RNS Number : 0248M
Verici Dx PLC
19 May 2022

Verici Dx plc
("**Verici Dx**" or the "**Company**")

Final Results and Post Year-End Update

Well placed and funded to build on excellent progress to date
Positioned to have a commercial-stage product by end of 2022

Verici Dx plc (AIM: VRCI), a developer of advanced clinical diagnostics for organ transplant, announces its audited final results for the period ended 31 December 2021. In addition, the Company provides a further update on its progress in 2022 to date and summarises expected next steps for the progression of its product portfolio, which now comprises:

- **Clarava™**, a pre-transplant prognosis test for the risk of early acute rejection;
- **Tuteva™**, a post-transplant test focused upon acute cellular rejection, including sub-clinical rejection; and
- **Protega™,** a liquid biopsy that aims to predict the risk of fibrosis and long-term graft failure.

Strategic and operational highlights

- In January 2021, expanded the scope of licence agreement with Mount Sinai to include an additional patent filing; this formed the basis of the Company's Protega™ product and broadened the Verici Dx portfolio;
- In July 2021, received CLIA-certification[1] from the Centres for Medicare & Medicaid Services (CMS) for the clinical laboratory in Franklin, Tennessee, ahead of schedule, allowing the Company to initiate operations as a diagnostic laboratory;
- In April 2021, entered into an agreement to allow access to de-identified samples from the CTOT-19 study[2], to further validate the clinical performance of Clarava™ and Tuteva™ and providing data for an independent publication in 2022. The Company also agreed to provide full transcriptomic sequencing for all patient samples in the study to facilitate further studies and to increase the pace of innovation in transplantation;
- Completed the testing requirements of the multi-centre validation study for the two lead products, Clarava™ and Tuteva™ in December 2021.
  - An extension in April 2022 ensured that the studies exceeded their enrolment objectives in terms of numbers of sites and participants, assuring a robust data package for analysis;
  - Successful recruitment is now paving the way for efficient clinical validation work on the next study for Protega™ and further studies on the integration of all products into an integrated suite of transplant testing.

Financial highlights

- Adjusted EBITDA[4] loss of $7.1m (2020: loss of $1.4m)
- Cash balance at 31 December 2021 of $10.3m (2020: $17.8m)

- On 11 March 2022 the Company closed a successful funding of gross GBP10.m by the issue of 28,571,429 new ordinary shares

Post-period end

- In January 2022, received, ahead of schedule, CPT® Proprietary Laboratory Analyses ("PLA") codes[3] for Clarava™ and Tuteva™;
- Announced a collaboration with Illumina, Inc., to expedite the operational launch of data analysis processing and predictive artificial intelligence component of our products, using early access to the Illumina Connected Analytics (ICA) platform;
- Completed analytical validation for Clarava™ and Tuteva™ in February 2022, an essential element of defining the performance characteristics and platform capabilities of *in vitro* diagnostic assays and milestone towards commercialisation;
- Raised gross proceeds of £10.0m in March 2022 via Placing and Subscription (the "Fundraise").
- Successful headline results from multi-centre validation study for Tuteva™, establishing new industry standard in blood sample detection of acute kidney transplant rejection, positioning Tuteva™ for commercial launch later in 2022.

Commenting on the performance and outlook, Sara Barrington, Chief Executive Officer, said: "*We have been delighted with the progress that Verici Dx has made, both during 2021 and at the start of 2022, either delivering strongly or exceeding against the expectations and strategic milestones set out at IPO. We are well placed to continue this momentum throughout the rest of the year, and by the end of 2022 we will have firmly moved from being a research and development company to one with a commercial product.*

"*Following our March 2022 fundraise, we have the necessary resources to not only commercialise our well-differentiated core products, but also progress the development of Protega™, and to find new exciting growth opportunities. Our recent announcement regarding the positive headline data from our international validation study for Tuteva™ was a significant milestone, as it demonstrated the significantly higher Positive Predictive Value (PPV) of Tuteva™ versus currently available blood tests. This paves the way for a commercial launch in the United States later in 2022. We look forward to announcing the outcomes from the validation study for Clarava™ in the coming weeks.*

"*Over the rest of the year, a health economics model is expected to be completed to help support our imminent commercial launches, and we will also work to engage in clinical utility and real-world evidence studies to support adoption of our two lead products.*"

Notes:

1. The CLIA (Clinical Laboratory Improvement Amendments) regime is used by the Center for Medicare and Medicaid Services (CMS) to regulate laboratory testing in the US, and requires all clinical laboratories to be certified before they can accept human samples for diagnostic testing.
2. CTOT Home (ctotstudies.org) CTOT is a cooperative research programme sponsored by the National Institute of Allergy and Infectious Diseases (NIAID). CTOT is an investigative consortium for conducting clinical and associated mechanistic studies that will lead to improved outcomes for transplant recipients. The purpose of these studies is to improve short and long-term graft and patient survival.

3. PLA codes are CPT codes including a corresponding descriptor for laboratories or manufacturers wanting to identify a test more specifically.
4. Earnings before income tax, depreciation and amortisation, adjusted to exclude exceptional items.

Investor briefing

Sara Barrington, Chief Executive Officer, and David Anderson, Chief Financial Officer, will provide a live presentation relating to the Final Results and Post Year-End Update via the Investor Meet Company platform on Wednesday 25 May 2022 at 4.30pm (BST).

The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via your Investor Meet Company dashboard up until 9.00 am the day before the meeting or at any time during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet VERICI DX PLC via:
https://www.investormeetcompany.com/verici-dx-plc/register-investor

Investors who already follow Verici Dx plc on the Investor Meet Company platform will automatically be invited.

