25 March 2019

Renalytix AI plc
("RenalytixAI", the "Company" or the "Group")

Half-year Report

Renalytix AI plc (AIM: RENX), the AIM quoted developer of artificial intelligence-enabled diagnostics for kidney disease, announces its inaugural unaudited interim results for the six months ended 31 December 2018.

Operational highlights

- Secured agreements for *KidneyIntelX™* clinical validation patient sample access with participating institutions (University of Pennsylvania, Emory University, and the Icahn School of Medicine at Mount Sinai ("Mount Sinai"))
- Established investigator network for *KidneyIntelX™* trial design and data review, with experts from Harvard, Mount Sinai, the James J. Peters VA Medical Center, Johns Hopkins, Wake Forest Baptist Health, Northwestern University and others
- Submitted a request to the Food and Drug Administration ("FDA") for Breakthrough Device Designation for *KidneyIntelX™*
- Submitted a request to the Centers for Medicare & Medicaid Services ("CMS") for a parallel reimbursement and regulatory review process
- Shipped first production lot of multiplex plates from *in vitro* diagnostics manufacturer Meso Scale Diagnostics to the Company's New York and Georgia laboratories
- Executed exclusive license with Mount Sinai for *FractalDx* portfolio of technologies in the field of kidney transplant rejection

Financial highlights

- Completed net capital financing of c. $27m and started trading on AIM on 6 November 2018
- In-licensed intellectual property underlying two product technologies for $11.0m in upfront payments
- Nearly $1.4m capital investment to date in artificial intelligence (AI) technology and clinical assay development
- Net loss after tax of $2.5m for the interim period
- Cash on hand of $13.1m as of 31 December 2018

Post-period end

- Initiation of a c. 5,000 sample clinical validation study for the Company's lead AI-enabled diagnostic solution, *KidneyIntelX™* with results anticipated in mid-2019
- Expansion of leadership team with the appointment of Patricia Connolly as vice president of clinical and scientific affairs, Paul Brenner, Ph.D., Associate Director of Notre Dame's Center for Research Computing, as data security advisor
- Joint venture agreement with AKESOgen, an industry-leading commercial laboratory facility and provider of clinical trial precision medicine services located in Atlanta, Georgia, that expands operational testing capacity
- Confirmation study in c. 870 patients expected to be published in the coming days

As these are the inaugural interim accounts for the Group, no comparative information is presented.

Commenting on the outlook for Renalytix, Julian Baines, Non-Executive Chairman of Renalytix said:
"We are pleased with the rate of progress that we have made since IPO and are confident that we will continue to deliver key operational milestones in accordance with our plans. Our immediate strategy is focused on product development, regulatory authority engagement and the pathway to payer reimbursement in the United States, with each such milestone having the potential to create significant value for the Company.

"Our lead programme for detection of fast-progressing kidney disease, KidneyIntelX™, is expected to launch in the second half of this calendar year and has the potential to address one of the largest unmet medical needs globally, estimated to affect over 850 million people."

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BUSINESS REVIEW

I am delighted to present the inaugural interim report for Renalytix AI plc.

RenalytixAI was created to apply artificial intelligence (AI) enabled precision diagnostics to address one of the largest and costliest disease indications in medicine today. The business was founded in early 2018 on the back of research by leading nephrologists at the Icahn School of Medicine at Mount Sinai ("Mount Sinai") and initially funded by EKF Diagnostics Holdings plc ("EKF").

On 6 November 2018, the Company achieved a successful fundraising of a net $26.8m and was admitted to trading on AIM, a market of the London Stock Exchange. The funds raised are primarily intended to support our AI technology platform and the first *in vitro* clinical diagnostic product, *KidneyIntelX™*, designed to early identify fast-progressing kidney disease in individuals with Type 2 diabetes and those of African ancestry.

KidneyIntelX™ is unique in several ways, including its use of an AI-enabled algorithm that is capable of combining different sources of predictive data, blood-based biomarkers, and features from a patient's electronic health record. *KidneyIntelX™* is currently undergoing a rigorous, multi-centre clinical validation trial with c. 5,000 patient samples before we launch commercially, which we expect will be in the second half of 2019.

We believe the regulatory and reimbursement policy environment in the United States continues to be favourable for advanced *in vitro* diagnostic commercialisation and adoption. In preparation for commercial sale of *KidneyIntelX*™, we have progressed several key operational elements that support formal reviews by FDA and the Centers for Medicare & Medicaid Services (CMS) as first steps towards U.S. regulatory and reimbursement approvals. Our Q-submission meeting with the FDA for *KidneyIntelX*™ was held in February 2019, and a request for parallel CMS reimbursement review with the FDA was submitted in March 2019.

