



Annual Report and Accounts
for the year ended 31 December 2022

Verici Dx plc

Annual report and financial statements for the year ended 31 December 2022

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Verici Dx plc

Company information for the year ended 31 December 2022

Directors	Julian Baines, MBE (<i>Non-Executive Chairman</i>) Sara Barrington (<i>Chief Executive Officer</i>) Sir Ian Carruthers, OBE (<i>Senior Independent Non-Executive Director</i>) Dr Erik Lium (<i>Non-Executive Director</i>) James McCullough (<i>Non-Executive Director</i>) Dr Lorenzo Gallon (<i>Non-Executive Director</i>)
Company Secretary	Salim Hamir
Registered Office	Avon House 19 Stanwell Road Penarth Cardiff, CF64 2EZ
Company Number	Registered in England and Wales Number 12567827
Nominated Adviser and Broker	Singer Advisory 1 Bartholomew Lane London, EC2N 2AX
Legal Adviser to the Company	Shoosmiths LLP No 1 Bow Churchyard London, EC4M 9DQ
Auditors	Crowe U.K. LLP 55 Ludgate Hill London EC4M 7JW
Registrar	Link Group The Registry 29 Wellington Street Leeds LS1 4DL
Financial PR	Walbrook PR Limited 75 King William Street London, EC4N 7BE
Website	www.VericiDx.com

Verici Dx plc

Chair's statement for the year ended 31 December 2022

I am pleased to report on the twelve months ended 31 December 2022 for Verici Dx plc. In what has been a very difficult macroeconomic environment, the team has successfully executed the Company's planned strategy in transitioning to a commercial-stage company following the initial launch of Tutivia™. This progress reflects the Company's clear product differentiation and competitive advantages.

The validation data for Tutivia™, the Company's post-transplant blood test focused on acute rejection including borderline and sub-clinical rejection, was presented to the clinical community at the American Transplant Congress (ATC) in June 2022. The results showed Tutivia's™ ability to provide actionable data to clinicians for the care management of their patients as early as the first week post-transplant, enabling them to react proactively to rejection events. Tutivia's™ significantly higher positive predictive value ("PPV") than currently available single kidney transplant blood tests, as well as the study design, was very well received by the scientific community and illustrated the significant potential of Tutivia™ to address the urgent clinical need for early intervention to minimise rejection post-kidney transplantation.

Tutivia™ was fully launched in January 2023. Whilst Verici Dx is still in the early phases of this commercial rollout, the Company is working closely with a number of leading US transplant centres, to support the integration of the test into their workflows and help the Verici Dx team better understand how they can encourage consistent and recurring utilisation going forwards as they look to accelerate the rollout in the coming months.

In addition, following the positive initial data announced in September 2022 on Clarava™, the Company's pre-transplant prognostic test, the Company chose to expand its validation trial in order to strengthen the publication appeal and demonstrate a statistically robust and clinically compelling case to support the commercial rollout and adoption of the test. The data read-out from this extended trial remains on track to be announced by the end of June, in line with previous guidance.

Patient enrolment for the multi-centre clinical validation study of our third product, Protega™, completed in the first quarter of 2023, assessing long-term outcomes for kidney transplant patients. The end points of the Protega™ validation study is expected to be reached in two years. Fibrosis develops after a patient has had acute rejection that may have caused antibodies to attack the kidney. Currently histology from biopsy is used to risk stratify the degree of fibrosis. Protega™ will utilize RNA gene signatures to more accurately risk stratify the potential outcome from fibrosis in a transplant patient. This can help clinicians determine the appropriate treatment to delay or reduce fibrosis progression.

The Company received CPT® Proprietary Laboratory Analyses ("PLA") codes for Tutivia™ and Clarava™ during the year, representing the first milestone towards commercial reimbursement for the two tests. Post year end the Company announced that a gapfill median rate of \$2,650 has been proposed for Tutivia™ for kidney transplant rejection by the Centers for Medicare & Medicaid Services ("CMS"). Confirmation is expected in November 2023 and the finalised rate will apply for 3 years from 1 January 2024. The Company is currently applying for insurance reimbursement coverage for Tutivia™ under a Local Coverage Determination, issued by MoIDx on behalf of Medicare, the US federal health insurance program, upon publication of the trial results.

In January 2022, the Company secured 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 Dx integrated both its clinical and research products within Illumina Connected Analytics (ICA), Illumina's state-of-the-art software platform and strategic focus area. Verici Dx continues to work with Illumina, to further develop its research data into a collaborative asset within the ICA environment for future strategic opportunities.

Verici Dx plc

Chair's statement for the year ended 31 December 2022 (*continued*)

In March 2022, Verici Dx successfully completed a fundraise, which raised gross proceeds of £10.0 million (c.\$13.0 million), a significant achievement in a difficult fundraising environment, particularly for AIM-listed healthcare companies. This is testament to the potential of the platform in meeting the urgent clinical need to improve outcomes for kidney transplant patients. Verici Dx's year-end cash position of \$9.81 million provides a cash runway until mid-2024, following recent steps taken by management to control costs and reduce cash burn. A further commercial and operational update will be provided alongside the Clarava™ data readout and strategic update.

On behalf of the Board, I would like to thank our employees, investors and partners for their continued support throughout the year, and we look forward to providing further updates on our progress over the course of 2023, as we scale up the Tutivia™ commercial rollout, and provide the data read-out from the extended Clarava trial later this month.

Julian Baines
Non-Executive Chair

2 June 2023

Verici Dx plc

Chief Executive Officer's Report for the year ended 31 December 2022

2022 and the post year end period has been a time of exceptional progress for Verici Dx as the Company achieved the key strategic goal of moving from a research-only company to commerciality following the full launch of Tutivia™ in January 2023. In addition, we are on track to announce the data read-out from the extended Clarava™ trial by the end of June and completed enrolment for Protega.

The Company also achieved several other key operational milestones, particularly in reimbursement, achieving a code, a recommended price, and submitting the publication that will complete the application for coverage under the Local Coverage Determination ("LCD") from MoDx. CMS issued a clarification on reimbursement to limit coverage to a single biomarker test per patient encounter which strengthens the value of Tutivia™ as a single test demonstrating balanced accuracy in its clinical performance. We also made significant progress in promoting our research data for future strategic collaborations with our development work with Illumina, Inc. (NASDAQ: ILMN) utilizing their ICA environment.

This progress has continued as we moved into 2023 with the achievement of CLIA Certification of Compliance for our commercial clinical operations in Nashville, Tennessee, enabling us to test samples from 45 US states, applications for the remaining states are in progress and the intellectual property was further secured by the issuance of two key US patents.

Strong progress on commercial rollout

In June 2022, the data from our international, multi-centre validation study for Tutivia™ was presented, which demonstrated a significantly higher Positive Predictive Value ("PPV") than currently available kidney transplant single genetic expression blood tests, in order for the test to provide clinicians with an appropriate, reliable call to action to improve patient outcomes post-transplant. The trial also demonstrated that the test can be used as soon as the first week post-transplant and was not confounded by other common conditions such as BK nephropathy. The test's sensitivity when compared with clinically indicated biopsies in the first 60 days was 83% and overall patients were six times more likely to reject if they had a high-risk score from Tutivia™ than those with a low-risk score. Early reliable data from a single test gives Tutivia™ a well validated competitive advantage.

We commercially launched Tutivia™ in January 2023, with a number of US transplant centres under an early adopter program. This is in line with our strategic plan, and in these initial months we have been supporting these centres with the adoption and integration of Tutivia™ into their clinical pathways to encourage a consistent and recurring utilisation. This is providing valuable information for us to make Tutivia™ as simple as possible for clinicians to use and interpret.

In addition, following the positive initial data announced in September 2022 on Clarava™, the Company's pre-transplant prognostic test, the Company chose to expand its validation trial for this lead product to strengthen the publication appeal and demonstrate a statistically robust and clinically compelling case to support the commercial rollout and adoption of the test. The data read-out from this extended trial remains on track to be announced by the end of June 2023, in line with previous guidance.

Protega™ enrolment was completed in the first quarter of 2023, an important milestone achieved in the completion of our platform offering end to end transplant testing, from pre-transplant to long-term damage. We expect that the final validation point will be completed after follow-up at the 24-month point for the last patient tested, which is expected to be in Q1 2025. The Company expects to be able to review interim data before that date.

Verici Dx plc

Chief Executive Officer's Report for the year ended 31 December 2022 (*continued*)

Clear product differentiation and competitive advantages

Our portfolio of innovative kidney transplant tests use advanced next-generation sequencing to define a personalised risk profile for each patient using RNA signatures. This allows for the early prognosis of transplant rejection, deciphering the body's early genetic messages that are specific to acute rejection. This is a significant advantage over currently available tests, which detect evidence of damage already occurred and may be confounded by other conditions.

Our tests enable doctors to make accurate, data-driven clinical decisions, to assist their care decision-making for patients including choices made about immunosuppressive therapy protocols and may also inform other aspects of the post-transplant care pathway over time. 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.

Tutivia™ has a number of important differentiators from current biomarker tests. One is the ability to return results as early as the first week post-transplant for all types of patients. This enables clinicians to act proactively, rather than reactively, to rejection events. Tutivia™ is also able to detect sub-acute rejection (before there are other clinical signs) and is also able to distinguish between rejection and other confounding factors such as the BK virus.

Currently available single blood tests that look for signs of transplant damage typically have a high Negative Predictive Value ("NPV") but are non-specific. This means that if the blood test returns a negative result, clinicians can be confident that there is no current rejection occurring but uncertain whether a positive result is from a rejection or an infection, or physical trauma.

Consequently, these tests function primarily as a 'rule out' tool, but this is limiting for clinicians, who may need to know with some degree of confidence whether their patient requires further interventions.

Crucially, our validation study was a blinded 'all-comers' patient population across 13 international transplant centres. This means that we were able to test the power of Tutivia™ within a clinically realistic context that included all types of rejection. We believe that Tutivia™ is the only product currently on the market to have been validated so comprehensively.

Turning to the Company's second lead product, Clarava™, its initial validation results were announced in September 2022, and indicated that the test was able to identify pre-transplant patients most likely to experience a future kidney rejection event, which has broad implications for treatment planning and monitoring. The data read-out from the extended trial for Clarava remains on track to be announced by the end of June 2023.

Delivery of significant operational milestones

In January 2022, we received CPT® Proprietary Laboratory Analyses ("PLA") codes for Clarava™ and Tutivia™, from the American Medical Association, an important first step towards commercial reimbursement. CPT® codes offer health care professionals a uniform language for coding medical services and procedures and allow clinical laboratories to more specifically identify their tests when billing Medicare and commercial insurers.

In February 2022, we successfully completed analytical validation for Clarava™ and Tutivia™, an essential element of defining the performance characteristics and platform capabilities of *in vitro* diagnostic assays. Analytical validation is an important step towards reimbursement coverage assessment.

Verici Dx plc

Chief Executive Officer's Report for the year ended 31 December 2022 (*continued*)

We announced in March 2023 that we had successfully progressed our laboratory registration status to Compliance Certification by the Centers for Medicare & Medicaid ("CMS"), allowing our commercial clinical operations to process samples from 45 US states. This followed an inspection by CMS of our clinical laboratory in Franklin, Tennessee, and represents a major milestone toward US Medicare reimbursement. The Company is now preparing its submission for Medicare insurance reimbursement coverage, which will be key to driving adoption. Eligibility for Medicaid has been approved in 14 states and submitted in a further 11 states. Eligibility has also been approved with BlueCross Blue Shield of Tennessee, the largest health benefit plan company in Tennessee, where the Company's clinical laboratory is located.

Also in March 2023, the Company announced it has been granted two key patents in the United States that support and protect the Company's core technologies in RNA signature biomarker tests used for assessment of the prognostic risk pre-transplant (Clarava™) and post-transplant (Tutivia™) of acute kidney transplant rejection. The protection of the Company's intellectual property is fundamental to our strategy of amassing full transcriptomic data from the biological systems and interactions associated with transplant rejection and, over the longer term, informing transplant analysis in other organs and in the broader field of immune-mediated diseases.

In May 2023, the price recommendation from MolDx was issued in line with Company expectations and highly indicative for the national listing at the end of the year following a period of public consultation, with a listed price then being valid for 3 years from January 2024.

Completion of partnerships and agreements

In January 2022 we entered into a collaboration with Illumina, granting us early access to Illumina Connected Analytics (ICA), Illumina's new software platform, which provides us with the ability to process large datasets in a streamlined manner. This supports our leading-edge technology approach and provides a foundation for future data science discovery, expansion and collaboration opportunities.

Collaborating with such a high-quality partner as Illumina is an indicator of the strength of our platform, and access to the ICA platform has materially enhanced our data processing capabilities, as well as boosted our ability to develop highly predictive products in the future. This partnership supports our wider goal of improving patient outcomes within organ transplantation, where there remains an urgent clinical need.

Management and staff

As of 31 December 2022, the Company had 15 Full Time Equivalents ("FTE") employees.