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About Verici Dx plc www.vericidx.com

Verici Dx is a developer of a complementary suite of leading-edge tests forming a kidney transplant platform for personalised patient and organ response risk to assist clinicians in medical management for improved patient outcomes. The underlying technology is based upon artificial intelligence assisted transcriptomic analysis to provide RNA signatures focused upon the immune response and other biological pathway signals critical for transplant prognosis of risk of injury, rejection and graft failure from pre-transplant to late stage. The Company also has a mission to accelerate the pace of innovation by research using the fully characterised data from the underlying technology and through collaboration with medical device, biopharmaceutical and data science partners.

The foundational research was driven by a deep understanding of cell-mediated immunity and is enabled by access to expertly curated collaborative studies in highly informative cohorts in kidney transplant.

Forward-Looking Statements

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the

Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions security holders and prospective security holders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.

Chairman's Statement

I am pleased to report on the twelve months ended 31 December 2021 for Verici Dx plc, representing the first full year of the Company being listed on AIM.

2021 was a year of significant progress against the strategy set out at IPO in November 2020, as we look to commercialise our platform of innovative kidney transplant tests. Along with our two lead products, Clarava™ and Tuteva™, we are also developing a third related product, Protega™, resulting from a January 2021 expansion of our licence agreement with Mount Sinai. Our full platform of tests will allow us to offer end-to-end testing for kidney transplant patients and their clinicians, enabling us to improve outcomes for patients and also establish a strong competitive advantage.

Our three products are:

- **Clarava™**, a pre-transplant prognosis test for the risk of early acute rejection;
- **Tuteva™**, a post-transplant test focused upon acute cellular rejection, including sub-clinical rejection; and
- **Protega™,** a liquid biopsy that aims to predict the risk of fibrosis and long-term graft failure.

There is an urgent clinical need in the kidney transplantation market. Globally, there are c. 300,000 people waiting for kidney transplants, with approximately c.100,000 transplants currently performed each year, of which c.24,000 are performed in the US and 25,000 in Europe.

During 2021, we completed all of our expected milestones either on time or ahead of schedule. We obtained a CLIA[1] Certification of Registration from the Centers for Medicare & Medicaid Services (CMS) for our US clinical laboratory in Franklin, Tennessee, ahead of schedule, a significant commercial step at it allows Verici to initiate operations as a diagnostic laboratory. We were also granted, ahead of schedule, CPT® Proprietary Laboratory Analyses codes for Clarava™ and Tuteva™ from the American Medical Association, which support the commercial use and tracking of these products within the US healthcare system. Critically, we completed the testing requirements of our multi-centre validation study for Clarava™ and Tuteva™ in December 2021, following a highly successful enrolment programme of partnering clinical sites and study participants over the course of the year; we exceeded our target numbers in both of these.

During the year, we appointed Lorenzo Gallon, MD, as Non-Executive Director, and Chair of Science Advisory Board. An expert in nephrology and hypertension as well as organ transplantation, Dr. Gallon is currently the Medical Director of the Translational Medicine Programme, the Director of International Relations and the Director of the Renal Transplant Fellowship at Northwestern University. Dr. Gallon's appointment followed the sad and untimely passing of Dr. Barbara Murphy, who was of course an integral part of the formation of Verici Dx and whose legacy lives on in the work she inspired.

Post-period end, Verici's momentum has continued in the early stages of 2022. Significantly, we recently announced that the headline results of our international multi-centre validation study for Tuteva™ have shown a highly positive outcome, vindicating our decision to prolong the final close of the trial for Tuteva™ and Clarava™ to ensure greater numbers of qualified European patients were eligible for inclusion in the full study results. We believe this establishes a new industry standard in the detection of acute kidney transplant rejection, and positions Tuteva™ for commercial launch in the United States later this year. In January, we established a collaboration with Illumina, Inc. (NASDAQ: ILMN), a leading developer, manufacturer, and marketer of life science tools and integrated systems for large scale analysis of genetic variation and function, whereby Verici gained early access to the Illumina Connected Analytics (ICA) platform. In February, we also announced the major milestone of successfully completing analytical validation for Clarava™ and Tuteva™.

We recently completed the Fundraise, procuring a further £10m in gross proceeds which will be used, along with our existing resources, to advance towards key milestones for Protega™, and continue to push the commercialisation strategy for Clarava™ and Tuteva™, whilst carrying out planned improvements to the CLIA approved laboratory. These laboratory upgrades will accelerate capabilities ahead of marketing the Company's two leading products.

We have been delighted with the progress of the Company in its first full year listed on AIM, and across the rest of 2022 we look forward to the read-out of the key findings from our multi-centre validation study for Clarava™, to further publications including on the fuller implications of the Tuteva™ validation study and continuing to work towards the commercial launch of both lead products, as well as performing the necessary steps to efficiently validate our third product, Protega™.

On behalf of the Board, I would like to thank our employees, shareholders and partners for their support, and we look forward to providing further updates on progress throughout the rest of the year.

Julian Baines
Non-executive Chairman

Chief Executive Officer's Report

In our first full year as a listed Company, Verici Dx has made great progress, achieving all of our milestones either on or ahead of schedule.

We believe we have unique products that support accurate, data-driven clinical decisions, such as the most appropriate immunosuppressive therapy for that patient. This has not only near-term scope to reduce the unnecessary and serious consequences from over- or under-dosing for immunosuppression in conjunction with kidney transplant, but also to improve the longevity of transplanted kidneys and, by reducing the risk and rate of transplant failure, much broader potential to deliver

huge health economic benefits by improving transplant outcomes.

Our platform of innovative kidney transplant tests use advanced next-generation sequencing that we believe can define a personalised risk profile for each patient.

With the expansion of our product portfolio to cover fibrosis, we aim to address the patient's entire transplant journey, from pre-transplant through to long-term risks, with a view to minimising the risk of transplant rejection.

