRS 101 in respect of the preparation and presentation of the financial statements are the significant laws and regulations which determine the form and content of the financial statements
- UK taxation law.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The key area of discussion was regarding the potential manipulation of the financial statements, especially revenue, via fraudulent journal entries, particularly as the size of the company means that there is little opportunity for segregation of duties.

These areas were communicated to the other members of the engagement team not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Challenging management regarding the assumptions used in the estimates identified above, and comparison to post-year-end data as appropriate.
- Understanding the Company's capabilities to continue as a going concern, and how they will continue to be funded and supported going forward.
- Ensuring the loan balances held at yearend are correct, and that they have been appropriately recognised when being refinanced in the year.
- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts and those posted at unusual times.

Overall, the senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities. 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.

DNAE DIAGNOSTICS LIMITED

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

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.



Avinash Heeralall (Jan 19, 2023 13:59 GMT)

Avinash Heeralall (Senior Statutory Auditor)

for and on behalf of

CLA Evelyn Partners Limited

Chartered Accountants

Statutory Auditor

45 Gresham Street

London

EC2V 7BG

Date: 19/01/2023

DNAE DIAGNOSTICS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover		4,331,445	-
Gross profit		4,331,445	-
Administrative expenses		(22,020,475)	(11,895,184)
Operating loss	4	(17,689,030)	(11,895,184)
Interest payable and similar expenses	7	(7,416,542)	(6,765,733)
Loss before tax		(25,105,572)	(18,660,917)
Tax on loss	8	553,607	496,326
Loss for the financial year		(24,551,965)	(18,164,591)

There was no other comprehensive income for 2021 (2020 - £Nil).

The notes on pages 11 to 23 form part of these financial statements.

DNAE DIAGNOSTICS LIMITED
REGISTERED NUMBER:09758999

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	9	297,462	239,264
Tangible assets	10	175,163	366,426
		<u>472,625</u>	<u>605,690</u>
Current assets			
Debtors: amounts falling due within one year	11	3,092,720	2,230,375
Cash at bank and in hand		180,524	340,304
		<u>3,273,244</u>	<u>2,570,679</u>
Creditors: amounts falling due within one year	12	(153,527,843)	(128,406,378)
Net current liabilities		<u>(150,254,599)</u>	<u>(125,835,699)</u>
Net liabilities		<u>(149,781,974)</u>	<u>(125,230,009)</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	(149,782,074)	(125,230,109)
Shareholders' deficit		<u>(149,781,974)</u>	<u>(125,230,009)</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

C Toumazou
C Toumazou (Jan 19, 2023 12:33 GMT)

C Toumazou
Director

Date: 19/01/2023

The notes on pages 11 to 23 form part of these financial statements.

DNAE DIAGNOSTICS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £	Profit and loss * account £	Total equity £
At 1 January 2020	100	(107,065,518)	(107,065,418)
Comprehensive income for the year			
Loss for the year	-	(18,164,591)	(18,164,591)
At 1 January 2021	100	(125,230,109)	125,230,009
Comprehensive income for the year			
Loss for the year	-	(24,551,965)	(24,551,965)
At 31 December 2021	100	(149,782,074)	(149,781,974)

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

DNAe Diagnostics Limited is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 09758999). The registered office address is 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

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

This information is included in the consolidated financial statements of DNAe Group Holdings Limited as at 31 December 2021 and these financial statements may be obtained from Scale Space, 58 Wood Lane, London, W12 7RZ.

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 January 2024 on a group basis, which include forecasts for the Company. However, these forecasts indicate that the group (and parent company) are reliant on unconfirmed financial support from their intermediate and ultimate parent company.

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.

As at 31 December 2021, the Company recorded a total comprehensive loss of £24.6m and had net current liabilities of £150.3m. The Company has £18.6m of loans due to Edith Grove Limited (the parent company of DNAe Group Holdings Limited).

There is an inability for the Company to generate sufficient free cash flows in order to repay the loans. It is the expectation of the 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 reliance for financial support from the parent company (which in turn is reliant on unconfirmed financial support) in 2023 and beyond creates a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern, and therefore the Company may be unable to realise their assets and discharge their liabilities as they fall due.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the parent company will be able to raise adequate financial resources to continue in operational existence for the foreseeable future, and the directors have assurance from the directors of the parent company that such support will be extended to the Company. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

In addition, as at the date of approval of these financial statements the directors of the parent company have no reason to believe Genting Berhad (their ultimate parent company) will not continue to provide financial support as required to the parent company for 12 months, including, if required the group's ability to repay any third-party borrowings. However, there can be no certainty that the financial support will continue. In turn, the directors of the parent company have confirmed they will continue to extend such support (as required) to the Company.

For these reasons, the Company continue to adopt the going concern basis in preparing the annual report and accounts. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 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.

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover 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 turnover is recognised:

Rendering of services

Turnover from providing services is recognised in the accounting period in which the services are rendered.

Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. For service contracts including a goods element, turnover for the separate good is recognised at a point in time when the good is delivered, the legal title has passed and the customer has accepted the good.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 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.

2.9 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.