Financials

Statement of Comprehensive Income

The adjusted EBITDA loss, being the loss for the year, before the deduction of interest, taxation, amortisation and depreciation, and excluding the share-based payments charge, was US\$10,497,000 (2021: US\$7,151,000). The increase arises from the significant increase in clinical trial and associated costs, including the hiring of 6 new members of the team in the year, of which 3 were hired to commence the commercial launch of Tutivia™. The largest items of expenditure remain staff costs of US\$2,889,000 (2021: US\$2,392,000) and research and development costs of US\$4,832,000 (2021: US\$3,344,000). All research and development costs arise from third parties, this does not include any allocation of internal costs. We started the year with 10 full time employees and ended the year with 15 full time employees, both numbers excluding our non-executive directors.

Statement of Financial Position and Cash Flows

Cash balance at year end was US\$9,805,000 (2021 - US\$10,340,000). Cash outflow from operations was US\$10,068,000 (2021 - US\$6,336,000) with cash outflow on additions to tangible and intangible assets of US\$1,308,000 (2021 - US\$966,000). The biggest constituent of spend on capital expenditure being the construction of our CLIA laboratory in Tennessee. In March 2022 we concluded a share issue raising gross proceeds of GBP10.0m, which after costs generated a cash inflow of US\$12,629,000.

Verici Dx plc

Chief Executive Officer's Report for the year ended 31 December 2022 (*continued*)

Within current and non-current liabilities, we entered a financing transaction in December 2022 to secure favourable terms on a new sequencer. At 31 December 2022 the liability was US\$239,000 (2021 - US\$Nil). We also entered into a five-year lease on our new CLIA laboratory in Tennessee in September 2022 resulting in the recognition of a right of use asset and corresponding liability. At 31 December 2022 the liability was US\$461,000 (2021 - US\$Nil). The largest balance within our accruals continues to be our accruals for costs incurred at the clinical trial sites not yet invoiced being US\$912,000 (2021 – US\$851,000).

As of 31 December 2022, the Company had a cash balance of \$9.81m. The Company has closed the New York Laboratory, taken headcount reduction and clinical trial cost containment steps in recent months and, as a result, has extended the current cash runway to last until mid-2024. The Company is focused on early revenue generation during the first half of this year and will seek to extend and broaden its revenue streams from additional centres in the second half of 2023.

Outlook

Over the course of 2023, we will look to gradually accelerate the Tutivia™ commercial rollout with more leading US centres and expect to expand our first revenues. We expect to secure both Medicare and private payor pricing and coverage for Tutivia™ this year, which will be a key catalyst in enabling a more widespread adoption of the test. Following our receipt of the CLIA Certificate of Compliance, we will also look to receive full accreditation in the remaining five states that are not covered under the CLIA certification, including New York.

As announced on 31 May, the data read-out from the extended Clarava™ trial remains on track to be announced by the end of June 2023.

We are also looking to extend and broaden our revenue streams this year, which could include potential collaborations with pharmaceutical and medtech/data companies that could benefit from the application of the Company's transcriptomic analysis technology in different settings.

We are developing a health economics model to aid our commercialisation efforts, which we expect to submit for publication by the end of the year. We are also expected to engage in clinical utility and real-world evidence studies to further support adoption of our products both later this year and into next year.

On behalf of the Board, I would like to thank the shareholders for their support in this transformational year for the Company and we look forward to delivering further commercial progress over the course of 2023 as we continue to deliver on our strategy of transforming kidney transplant outcomes.

Sara Barrington
Chief Executive Officer

2 June 2023

Verici Dx plc

Board of Directors for the year ended 31 December 2022

The Directors of the Company during the period were:

Julian Baines, MBE – *Non-Executive Chair*

Julian is the Company's Non-Executive Chair and member of the remuneration committee.

Julian is Acting CEO of EKF Diagnostics Holdings plc. During his tenure at EKF, he has successfully completed multiple fundraisings and the acquisition and subsequent integration of eight businesses in seven countries, building revenue from zero to over £40,000,000. Prior to joining EKF, Julian was group chief executive officer of BBI Holdings plc, where he undertook a management buyout in 2000, its AIM flotation in 2004 and was responsible for selling the business to Alere, Inc. (now part of Abbott Laboratories) in 2008 for c. £85,000,000.

In 2016, Julian was awarded an MBE for services to the life sciences industry. Julian was appointed a Non-Executive Director of the Company on 22 April 2020.

Sir Ian Carruthers, OBE – *Senior Independent Non-Executive Director and chair of the audit committee and nomination committee.*

Sir Ian Carruthers holds a number of chair and non-executive board and advisory roles in the public and private sectors. He was previously Chief Executive of NHS South of England, comprising three health bodies: South West, South Central and South East and his career in the National Health Service spans over 40 years. He was awarded the OBE for services to health in 1997 and a Knighthood in 2003 for services to the NHS. In 2006 he took over as Interim Chief Executive of NHS England, amongst the largest organisations in the world with over 1.3 million employees and a budget in excess of £100 billion. He has been the lead author on several papers on reviewing and improving the NHS and is seen as an international expert on healthcare systems and service delivery.

He is currently Chancellor of the University of the West of England, and was formerly Chair of Healthcare UK, Chair of the Innovation Health and Wealth Implementation Board, Co-Chair of the Prime Minister's Challenge on Dementia and Non-Executive Director of Bioquell plc.

Sir Ian Carruthers was appointed as a Non-Executive Director of the Company on 19 August 2020.

James McCullough – *Non-Executive Director and member of the remuneration committee and the nomination committee*

James is a Non-Executive Director and the CEO of Renalytix plc.

James has experience building emerging technology companies in both the public and private sectors with specific expertise in the life-sciences industry. His skills include equity and debt capital formation, strategic development and partnerships, executive team structuring, regulatory issues and marketing. The Renalytix IPO was completed in November 2018, raising over £22,000,000 for the company. Following successful progress in validating development, regulatory discussions, reimbursement, pricing and insurance coverage determinations, a follow-on fundraise was arranged in July 2019 at over double the IPO price, enabling expansion of the team and acceleration of key workstreams. In July 2020, Renalytix successfully dual-listed on Nasdaq with a market capitalisation of £378,130,000 after raising a further \$85,000,000 (approximately £68,000,000).

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Board of Directors for the year ended 31 December 2022 (*continued*)

James McCullough – *Non-Executive Director and member of the remuneration committee and the nomination committee (continued)*

Prior to his role at Renalytix, James was Chief Executive Officer of Exosome Diagnostics, a venture backed personalised medicine company developing non-invasive liquid biopsy diagnostics in cancer. Exosome Diagnostics was acquired by Bio-Techne Corporation (NASDAQ: TECH) in 2018. James is also a managing partner of Renwick Capital, LLC, a management consulting firm specialising in assisting emerging healthcare technology companies with strategic planning and business execution.

James received his B.A. from Boston University and an M.B.A. from Columbia Business School. James is currently Chairman of BalletNext, a performing arts company in New York City. He currently holds Series 79 and Series 63 securities licenses from the Financial Industry Regulatory Authority in the US.

James was appointed a Non-Executive Director of the Company on 22 April 2020.

Sara Barrington – *Chief Executive Officer*

Sara is an Executive Director.

Sara has leadership experience both financially and operationally with a focus upon developing and commercialising life science products. She was the CEO of LungLife AI a diagnostic company for early-stage lung cancer. Prior to that she was with Bruin Biometrics, a LA-based medical device company as EVP Business Operations and previously CFO. In her role at Exosome Diagnostics, a venture-backed personalised medicine company the focus was upon the development of non-invasive liquid biopsy diagnostics in cancer. The company was successfully sold to Bio-Techne Corporation in 2018. She was previously CFO at AusAm Biotechnologies developing diagnostics in kidney disease. Sara is also CCO of Kantaro Biosciences, a joint venture between Renalytix and Mount Sinai for the commercialisation of COVID-19 antibody testing. Prior to working in the US, she worked for British Telecom in London in business development and strategy.

Sara is qualified as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales. She has also qualified with Chartered Institute of Marketing.

Sara was appointed a Director of the Company on 19 August 2020.

Dr. Erik Lium – *Non-Executive Director and chair of the remuneration committee.*

Dr Lium in his capacity as Non-Executive Director will represent Mount Sinai on the Board as part of the ongoing relationship between the Company and Mount Sinai.

Dr Lium is President of Mount Sinai Innovation Partners (MSIP) and Executive Vice President and Chief Commercial Innovation Officer, Mount Sinai Health System. He is also Non-Executive Director of Renalytix. Dr Lium represents Mount Sinai on several private company boards and previously served as a member of the investment review committee for the Accelerate NY Seed Fund. Dr Lium also serves as chairman of the board of managers of Kantaro.

Prior to joining Mount Sinai, Dr. Lium served as the Assistant Vice Chancellor of Innovation, Technology & Alliances at the University of California, San Francisco (UCSF), and the UCSF Principal Investigator for the Bay area National Science Foundation I-Corps node and Assistant Vice Chancellor of. Dr. Lium served as President of LabVelocity Inc. prior to its acquisition in 2004. He pursued post-doctoral research at UCSF in the laboratory of J. Michael Bishop, MD, and earned a PhD with honours from the Integrated Program in Cellular, Molecular and Biophysical Studies at Columbia University in the laboratory of Dr. Saul J. Silverstein. Dr. Lium holds a BS in Biology from Gonzaga University.

Dr Lium was appointed a Non-Executive Director of the Company on the 19 August 2020.

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Board of Directors for the year ended 31 December 2022 (*continued*)

Dr. Lorenzo Gallon – *Non-Executive Director and member of the audit committee*

A Professor of Medicine (Nephrology and Hypertension) and Surgery (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. He is an alumnus of the University of Padua Medical School, Italy and Harvard Medical School.

An expert in nephrology and hypertension as well as organ transplantation, Dr. Gallon's primary research interests include:

- The role of immunosuppressive medications in modulating the immune system,
- Genomics of chronic renal allograft rejection,
- Prednisone-free and calcineurin inhibitors-free immunosuppressive protocols,
- New immunosuppressive strategies,
- Focal segmental glomerulosclerosis (FSGS), and
- Aging and impact of physical exercise after kidney transplantation.

With nearly 20 years' experience in the life sciences industry, focusing largely on nephrology and organ transplantation, Dr. Gallon is excellently placed to provide insight and guidance in the development of Verici's two lead products, Clarava™ and Tutivia™. He was a collaborator and co-author with Verici's previous SAB Chair, Dr. Barbara Murphy, in the GoCar study which was foundational in the development of Verici's products. He has also been a member of the Editorial Board at the journal *Nephron* since 2019.

Verici Dx plc

Strategic report for the year ended 31 December 2022

Our Strategy and Business Model

Verici Dx is developing a complementary suite of proprietary, 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.

During 2022 and through the first half of 2023, the Company made significant progress against its strategic goals, critically, this included moving from a research only company to commerciality following the full launch of Tutivia™ in January 2023.

The Company is working with leading US transplant centres in the Tutivia™ commercial launch and is supporting them with the integration of the test into their workflows to help us better understand how they can encourage consistent and recurring utilisation going forward. This is providing a valuable foundation for Verici Dx to make Tutivia™ as simple as possible for clinicians to use and interpret.

Turning to the Company's second product, Clarava™, following the positive initial data announced in September 2022, the Company chose to expand its validation trial for this lead product for a further six months. This decision was taken to strengthen the publication appeal of the trial and demonstrate a statistically robust and clinically compelling case in support of the commercial rollout and adoption of the test. The data read-out from the extended trial remains on track to be announced by the end of June 2023.

Enrolment for Protega™ was completed in the first quarter of 2023 and the final validation point will be completed at 24 months, i.e. Q1 2025, although interim results will be reviewed before then.

The Company also made significant operational progress securing two additional key patents and achieving full CLIA certification allowing the Company to test samples from 45 states.

Following admission to trading on AIM, a market operated by the London Stock Exchange on 3 November 2020, raising gross proceeds of US\$18.8m, in March 2022, the Company completed a fundraise which raised gross proceeds of £10.0 million (c.\$13.0 million). As of 31 December 2022, the Company had a cash balance of \$9.81m. The Company has closed the New York Laboratory, taken headcount reduction and clinical trial cost containment steps in recent months and, as a result, has extended the current cash runway to last until mid-2024.

Addressing a critical need for personalised diagnostics

End stage kidney disease (“**ESKD**”) is the final permanent stage of chronic kidney disease, where a patient's kidneys are unable to function on their own and they need either dialysis or a kidney transplant in order to survive. Per the National Institute of Health, it is estimated there are 786,000 ESKD patients in the US 71% currently on dialysis and 29% with a kidney transplant. In 2022 there were over 25,000 kidney transplants completed in the US. It is estimated that 37 to 50 per cent. of transplant recipients have evidence of a rejection event, these can be sub-divided into:

- Clinical Acute Rejection (“**cAR**”), which occur in approximately 10 per cent. to 15 per cent. of kidney transplant recipients in the first-year post-transplant. This is usually indicated by a rise in serum creatinine over baseline and determined by a for-cause biopsy. It is usually alleviated with a change in immunosuppressive therapy.