Pipeline

Our two lead products, Clarava™ and Tuteva™, together with our third product Protega™, aim to understand how a patient will respond and is responding to a kidney transplant.

The three products are underpinned by extensive patented and published scientific research from the leading Mount Sinai Medical Center, for which the Company holds an exclusive worldwide licence. Patient enrolment for our collaborative, multi-centre observational clinical validation study, which we conducted alongside 14 leading US and EU medical centres in addition to Australia, was completed for Clarava™ and Tuteva™ in December 2021, in-line with expectations.

We recently announced highly positive data from the validation study for Tuteva™, with the test having demonstrated a significantly higher Positive Predictive Value ("PPV") than other currently available blood tests, without enhancement from clinical features. Importantly, the validation study utilised a generalised 'all-comers' patient population, rather than a specific subgroup. This means that we were able to test the power of Tuteva™ within a clinically realistic context that included all types of rejection, including sub-clinical, borderline, T Cell-mediated, and antibody-mediated rejection, across 14 international transplant centres. We believe that the highly positive results reflect the wide clinical applicability of the test for comprehensive commercial adoption in a real-world setting, and position Tuteva™ for commercial launch in the US later this year. We expect to receive the results from the validation study for Clarava™ in the coming weeks.

In July 2021, we achieved CLIA-certification for our newly established laboratory in Tennessee, a key step in commercialising our two lead products, subject to the successful conclusion of our validation studies.

Post-period end in January 2022, we were granted CPT® Proprietary Laboratory Analyses ("PLA") codes for both Clarava™ and Tuteva™. Receiving these codes, ahead of schedule, marked the first step on the path for commercial reimbursement for our two lead products. Reimbursement in the US is comprised of three components: code, price and coverage. CPT® codes offer health care professionals a uniform language for coding medical services and procedures and allows clinical laboratories to more specifically identify their tests when billing Medicare and commercial insurers.

Partnerships and agreements

In January 2021, we expanded the scope of our licence agreement with Mount Sinai to include an additional patent filing related to the analysis of gene expression in a liquid biopsy to predict risk of fibrosis and rejection of the graft. This led has led to the ongoing development of Protega™, which is currently undergoing patient enrolment for its validation, with enrolment expected to complete by Q3 2022 using the same site network already established for validation of our lead products. The

end points of the Protega™ validation study are expected to be reached up to two years after the completion of enrolment, reflecting the longitudinal follow-up of patients over this period, with data expected shortly thereafter around year-end 2024.

In April 2021, the Company announced that it had entered into a Material Transfer Agreement with Mount Sinai and Principal Investigator Dr Peter Heeger, to allow access to de-identified samples generated from participants from the CTOT-19 study, in an effort to validate the performance and development of commercial tests designed to improve short and long-term graft and patient survival.

Access to samples from this important clinical trial was initially intended to be included in the Company's clinical validation studies for Clarava™ and Tuteva™, but the Company decided to keep the study separate to provide Verici Dx with a further large and well-characterised sample group that will be independently reported. The Company's laboratory will conduct a blinded evaluation of samples in Clarava™ and Tuteva™ and work with investigators, including Dr. Peter Heeger, to characterise results after the Company's validation study in 2022.

Post-period end, we announced a collaboration with Illumina, Inc. to expedite the operational launch of data analysis processing and predictive artificial intelligence component of our products, using early access to the Illumina Connected Analytics (ICA) platform. Our science depends on the ability to process vast amounts of data into meaningful and interpretable segments, and we were delighted to partner with such a world-class provider as Illumina, to help us do so. The partnership represented a key step in the readiness of both the near-term launches of Clarava™ and Tuteva™, as well as the longer-term strategy for building the computational data analytics tools that will power the future of Verici Dx's data science and insights.

Management and staff

Currently, the Company employs 12 full-time members of staff.

In November 2021, we launched the Barbara T. Murphy Endowed Lectureship and the Career Development Research Grant in conjunction with the American Society of Transplantation, in honour of our late co-founder and Board member, Dr. Barbara Murphy. These two initiatives will help further the research base within the transplant and immunology fields, within which Barbara was a leading voice.

Financials

Statement of Comprehensive Income

The adjusted EBITDA, being the loss for the year before the deduction of interest, taxation, amortisation and depreciation, and excluding the share-based payments charge and the costs of listing in 2020, was $7,151,244 (2020: $1,402,926). This represents the first full year of activity, as the prior period's activity occurred mainly following the admission to AIM on 3 November 2020. The largest items of expenditure in this loss were staff costs of $1,961,622 (2020: $258,852) and research and development costs of $2,809,435 (2020: $355,107). We started the year with 3 full-time employees and ended the year with 10 full-time employees. No employee costs are included in the research and development cost which relates to the development of our two core products in the year.

Statement of Financial Position and Cash Flows

Cash balance at year end was $10,339,788, following a total cash outflow in the year of $7,375,851 and a foreign exchange adjustment of $35,448 reducing the carrying value of cash balances at year end. We spent $617,940 (2020: $25,851) on tangible assets and $347,919 (2020: $132,259) on legal costs in the development of our patents and licenses.

Post-period end in March 2022, we raised £10.0m, before expenses, via a Placing and a Subscription. The net proceeds of the Fundraise will be used, together with the Company's prior resources, to:

- Maintain momentum on the development of the Company's third product, Protega™, to maximise the efficiency gains in using existing validation sites set up for the Company's two lead products, Clarava™ and Tuteva™;
- Carry out planned construction of the Company's expanded CLIA approved laboratory facilities in Tennessee to support the scale-up of business operations in advance of commercialisation;
- Accelerate the commercialisation of lead products Clarava™ and Tuteva™ including through advocacy with clinicians;
- Explore potential growth opportunities including adding new technology (including possible in-licence or acquisition) and Artificial Intelligence ("AI") capability to support and enhance the use of Verici Dx product tests alongside digital histopathology imagery;
- Develop the Company's nascent data assets; and
- Support general working capital purposes.

