OXFORD BIODYNAMICS

Advancing personalized healthcare through innovation

OXFORD BIODYNAMICS PLC

ANNUAL REPORT AND ACCOUNTS

For the year ended 30 September 2020

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We are a global biotechnology company advancing personalized healthcare by developing and commercializing precision medicine tests for life-changing diseases.

We have developed a proprietary 3D genomic biomarker platform, *EpiSwitch*™, which can build molecular diagnostic classifiers for prediction of response to therapy, patient prognosis, disease diagnosis and subtyping, and residual disease monitoring in a wide range of indications.

2019

Awarded April 2019

See more online at
www.oxfordbiodynamics.com

Cautionary statement

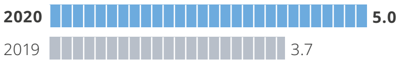
Sections of this Annual Report, including but not limited to the Strategic report, the Remuneration report and the Directors' report, may contain forward-looking statements with respect to certain of the plans and current goals and expectations relating to the future financial condition, business performance and results of the Company. These have been made by the Directors in good faith using information available up to the date on which they approved this report. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the Company and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual future financial conditions, business performance, results or developments of the Company to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. Nothing in this document should be construed as a profit forecast.

HIGHLIGHTS

Revenue

£0.5m

(2019: £0.9m)



Operating loss

£5.0m

(2019: £3.7m)

Cash and Term Deposits

£11.5m

As at 30 September 2020 (2019: £15.5m)

CORPORATE HIGHLIGHTS

- Board restructure and additions to senior team to focus on commercialization, especially in the US, including appointment of Dr Jon Burrows as CEO and Board Director (March 2020).
- Group's Chief Scientific Officer, Dr Alexandre Akoulitchev, appointed to represent Oxford BioDynamics plc (OBD) on the Foundation for the National Institutes of Health (FNIH) Biomarkers Consortium Steering Committees in Oncology, Inflammation & Immunity, and Neuroscience in Bethesda, MD, USA (April 2020).
- Appointment of Professor Iain McInnes to the Company's Scientific Advisory Board (October 2019).

OPERATIONAL HIGHLIGHTS

- Inclusion of the Group's *EpiSwitch*™ technology in the GETAFIX clinical study, in collaboration with University of Glasgow, to perform prognostic and predictive profiling of COVID-19 patients (April 2020).
- Publication in peer-reviewed Translational Medicine (Communications) of the development of the first successful blood-based assay for prognostic stratification and disease subtyping in diffuse large B-cell lymphoma (DLBCL), in collaboration with Roche and Genentech (March 2020).
- Signature of master services agreement with top US pharmaceutical company (December 2019).
- Presentation at SITC of significant results of the utility of OBD's *EpiSwitch*™ in predicting response to immuno-oncology (IO) treatments, co-authored with Pfizer, EMD Serono and Mayo Clinic, offering significant commercial potential (November 2019).
- Recruitment of first patient to the Mitsubishi Tanabe Pharma America (MTPA)-sponsored REFINE-ALS clinical study, in which *EpiSwitch*™ biomarkers are used to assess the rate of amyotrophic lateral sclerosis (ALS) disease progression (October 2019).
- Further expansion of IP portfolio covering the *EpiSwitch*™ platform, now including 17 patent families.

FINANCIAL HIGHLIGHTS

- Revenue of £0.5m (FY19: £0.9m), affected by delays to some customer projects as a result of the COVID-19 pandemic.
- Operating loss of £5.0m (FY19: £3.7m), reflecting increased R&D and staff costs as well as lower revenues.
- Cash and term deposits of £11.5m as at 30 September 2020 (FY19: £15.5m).

POST-PERIOD END HIGHLIGHTS

- Expanded strategic focus beyond biomarker discovery to development and commercialization of laboratory tests (December 2020).
- Appointment of Matthew Wakefield as Non-Executive Chairman and retirement of Executive Director, Christian Hoyer Millar (December 2020).
- Receipt of first samples, after COVID-related delays, from the REFINE-ALS clinical study (December 2020).