Verici Dx plc

Strategic report for the year ended 31 December 2022 (*continued*)

- Subclinical Acute Rejection (“**subAR**”) occurring in 27 to 40 per cent. of patients with stable serum creatine in the first 1-year post- transplant. It can be referred to as silent rejection because it often goes undetected. The only way to identify subAR is through a surveillance biopsy. However only 17 per cent. of transplant centres in the U.S. employ a surveillance biopsy program.

It is now well established that the recipient’s immune response directed toward the transplanted kidney drives acute rejection, leading to chronic injury and failure of the transplant, thus necessitating lifelong immunosuppression drug therapy. One of the major issues with current immunosuppressive protocols is that they are not tailored to the individual patient’s needs. In clinical practice, immunosuppressive therapy is often decided based on broad clinical criteria including anti-HLA antibodies, race, prior transplantations and recipient age. However, these indicators perform poorly in predicting individual risk for development of acute rejection. As a result, most patients receive a standardised immunosuppressive protocol resulting in a significant proportion of individuals being exposed to either insufficient or excessive immunosuppression, leading to acute rejection and/or complications associated with over-immunosuppression. These complications include infections, malignancy, diabetes, hypertension and heart disease. The number of patients receiving higher doses of immunosuppression around the time of a transplant continues to increase in an attempt to minimise rejection and protect the transplanted kidney.

Current standard of care

There is no current pre-transplant mechanism to determine the optimal approach to immunosuppressive therapy for a given patient beyond the presence of recipient antibodies directed toward the donor tissue, which can be found in only approx. 10 per cent. of patients. Early identification of individuals at high risk of acute rejection could allow targeted therapies aimed at improving long-term outcomes. Evidence exists that the phenotype and function of the immune system in patients before kidney transplantation affects the risk for subsequent acute rejection after transplantation, but no biomarker has been identified to quantify or otherwise assess this risk. Following transplant, clinicians use a standardised approach to managing immunosuppression, slowly reducing drug levels to a maintenance level over the first three to six months. There are currently no biomarkers available to indicate if a patient is under or over immunosuppressed. Manifestation of clinical injury via measurement of serum creatinine is the standard of care as well as tests that use dd cfDNA to rule out that a patient is experiencing rejection, by measuring evidence of the effects of damage to the kidney *after* it has happened.

Furthermore, there is no clinically available mechanism to identify a patient that is at risk of developing graft injury, either inflammation or fibrosis or both, and therefore at risk of long-term graft failure.

Verici Dx plc

Strategic report for the year ended 31 December 2022 (*continued*)

Verici's proposed solution

To address this “one size fits all approach” the Company is developing tests to understand how a patient is likely and may be responding to organ transplant. There are many biological systems that are important in assessing rejection. One is the recipient's immune system which poses a threat to the grafted organ. Patients' immune and other biological systems such as cell repair and metabolism vary in their response to the presence of the transplanted organ. The Company's products and solutions are underpinned by extensive scientific research into how the recipient's biological systems are likely to respond to the transplanted organ and how that response further influences acute rejection, chronic injury and, ultimately, failure of the transplant. These RNA signatures may also assist clinicians in their assessment of the optimal strategy for immunosuppressive and other therapies to enable successful graft acceptance at the lowest compatible level of treatment-induced side effects.

The research underpinning our technology is driven by a deep understanding of cell-mediated immunity and is facilitated by access to expertly curated, collaborative studies in highly informative cohorts in organ transplant. The Company has an exclusive worldwide patent and a non-exclusive technical information licence with Mount Sinai derived from the work of the late Professor Barbara Murphy's and collaborators in transplant immunology, focusing on the use of high throughput genomic technologies to better understand molecular biomarkers of immune system mechanisms that lead to graft injury and loss. The Company's current and planned clinical development programmes are not only directed by an extensive Science Advisory Board of key opinion leaders in the fields of clinical transplant and transplant immunology, but also has been conducted at key transplant centres in the US, Europe and Australia for the multi-centre validation trial for the three products.

Verici Dx's two lead products are:

- Tutivia™, a post-transplant test focused upon acute rejection (“**AR**”), including sub-clinical rejection, which was commercially launched in January 2023 and;
- Clarava™, which is a pre-transplant prognosis test for the risk of early acute rejection (“**EAR**”), for which the data read-out on the extended trial will be announced by end of June 2023.

The Company is also working on a third product, Protega™, a peripheral blood-based test that aims to predict the risk of fibrosis and long-term graft failure, which completed enrolment in the first quarter of 2023. Together with Clarava™ and Tutivia™, this suite of products will allow Verici Dx to offer end-to-end testing for kidney transplant patients and their clinicians, enabling the Company to improve outcomes for patients and also establish a strong competitive advantage.

These products are planned to be offered as laboratory developed tests (“**LDT**”) in the US, taking advantage of the lighter regulatory burden of authorisation under the CLIA regime, which is administered by CMS, in partnership with state health departments, rather than seeking clearance from the FDA. In Europe, the Company will be seeking CE marking. CE marking issued by an EEA Notified Body will remain valid in the UK market until 30 June 2023. To address the UK market post-Brexit, the Company will be seeking for UKCA (UK Conformity Assessed) mark as well. In addition to obtaining CE and UKCA markings, the products (medical devices) will be registered with MHRA (as required by MHRA since 1 January 2021).

In June 2022, the data from Verici Dx's international, multi-centre validation study for Tutivia™ was published, which demonstrated a significantly higher Positive Predictive Value (“PPV”) than currently available kidney transplant single genomic expression blood tests, demonstrating that the test was able to provide clinicians with valuable patient centric data to improve patient outcomes post-transplant. This set the foundation for Tutivia's™ commercial launch in January 2023.

Verici Dx plc

Strategic report for the year ended 31 December 2022 (*continued*)

The Company is planning on complementing this commercial path with an efficient route through reimbursement coding, pricing and coverage determinations in the US.

Market opportunity

Globally there are approximately 95,000 transplants currently performed each year of which about 24,000 are performed in the US and 25,000 in Europe. In the US the comparatively low number of procedures compared to the numbers of individuals on the waiting list was recognised as an issue for patients waiting for a transplant for on average 3 to 5 years, and even longer in some geographical locations. It also formed part of the policy in the 2019 US Executive Order, *Advancing American Kidney Health* whereby transplant organisations were required to improve efficiencies in the transplant network and expand support for living donors with the further goal of doubling the number of available transplants by 2030. The Company's portfolio is likely to support the confidence for living donors from the increased success of transplantation.

Verici Dx plc

Strategic report for the year ended 31 December 2022 (*continued*)

Group and Company History

The Company was incorporated in England and Wales on 22 April 2020 as a wholly owned subsidiary of Renalytix AI plc ("Renalytix").

On 4 May 2020 the Company purchased the assets attached to the Fractal DX portfolio of patents previously licensed to Renalytix by Mount Sinai, for a consideration of \$2,000,000. The consideration was satisfied by the issuance of a non-interest-bearing Convertible Loan Notes ("CLNs") from the Company to Renalytix. The CLN instrument provided for a total of up to \$3,000,000 of borrowing to be made available to the Company.

On 17 January 2020, ResolveDx Inc was incorporated in the state of Delaware, USA as a wholly owned subsidiary of Renalytix. On 14 August 2020, ownership of ResolveDx Inc was transferred to the Company and, on 21 August 2020 ResolveDx Inc changed its name to Verici Dx Inc.

Risks and uncertainties

Set out below are the risks which the Directors believe could materially affect the Group's ability to achieve its financial and operating objectives and control or mitigating activities adopted to manage them. The risks are not listed in order of significance.

- a) The Company does not yet have all collaborations in place with institutions that it needs for its utility studies and there is no guarantee that the Company will be able to demonstrate clinical utility of Clarava™ and Protega™**

Following the validation study for its Clarava™ and Protega™ products, the Company intends to run clinical utility studies to support applications for reimbursement, which is necessary for successful commercialisation and to provide further evidence to support marketing claims.

The Company has identified some initial institutions which will carry out the utility studies in a real-world setting and has not yet entered into the relevant agreements with these institutions. There is a risk that the Company will not be able to secure these collaborations, which would impact the Company's ability to proceed to the utility study stage. Whilst the utility study is not a source of continuing revenue, it is a short-term revenue stream from sales of the Clarava™ and Protega™ tests following the validation study.

If such reimbursement is not achieved, it will make commercialisation of the Clarava™ and Protega™ tests significantly more challenging and would impact the Company's ability to generate revenue.

- b) The Company has not received the approval of the coverage under the Local Coverage Determination from the Palmetto region of MoIDx for Tutivia™ and may not qualify or there may be delay in approval.**

The Company intends to submit a Technical Assessment file application in Q2 2023 applying for approval for Tutivia™ to be covered for reimbursement by CMS for Medicare claims under the Local Coverage Determination. If approval is not given or there are delays the Company will need to seek reimbursement under the appeals process or other pathways such as Individual Claims Review. This will take longer than the standard payment period offered under the Local Coverage Determination and may lead to less than 100% of each claim being obtained.

- c) The Company is dependent on other third parties who provide certain resources and services to the Company as the Company has limited resources in the short-term**

The Company relies in part on external resources to conduct the research, development, supply of supplies and clinical testing of its Clarava™ and Tutivia™ products, including in relation to the Company's laboratory and data management systems which rely on software developed by external manufacturers. The future development of the Clarava™ and Tutivia™ products and other products will partly depend upon the performance of these

Verici Dx plc

Strategic report for the year ended 31 December 2022 (*continued*)

Risks and uncertainties (*continued*)

third parties. The Company cannot guarantee that the relevant third parties will be able to carry out their obligations under the relevant arrangements.

(d) The Company is reliant upon the expertise and continued service of a small number of key individuals of its management, board of directors and scientific advisors

The Company relies on the expertise and experience of a small number of key individuals. The retention of their services cannot be guaranteed. Accordingly, the departure of these key individuals could have a negative impact on the Company's operations, financial conditions, its ability to execute the Company's business strategy and future prospects.

Going forwards, the Company will rely, in part, on the recruitment of appropriately qualified personnel, including personnel with a high level of scientific and technical expertise in the industry. The Company may be unable to find a sufficient number of appropriately highly trained individuals to satisfy its growth rate which could affect its ability to develop products as planned.

In addition, if the Company fails to succeed in pre-clinical or clinical studies, it may make it more challenging to recruit and retain appropriately qualified personnel. The Company's inability to recruit key personnel or the loss of the services of key personnel or consultants may impede the progress of the Company's research and development objectives as well as the commercialisation of its lead and other products.

(e) The Company will need to raise additional funding to take advantage of future opportunities

The Company may need to raise additional funding to take advantage of future opportunities. No assurance can be given that any such additional funding will be available or, if available, that it will be on terms that are favourable to the Company or shareholders. If the Company is unable to obtain additional funding as required, it may be required to reduce the scope of its operations or anticipated expansion.

(f) The Company's strategy involves generating additional commercially valuable IP that can be protected

The Company intends to build further its intellectual property portfolio. No assurance can be given that any future patent applications will result in granted patents, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Company, that any of the Company's patents will be held valid if challenged or that third parties will not claim rights in or ownership of the patents and other proprietary rights held by the Company.

Verici Dx plc

Strategic report for the year ended 31 December 2022 (*continued*)

Risks and uncertainties (*continued*)

- (g) Positive results from pilot trials and early clinical studies are not necessarily predictive of the results of later clinical studies. If the Company cannot replicate the positive results from earlier tests or studies in its later-stage clinical studies, it may be unable to successfully develop, obtain regulatory approval for, and commercialise its products**

Positive results from early-stage clinical studies may not necessarily be predictive of the results from later-stage clinical studies. Many companies in the pharmaceutical biotechnology and medical device industries have suffered significant setbacks in later-stage clinical trials after achieving positive results in early-stage development, and the Company cannot be certain that it will not face similar setbacks. These setbacks have been caused, among other things, by pre-clinical findings made while clinical trials were underway. Moreover, pre-clinical and clinical data is often susceptible to varying interpretations and analyses, and many companies that believed their product candidates performed satisfactorily in pre-clinical studies and clinical trials nonetheless failed to obtain regulatory approval.

- (h) The Company is subject to research and product development risk**

The Company may not be able to develop new products or to identify specific market needs that can be addressed by tests or solutions developed by the Company. Product development will be a key ongoing activity in the Company. However, there can be no guarantee that further products will be developed, successfully launched, or accepted by the market. All new product development has an inherent level of risk and can be a lengthy process and suffer unforeseen delays, cost overruns and setbacks, such as difficulty recruiting patients into further studies. The nature of the diagnostics industry may mean new products may become obsolete as a result of competition or regulatory changes which could have a material adverse effect on the Company's business, results of operations and financial condition.

In addition, research and development may subject to various requirements, such as research subject protection for individuals participating in clinical evaluations of new products, institutional review board oversight, regulatory authorisations, and design control requirements. Failure to comply with requirements could result in penalties, delay, or prevent commercialisation of products.