Outlook

We are well placed and funded to build on the excellent progress made over the course of 2021, and to continue the momentum established at the start of 2022 during the remainder of the year. By the end of 2022, we intend to have clearly moved from being a research and development company to one with a commercial product.

Following the March 2022 Fundraise, we now have the necessary resources to not only commercialise our well-differentiated core products, but also to progress the development of Protega™, as well as to find new exciting growth opportunities. Having already obtained CPT codes, we will seek to determine pricing for both of our lead products, and coverage determinations for Clarava™. Tuteva™ is expected to be eligible for and covered by an existing local coverage determination issued by Palmetto under the MolDX system.

To support our commercialisation efforts, a health economics model is expected to be completed in the first half of 2022. We are also expected to engage in clinical utility and real-world evidence studies to support product adoption by the end of 2022.

Sara Barrington
Chief Executive Officer

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	Note	Year to 31 December 2021 US$	Period 22 April to 31 December 2020 US$
Administrative expenses	5	**(7,151,244)**	(1,402,926)
Depreciation and amortisation		**(437,756)**	(192,235)
Exceptional expense - share based payments	19	**(740,829)**	(2,794,625)
Exceptional expense - costs of listing		**-**	(275,508)
Loss from operations		**(8,329,829)**	(4,665,294)
Finance expense	9	**-**	(69,713)
Loss before tax		**(8,329,829)**	(4,735,007)
Tax expense	10	**-**	-
Loss from continuing operations		**(8,329,829)**	(4,735,007)
Other comprehensive income:			
Exchange gains arising on translation of foreign operations		**(50,002)**	1,028,907
Loss and total comprehensive income attributable to the owners of the Company		**(8,379,831)**	(3,706,100)
Earnings per share attributable to the ordinary equity holders of the parent	11		
Loss per share			
Basic and diluted (US$		**($0.059)**	($0.0546)

The results reflected above relate to continuing operations

Verici Dx plc

Consolidated statement of financial position as at 31 December 2021

	Note	2021 US$	2020 US$
Assets			
Current assets			
Trade and other receivables	15	**655,847**	323,224
Cash and cash equivalents		**10,339,788**	17,751,087
		10,995,635	18,074,311
Non-current assets			
Property, plant and equipment	12	**785,736**	464,042
Intangible assets	13	**2,007,623**	1,767,424

		2,793,359	2,231,466
Total assets		**13,788,994**	20,305,777
Liabilities			
Current liabilities			
Trade and other payables	16	**1,804,109**	681,890
NET ASSETS		**11,984,885**	19,623,887
Issued capital and reserves attributable to owners of the parent			
Share capital	17	**181,614**	181,614
Share premium reserve	18	**20,353,748**	20,353,748
Share-based payments reserve	18	**3,535,454**	2,794,625
Foreign exchange reserve		**978,905**	1,028,907
Retained earnings		**(13,064,836)**	(4,735,007)
TOTAL EQUITY		**11,984,885**	19,623,887

Verici Dx plc

Consolidated statement of cash flows for the year ended 31 December 2021

	Note	Year to 31 December 2021 US$	Period 22 April to 31 December 2020 US$
Cash flows from operating activities			
Loss from operations		**(8,329,829)**	(4,665,294)
Adjustments for:			
Depreciation of property, plant and equipment		**295,178**	123,242
Amortisation of intangible fixed assets		**142,578**	68,993
Finance expense		**-**	(69,713)
Share-based payment expense		**740,829**	2,794,625
		(7,151,244)	(1,748,147)
Increase in trade and other receivables		**(330,967)**	(323,224)
Increase in trade and other payables		**1,145,7674**	681,890
Settled by Convertible Loan Note	23	**-**	535,164
Income taxes paid		**-**	-
Net cash outflow from operating activities		**(6,336,444)**	(854,317)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(617,940)**	(25,851)
Purchase of intangibles		**(347,919)**	(132,259)
Net cash used in investing activities		**(965,859)**	(158,110)
Cash flows from financing activities			
Issue of ordinary shares		**-**	18,795,500
Expenses of share issue		**-**	(959,993)
Loan repayments		**(73,548)**	-
Net cash from financing activities		**(73,548)**	17,835,507
Net (reduction) / increase in cash and cash equivalents		**(7,375,851)**	16,823,080
Cash and cash equivalents at beginning of year		**17,751,087**	-

Exchange (losses) / gains on cash and cash equivalents		**(35,448)**	928,007
Cash and cash equivalents at end of year	4	**10,339,788**	17,751,087

Verici Dx plc

Consolidated statement of changes in equity for the year ended 31 December 2021

	Share capital US$	Share premium US$	Share-based payment reserve US$	Convertible debt option US$	Foreign exchange reserve US$	Retained earnings US$	Total attributable to equity holders of parent US$	Total equity US$
22 April 2020	1	-	-	-	-	-	1	1
Comprehensive income for the period								
Loss	-	-	-	-	-	(4,735,007)	(4,735,007)	(4,735,007)
Other comprehensive Income	-	-	-	-	1,028,907	-	1,028,907	1,028,907
Total comprehensive Income for the period	-	-	-	-	1,028,907	(4,735,007)	(3,706,100)	(3,706,100)
Contributions by and distributions to owners								
Issue of share capital	181,613	20,283,029	-	-	-	-	20,464,642	20,464,642
Issue of Convertible Loan Note	-		-	165,138	-	-	165,138	165,138
Conversion of Convertible Loan Note into shares	-	-	-	(94,419)	-	-	(94,419)	(94,419)
Transfer of balance following conversion of Convertible Loan Note	-	70,719	-	(70,719)	-	-	-	-
Share-based payment	-	-	2,794,625	-	-	-	2,794,625	2,794,625
Total contributions by and distributions to owners	181,613	20,353,748	2,794,625	-	-	-	23,329,986	23,329,986
31 December 2020	181,614	20,353,748	2,794,625	-	1,028,907	(4,735,007)	19,623,887	19,623,887