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.10 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 2021

2. Accounting policies (continued)

2.11 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.

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.

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.11 Financial instruments (continued)

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.

2.12 Taxation

Tax is recognised in profit or loss 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.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The judgements, estimates and assumptions are evaluated at each reporting date and are based on historical experience as adjusted for current market conditions and other factors. Management makes estimates and assumptions concerning the future in preparing the financial statements and the actual results will not always reflect the accounting estimates made. The estimates and assumptions that had a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Company are outlined below.

Development costs

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

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. Operating loss

The operating loss is stated after charging/(crediting):

	2021 £	2020 £
Research & development charged as an expense	6,647,408	3,416,903
Exchange differences	537,261	(2,372,872)
	<u>7,184,669</u>	<u>1,044,031</u>

5. Auditor's remuneration

The audit fee was borne by the parent company.

6. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2020 - £Nil).

The directors are remunerated through DNAe Group Holdings Limited.

7. Interest payable and similar expenses

	2021 £	2020 £
Other loan interest payable	667,626	569,796
Loans from related interests	1,650,941	-
Loans from group undertakings	5,097,975	6,195,937
	<u>7,416,542</u>	<u>6,765,733</u>

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

8. Taxation

	2021 £	2020 £
Corporation tax		
Research and development tax credit	(553,607)	(496,326)
	<u>(553,607)</u>	<u>(496,326)</u>
Taxation on loss on ordinary activities	<u>(553,607)</u>	<u>(496,326)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - *higher than*) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	(25,105,572)	(18,660,917)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(4,770,059)	(3,545,574)
Effects of:		
Deferred tax not recognised	11,534,605	2,805,565
Expenses not deductible	1,384,374	1,177,228
Fixed asset differences	-	226
Research and development tax credits	-	(496,287)
Group relief	-	1,470,397
Remeasurement of deferred tax	(8,702,527)	(1,907,881)
Total tax credit for the year	<u>(553,607)</u>	<u>(496,326)</u>

Factors that may affect future tax charges

Finance Act 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023.

The Company has tax losses of £120.7m (2020 - £98.8m) and fixed asset differences of £1.6m (2020 - £1.3m) for which no deferred tax asset has been recognised due to uncertainty over future recoverability. The unrecognised deferred tax asset is £30.6m (2020 - £19.0m).

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

9. Intangible assets

	Patents, Trademarks & Other IP rights £
Cost	
At 1 January 2021	256,548
Additions	80,427
Disposals	(8,646)
At 31 December 2021	<u>328,329</u>
Amortisation	
At 1 January 2021	17,284
Charge for the year	14,434
On disposals	(851)
At 31 December 2021	<u>30,867</u>
Net book value	
At 31 December 2021	<u><u>297,462</u></u>
At 31 December 2020	<u><u>239,264</u></u>

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10. Tangible fixed assets

	Lab equipment £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2021	1,577,715	2,210	76,728	1,656,653
Additions	73,266	-	-	73,266
At 31 December 2021	1,650,981	2,210	76,728	1,729,919
Depreciation				
At 1 January 2021	1,227,690	1,269	61,268	1,290,227
Charge for the year	248,333	736	15,460	264,529
At 31 December 2021	1,476,023	2,005	76,728	1,554,756
Net book value				
At 31 December 2021	174,958	205	-	175,163
At 31 December 2020	350,025	941	15,460	366,426

11. Debtors

	2021 £	2020 £
Amounts owed by group undertakings	699,916	862,263
Research and development tax credit receivable	1,730,014	1,176,407
Prepayments and accrued income	526,397	122,146
VAT	136,393	69,559
	3,092,720	2,230,375

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. Creditors: Amounts falling due within one year

	2021 £	2020 £
Other loans	25,065,681	25,071,655
Trade creditors	41,502	48,373
Amounts owed to group undertakings	108,860,241	86,489,560
Amounts owed to other participating interests	18,614,070	16,750,199
Accruals and deferred income	946,349	46,591
	<u>153,527,843</u>	<u>128,406,378</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 SONIA + 2.7193%.

Amounts owed to related parties were due for repayment in March 2021 and have an effective interest rate of 10%.

13. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
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.

14. Reserves

Profit and loss account

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

15. Related party transactions

At the year end £18,614,070 (2020 - £16,750,199) 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 12.

DNAE DIAGNOSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

16. Post balance sheet events

A zero coupon note totalling \$26.35m in redemption value and maturing on 30 June 2022 has been refinanced for one additional year.

17. Controlling party

The immediate parent undertaking is DNAe Group Holdings Limited, a company registered in England and Wales.

The ultimate parent undertaking is Edith Grove Limited, a company registered in England and Wales.

The smallest and largest group of undertakings for which group accounts for the year ending 31 December 2021 have been drawn up, is that headed by DNAe Group Holdings Limited. The registered office address of DNAe Group Holdings Limited is Scale Space, 58 Wood Lane, London, W12 7RZ.

The directors consider that the ultimate controlling party is Genting Berhad, a listed Malaysian company, due to that parent company's indirect interest in the preference shares and ordinary shares outstanding at the year end.