- (i) The Company is subject to risks associated with medical and technological change and obsolescence**

Demand for the Company's products could be adversely impacted by the development of alternative technology and alternative medicines with similar applications. There can be no assurance that the technology and products currently being developed by the Company will not be rendered obsolete. As a result, there is the possibility that new technology or products may be superior to, or render obsolete, the technology and products that the Company is currently developing. Any failure of the Company to ensure that its products remain up to date with the latest advances may have a material adverse impact on the Company's competitiveness and financial performance. The Company's success will depend, in part, on its ability to develop and adapt to these technological changes and industry trends.

- (j) The Company's failure to maintain compliance of its clinical laboratory operations with applicable laws could result in substantial civil or criminal penalties**

The operation of a clinical laboratory by the Company will be in a highly regulated environment which, among other things, will require maintaining compliance with CLIA certification and state clinical laboratory licensing requirements. Failure to maintain compliance with these requirements may result in a range of enforcement actions, including certificate or licence suspension, limitation, or revocation, directed plan of action, onsite monitoring, civil monetary penalties and criminal sanctions. Such failure may also result in significant adverse publicity. Any of these consequences could limit or entirely prevent continued operation of the Company and therefore impact its financial performance.

Verici Dx plc

Strategic report for the year ended 31 December 2022 (*continued*)

Risks and uncertainties (*continued*)

(k) The Company is subject to various health regulatory laws pertaining to fraud and abuse and related matters, and any failure to comply with such laws could result in substantial civil or criminal penalties

The Company's employees, independent contractors, consultants, and collaborators may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could cause significant liability for the Company and harm the Company's operations and reputation.

The Company is exposed to the risk that the Company's employees, independent contractors, consultants, and collaborators may engage in fraud or other misconduct to comply with manufacturing standards the Company has established, to comply with federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable non-US regulatory authorities, to report financial information or data accurately or to disclose unauthorised activities to the Company. Such misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to the Company's reputation. It is not always possible to identify and deter misconduct, and the precautions the Company will take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to comply with such laws, standards or regulations. If any such actions are instituted against the Company, or the Company's key employees, independent contractors, consultants, or collaborators, and the Company is not successful in defending itself or asserting the Company's rights, those actions could have a significant impact on the Company's business and results of operations, including the imposition of significant criminal, civil and administrative sanctions including monetary penalties, damages, fines, disgorgement, individual imprisonment, additional reporting requirements and oversight if the Company becomes subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, reputational harm, and the Company may be required to curtail or restructure the Company's operations.

(l) The Company's failure to prevent a data breach would result in serious reputational damage to the Company and may result in civil or criminal lawsuits and associated penalties

The Company takes its responsibility to maintain patient confidentiality and protect patient data extremely seriously. By its nature, the de-identified data that is being processed is highly sensitive and includes genetic and demographic information, the processing of which is subject to the most onerous obligations of applicable data protection legislation. If, due to a technical oversight, human error or malicious action by an employee or third party, the privacy, security or integrity of the data were compromised, the Company may be obliged to report such breach once it became aware of under applicable laws and regulations such as Health Insurance Portability and Accountability Act 1996 ("HIPAA"), EU General Data Protection Regulation (EU) 2016/679 ("GDPR"), Data Protection Act 2018 ("DPA") or other US state or EU member state specific laws as well as the data privacy laws of other countries such as Japan, Singapore, Hong Kong and China.

Depending on the nature and extent of the breach, the Company may become subject to a regulatory investigation, which would divert time and financial resources from the day-to-day operation of the business and may result in civil or criminal lawsuits and financial fines and penalties as well as adverse publicity. If third parties and/or customers of the Company become aware of such breaches, they may opt to cancel existing contracts or not enter new contracts with the Company, reducing revenue. The Company may also be required to personally inform the patients whose data was released or accessed as a result of a data breach, which may increase the severity of the reputational damage and may lead to patients revoking their consent for the data to be used by the Company. In addition, patients may have the right to bring claims for compensation for such breaches which might be brought by way of class or representative actions and claim significant sums as damages. To mitigate the risk of a data breach or related issue, the Company will employ technical security measures to protect data and work closely with its data providers to ensure that each party understands its obligations to protect personal data.

Verici Dx plc

Strategic report for the year ended 31 December 2022 (*continued*)

Section 172 Statement

The Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

Section 172(1)(a) to (f) requires each Director to act in the way he or she considers would be most likely to promote the success of the company for the benefit of its members as a whole, with regard to the following matters:

- (a) the likely consequences of any decision in the long term
- (b) the interests of the Company's employees
- (c) the need to foster the Company's business relationships with suppliers, customers and others.
- (d) the impact of the Company's operations on the community and the environment
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly between members of the Company.

This section serves as our section 172 statement and should be read in conjunction with the Strategic Report and the Company's Corporate Governance Statement. The table below acts as our s172(1) statement by setting out the key stakeholder groups, their interests and how the Company has engaged with them over the reporting period.

Verici Dx plc

Strategic report for the year ended 31 December 2022 (*continued*)

Stakeholder	Their interests	How we engage	2022 highlights
Our employees	<ul style="list-style-type: none"> • Training, development and career prospects • Health and Safety • Working conditions • Diversity and Inclusion • Human Rights and modern slavery • Fair pay, employee benefits 	<ul style="list-style-type: none"> • Weekly updates call with the entire team reviewing each week's activities. • Bimonthly meetings with the entire team to review progress against milestones. • Periodic updates on Company progress and overall strategy • Quarterly development plan meetings 	<ul style="list-style-type: none"> • Held an annual company retreat at Nashville laboratory with tour of new build out and communication workshop. • Adopted Monday.com as company wide project management software.
Our suppliers	<ul style="list-style-type: none"> • Terms and conditions of contracts • Working conditions • Human rights and modern slavery • Diversity and inclusion • Information on the future direction of the business 	<ul style="list-style-type: none"> • Prompt payment • Early communication with management team in situations requiring resolution. • Sub-contractor assessment approval chain • Supplier contracts 	
Our Investors	<ul style="list-style-type: none"> • Capital growth and dividends. • Comprehensive review of financial performance of the business • Business sustainability • High standard of governance • Success of the business • Ethical behaviour • Director experience • Awareness of long-term strategy and direction • Improving market perception of the business 	<ul style="list-style-type: none"> • Annual Report • Company website • Shareholder circulars • AGM • Stock exchange announcements • Communications through briefings with management • Investor Roadshows 	<ul style="list-style-type: none"> • Both in person and virtual meetings in the year.

Verici Dx plc

Strategic report for the year ended 31 December 2022 (*continued*)

Stakeholder	Their interests	How we engage	2022 highlights
Regulatory bodies	<ul style="list-style-type: none"> • Compliance with regulations • Workers' pay and conditions • Gender Pay • Health and Safety • Brand reputation • Waste and environment • Insurance 	<ul style="list-style-type: none"> • Company website • Stock exchange announcements • Annual Report • Direct contact with regulators • Compliance updates at Board Meetings • Consistent risk, health and safety review 	
Community and Environment	<ul style="list-style-type: none"> • Sustainability • Human rights • Energy usage • Recycling • Waste Management • Community outreach and CSR 	<ul style="list-style-type: none"> • Philanthropy • Volunteering • Corporate social responsibility • Workplace recycling policies and processes 	<ul style="list-style-type: none"> • Sponsored endowed lectureship for AST. • Attended ATC and AST conferences with exhibit space at AST • Sponsored Tennessee Kidney Fund 5k

This report was approved by the Board of Directors on 2 June 2023 and signed on its behalf by:

Julian Baines
Non-executive Chair

Verici Dx plc

Directors' report for the year ended 31 December 2022

The Directors present their report on the affairs of Verici Dx plc (the "Company") and its subsidiary, referred to as the Group, together with the audited Financial Statements and Independent Auditors' Report for the year ended 31 December 2022.

Principal activities

The main activity of the Group is the development of a prognostic and diagnostic tests for kidney transplant patients.

Results and dividends

During the year ended 31 December 2022 the Group recorded a loss after tax of US\$11,407,000 (2021 - US\$8,329,000) and a net cash outflow from operating activities of US\$10,068,000 (2021 - US\$6,336,000).

The Directors do not recommend the payment of a dividend.

Going concern

The Group is in the development phase of its business and has not generated any revenues. At 31 December 2022 the Group has available cash resources of US\$9,805,000 (2021 – US\$10,340,000).

In considering the appropriateness of this basis of preparation, the Directors have reviewed the Company and Group working capital forecasts for a minimum of 12 months from the date of the approval of this financial information. The Company's projections, including expected levels of revenue generation, indicate sufficient funds through to mid-2024. Thus, the adoption of the going concern basis of accounting in preparing this financial information is considered appropriate. However, the directors consider that it is reasonably possible that the Company and Group will require additional funding during, or shortly after the end of that period. Further details are set out in note 2 to the financial statements.

Political donations

The Group made no political donations in the period.

Future developments

The Group's future developments are outlined in the Strategic Report on pages 11 to 21.

Financial risk management

Financial risk management policies and objectives for capital management are outlined in the principal risks and uncertainties section of the Strategic Report on pages 11 to 21 and in note 4 to the financial statements.

Directors' indemnities

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors, which were made during the period and remain in force at the date of this report.

Events after the reporting period

Details of significant events since the reporting period are contained in note 22 of the financial statements.

Verici Dx plc

Directors' report for the year ended 31 December 2022 (*continued*)

Directors

The Directors of the company throughout the year and to the date of this report were:

Julian Baines MBE
Sir Ian Carruthers OBE
James McCullough
Sara Barrington
Dr Erik Lium
Dr Lorenzo Gallon

Directors' shareholdings

The holdings in the share capital of the Company of those Directors serving at 31 December 2022 and as at the date of signing of these financial statement, all of which are beneficial, were as follows:

	On 31 December 2022 and 2021 Ordinary Shares of £0.001 each
Julian Baines	1,351,713
Sir Ian Carruthers	100,000
James McCullough	2,870,110
Sara Barrington	-
Dr Erik Lium	-
Dr Lorenzo Gallon	-

Substantial shareholdings

As of 31 March 2023, the following interests in 3% or more of the issued Ordinary Share capital, after taking account of the issue of new shares post year end pursuant to the funding, had been notified to the Company:

Shareholder	Number of shares	Percentage of issued share capital
Harwood Capital	33,059,186	19.4%
Icahn School of Medicine at Mount Sinai	19,501,330	11.4%
Renalytix plc	9,831,681	5.8%
Unicorn Asset Management Limited	9,239,660	5.4%
Hargreaves Lansdown Asset Management	9,092,750	5.1%
Canaccord Genuity Wealth Management	8,239,314	4.8%

Verici Dx plc

Directors' report for the year ended 31 December 2022 (*continued*)

Corporate Social Responsibility

The Board recognises its employment, environmental and health and safety responsibilities. It devotes appropriate resources towards monitoring and improving compliance with existing standards. The Executive Directors are responsible for these areas at Board level, ensuring that the Group's policies are upheld and providing the necessary resources.

The Directors consider that the nature of the Group's activities is not inherently detrimental to the environment. The Group is committed to identifying and minimising any effect on the environment caused by its operations and the Board recognises that the Group has a duty to be a good corporate citizen and to respect and comply with the laws, regulations, and where appropriate the customs and culture of the territories in which it operates.

Employees

The Group is committed to achieving equal opportunities and to complying with relevant anti-discrimination legislation. It is established Group policy to offer employees and job applicants the opportunity to benefit from fair employment, without regard to their sex, sexual orientation, marital status, race, religion or belief, age or disability. Employees are encouraged to train and develop their careers.

The Group has continued its policy of informing all employees of matters of concern to them as employees, both in their immediate work situation and in the wider context of the Group's well-being. Communication with employees is affected through the Board, the Group's management briefings structure, formal and informal meetings and through the Group's information systems.

Directors Responsibilities

The Directors are responsible for preparing the Strategic Report, 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 UK adopted International Accounting Standards ("UK IFRS") and applicable law.

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 the Group and of the profit or loss of the Group 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.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Verici Dx plc

Directors' report for the year ended 31 December 2022 (*continued*)

Directors Responsibilities (*continued*)

They are further responsible for ensuring that the Strategic Report and the Directors' Report and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Verici Dx plc website is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Auditors

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

- so far as that Director is aware, there is no relevant audit information of which the Group and the Group's auditor is unaware; and
- that 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 and the Group's auditor is aware of that information.

Crowe U.K. LLP has expressed its willingness to continue in office and a resolution to reappoint the firm as Auditor and authorising the Directors to set their remuneration will be proposed at the forthcoming Annual General Meeting

This report was approved by the Board of Directors on 2 June 2023 and signed on its behalf by:

Julian Baines
Non-executive Chair

Verici Dx plc

Corporate governance report for the year ended 31 December 2022

Compliance

The Company recognises the value of good corporate governance in every part of its business. The Board has adopted the corporate governance principles of the 2018 Quoted Companies Governance Code. Details of the Code can be obtained from the Quoted Companies Alliance's website (www.theqca.com).

The following statement describes how the Group seeks to address the principles underlying the Code.

Board composition and responsibility

The Board currently comprises one Executive Director and five Non-Executive Directors. Julian Baines has been appointed as Non-Executive Chair.