Verici Dx plc

Consolidated statement of changes in equity for the year ended 31 December 2021 *(continued)*

	Share capital US$	Share premium US$	Share-based payment reserve US$	Convertible debt option US$	Foreign exchange reserve US$	Retained earnings US$	Total attributable to equity holders of parent US$	Total equity US$
1 January 2021	**181,614**	**20,353,748**	**2,794,625**	**-**	**1,028,907**	**(4,735,007)**	**19,623,887**	**19,623,887**
Comprehensive income for the period								
Loss	**-**	**-**	**-**	**-**	**-**	(8,329,829)	(8,329,829)	(8,329,829)
Other comprehensive Income	**-**	**-**	**-**	**-**	(50,002)	-	(50,002)	(50,002)
Total comprehensive Income for the period	**-**	**-**	**-**	**-**	(50,002)	(8,329,829)	(8,379,831)	(8,379,831)
Contributions by and distributions to owners								
Share-based payment	-	-	740,829	-	-	-	740,829	740,829
Total contributions by and distributions to owners	-	-	740,829	-	-	-	740,829	740,829

31 December 2021	181,614	20,353,748	3,535,454	-	978,905	(13,064,836)	11,984,885	11,984,885

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2021

1 General information

The principal activity of Verici Dx plc (the "Company") is the development of prognostic and diagnostic tests for kidney transplant patients.

The Company is a public limited company incorporated in England and Wales and domiciled in the UK. The address of the registered office is Avon House, 19 Stanwell Road, Penarth, Cardiff CF64 2EZ and the company number is 12567827.

The Company was incorporated as Verici Dx Limited on 22 April 2020 as a private company and on 9 September 2020 the Company was re-registered as a public company and changed its name to Verici Dx plc.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the historical financial information of the Company, which have been applied consistently to the period presented, are set out below:

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the UK in conformity with the Companies Act 2006. The financial statements of the Company for the year ended 31 December 2021 are prepared in accordance with applicable law and UK Accounting Practice, included FRS 101 "Reduced Disclosure Framework".

The functional currency and the presentational currency of the Company is United States dollars ("USD" or "US$") as this is the currency of the primary economic environment that the Company operates in.

New standards are not expected to impact the Company or Group as they are either not relevant to the Company's or Group's activities or require accounting which is consistent with the Company's and Group's current accounting policies. The Directors have considered those standards and interpretations which have not been applied in these financial statements but which are relevant to the Company's or Group's operations that are in issue but not yet effective and do not consider that they will have a material effect on the future results of the

Company or Group.

Other

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

Measurement convention

The financial information has been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of the financial information in compliance with IFRS requires the use of certain critical accounting estimates and management judgements in applying the accounting policies. The significant estimates and judgements that have been made and their effect is disclosed in note 3.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

2 Summary of significant accounting policies *(continued)*

Basis of consolidation *(continued)*

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of profit or loss and other comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Going concern

The Group is in the development phase of its business and has not generated any revenues. At 31 December 2021 the Group has available cash resources of $10,339,788. Subsequent to the year end on 11 March 2022 the Company closed a funding raising GBP10.0m before expenses by the issue of 28,571,429 new shares.

The Board has considered the impact of the ongoing COVID-19 pandemic. There has been minimal impact on the Company to date. Given the impact of COVID-19 in the economy generally, the Board has performed a number of stress tests to assess the ability of the Company to continue as a going concern.

The Directors have prepared cash flow forecasts for the Group for a review period of 12 months from the date of approval of this historical financial information. These forecasts reflect an assessment of current and future market conditions and their impact on the Company's future cash flow performance.

The forecasts have been sensitised for additional costs which may be incurred in the review period. In the sensitised scenario, the forecasts indicate the Company would still have sufficient cash to continue as a going concern.

Having considered the points above, the Directors remain confident in the long-term future prospects for the Group, and their ability to continue as a going concern for the foreseeable future. They therefore adopt the going concern basis in preparing the historical financial information of the Group.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profits as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the reporting end date.

2 Summary of significant accounting policies *(continued)*

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the historical financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary differences arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

Foreign currency translation

- ***Function and presentational currency***

  Items included in the financial statements of the Group are measured using USD, the currency of the primary economic environment in which the entity operates ('the functional currency'), which is also the Company's presentation currency.

- ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies to USD, are recognised in the income statement.

2 Summary of significant accounting policies *(continued)*

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Patents are recognised at fair value at the acquisition date. Patents have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

The Company amortises intangible assets with a limited useful life on a straight-line basis. The following rates are applied:

Licence and patents - the shorter of the remaining life of the licence and 15 years

Tangible assets

Tangible fixed assets are stated at cost net of accumulated depreciation and accumulated impairment losses. Costs comprise purchase costs together with any incidental costs of acquisition.

Depreciation is provided to write down the cost less the estimated residual value of all tangible fixed assets by equal instalments over their estimated useful economic lives on a straight-line basis. The following rates are applied:

Plant and machinery - 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. Low value equipment including computers is expensed as incurred.

Impairment of tangible and intangible assets

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-

generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit and loss.

2 Summary of significant accounting policies *(continued)*

Financial instruments

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

- *Financial assets*

Financial assets are classified, at initial recognition, at amortised cost or carrying value. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification at every reporting date.

As at the reporting date, the Company did not have any financial assets subsequently measured at fair value.