KidneyIntelX™ has continued to perform as expected in increasingly larger testing populations. We expect results from the larger multi-centre clinical validation study sourcing patient samples and electronic data from the University of Pennsylvania, Emory University and Mount Sinai to read out this summer.

We continue to expand discussions with health care providers and insurance payer organisations about *KidneyIntelX™* best deployment practices to improve patient outcomes and reduce cost of care. In addition, we have assembled a world-class clinical network to assist with *KidneyIntelX™* trial design and data evaluation, including investigators from Harvard, Emory University, Northwestern University, Johns Hopkins, the James J. Peters VA Medical Center, Wake Forest Baptist Health, the University of Pennsylvania and Mount Sinai.

Strategy and operations

We secured our cornerstone collaboration with Mount Sinai for product development and intended commercialisation by the Company beginning in the second half of 2019. As part of the collaboration, Mount Sinai became a shareholder in the Company and made a further equity investment in the IPO.

Separately, in January 2019, the Company executed its option with Mount Sinai for the *FractalDx* license, the Group's second product line, which grants rights to technology and patents relating to a series of potential diagnostics and prognostics in the field of kidney transplant and rejection. We are creating a strategy to develop and, if appropriate, commercialise clinical products incorporating the intellectual property associated with the license. The first two *FractalDx* diagnostic products selected for analytical and clinical validation phase planning beginning this year are firstly, a diagnostic for immunosuppressive therapy dosing, and secondly, an early kidney transplant rejection diagnostic. As with *KidneyIntelX™*, we have secured a leading clinical network to advise on trial design and data review, including leading investigators from major transplant centres in the United States, Australia and Canada.

We have advanced our work in machine learning to support *KidneyIntelX™* and our broader technology approach through our partnership with Persistent Systems. Our *in vitro* diagnostics manufacturing partner, Meso Scale

Diagnostics, has now delivered the first production lot for measuring the blood-biomarker component of *KidneyIntelX™* to our New York laboratory – an important milestone in the quality controlled *in vitro* diagnostic process required before submission to FDA for review.

In addition, we have obtained our Clinical Laboratory Improvement Act (CLIA) file number and established wet labs in Georgia (through a joint venture with AKESOgen, Inc.) and New York (a lease with Johnson & Johnson Innovation, LLC – JLABS). The AKESOgen joint venture expands our operational capacity on a variable cost basis and allows for the provision of services directly to health care systems and pharmaceutical companies in all regions across the U.S.

Financial review

The results presented cover the period from 1 July 2018 to 31 December 2018.

Income statement

The Group is currently in its initial development phase and therefore has not yet commenced revenue earning. As this is the inaugural reporting period, no comparatives are given. The Group's presentational currency is the United States Dollar.

Administrative costs
Administrative costs are $2.9m. The major items of expenditure are general and administrative expenses ($0.67m) which include $0.5m in legal & accounting fees mostly associated with the set-up of the Group; depreciation & amortisation ($0.82m), primarily amortisation of the license fee paid to Mount Sinai and depreciation of lab equipment; and operating and maintenance expenditure of $0.87m which mainly covers the cost of the development of the Group's products by a mixture of employees and third party consultants.

Finance costs
The small finance cost of $0.02m relates to interest payable to EKF on the initial set-up funding for the business prior to the successful fundraising.

Balance sheet

Inventory
Reflects the amount paid to Emory University in the period for samples to be used in validation testing for our *KidneyIntelX™* assay.

Fixed assets
Includes a) $120,000 paid to Meso Scale Diagnostics in the period for consumable assay materials, and b) $305,000 to Meso Scale for the purchase of laboratory instruments.

Intangible assets
Includes payments made primarily to Mount Sinai for license and patent costs for the intellectual property underlying *KidneyIntelX*, as well as assays pertaining to kidney transplant, amounts capitalised as development costs, and also intangible assets representing the value of the biomarker business purchased (in exchange for Ordinary shares in the Company) from EKF.

Deferred tax
A deferred tax asset has been calculated based on the accumulated tax losses in the USA.

Cash
The Group had cash on hand at 31 December 2018 of $13.1m following the payment of license fees, capital investments and other operating expenses following its IPO.