It is the Board's opinion that Julian Baines, Sir Ian Carruthers, James McCullough, Dr Erik Lium, and Dr Lorenzo Gallon are independent in character and judgement and that there are no relationships or circumstances which could materially affect or interfere with the exercise of their independent judgement.

All Directors are subject to election by Shareholders at the first Annual General Meeting after their appointment and are subject to re-election at least every three years. Non-Executive Directors are appointed for a specific term of office which provides for their removal in certain circumstances, including under section 168 of the Companies Act 2006. The Board does not automatically re-nominate Non-Executive Directors for election by Shareholders. The terms of appointment of the Non-Executive Directors can be obtained by request to the Company Secretary.

The Board's primary objective is to focus on adding value to the assets of the Group by identifying and assessing business opportunities and ensuring that potential risks are identified, monitored and controlled. Matters reserved for Board decisions include strategic long-term objectives and capital structure of major transactions. The implementation of Board decisions and day to day operations of the Group are delegated to Management.

There is a division of responsibilities between the Non-Executive Chair, who is responsible for the overall strategy of the Group and running the Board, and the CEO, who is responsible for implementing the strategy and day to day running of the Group.

Board meetings

Three Board meetings were held during the period. The Directors' attendance record during their period of office was as follows:

	Board (9 meetings held)	Audit Committee (2 meetings held)	Remuneration Committee (1 meeting held)
Julian Baines	9/9	N/A	1/1
Sara Barrington	9/9	N/A	N/A
Sir Ian Carruthers	9/9	2/2	N/A
James McCullough	8/9	N/A	1/1
Dr Erik Lium	9/9	N/A	1/1
Dr Lorenzo Gallon	9/2	2/2	N/A

During the year, the Board has not performed an evaluation of their performance and that of the Chair, as well as the effectiveness of the Board committees.

Verici Dx plc

Corporate governance report for the year ended 31 December 2022 (*continued*)

Audit Committee

The Audit Committee comprises Sir Ian Carruthers, who acts as chair, and Dr Lorenzo Gallon. The Audit Committee will, among other things, determine and examine matters relating to the financial affairs of the Company including the terms of the engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It will receive and review the reports from management and the Company's auditors relating to the half yearly and annual accounts and the accounting and the internal control systems in use throughout the Company.

The committee has met twice during the year ended 31 December 2022. There have been no significant matters communicated to the Committee by the auditors and no interaction with the Financial Reporting Council. The report of the Audit Committee is set out on pages 32 to 33.

Remuneration Committee

The Remuneration Committee comprises Dr Erik Lium, who acts as chair, and Julian Baines and James McCullough. The Remuneration Committee review and makes recommendations in respect of the Executive Directors' remuneration and benefits packages, including share options and the terms of their appointment. The Remuneration Committee also make recommendations to the Board concerning the allocation of share options to employees under the intended share option schemes.

The Committee has met once during the year ended 31 December 2022. The report of the Remuneration Committee is set out on pages 29 to 31.

Nomination Committee

The Nomination Committee comprises Sir Ian Carruthers, who acts as chair, and James McCullough. The Nomination Committee will review and recommend nominees as new Directors to the Board. The Committee has not met during year ended 31 December 2022.

Internal control

The Directors are responsible for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that the assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, but not absolute, assurance with respect to the preparation of financial reporting and the safeguarding of assets.

The Group, in administering its business, has put in place strict authorisation, approval and control levels within which senior management operates. These controls reflect the Group's organisational structure and business objectives. The control system includes clear lines of accountability and covers all areas of the organisation. The Board operates procedures which include an appropriate control environment through the definition of the above organisation structure and authority levels and the identification of the major business risks.

Internal financial reporting

The Directors are responsible for establishing and maintaining the Group's system of internal reporting and as such have put in place a framework of controls to ensure that on-going financial performance is measured in a timely and correct manner and that risks are identified as early as is practicably possible. There is a comprehensive budgeting system and monthly management accounts are prepared which compare actual results against both the budget and the previous year. They are reviewed and approved by the Board and revised forecasts are prepared on a regular basis.

Verici Dx plc

Corporate governance report for the year ended 31 December 2022 (*continued*)

Relations with shareholders

The Company will report to Shareholders twice a year. The Company dispatches the notice of its Annual General Meeting, together with a description of the items of special business, at least 21 clear days before the meeting. Each substantially separate issue is the subject of a separate resolution, and all Shareholders have the opportunity to put questions to the Board at the Annual General Meeting.

The Chair(s) of the Audit and Remuneration Committees normally attend the Annual General Meeting and will answer questions which may be relevant to their work. The Chairman advises the meeting of the details of proxy votes cast on each of the individual resolutions after they have been voted on in the meeting. The Chairman and the Non-Executive Directors intend to maintain a good and continuing understanding of the objectives and views of the Shareholders.

Shareholders may contact the Company as follows:

Tel: +44 (0)20 7933 8780

Email: investors@vericidx.com

Corporate social responsibility

The Board recognises that the Group has a duty to be a good corporate citizen and is conscious that its business processes minimise harm to the environment, that it contributes as far as is practicable to the local communities in which it operates and takes a responsible and positive approach to employment practices.

The Corporate Governance Statement was approved by the Board on 2 June 2023 and signed on its behalf by:

Salim Hamir
Company Secretary

Verici Dx plc

Report of the remuneration committee for the year ended 31 December 2022

Statement of compliance

This report does not constitute a Directors' Remuneration Report in accordance with the Directors' Remuneration Regulations 2007 which do not apply to the Company as it is not fully listed. This report sets out the Group policy on Directors' remuneration, including emoluments, benefits and other share-based awards made to each Director.

Policy on Executive Directors' remuneration

Remuneration packages are designed to motivate and retain the Executive Director to ensure the continued development of the Group and to reward them for enhancing value to shareholders. The main elements of the remuneration package for the Executive Director are basic salary, performance-related bonuses, benefits and share based incentives.

Directors' remuneration - Audited

The remuneration of the Directors for the year ended 31 December 2022 is shown below:

	Base Salary and fees US\$	Pension US\$	Benefits US\$	Bonus US\$	Year to 31 December 2022 US\$
Executive Director					
Sara Barrington	331,771	5,251	18,783	-	355,805
	331,771	5,251	18,783	-	355,805
Non-Executive Directors					
Julian Baines	37,119	-	-	-	37,119
Sir Ian Carruthers	30,932	-	-	-	30,932
Dr Erik Lium	30,932	-	-	-	30,932
James McCullough	30,932	-	-	-	30,932
Dr Lorenzo Gallon	30,932	-	-	-	30,932
	160,847	-	-	-	160,847
Total fees and emoluments	492,618	5,251	18,783	-	516,652

Dr Erik Lium is not entitled to receive remuneration as he sits on the Board as a representative of the Icahn School of Medicine at Mount Sinai and his fees are paid to Mount Sinai.

Verici Dx plc

Report of the remuneration committee for the year ended 31 December 2022 (*continued*)

The remuneration of the Directors for the period ended 31 December 2021 is shown below:

	Base Salary and fees US\$	Pension US\$	Benefits US\$	Bonus US\$	Year to 31 December 2021 US\$
Executive Director					
Sara Barrington	288,113	10,487	19,681	97,500	415,781
	288,113	10,487	19,681	97,500	415,781
Non-Executive Directors					
Julian Baines	41,277	-	-	-	41,277
Sir Ian Carruthers	34,397	-	-	-	34,397
Dr Erik Lium	34,397	-	-	-	34,397
James McCullough	34,397	-	-	-	34,397
Dr Lorenzo Gallon (appointed 18 August 2021)	12,760	-	-	-	12,760
Dr Barbara Murphy (deceased 29 June 2021)	17,199	-	-	-	17,199
	174,427	-	-	-	174,427
Total fees and emoluments	462,540	10,487	19,681	97,500	590,208

Dr Erik Lium is not entitled to receive remuneration as he sits on the Board as a representative of the Icahn School of Medicine at Mount Sinai and his fees are paid to Mount Sinai.

Verici Dx plc

Report of the remuneration committee for the year ended 31 December 2022 (*continued*)

Share option plan

On 28 October 2020 share options were granted to a number of directors and other parties under the Company's unapproved share-option scheme. The options held by Directors as of 31 December 2022 were as follows:

Option holder	Option price per ordinary share	Number of Ordinary Shares under option	Exercise period
Icahn School of Medicine at Mount Sinai	£0.20	708,739	28 October 2020 – 27 October 2030
Sara Barrington	£0.20	5,669,913	28 October 2020 – 27 October 2030

Directors' interests in the share capital of the Company are disclosed in the Directors' Report on pages 20 to 23.

Approved by the Board on 2 June 2023 and signed on its behalf by:

Dr Erik Lium
Chair of Remuneration Committee

Verici Dx plc

Audit Committee Report for the year ended 31 December 2022

The Audit Committee reports to the Board on matters concerning the Group's internal financial controls, financial reporting and risk management systems, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Composition of the Audit Committee

The Audit Committee is appointed by the Board comprised Sir Ian Carruthers (Committee Chair) and Dr Lorenzo Gallon. Sir Ian Carruthers has experience of chairing and holding non-executive position with number of Boards. Whilst no non-executive member of the Board held an accounting qualification during the 2022 financial year, Sir Ian Carruthers and Dr Lorenzo Gallon were both deemed competent by virtue of their experience and relevant experience to the sector in which the Company operates.

Role of the Audit Committee

The Audit Committee operates within defined terms of reference and its main functions are:

- to monitor the internal financial control and risk management systems on which the Group is reliant;
- to consider whether there is a need for the Group to have its own internal audit function;
- to monitor the integrity of the Group's financial statements and formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- to review arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matter;
- to meet the independent Auditor of the Group to review their proposed audit programme of work and the subsequent Audit Report and to assess the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work;
- to make recommendations to the Board in relation to the appointment, re-appointment or removal of the Auditor, and to negotiate their remuneration and terms of engagement on audit and non-audit work; and
- to monitor and review annually the external Auditor's independence, objectivity, effectiveness, resources and qualification

External audit

The Group's external auditor is Crowe U.K. LLP.

The effectiveness and independence of the external audit and auditor is reviewed annually by reference to the auditor's attendance at Committee meetings, their audit plan, audit fieldwork, post-audit management letter and the judgment of the Committee having discussed the matter with the finance director.

The external auditor also provides certain non-audit services including annual tax compliance. The Board has reviewed its safeguards and policies in place for nonaudit services and is satisfied that these are sufficiently robust to ensure that Crow U.K. LLP maintain their audit objectivity and independence. Crowe U.K. LLP report to the Board annually on their independence from the company. Non-audit services are provided only if such services do not conflict with their statutory responsibilities and ethical guidance.

Taking all of the above into consideration, the Committee concluded the auditors were both effective and independent during the year.

Review of financial statements and risks identified financial statements issued by the Company need to be fair, balanced, and understandable. The Audit Committee reviews the Annual Report as a whole and makes recommendations to the Board. The Audit Committee has advised the Board that, in its opinion, the Annual Report and Financial Statements are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Company's unaudited interim results are also reviewed by the Audit Committee prior to their publication.

Verici Dx plc

Audit Committee Report for the year ended 31 December 2022 (*continued*)

Key risk areas, and audit and accounting matters considered by the Committee

Generally, there is a close relationship between the company's income statement and its cash flows, with few significant judgmental items or longer-term unsettled items remaining on the balance sheet.

The main accounting and audit risks identified during the year, including as also described in the audit findings report, were:

- funding and going concern risk assessments.
- revenue recognition (principally year end cut-off).
- capitalisation of intangible costs and impairment review; and
- share based payments.

No significant adjustments or matters of concern were identified by the external audit.

Internal control and consideration of the need for the internal audit

The Board believes that due to the size of the business there is currently no requirement for an internal audit function. This matter is reviewed annually.

The finance function for the Group is managed by the Finance Director with use of outsourcing facilities. Reliance with regard to internal control effectiveness is placed on the close involvement of the Chief Executive Officer, the Finance Director and the Company Secretary in the day-to-day management and control of the business, with the Audit Committee retaining oversight of financial information provided to the Board and the Group's accounting and internal control policies and procedures. Recommendations for amendments or improvements are made as needed.

During the year there were no significant matters raised by the external auditors, nor any significant matters of concern identified with regard to internal control elsewhere that required action by the Committee.

Therefore, it is judged that the current size, financial position, complexity and risk profile of the Group does not justify the cost of an internal audit function. This will be kept under annual review.