- *Financial liabilities*

All financial liabilities are initially measured at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. They are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and deposits with a maturity of less than three months at balance sheet date.

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probably that an outflow of economic benefits will be required to the settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Financing expenses

Financing expenses comprise interest payable and finance charges on shares classified as liabilities. Foreign exchange gains and losses arising on foreign currency transactions are reported within administrative expenses in the statement of comprehensive income.

Interest payable is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

Exceptional items

Items considered of such significance to enable the reader to better understand the results for the year are presented separately as exceptional items on the face of the statement of comprehensive income.

2 Summary of significant accounting policies *(continued)*

Operating segments

The directors are of the opinion that the business of the Group comprises a single activity, that of the development of prognostic and diagnostic tests for kidney transplant patients. Consequently, all activities relate to this segment.

All the non-current assets of the Company are located in, or primarily relate to, the USA

3 Judgements and key sources of estimation uncertainty

The preparation of the Company's historical financial information under UK IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the financial information.

Carrying value of intangible assets, property, plant and equipment
In determining whether there are indicators of impairment of the Company's intangible assets, the Directors take into consideration various factors including the economic viability and expected future financial performance of the asset and when it relates to the intangible assets arising on a business combination, the expected future performance of the business acquired.

4 Financial instruments - Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk and
- Capital disclosures

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

(i) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade and other payables

4 Financial instruments - Risk Management *(continued)*

Principal financial instruments (continued)

(ii) Financial instruments by category

Financial asset

	Group Amortised cost 2021 US$	**Group Amortised cost 2020 US$**
Cash and cash equivalents	**10,339,788**	17,751,087

Trade and other receivables	**610,944**	323,224
Total financial assets	**10,950,732**	18,074,311

Financial liabilities

	Group Amortised cost 2021 US$	**Group Amortised cost 2020 US$**
Trade and other payables and loan	**1,754,109**	681,890
Total financial liabilities	**1,754,109**	681,890

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, and trade and other payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

4 Financial instruments - Risk Management *(continued)*

(iv) Financial instruments measured at fair value

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Due to the absence of revenue, the Group's exposure to credit risk is on cash at bank. The Company only deposits cash with major banks with high quality credit standing

for amounts in excess of US$500,000.

Cash in bank and short-term deposits

The credit quality of cash has been assessed by reference to external credit rating, based on Standard and Poor's long-term / senior issuer rating:

	Group 2021 Rating	**Group 2021 Cash at bank US$**
Bank A	A+	**10,024,102**
Bank B		**315,686**
		10,339,788

	Group 2020 Rating	**Group 2020 Cash at bank US$**
Bank A	A+	17,578,901
Bank B		172,186
		17,751,087

4 Financial instruments - Risk Management *(continued)*

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency. In the period before commercial revenues US dollars are transferred from the Company to its US subsidiary to enable it to meet its local obligations. Currently the Group's liabilities are either US dollar or UK sterling. No forward contracts or other financial instruments are entered into to hedge foreign exchange movements, with funds being transferred from the Company to its US subsidiary using spot rates.

As at 31 December 2021 assets held in Sterling amounted to US$3,538,160 (2020 - US$15,844,022) and liabilities held in Sterling amounted to US$131,129 (2020 - US$187,979).

The effect of a 5% strengthening of the Sterling against US dollar at the reporting date on the Sterling denominated net assets carried at that date would, all other

variables held constant, have resulted in a decrease in post-tax loss for the period and increase of net assets of US$170,351 (2020 - US$782,802). A 5% weakening in the exchange rate would, on the same basis, have increased post-tax loss and decreased net assets by US$170,351 (2020 - US$782,802).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. This risk is managed by the production of rolling cash flow projections. The Group's continued future operations depend on its ability to raise sufficient working capital through the issue of share capital and generating revenue.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities which can all be met from the cash resources currently available:

Group **At 31 December 2021**	**Up to 3 months** **US$**	**Between 3 and 12 months** **US$**
Trade and other payables	**159,534**	**-**
Total	**159,534**	**-**

4 Financial instruments - Risk Management *(continued)*

Group **At 31 December 2020**	**Up to 3 months** **US$**	**Between 3 and 12 months** **US$**
Trade and other payables	**394,331**	**-**
Loan	**73,548**	**-**
Total	**467,879**	**-**

Capital Disclosures

The Group monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, and accumulated losses).

The Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern.

5 Expenses by nature

	Year to	**Period 22 April to**

	31 December 2021 US$	31 December 2020 US$
Employee benefit expenses (see note 7)	**2,393,384**	2,852,641
Depreciation of property, plant and equipment	**295,178**	123,242
Amortisation of intangible assets	**142,578**	68,993
Research and development costs	**2,809,435**	355,107
Licenses	**250,000**	-
Professional costs	**921,270**	553,454
Share-based payment expense for non-employees	**309,067**	200,836
Foreign exchange (gain) / losses	**(182,010)**	159,538
Other costs	**1,390,927**	75,975

6 Auditors' remuneration

During the year the Group obtained the following services from the Company's auditor:

	Year to 31 December 2021 US$	Period 22 April to 31 December 2020 US$
Fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements	**43,270**	47,049
Fees payable to the Company's auditor for other services:		
Tax advisory and compliance services	**818**	6,933
Service for finance related transactions	**-**	57,024
Total	**44,088**	111,006

7 Employee benefit expenses

	Year to 31 December 2021 US$	Period 22 April to 31 December 2020 US$
Employee benefit expenses (including directors) comprise:		
Wages and salaries	**1,658,314**	244,848
Benefits	**142,829**	9,223
Share-based payment expense (note 19)	**431,762**	2,593,789
Social security contributions and similar taxes	**103,970**	4,781
Pension contributions	**56,509**	-
	2,393,384	2,852,641

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company.