Borrowings

The Group has no long-term debt outstanding as of 31 December 2018. Prior to the listing on AIM and associated capital financing, EKF loaned the Company $1.07m to fund operations, which was repaid (including nearly $20,000 in interest) in November 2018.

Capitalisation
The Company completed a public listing on the AIM market on 6 November 2018 and associated equity financing of $26.8m net of fees and related charges.

Future developments and outlook

We are pleased with the rate of progress that we have made since IPO and are confident that we will continue to deliver key operational milestones in accordance with our plans. Our immediate strategy is focused on product development, regulatory authority engagement and the pathway to payer reimbursement in the United States, with each such milestone having the potential to create significant value for the Company. Our lead programme for detection of fast-progressing kidney disease, *KidneyIntelX™*, is expected to launch in the second half of this calendar year and has the potential to address one of the largest unmet medical needs globally, estimated to affect over 850 million people.

We have initiated our *KidneyIntelX*™ commercial clinical validation study with c. 5,000 patient samples, with an initial read-out expected in mid-2019. In the coming days, we expect to publish a manuscript which outlines the results of a confirmation study in approximately 870 patients to demonstrate the performance characteristics of our machine learning algorithm combining blood biomarkers and electronic health record data to predict fast progressing kidney disease. We believe, if successful, that this algorithm at the core of launch product *KidneyIntelX*™ could lead to a significant improvement in identification of patients likely experiencing a rapid kidney function decline versus what is currently achievable with standard clinical models. We believe that the published data from this study, with further validation, could help clinicians to identify which patients would benefit most from early and more aggressive treatment to mitigate kidney disease progression and could result is substantial cost savings to health care systems world-wide.

The Company has also submitted a request for Breakthrough Device Designation to FDA in March 2019 and a request to CMS for parallel reimbursement review with FDA for *KidneyIntelX*™.

The Company is evaluating its plans for *FractalDx* and exploring the scope for additional routes to reimbursement for *KidneyIntelX*™, and is excited about the potential for its products to be brought to market as soon as practicably possible, in order to support better patient outcomes and improved healthcare economics.

Julian Baines
Non-Executive Chairman

25 March 2019

CONSOLIDATED INCOME STATEMENT
FOR THE 6 MONTHS ENDED 31 DECEMBER 2018

		Unaudited 6 months to 31 December 2018 $'000
Administrative expenses		(2,863)
Operating loss		**(2,8630)**
Finance costs		(20)
Loss before tax		**(2,883)**
Taxation	Note 4	366
Loss for the period		**(2,517)**

		Unaudited 6 months to 31 December 2018 $000s
Earnings per Ordinary share from continuing operations		
Basic and diluted	Note 5	(9.16)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS ENDED 31 DECEMBER 2018

	Unaudited 6 months to 31 December 2018 $'000
Loss for the period – continuing operations	(2,517)
Other comprehensive income:	
Items that may be subsequently reclassified to profit or loss	
Currency translation differences	(111)
Other comprehensive loss for the period	**(111)**
Total comprehensive loss for the period	**(2,628)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	Unaudited as at 31 December 2018 $'000
Assets		
Non-current assets		
Property, plant and equipment	6	410
Intangible assets	**7**	17,236
Deferred tax assets		433
Total non-current assets		18,079
Current Assets		
Inventories		107
Trade and other receivables		59
Cash and cash equivalents		13,095
Total current assets		13,261
Total assets		31,340
Equity attributable to owners of the parent		
Share capital		171
Share premium		33,247
Share-based payment reserve		88
Foreign currency reserves		(98)
Retained earnings		(2,877)
Total equity		30,531
Liabilities		
Current liabilities		
Trade and other payables		809
Total liabilities		809
Total equity and liabilities		31,340

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS ENDED 31 DECEMBER 2018

	Unaudited 6 months to 31 December 2018 $'000
Cash flow from operating activities	
Loss before income tax	(2,883)
Adjustments for	
- Depreciation	15
- Amortisation and impairment charges	810
- Net finance costs	20
- Share-based payments	88
Changes in working capital	
- Inventories	(107)
- Trade and other receivables	(41)
- Trade and other payables	688
Cash used in operations	(1,410)
Interest paid	(20)
Net cash used in operating activities	(1,430)
Cash flow from investing activities	
Purchase of property, plant and equipment (PPE)	(425)
Purchase of intangibles	(11,476)
Net cash used in investing activities	(11,901)
Cash flow from financing activities	
Issue of shares	26,782
Repayment of loans	(438)
Net cash generated from financing activities	26,344
Net increase in cash and cash equivalents	13,013
Cash and cash equivalents at beginning of period	82
Cash and cash equivalents at end of period	13,095