Sir Ian Carruthers
Chair of the Audit Committee

2 June 2023

Verici Dx plc

Report of the audit of the financial statements for the year ended 31 December 2022

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VERICI DX PLC

Opinion

We have audited the financial statements of Verici Dx plc (the "parent company") and its subsidiary (the "group") for the year ended 31 December 2022 which comprise the Statement of Consolidated Profit or Loss and Other Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows in Equity, the Consolidated and Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted International Accounting Standards (IFRSs). The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosures Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosures Framework (United Kingdom Generally Accepted Accounting Practice); and
- the financial statements 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 group and 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern (Key Audit Matter)

We draw attention to the section headed Going Concern on page 49 of the financial statements, which details the factors the directors have considered when assessing the going concern position. As detailed in the relevant note on page 49, although the directors' projections, including expected levels of revenue generation, indicate sufficient funds through to the second half of 2024 it is reasonably possible that the group will require additional funding during, or shortly after a period of 12 months from the date of approval of these financial statements. The directors will seek to put in place funding arrangements which may from time to time be required but such arrangements are not presently committed. This represents a material uncertainty in relation to the group's funding arrangements that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Verici Dx plc

Report of the audit of the financial statements for the year ended 31 December 2022 (*continued*)

Material uncertainty relating to going concern (Key Audit Matter) (*continued*)

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

The going concern assessment period used by the Directors was at least 12 months from the date of the approval of the financial statements. Our evaluation of the Director's assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's assessment of going concern and the underlying financial projections which support that assessment.
- testing to ensure the mathematical accuracy of the model presented.
- reviewing the assumptions used about future cash flows and timings.
- challenging the basis of management's estimates and assumptions in relation to cash flows for the business and available cost mitigations
- confirming the existence of cash balances which we relied on
- considering a range of sensitivities to assess reasonably likely changes to key inputs; and
- reviewing the appropriateness of the disclosures in the financial statements

Further details of the Directors' assessment of going concern is provided in Note 2.

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

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

- \$480,000 (2021: \$350,000) is the group level of materiality determined for the financial statements as a whole. This was determined based on approximately 5% of the consolidated loss at the planning stage and we did not consider it necessary to revise it. As the Group is constituted with a view to making profits, we determined that a results based metric was the most appropriate to use for determining materiality.
- \$336,000 (2021: \$245,000) is the group level of performance materiality. Performance materiality is used to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.
- \$24,000 (2021: \$17,500) is the group level of triviality agreed with the Audit Committee. Errors above this threshold are reported to the Audit Committee, errors below this threshold would also be reported to the Audit Committee if, in our opinion as auditor, disclosure was required on qualitative grounds.

The parent company materiality was assessed as \$350,000 (2021: \$240,000) based on approximately 1% of total assets at the planning stage. Performance materiality was set at \$245,000 (2021: \$168,000). Parent company triviality was \$17,500 (2021: \$12,000).

Overview of the scope of our audit

The company's operations are based in the UK and the USA. In view of the early stage of development of the group's business activities the audit team performed a full scope audit on the group from the UK as a single component.

Verici Dx plc

Report of the audit of the financial statements for the year ended 31 December 2022 (*continued*)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified going concern as the only key audit matter. This is dealt with in “Material uncertainty relating to going concern” above.

Other information

The Directors are responsible for the other information contained within the annual report. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In 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 strategic report or the Directors’ report.

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

- adequate accounting records have not been kept by the company, 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.

Verici Dx plc

Report of the audit of the financial statements for the year ended 31 December 2022 (*continued*)

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements 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 group and 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.

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

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and taxation legislation. Technical, clinical or regulatory laws and regulations which are inherent risks in drug development are mitigated and managed by the Board and management in conjunction with expert regulatory consultants in order to monitor the latest regulations and planned changes to the regulatory environment.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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.

Verici Dx plc

Report of the audit of the financial statements for the year ended 31 December 2022 (*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.

Stephen Bullock

(Senior Statutory Auditor)

for and on behalf of Crowe U.K. LLP Statutory Auditor, London

2 June 2023

Verici Dx plc

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	Note	Year to 31 December 2022 US\$'000	Year to 31 December 2021 US\$'000
Administrative expenses	5	(10,497)	(7,151)
Depreciation and amortisation		(640)	(438)
Exceptional expense – share based payments	20	(318)	(740)
Loss from operations		(11,455)	(8,329)
Finance income	9	53	-
Finance expense	9	(5)	-
Loss before tax		(11,407)	(8,329)
Tax expense	10	-	-
Loss from continuing operations		(11,407)	(8,329)
Other comprehensive income:			
Exchange (losses) / gains arising on translation of foreign operations		(2,016)	(50)
Total comprehensive income		(13,423)	(8,379)
Earnings per share attributable to the ordinary equity holders of the parent	11		
Loss per share			
Basic and diluted (US\$)		(\$0.069)	(\$0.059)

The results reflected above relate to continuing operations.

The notes on pages 48 to 70 form part of these financial statements.

Verici Dx plc

Consolidated statement of financial position as at 31 December 2022

	Note	2022 US\$'000	2021 US\$'000
Assets			
Current assets			
Trade and other receivables	15	520	656
Cash and cash equivalents		9,805	10,340
		<u>10,325</u>	<u>10,996</u>
Non-current assets			
Property, plant and equipment	12	2,010	786
Intangible assets	13	1,970	2,007
		<u>3,980</u>	<u>2,793</u>
Total assets		<u><u>14,305</u></u>	<u><u>13,789</u></u>
Liabilities			
Current liabilities			
Trade and other payables	16	(2,096)	(1,804)
Lease liabilities	17	(156)	-
Non-current liabilities	17	(544)	-
		<u>11,509</u>	<u>11,985</u>
NET ASSETS		<u><u>11,509</u></u>	<u><u>11,985</u></u>
Issued capital and reserves attributable to owners of the parent			
Share capital	18	219	182
Share premium reserve	19	32,946	20,354
Share-based payments reserve	19	3,853	3,535
Foreign exchange reserve		(1,037)	979
Retained earnings		(24,472)	(13,065)
TOTAL EQUITY		<u><u>11,509</u></u>	<u><u>11,985</u></u>

The financial statements on pages 39 to 70 were approved and authorised for issue by the Board of Directors on 2 June and were signed on its behalf by:

Julian Baines - Director

Sara Barrington - Director

Company Number 12567827

The notes on pages 48 to 70 form part of these financial statements.

Verici Dx plc

Company statement of financial position as at 31 December 2022

	Note	2022 US\$'000	2021 US\$'000
Assets			
Current assets			
Trade and other receivables	15	18,200	8,344
Cash and cash equivalents		9,345	10,024
		<u>27,545</u>	<u>18,368</u>
Non-current assets			
Property, plant and equipment	12	56	250
Intangible assets	13	1,315	1,566
Investment in subsidiary undertaking	14	-	-
		<u>1,371</u>	<u>1,816</u>
Total assets		<u>28,916</u>	<u>20,184</u>
Liabilities			
Current liabilities			
Trade and other payables	16	(105)	(181)
NET ASSETS		<u>28,811</u>	<u>20,003</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	18	219	182
Share premium reserve	19	32,946	20,354
Share-based payments reserve	19	297	247
Foreign exchange reserve		(2,194)	868
Retained earnings		(2,457)	(1,648)
TOTAL EQUITY		<u>28,811</u>	<u>20,003</u>

The Company has taken advantage of the exemptions under section 408 of the Companies Act 2006 not to present the Company profit or loss statement. The loss of the Company for the year ended 31 December 2022 was US\$809,000. The financial statements on pages 39 to 70 were approved and authorised for issue by the Board of Directors 2 June 2023 and were signed on its behalf by:

Julian Baines - Director

Sara Barrington - Director

Company Number 12567827

The notes on pages 46 to 70 form part of these financial statements.

Verici Dx plc

Consolidated statement of cash flows for the year ended 31 December 2022

	Note	Year to 31 December 2022 US\$'000	Year to 31 December 2021 US\$'000
Cash flows from operating activities			
Loss from operations		(11,407)	(8,329)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		497	295
Amortisation of intangible fixed assets		143	143
Finance income		(53)	-
Finance expense		5	-
Share-based payment expense		318	740
		(10,497)	(7,151)
Decrease / (increase) in trade and other receivables		136	(331)
Increase in trade and other payables		293	1,146
Income taxes paid		-	-
Net cash outflow from operating activities		(10,068)	(6,336)
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,040)	(618)
Purchase of intangibles		(268)	(348)
Net cash used in investing activities		(1,308)	(966)
Cash flows from financing activities			
Issue of ordinary shares		13,070	-
Expenses of share issue		(441)	-
Interest received		53	-
Interest paid		(5)	-
Repayment of lease liabilities		(3)	-
Loan repayments		-	(74)
Net cash inflow / (outflow) from financing activities		12,674	(74)
Net increase / (decrease) in cash and cash equivalents		1,298	(7,376)
Cash and cash equivalents at beginning of year		10,340	17,751
Exchange (losses) / gains on cash and cash equivalents		(1,833)	(35)
Cash and cash equivalents at end of year	4	9,805	10,340

The notes on pages 48 to 70 form part of these financial statements.

Verici Dx plc

Company statement of cash flows for the year ended 31 December 2022

	Note	Year to 31 December 2022 US\$'000	Year to 31 December 2021 US\$'000
Cash flows from operating activities			
Loss for the period		(809)	(597)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		172	191
Amortisation of intangible fixed assets		104	124
Finance expense		-	-
Share-based payment expense		50	58
		<hr/>	<hr/>
		(483)	(224)
Increase in trade and other receivables		(1,005)	(37)
(Decrease) / increase in trade and other payables		(76)	18
Income taxes paid		-	-
		<hr/>	<hr/>
Net cash outflow from operating activities		(1,564)	(243)
		<hr/>	<hr/>
Cash flows from investing activities			
Advances to wholly owned subsidiary undertaking		(9,896)	(7,199)
Purchase of intangibles		(15)	(4)
		<hr/>	<hr/>
Net cash used in investing activities		(9,911)	(7,203)
		<hr/>	<hr/>
Cash flows from financing activities			
Issue of ordinary shares		13,070	-
Expenses of share issue		(441)	-
Loan repayments		-	(74)
		<hr/>	<hr/>
Net (outflow) / inflow from financing activities		12,629	(74)
		<hr/>	<hr/>
Net increase / (decrease) in cash and cash equivalents		1,154	(7,520)
Cash and cash equivalents at beginning of year		10,024	17,579
Exchange (losses) / gains on cash and cash equivalents		(1,833)	(35)
		<hr/>	<hr/>
Cash and cash equivalents at end of year	4	9,345	10,024
		<hr/>	<hr/>

The notes on pages 48 to 70 form part of these financial statements.

Verici Dx plc

Consolidated statement of changes in equity for the year ended 31 December 2022

	Share capital US\$	Share premium US\$	Share-based payment reserve US\$	Foreign exchange reserve US\$	Retained earnings US\$	Total attributable to equity holders of parent US\$	Total equity US\$
1 January 2021	182	20,354	2,795	1,029	(4,736)	19,624	19,624
Comprehensive income for the period							
Loss	-	-	-	-	(8,329)	(8,329)	(8,329)
Other comprehensive Income	-	-	-	(50)	-	(50)	(50)
Total comprehensive Income for the year	-	-	-	(50)	(8,329)	(8,379)	(8,379)
Contributions by and distributions to owners							
Share-based payment	-	-	740	-	-	740	740
Total contributions by and distributions to owners	-	-	740	-	-	740	740
31 December 2021	182	20,354	3,535	979	(13,065)	11,985	11,985

Verici Dx plc

Consolidated statement of changes in equity for the year ended 31 December 2022 (continued)

	Share capital US\$	Share premium US\$	Share-based payment reserve US\$	Foreign exchange reserve US\$	Retained earnings US\$	Total attributable to equity holders of parent US\$	Total equity US\$
1 January 2022	182	20,354	3,535	979	(13,065)	11,985	11,985
Comprehensive income for the year							
Loss	-	-	-	-	(11,407)	(11,407)	(11,407)
Other comprehensive Income	-	-	-	(2,016)	-	(2,016)	(2,016)
Total comprehensive Income for the year	-	-	-	(2,016)	(11,407)	(13,423)	(13,423)
Contributions by and distributions to owners							
Issue of share capital	37	13,033	-	-	-	13,070	13,070
Costs of share issue	-	(441)	-	-	-	(441)	(441)
Share-based payment	-	-	318	-	-	318	318
Total contributions by and distributions to owners	37	12,592	318	-	-	12,947	12,947
31 December 2022	219	32,946	3,853	(1,037)	(24,472)	11,509	11,509

Verici Dx plc

Company statement of changes in equity for the year ended 31 December 2022

	Share capital US\$	Share premium US\$	Share-based payment reserve US\$	Foreign exchange reserve US\$	Retained earnings US\$	Total attributable to equity holders of parent US\$	Total equity US\$
1 January 2021	182	20,354	189	1,074	(1,051)	20,748	20,748
Comprehensive income for the year							
Loss	-	-	-	-	(597)	(597)	(597)
Other comprehensive Income	-	-	-	(206)	-	(206)	(206)
Total comprehensive Income for the year	-	-	-	(206)	(597)	(803)	(803)
Contributions by and distributions to owners							
Share-based payment	-	-	58	-	-	58	58
Total contributions by and distributions to owners	-	-	58	-	-	58	58
31 December 2021	182	20,354	247	868	(1,648)	20,003	20,003

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Company statement of changes in equity for the year ended 31 December 2022 (continued)

	Share capital US\$	Share premium US\$	Share-based payment reserve US\$	Foreign exchange reserve US\$	Retained earnings US\$	Total attributable to equity holders of parent US\$	Total equity US\$
1 January 2021	182	20,354	247	868	(1,648)	20,003	20,003
Comprehensive income for the year							
Loss	-	-	-	-	(809)	(809)	(809)
Other comprehensive Income	-	-	-	(3,062)	-	(3,062)	(3,062)
Total comprehensive Income for the year							
	-	-	-	(3,062)	(809)	(3,871)	(3,871)
Contributions by and distributions to owners							
Issue of share capital	37	13,033	-	-	-	13,070	13,070
Costs of share issue	-	(441)	-	-	-	(441)	(441)
Share-based payment	-	-	50	-	-	50	50
Total contributions by and distributions to owners							
	37	12,592	50	-	-	12,679	12,679
31 December 2022	219	32,946	297	(2,194)	(2,457)	28,811	28,811

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022

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 UK adopted International Accounting Standards (“UK IFRS”). The financial statements of the Company for the year ended 31 December 2022 are prepared in accordance with applicable law and UK Accounting Practice. Including FRS 101 “Reduced Disclosure Framework” although no disclosure exemptions have been taken.