	Year to 31 December 2021 US$	Period 22 April to 31 December 2020 US$
Salary	**560,040**	121,421
Share based payment expense	**-**	2,577,826
	560,040	2,699,247

The average number of employees (including Directors) in the Group in the period was 13 (2020 - 8).

8 Segment information

The Group has one division being the development of prognostic and diagnostic tests for kidney transplant patients.

9 Finance expense

	Year to 31 December 2021 US$	Period 22 April to 31 December 2020 US$
Finance expense		
Interest expense on Convertible Loan Note	**-**	68,807
Loan interest	**-**	906
Total finance expense	**-**	69,713

10 Tax expense

	Year to 31 December 2021 US$	Period 22 April to 31 December 2020 US$
Current tax expense		
Current tax on loss for the period	**-**	-
Total current tax	**-**	-
Deferred tax asset		
On losses generated in the period	**-**	-
	-	-

10 Tax expense *(continued)*

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	Year to 31 December 2021 US$	Period 22 April to 31 December 2020 US$
Loss for the period	**(8,329,829)**	(4,735,007)
Tax using the Company's domestic tax rate of 19%	**(1,582,668)**	(899,651)
Expenses not deductible for tax purposes	**58,475**	41,987
Accelerated capital allowances	**(143,521)**	-
Unrecognised deferred tax assets	**2,327,906**	931,344
Different tax rates applied in overseas jurisdictions	**(660,192)**	(73,680)
Total tax expense	**-**	-

The unrecognised deferred tax relates to two elements: the unrecognised deferred tax arising on share-based payments of US$198,786 (2020 - US$583,081) and unrecognised deferred tax on taxable losses of US$2,129,120 (2020 - US$348,263). Total taxable losses carried forward are US$9,256,260 (2020 -US$1,490,633). No deferred tax asset is recognised for these losses due to early stage in the development of the Group's activities. The losses do not expire but can only be used against trading profits from the same trade.

11 Earnings per share

Numerator	Year to 31 December 2021 Total US$	Period 22 April to 31 December 2020 Total US$
Loss for the period used in basic EPS	**(8,329,829)**	(4,735,007)
Denominator		
Weighted average number of ordinary shares used in basic EPS	**141,747,816**	86,728,156
Resulting loss per share	**(US$0.059)**	(US$0.0546)

The Company has one category of dilutive potential ordinary share, being share options (see note 19). The potential shares were not dilutive in the period as the Group made a loss per share in line with IAS 33.

12 Tangible assets

Group	Plant & machinery US$	Total US$
Cost or valuation		
At 22 April 2020		
Additions	25,851	25,851
Acquired business assets (Note 23)	531,484	531,484
Foreign exchange movements	36,565	36,565
At 31 December 2020	593,900	593,900
Additions	617,940	617,940
Foreign exchange movements	(5,826)	(5,826)
At 31 December 2021	**1,206,014**	**1,206,014**
Accumulated depreciation and impairment		
At 22 April 2020		
Depreciation	(123,242)	(123,242)
Foreign exchange movements	(6,616)	(6,616)
At 31 December 2020	(129,858)	(129,858)
Depreciation	(295,178)	(295,178)
Foreign exchange movements	4,758	4,758
At 31 December 2021	**(420,278)**	**(420,278)**
Net book value		
At 31 December 2021	**785,736**	**785,736**
At 31 December 2020	464,042	464,042

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2021 *(continued)*

13 Intangible assets

Group	License and patents US$	Total US$
Cost		
At 22 April 2020		
Additions	234,095	234,095
Acquired business assets (Note 23)	1,468,516	1,468,516
Foreign exchange movements	136,584	136,584
At 31 December 2020	1,839,195	1,839,195
Additions	397,919	397,919

Foreign exchange movements	(17,663)	(17,663)
At 31 December 2021	**2,219,451**	**2,219,451**
Accumulated amortisation and impairment		
At 22 April 2020		
Amortisation charge	(68,993)	(68,993)
Foreign exchange movements	(2,778)	(2,778)
At 31 December 2020	(71,771)	(71,771)
Amortisation charge	(142,578)	(142,578)
Foreign exchange movements	2,521	2,521
At 31 December 2021	**(211,828)**	**(211,828)**
Net book value		
At 31 December 2021	**2,007,623**	**2,007,623**
At 31 December 2020	1,767,424	1,767,424

13 Intangible assets *(continued)*

The licence was acquired from Renalytix AI Plc on 4 May 2020 pursuant to a purchase of business assets (see Note 23). This license in turn was granted to Renaltix AI Plc by the Icahn School of Medicine at Mount Sinai for rights to intellectual property and data to support the FractalDx families of diagnostic assays. In addition amounts are spent on the prosecution and protection of patent applications.

The Group has tested the carrying value for impairment at 31 December 2021. The recoverable amount was assessed in the basis of value in use. The assessed value exceeded the carrying value and no impairment loss was recognised. The key assumptions in the calculation to assess value in use are future revenues and costs and the ability to generate future cash flows. Recent working capital projections approved by the Board were used as well as forecasts for a further four years, followed by an extrapolation of expected cash flows and the calculation of a terminal value.

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2021 *(continued)*

14 Subsidiary

The principal subsidiary of Verici Dx plc, which has been included in these consolidated financial statements at a cost of US$10, is as follows:

Name	Country of incorporation and principal place of business	Proportion of ownership interest at 31 December 2021
Verici Dx Inc	United States of America	100%

15 Trade and other receivables

	Group 2021 US$	Group 2020 US$
Prepayments	**406,191**	202,546
Other debtors	**249,656**	120,678
Amount due from wholly owned subsidiary undertaking	**-**	-
	655,847	323,224

16 Trade and other payables

	Group 2021 US$	Group 2020 US$
Trade payables	**159,534**	394,331
Accruals	**1,644,575**	210,953
Loan	**-**	73,548
Total financial liabilities classified as financial liabilities measured at amortised cost	**1,804,109**	678,832
Other payables - tax and social security payments	**-**	3,058
Total trade and other payables	**1,804,109**	681,890

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

The loan was interest bearing at 4% and repayable by monthly instalment with the last instalment paid in March 2021.