Substantial non-cash items include the acquisition of the intangible assets in return for the issue of Ordinary shares, and amortisation of intangible assets.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 31 DECEMBER 2018

	Share Capital $'000	Share Premium $'000	Share-based payment reserve $'000	Foreign Currency Reserve $'000	Retained earnings $'000	Total equity $'000
At 1 July 2018	**66**	**-**	**-**	**13**	**(360)**	**(281)**
Comprehensive income						
Loss for the period	-	-	-	-	(2,517)	**(2,517)**
Other comprehensive income						
Currency translation differences	-	-	-	(111)	-	**(111)**
Total comprehensive income	**-**	-	-	(111)	(2,517)	**(2,628)**
Transactions with owners						
Issue of shares	105	34,730	-	-	-	**34,835**
Less issue costs	-	(1,483)	-	-	-	**(1,483)**
Share-based payments	-	-	88	-	-	**88**
Total contributions by owners	105	33,247	88	-	-	**33,440**
At 31 December 2018	**171**	**33,247**	**88**	**(98)**	**(2,877)**	**30,531**

NOTES FORMING PART OF THE INTERIM FINANCIAL STATEMENTS

1. General information and basis of presentation

Renalytix AI plc is a public limited company incorporated in England and Wales (Registration Number 11257655). The address of the registered office is Avon House, 19 Stanwell Road, Penarth, CF64 2EZ. The company was incorporated on 15 March 2018.

The Group's principal activity is as a developer of artificial intelligence-enabled diagnostics for kidney disease.

The financial information in these interim results is that of the holding company and its subsidiary. It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs). The accounting policies applied by the Group in this financial information are those which will form the basis of the 2018/19 financial period.

The financial information presented herein does not constitute full statutory accounts under Section 434 of the Companies Act 2006 and was not subject to a formal review by the auditors. The financial information for the period ended 31 December 2018 is unaudited.

These interim accounts have not been prepared in accordance with IAS 34.

2. Significant accounting policies

Going concern

The Group meets its day-to-day working capital requirements through the use of cash reserves.

The Directors have considered the applicability of the going concern basis in the preparation of these interim financial statements. This included the review of internal budgets and financial results which show, taking into account reasonably probable changes in financial performance, that the Group should be able to operate within the level of its current funding arrangements.

The Directors believe that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason they have adopted the going concern basis in the preparation of the interim financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertaking. Subsidiaries are all entities over which the Group has the power to govern their financial and operating policies generally accompanying a shareholding of more than fifty per cent of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in United States Dollars, which is the Group's presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are re-measured. 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 are recognised in the income statement within 'administrative expenses'.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions. At present the Directors consider the business to operate in a single segment.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the asset to its working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Any borrowing costs associated with qualifying property plant and equipment are capitalised and depreciated at the rate applicable to that asset category.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Plant and machinery 20%

The assets' residual values and useful economic lives are reviewed regularly, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on the disposal of assets are determined by comparing the proceeds with the carrying amount and are recognised in administration expenses in the income statement.

Intangible assets

(a) Trademarks, trade names and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 7 years and is charged to administrative expenses in the income statement.

(b) Trade secrets

Trade secrets, including technical know-how, operating procedures, methods and processes, acquired in a business combination are recognised at fair value at the acquisition date. Trade secrets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation has not yet commenced.

(c) Development costs

Development costs acquired in a business combination are recognised at fair value at the acquisition date. Development costs have a finite useful life and are carried at cost less accumulated amortisation.

Expenditure incurred on the development of new or substantially improved products or processes is capitalised, provided that the related project satisfies the criteria for capitalisation, including the project's technical feasibility and likely commercial benefit. All other research and development costs are expensed as incurred.

Development costs are amortised over the estimated useful life of the products with which they are associated. Amortisation commences when a new product is in commercial production. The amortisation is charged to administrative expenses in the income statement. The estimated remaining useful lives of development costs are reviewed at least on an annual basis.

The carrying value of capitalised development costs is reviewed for potential impairment at least annually and if a product becomes unviable and an impairment is identified the deferred development costs are immediately charged to the income statement.