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.

Verici Dx Plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

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

In view of the early stage of its commercial development the Group funds its activities from existing cash resources, the generation of cash receipts from commercial revenues in future periods and, if required, additional equity or debt funding for future working capital needs.

The Group did not generate any commercial revenue in the period but continues to execute the commercial introduction of Tutivia™, the first product for kidney transplant rejection. The Group will only expand its sales headcount if revenue demand exceeds current expectation and can also explore other strategic options to increase sales distribution of Tutivia and launch its second lead product, Clarava™ by the end of 2023. The Company retains sufficient funding to achieve further key milestones in 2023 and mid 2024, which will support commercial adoption including the publication of additional data and obtaining both Medicare and private payor pricing and coverage.

At 31 December 2022 the Group had available cash resources of \$9.8 million (2021 - \$10.3 million). The Group is focused on early revenue generation and first revenue is expected during 2023. The Group will seek to extend and broaden its revenue streams from additional medical centres in the second half of 2023. There are, however, uncertainties in relation to the quantum and timing of cash receipts from revenue. The Group has therefore taken headcount reduction and clinical trial cost containment steps in recent months and, as a result, has extended the current cash runway.

The Directors have prepared cash flow forecasts for the Group for a period of at least 12 months from the date of approval of these financial statements. Those forecasts include estimates of cash receipts from commercial revenues at levels in line with market expectations. The Directors have also prepared a number of reasonably possible sensitivity scenarios including reduced levels of cash receipts from revenues, and a scenario in which the Group receives no cash at all from commercial revenues in the going concern period, even though that is not considered to be a reasonably possible outcome.

Having considered the cash flow forecasts and sensitivity scenarios above and taken into account the information and estimates available at the date of approving these financial statements, the directors consider it is appropriate to adopt the going concern basis in preparing the financial statements for the group. Although the company's projections, including expected levels of revenue generation, indicate sufficient funds through to mid-2024, it is reasonably possible that the group will require additional funding during, or shortly after a period of 12 months from the date of approval of these financial statements. The directors will seek to put in place funding arrangements which may from time to time be required but such arrangements are not presently committed. This represents a material uncertainty in relation to the group's funding arrangements.

Verici Dx Plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

2 Summary of significant accounting policies (*continued*)

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.

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 arise 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

a) 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.

Verici Dx Plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

2 Summary of significant accounting policies (*continued*)

Foreign currency translation (*continued*)

b) Transactions and balances

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

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 license 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.

Verici Dx Plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

2 Summary of significant accounting policies (*continued*)

Impairment of tangible and intangible assets (*continued*)

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.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 19).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Verici Dx Plc

Notes forming part of the financial statements for the year ended 31 December 2022 (*continued*)

2 Summary of significant accounting policies (*continued*)

Leases (*continued*)

When the company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised) it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

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.

a) *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.

b) *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.

c) *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.

Financing expenses

Financing expenses comprise interest payable. 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.

Verici Dx Plc

Notes forming part of the financial statements for the year ended 31 December 2022 (*continued*)

2 Summary of significant accounting policies (*continued*)

Research and development costs

Development costs and expenditure on pure and applied research and the clinical trials are charged to the Income Statement in the year in which they are incurred. Expenditure incurred on the development of internally generated products will be capitalised based on the recognition criteria set aside in IAS 38 “Intangible Assets”.

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.

Carrying value of amounts owed by subsidiary undertaking

The operations of the wholly owned subsidiary, Verici Dx Inc, are funded by the parent company, Verici Dx Plc. As such a receivable balance arises reflecting the funds advanced. The recoverability of this balance is dependent upon the economic viability and expected performance of the Group's developed products.

Going concern

The preparation of cash flow forecasts for the Group requires estimates to be made of the quantum and timing of cash receipts from future commercial revenues and the timing of future expenditure, all of which are subject to uncertainty.

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:

Verici Dx Plc

Notes forming part of the financial statements for the year ended 31 December 2022 (*continued*)

4 Financial instruments - Risk Management (*continued*)

(i) *Principal financial instruments* (*continued*)

- Cash and cash equivalents
- Trade and other payables

(ii) *Financial instruments by category*

Financial asset

	Group Amortised cost 2022 US\$'000	Company Amortised cost 2022 US\$'000	Group Amortised cost 2021 US\$'000	Company Amortised cost 2021 US\$'000
Cash and cash equivalents	9,805	9,345	10,340	10,024
Trade and other receivables	177	18	250	17
Amounts due from subsidiary	-	18,122	-	8,226
	<hr/>	<hr/>	<hr/>	<hr/>
	9,982	9,363	10,590	10,041
Total financial assets	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Financial liabilities

	Group Amortised cost 2022 US\$'000	Company Amortised cost 2022 US\$'000	Group Amortised cost 2021 US\$'000	Company Amortised cost 2021 US\$'000
Trade and other payables	2,096	105	1,754	131
Leases	700	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial liabilities	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(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.

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

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 2022 Rating	Group 2022 Cash at bank US\$'000	Company 2022 Rating	Company 2022 Cash at bank US\$'000
Bank A	A+	9,345	A+	9,345
Bank B		260		-
Bank C	A+	200		-
		<hr/>		<hr/>
		9,805		9,345
		<hr/>		<hr/>
	Group 2021 Rating	Group 2021 Cash at bank US\$'000	Company 2021 Rating	Company 2021 Cash at bank US\$'000
Bank A	A+	10,024	A+	10,024
Bank B		316		-
		<hr/>		<hr/>
		10,340		10,024
		<hr/>		<hr/>

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (continued)

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 2022 assets held in Sterling amounted to US\$270,000 (2021 - US\$3,538,000) and liabilities held in Sterling amounted to US\$105,000 (2021 - US\$131,000).

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\$8,000 (2021 – US\$170,000). A 5% weakening in the exchange rate would, on the same basis, have increased post-tax loss and decreased net assets by US\$8,000 (2021 – US\$170,000).

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	Up to 3 months US\$'000	Between 3 and 12 months US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000
At 31 December 2022				
Trade and other payables	960	-	-	-
Leases	45	111	167	377
Total	1,005	111	167	377
Company	Up to 3 months US\$'000	Between 3 and 12 Months US\$'000		
At 31 December 2022				
Trade and other payables	19	-		
Total	19	-		

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

4 Financial instruments - Risk Management (*continued*)

Group	Up to 3 Months US\$'000	Between 3 and 12 months US\$'000
At 31 December 2021		
Trade and other payables	159	-
Leases	-	-
	<hr/>	<hr/>
Total	159	-
	<hr/>	<hr/>
Company	Up to 3 Months US\$'000	Between 3 and 12 Months US\$'000
At 31 December 2021		
Trade and other payables	16	-
	<hr/>	<hr/>
Total	16	-
	<hr/>	<hr/>

Capital Disclosures

The Group monitors 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 31 December 2022 US\$'000	Year to 31 December 2021 US\$'000
Employee benefit expenses (see note 7)	2,889	2,392
Depreciation of property, plant and equipment	497	295
Amortisation of intangible assets	143	143
Research and development costs	4,832	3,344
Licenses	550	250
Professional costs	1,325	921
Share-based payment expense for non-employees	129	309
Foreign exchange loss / (gain)	36	(182)
Other costs	964	857
Costs of share issue	90	-

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (continued)

6 Auditors' remuneration

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

	Year to 31 December 2022 US\$'000	Year to 31 December 2021 US\$'000
Fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements	48	43
Fees payable to the Company's auditor for other services: Tax advisory and compliance services	-	1
Total	48	44

7 Employee benefit expenses

	Year to 31 December 2022 US\$'000	Year to 31 December 2021 US\$'000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	2,279	1,658
Benefits	191	143
Share-based payment expense (note 20)	189	431
Social security contributions and similar taxes	146	104
Pension contributions	84	56
	2,889	2,392

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 2022 US\$'000	Year to 31 December 2021 US\$'000
Salary	493	560
Share based payment expense	7	-
	500	560

The average number of employees (including Directors) in the Group in the year was 17 (2021 – 13).

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

8 Segment information

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

9 Finance income and expense

	Year to 31 December 2022 US\$'000	Year to 31 December 2021 US\$'000
Finance income		
Bank interest	53	-
Total finance income	53	-
Finance expense		
Interest on lease liabilities	5	-
Total finance expense	5	-

10 Tax expense

	Year to 31 December 2022 US\$'000	Year to 31 December 2021 US\$'000
Current tax expense		
Current tax on loss for the year	-	-
Total current tax	-	-
Deferred tax asset		
On losses generated in the year	-	-
	-	-

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

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 2022 US\$'000	Year to 31 December 2021 US\$'000
Loss for the period	(11,407)	(8,329)
Tax using the Company's domestic tax rate of 19%	(2,167)	(1,583)
Expenses not deductible for tax purposes	79	58
Accelerated capital allowances	(251)	(143)
Unrecognised deferred tax assets	3,240	2,328
Different tax rates applied in overseas jurisdictions	(901)	(660)
Total tax expense	-	-

The unrecognised deferred tax relates to two elements: the unrecognised deferred tax arising on share-based payments of US\$85,000 (2021 - US\$199,000) and unrecognised deferred tax on taxable losses of US\$3,155,000 (2021 - US\$2,129,000). Total taxable losses carried forward comprise of Federal US losses of \$6,334,000 (US\$4,848,000) which do not expire but can only offset against 80% of taxable profits from the same trade. In addition, US tax losses of \$13,316,000 (US\$3,708,000) are carried forward as research and development taxable asset to be used against future profits from the same trade. Tax losses in the UK at US\$1,449,000 (US\$897,000). No deferred tax asset is recognised for these losses due to early stage in the development of the Group's activities.

11 Earnings per share

	Year to 31 December 2022 Total US\$	Year to 31 December 2021 Total US\$
<i>Numerator</i>		
Loss for the period used in basic EPS	(11,407,527)	(8,329,829)
<i>Denominator</i>		
Weighted average number of ordinary shares used in basic EPS	164,667,754	141,747,816
Resulting loss per share	(US\$0.069)	(US\$0.059)

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.

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

12 Tangible assets

Group	Leasehold property US\$'000	Plant & machinery US\$'000	Total US\$'000
<i>Cost or valuation</i>			
At 1 January 2021	-	594	594
Additions	-	618	618
Foreign exchange movements	-	(6)	(6)
At 31 December 2021	-	1,206	1,206
Additions	1,288	455	1,743
Foreign exchange movements	-	(59)	(59)
At 31 December 2022	1,288	1,602	2,890
<i>Accumulated depreciation and impairment</i>			
At 1 January 2021	-	(130)	(130)
Depreciation	-	(295)	(295)
Foreign exchange movements	-	5	5
At 31 December 2021	-	(420)	(420)
Depreciation	(76)	(421)	(497)
Foreign exchange movements	-	37	37
At 31 December 2022	(76)	(804)	(880)
<i>Net book value</i>			
At 31 December 2022	1,212	798	2,010
At 31 December 2021	-	786	786

Included in leasehold property at 31 December 2022 are right of use assets with a cost of US\$465,000 and accumulated depreciation of \$28,000 relating to the lease of the Company's laboratory in Tennessee. Included within plant and machinery is an asset financed under a leasing contract with a cost of US\$238,000. The liability is secured against the asset.