17 Share capital

	Issued and fully paid 2021 Number	2021 US$
Ordinary shares of £1 each		

On incorporation	**1**	1
Ordinary shares of £0.001 each		
Sub-division of existing shares into 1,000 ordinary shares	**1,000**	**1**
Issue of new shares	**59,415,135**	**74,864**
Issue of shares on conversion of Convertible Loan Notes	**9,831,681**	**12,771**
Placing and offer of shares on admission to AIM	**72,500,000**	**93,978**
At 31 December 2020 and 2021	**141,747,816**	**181,614**

On 7 July 2020 the entire issued share capital of the Company was sub divided to create 1,000 ordinary shares of £0.001 each and 59,415,135 ordinary shares of £0.001 each were allotted pursuant to a dividend in specie by the then parent company, Renalytix AI Plc. Those 59,416,135 shares were then immediately reclassified as 59,416,134 A shares and one Golden Share and all A shares and the Golden Share converted into ordinary shares at the time of the Company's admission to AIM on 3 November 2020.

On 28 October 2020 pursuant to the conversion of the Convertible Loan Notes is issue at that time of $2,500,000, a further 9,831,681 new ordinary shares were issued.

On 3 November 2020 pursuant to the Company's shares being admitted to AIM, a market operated by the London Stock Exchange, 72,500,000 new ordinary shares were issued at an issue price of £0.20 per share raising gross proceeds of US$18,795,500 (£14,500,000).

18 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of parent company operations into US dollars.
Convertible debt option reserve	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital).
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

19 Share-based payment

On 28 October 2020, the Board adopted the Share Option Plan to incentivise certain of the Group's employees and Directors. The Share Option Plan provides for the grant of both EMI Options and non-tax favoured options. Options granted under the Share Option Plan are subject to exercise conditions as summarised below.

The Share Option Plan has a non-employee sub-plan for the grant of Options to the Company's advisors, consultants, non-executive directors, and entities providing, through an individual, such advisory, consultancy, or office holder services and a US sub-plan for the grant of Options to eligible participants in the Share Option Plan and the Non-Employee Sub-Plan who are US residents and US taxpayers.

With the exception of options over 10,631,086 shares, which vested immediately on grant in 2020, the options vest equally over twelve quarters from the grant date. If options remain unexercised after the date one day before the tenth anniversary of grant such options expire. The Options are subject to exercise conditions such that they shall, subject to certain exceptions, vest in equal quarterly instalments over the three years immediately following the date of grant, which vesting shall accelerate in full in the event of a change of control of the Company.

	Weighted average exercise price (p)	**Number**
Outstanding at 22 April 2020	**-**	**-**
Granted during the period	**32**	**14,574,782**
Exercised during the period	**20**	**(10,631,086)**
Outstanding at 31 December 2020	**32**	**3,943,696**
Granted during the year	**62.61**	**990,000**
Exercisable at 31 December 2020	**26.03**	**4,933,696**

The exercise price of options outstanding at 31 December 2021 ranged between 20p and 69.5p and their weighted average contractual life was 3.85 years.

The weighted average fair value of each option granted during the year was 26.46p.

The fair value of each share option granted has been estimated using a Black-Scholes model and ranges from 10p to 23p. The inputs into the model are a share prices of 20p, 40p,45.5p, 50p and 69.5p and exercise prices of 20p, 40p,45.5p, 50p and 69.5p and expected volatility of 48.5%, no expected dividend yield, contractual life of between 2.9 and 1.9 years and a risk-free interest rate of 0.34%. As of 31 December 2021, none of the granted stock options have been exercised.

The Group recognised total expenses of $740,829 (2020 - $2,794,625) within administrative expenses relating to equity-settled share-based payment transactions during the period.

20 Related party transactions

As noted in Note 23, on 4 May 2020 the Company entered into an Asset Purchase Agreement with Renalytix AI Plc. Renalytix Plc is a shareholder on the Company and James McCullough, a Director of the Company, is also a Director and CEO of Renalytix Plc.

In connection with this transaction the Company also entered into a Convertible Loan Agreement to both fund this transaction and also provide working capital until the admission of the shares onto AIM. The total amount advanced under the Convertible Loan Note at the time of its redemption in full into ordinary shares of the Company was $2,500,000.

In the year to 31 December 2021 an amount of US$351,863 was paid to Renalytix Plc as full reimbursement for expenses incurred on behalf of the Company. As of 31 December 2021 the amount owed to Renalytix Plc was US$22,312.

21 Loans and borrowings

	Group 2021 US$	Group 2020 US$
Issue of Convertible Loan Notes	-	2,500,000
Amount classified as equity	-	(165,138)
Accreted interest	-	68,807
Converted into ordinary shares	-	(2,403,669)
As at 31 December 2020	-	-

The initial Convertible Loan Note Instrument of US$2,000,000 ("the Note") was issued on 4 May 2020. It had a nil % coupon, which has been accounted for at fair value at inception and the difference recognised as a capital contribution. As the conversion feature resulted in the conversion of a fixed amount of stated principal into a variable number of shares, it did not satisfy the 'fixed for fixed' criterion and, therefore, it was classified as a financial liability. The fair value of the financial liability was calculated using a market interest rate for an equivalent instrument without a conversion option. The discount rate applied was 9%.

22 Events after the reporting date

On 11 March 2022 the Company closed a fundraising for GBP10.0m before expenses by the issue of 28,571,429 new shares.

END