Impairment of non-financial assets

Assets that have an indefinite life such as goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in the prior period. A reversal of an impairment loss is recognised in the income statement immediately. If goodwill is impaired however, no reversal of the impairment is recognised in the financial statements.

Financial assets

Classification

The Company classifies its financial assets in the following categories: loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired and management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value. Cost is calculated on a first in and first out basis and includes direct costs and attributable overheads, where appropriate. Net realisable value represents the estimated selling price less all estimated costs of completion and applicable selling costs. Where necessary, provision is made for slow-moving and obsolete inventory. Inventory on consignment and their related obligations are recognised in current assets and payables respectively.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short- term deposits with an original maturity of three months or less, reduced by overdrafts to the extent that there is a right of offset against other cash balances.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above net of outstanding bank overdrafts where there is a right of offset.

Share capital

Ordinary Shares are classified as equity. Proceeds in excess of the nominal value of shares issued are allocated to the share premium account and are also classified as equity. Incremental costs directly attributable to the issue of new Ordinary Shares or options are deducted from the share premium account.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current and deferred income tax

The tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income where the associated tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiary operate and generate taxable income. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in respect of all temporary differences except where the deferred tax liability arises from the initial recognition of goodwill in business combinations.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and tax losses, to the extent that they are regarded as recoverable. They are regarded as recoverable where, on the basis of available evidence, there will be sufficient taxable profits against which the future reversal of the underlying temporary differences can be deducted.

The carrying value of the amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part, of the tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

(a) Pension obligations

The Group operates a pension scheme which is a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity with the pension cost charged to the income statement as incurred. The Group has no further obligations once the contributions have been paid.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees and others as consideration for equity instruments of the Group. Equity-settled share-based payments are measured at fair value at the date of grant and are expensed over the vesting period based on the number of instruments that are expected to vest. For plans where vesting conditions are based on share price targets, the fair value at the date of grant reflects these conditions. Where applicable the Group recognises the impact of revisions to original estimates in the income statement, with a corresponding adjustment to equity for equity-settled schemes. Fair values are measured using appropriate valuation models, taking into account the terms and conditions of the awards.

When the share-based payment awards are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

National insurance on share options

To the extent that the share price at the balance sheet date is greater than the exercise price on options granted to UK citizens under unapproved share-based payment compensation schemes, provision for any National Insurance Contributions has been based on the prevailing rate of National Insurance. The provision is accrued over the performance period attaching to the award.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other income

Other income includes grant income and R & D tax credits passed through income where this is permitted by the relevant jurisdiction.

Exceptional items

These are items of an unusual or non-recurring nature incurred by the Group and include transactional costs and one off items relating to business combinations, such as acquisition expenses.

3. Segmental reporting

The Group operates as a single segment.

4. Income tax

	Unaudited 6 months ended 31 December 2018 $000
Deferred tax	
Tax losses	366
Total deferred tax	366
Income tax credit	366

5. Earnings per share

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

The Company has one category of dilutive potential ordinary share, being share options. The potential shares were not dilutive in the period as the Group made a loss per share.

	Unaudited 6 months ended 31 December 2018
	$'000
Loss attributable to owners of the parent	(2,517)
Weighted average number of ordinary shares in issue	27,487,006
	Cents
Basic and diluted	
Loss per share	9.16

6. Property, plant, and equipment

Group	Fixtures and fittings $'000
Cost	
At beginning of period	-
Additions	425
Exchange differences	-
At 31 December 2018	**425**
Amortisation	
At beginning of period	-
Charge for the period	15
Exchange differences	-
At 31 December 2018	**15**
Net book value	
31 December 2018	**410**

7. Intangible Fixed Assets

Group	Trademarks trade names & licences $'000	Trade secrets $'000	Develop-ment costs $'000	Total $'000
Cost				
At beginning of period	-	-	-	-
Additions	10,979	6,570	497	18,046
At 31 December 2018	**10,979**	**6,570**	**497**	**18,046**
Amortisation				
At beginning of period	-	-	-	-
Charge for the period	810	-	-	810
At 31 December 2018	**810**	**-**	**-**	**810**
Net book value				
31 December 2018	**10,169**	**6,570**	**497**	**17,236**

8. Dividends

No dividends to shareholders of the holding company were provided or paid during the period to 31 December 2018. The Board's policy is to enhance shareholder value mainly through the growth of the Group, which is currently in the early stages of its development. The Board will however consider the payment of dividends if and when appropriate.