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

12 Tangible assets (*continued*)

Company	Plant & machinery US\$'000	Total US\$'000
Cost or valuation		
At 1 January 2021	568	568
Additions	-	-
Foreign exchange movements	(6)	(6)
	<hr/>	<hr/>
At 31 December 2021	562	562
Additions	-	-
Foreign exchange movements	(59)	(59)
	<hr/>	<hr/>
At 31 December 2022	503	503
	<hr/> <hr/>	<hr/> <hr/>
Accumulated depreciation and impairment		
At 1 January 2021	(126)	(126)
Depreciation	(191)	(191)
Foreign exchange movements	5	5
	<hr/>	<hr/>
At 31 December 2021	(312)	(312)
Depreciation	(172)	(172)
Foreign exchange movements	37	37
	<hr/>	<hr/>
At 31 December 2022	(447)	(447)
	<hr/> <hr/>	<hr/> <hr/>
Net book value		
At 31 December 2022	56	56
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2021	250	250
	<hr/> <hr/>	<hr/> <hr/>

Verici Dx plc

Notes forming part of the consolidated financial statements
for the year ended 31 December 2022 (*continued*)

13 Intangible assets

Group	License and patents US\$'000	Total US\$'000
Cost		
At 1 January 2021	1,839	1,839
Additions	398	398
Foreign exchange movements	(18)	(18)
	<hr/>	<hr/>
At 31 December 2021	2,219	2,219
Additions	268	268
Foreign exchange movements	(185)	(185)
	<hr/>	<hr/>
At 31 December 2022	2,302	2,302
	<hr/> <hr/>	<hr/> <hr/>
Accumulated amortisation and impairment		
At 1 January 2021	(72)	(72)
Amortisation charge	(143)	(143)
Foreign exchange movements	3	3
	<hr/>	<hr/>
At 31 December 2021	(212)	(212)
Amortisation charge	(143)	(143)
Foreign exchange movements	23	23
	<hr/>	<hr/>
At 31 December 2022	332	332
	<hr/> <hr/>	<hr/> <hr/>
Net book value		
At 31 December 2022	1,970	1,970
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2021	2,007	2,007
	<hr/> <hr/>	<hr/> <hr/>

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

13 Intangible assets (*continued*)

Company	License and patents US\$'000	Total US\$'000
Cost		
At 1 January 2021	1,722	1,722
Additions	54	54
Foreign currency movements	(18)	(18)
At 31 December 2021	1,758	1,758
Additions	15	15
Foreign currency movements	(185)	(185)
At 31 December 2022	1,588	1,588
Accumulated amortisation and impairment		
At 1 January 2021	(71)	(71)
Amortisation charge	(124)	(124)
Foreign exchange movements	3	3
At 31 December 2021	(192)	(192)
Amortisation charge	(104)	(104)
Foreign exchange movements	23	23
At 31 December 2022	(273)	(273)
Net book value		
At 31 December 2022	1,315	1,315
At 31 December 2021	1,566	1,566

The licence was acquired from Renalytix AI Plc on 4 May 2020 pursuant to a purchase of business assets. 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 2022. 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 2022 (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 and 2022
Verici Dx Inc	United States of America	100%

15 Trade and other receivables

	Group 2022 US\$'000	Company 2022 US\$'000	Group 2021 US\$'000	Company 2021 US\$'000
Prepayments	343	60	406	101
Other debtors	177	18	250	17
Amount due from wholly owned subsidiary undertaking	-	18,122	-	8,226
	<u>520</u>	<u>18,200</u>	<u>656</u>	<u>8,344</u>

16 Trade and other payables

	Group 2022 US\$'000	Company 2022 US\$'000	Group 2021 US\$'000	Company 2021 US\$'000
Trade payables	960	19	160	16
Accruals	1,136	86	1,644	165
	<u>2,096</u>	<u>105</u>	<u>1,804</u>	<u>181</u>

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

The only movements within financial liabilities relate to payments for payable and leases within the Financial Instruments note.

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

17 Lease liabilities

Group	Land and buildings US\$'000	Plant and machinery US\$'000	Total US\$'000
At 1 January 2021	-	-	-
Interest expense	-	-	-
Repayments	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2021	-	-	-
	<hr/>	<hr/>	<hr/>
Additions	465	238	703
Repayments	(8)	-	(8)
Interest expense	4	1	5
	<hr/>	<hr/>	<hr/>
At 31 December 2022	461	239	700
	<hr/>	<hr/>	<hr/>

The Company acquired an asset under capital lease financing arrangements.

The Company operates from one office which is rented under a lease agreement ending on 1 November 2027 under which rent is payable monthly.

	2022 US\$'000	2021 US\$'000
Maturity of lease liabilities		
Within 3 months	45	-
Between 3 – 12 months	111	-
Between 1 – 2 years	167	-
Between 2 – 5 years	377	-
	<hr/>	<hr/>
	700	-
	<hr/>	<hr/>

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

18 Share capital

	Issued and fully paid	
	2022 Number	2022 US\$
<i>Ordinary shares of £1 each</i>		
On incorporation	1	1
<i>Ordinary shares of £0.001 each</i>		
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 2021	141,747,816	181,614
Issue of new shares	28,571,429	37,342
At 31 December 2022	170,319,245	218,956

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).

On 11 March 2022 the Company issued 28,571,429 ordinary shares of £0.001 at an issue price of £0.35 per share raising gross proceeds of US\$13,070,000 (£10,000,000).

19 Reserves

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

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

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (continued)

20 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 2021	26.03	4,933,696
Cancelled in the year		(120,000)
Granted in the year		1,564,370
Exercisable at 31 December 2022	23.86	6,378,066

The exercise price of options outstanding at 31 December 2022 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 25.98p. The weighted average fair value of the options outstanding at 31 December 2022 was 23.86p.

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 52.34%, no expected dividend yield, contractual life of between 2.9 and 1.9 years and a risk-free interest rate of 0.925%. As of 31 December 2022, none of the granted stock options have been exercised.

Verici Dx plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2022 (*continued*)

20 Share-based payment (*continued*)

The Group recognised total expenses of \$318,000 (2021 - \$741,000) within administrative expenses relating to equity-settled share-based payment transactions during the period.

21 Related party transactions

In the year to 31 December 2022 an amount of US\$51,000 (2021 – US\$352,000) was invoiced by Renalytix Plc as full reimbursement for expenses incurred on behalf of the Company as a cost sharing arrangement for a quality management software product. As of 31 December 2022, the amount owed to Renalytix Plc was US\$22,000 (2021 – US\$22,000).

In the year to 31 December 2022 an amount of US\$750,000 (2021 – US\$35,000) was invoiced by Icahn School of Medicine at Mount Sinai for milestone fees due under the license agreement described in the Admission Document. As of 31 December 2022, the amount owed to Icahn School at Medicine at Mount Sinai was US\$Nil (2021 – US\$Nil).

In the year to 31 December 2022 an amount of US\$17,000 (2021 – US\$Nil) was invoiced by EKF Diagnostic Holdings Plc for services rendered in the year. As of 31 December 2022, the amount owed to EKF Diagnostic Holdings Plc was US\$Nil (2021 – US\$Nil).

22 Events after the reporting date

There have been no events subsequent to the year-end that require disclosure in these financial statements.

Verici Dx plc

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of Verici Dx plc (“Company”) will be held at Avon House, 19 Stanwell Road, Penarth, Cardiff, CF64 2EZ on 29 June 2023 at 2.00 p.m.

Introduction

The Company has decided to hold this year’s AGM as a physical meeting of the shareholders of the Company.

Shareholders wishing to vote on any of the matters of business are strongly advised to appoint the chairman of the AGM as their proxy. Shareholders must appoint a proxy through completion of a form of proxy. Shareholders can appoint a proxy by logging on to www.signalshares.com and following the instructions, lodging a proxy appointment by using the CREST Proxy Voting Service or requesting a hard copy proxy form by contacting our registrars, Link Group, on 0371 664 0300 from the UK (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate) and returning it to the address shown on the form.

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io.

AGM

The AGM is being held to consider the following resolutions, of which resolutions 1 to 3 will be proposed as ordinary resolutions and resolution 4 as a special resolution (together the “Resolutions” and each a “Resolution”):

Ordinary Resolutions

1. To receive and adopt the statement of accounts for the year ended 31 December 2022 together with the reports of the Directors of the Company (“Directors”) and the auditors thereon.
2. To re-appoint Messrs Crowe U.K. LLP as auditors to act as such until the conclusion of the next general meeting of the Company at which the requirements of section 437 of the Companies Act 2006 (“2006 Act”) are complied with and to authorise the Directors of the Company to fix their remuneration.
3. That, in substitution for any such existing authority, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the 2006 Act to allot equity securities (as defined in section 560 of the 2006 Act) in the capital of the Company:
 - (i) up to a maximum nominal amount of £17,500 (in pursuance of the exercise of outstanding share options and other potential shares granted by the Company but for no other purpose); and
 - (ii) up to an aggregate nominal amount of £34,063.85 (in addition to the authority conferred in sub-paragraph (i) above) representing approximately 20% of the Company’s issued share capital,

such authorities (unless previously renewed, revoked or varied) to expire at the conclusion of the next annual general meeting of the Company to be held in 2024, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities (as defined in section 560 of the 2006 Act) to be allotted after such expiry and the Directors may allot such equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Verici Dx plc

NOTICE OF ANNUAL GENERAL MEETING (*continued*)

Special Resolution

4. That, subject to the passing of Resolution 3 above, the Directors be given the general power to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by Resolution 3 above as if section 561(1) of the 2006 Act did not apply to any such allotments provided that this power shall be limited to:
- (i) the allotment of equity securities on the exercise of the share options granted by the Company and other potential shares granted by the Company up to a maximum nominal amount of £17,500;
 - (ii) the allotment of equity securities (otherwise than pursuant to sub-paragraph (i) above) for cash in connection with any rights issue or pre-emptive offer in favour of holders of equity securities generally; and
 - (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities for cash up to an aggregate nominal amount of £34,063.85 representing approximately 20% of the Company's issued share capital,

provided that such power (unless previously renewed, revoked or varied) shall expire at the conclusion of the annual general meeting of the Company to be held in 2024, save that the Company may, before such power expires, make an offer or enter into an agreement which would or might require equity securities to be allotted after such power expires and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this Resolution has expired.

BY ORDER OF THE BOARD	Registered Office: Avon House 19 Stanwell Road Penarth CF64 2EZ
Salim Hamir Company Secretary	2 June 2023



Verici Dx plc

NOTICE OF ANNUAL GENERAL MEETING (*continued*)

Additional information

Notes:

1. Every eligible shareholder is entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the AGM.
2. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered on the Company's register of members at close of business on 27 June 2023, or, if this general meeting is adjourned, members on the Company's register of members not later than 48 hours before the fixed time for the adjourned meeting, shall be entitled to attend and vote at the AGM.
3. If you are a shareholder of the Company at the time set out in note 2 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting. A proxy does not need to be a shareholder of the Company but must attend the meeting to represent you. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolutions. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.
6. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. To appoint more than one proxy, please contact the registrars, Link Group at shareholderenquiries@linkgroup.co.uk or on Tel: 0371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. When two or more valid but differing appointments of proxy are received for the same meeting, the one which is last validly delivered or received (regardless of its date or the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which appointment was last validly delivered or received, none of them shall be treated as valid in respect of that share.
7. You will not receive a hard copy form of proxy with this document. Instead, you will be able to vote electronically using the link www.signalshares.com. You will need to log into your Signal Shares account or register if you have not previously done so. To register you will need your investor code, this is detailed on your share certificate or available from our registrar, Link Group. Votes submitted electronically must be submitted by no later than 2.00 p.m. on 27 June 2023.
8. Link Group, the company's registrar, has launched a shareholder app: LinkVote+. It's free to download and use and gives shareholders the ability to access their shareholding record at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below.

Apple App Store	GooglePlay
	

Verici Dx plc

NOTICE OF ANNUAL GENERAL MEETING (*continued*)

9. You may request a hard copy form of proxy directly from the registrars, Link Group at shareholderenquiries@linkgroup.co.uk or on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

10. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM (and any adjournment of the AGM) by using the procedures described in the CREST Manual (available from www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

12. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message ("**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 2.00 p.m. on 27 June 2023, or, in the event of an adjournment of the AGM, 48 hours before the adjourned AGM. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

14. If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 2.00 p.m. on 27 June 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

15. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Group at the address noted in note 6 above.

Verici Dx plc

NOTICE OF ANNUAL GENERAL MEETING (*continued*)

16. In order to revoke a proxy instruction, you will need to inform the Company by contacting Link Group on 0371 664 0300. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Link Group no later than 2.00 p.m. on 27 June 2023. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

17. Appointment of a proxy does not preclude you from attending the general meeting and voting in person. If you have appointed a proxy and attend the general meeting in person, your proxy appointment will automatically be terminated.

18. Unless otherwise indicated on the Form of Proxy, CREST, Proxymity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion withhold from voting.

19. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises power over the same share.

20. Voting on the Resolutions will be conducted by way of a poll vote.

21. As at the close of business on the day immediately before the date of this notice of the AGM, the Company's issued share capital comprised 170,319,245 ordinary shares of nominal value £0.001 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at close of business, on the day immediately before the date of this notice of the AGM is 170,319,245.

22. Under Section 527 of the 2006 Act, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the 2006 Act (in each case) that the shareholders propose to raise at the relevant meeting. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under Section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM for the relevant financial year includes any statement that the Company has been required under Section 527 of the 2006 Act to publish on a website.

23. Any shareholder attending the AGM has the right to ask questions.

24. You may not use any electronic address (within the meaning of Section 333(4) of the 2006 Act) provided in either this notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

25. A copy of this notice, and other information required by Section 311A of the 2006 Act, can be found on the Company's website at www.vericidx.com.



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