QUICK LINKS

Chief Executive Officer's review

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Our business model

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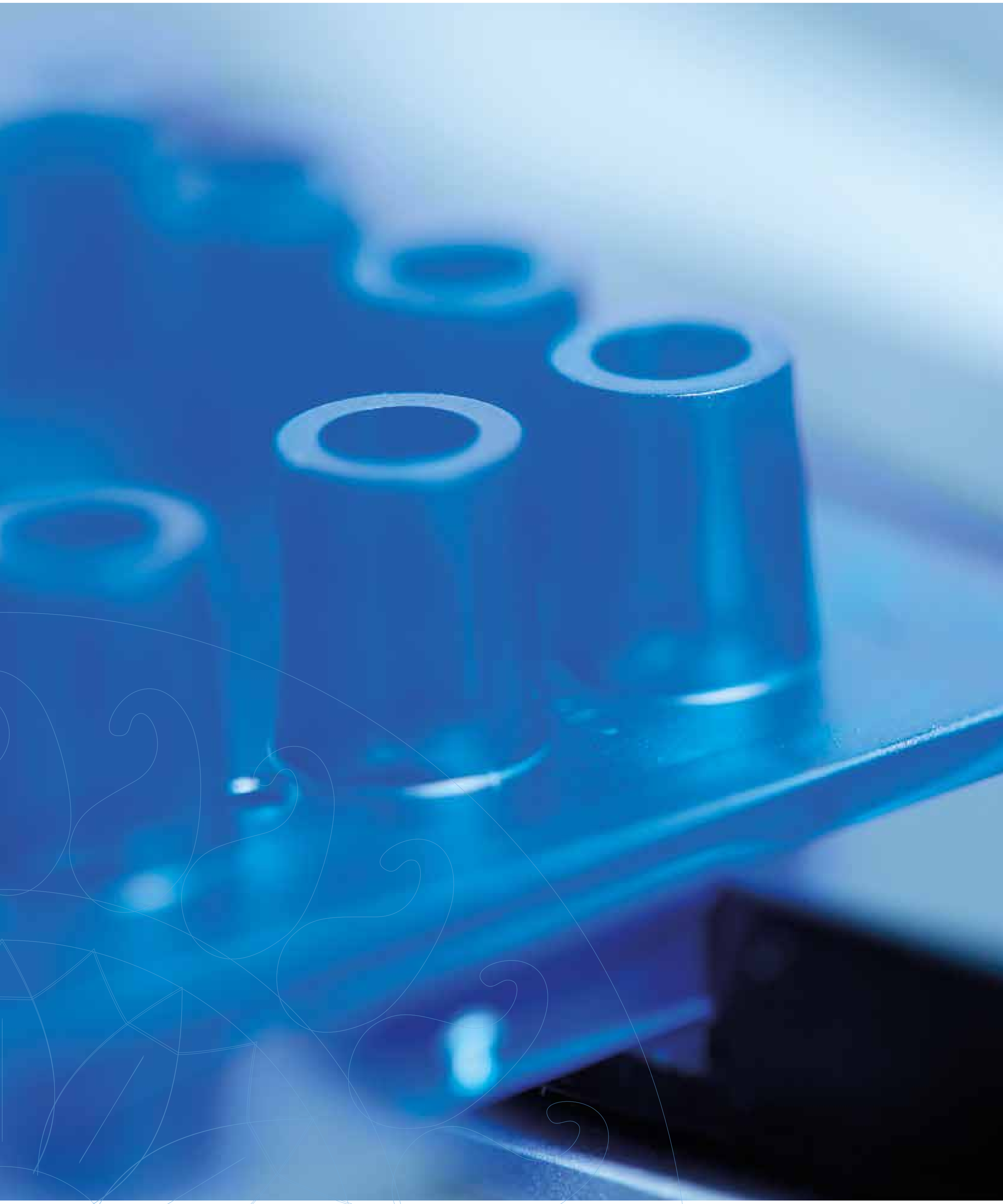

Strategic Report

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"We enter 2021 with an expanded strategic focus, team and infrastructure to drive near-term commercialization of the EpiSwitch™ technology, via multiple commercial pathways, beginning with our COVID-19 severity test."

DR JON BURROWS
Chief Executive Officer

OUR BUSINESS: AT A GLANCE

Oxford BioDynamics is focused on developing and commercializing precision medicine tests for life-changing diseases, based on the Company's 3D genomic biomarker platform, *EpiSwitch*™.

Alongside the Company's ongoing work with big pharma on biomarker development projects, OBD's strategic focus was recently expanded to include the development of several new sales channels, beginning with the planned launch of the Company's COVID-19 'severity of response' test.

OBD's *EpiSwitch*™ is a proprietary industrial '3D genomics' platform for the discovery, evaluation, validation and monitoring of a novel class of epigenetic biomarkers known as chromosome conformation signatures ('CCSs').

CCSs provide a compelling, stable framework from which changes in the regulation of a genome can be analyzed, long before the results of these epigenetic changes manifest themselves as obvious abnormalities. *EpiSwitch*™ supports precision medicine initiatives including prediction of response to therapy, patient prognosis, disease diagnosis & subtyping and residual disease monitoring.

HISTORY

OBD was spun out from Oxford University in 2007 with the aim of translating fundamental scientific advances into a commercialized platform technology and a new generation of biomarkers for cancer and other diseases.

The Company completed its successful initial public offering on AIM in December 2016.

OUR VISION

Our vision is to make a significant impact on health service around the world through the adoption of our biomarker discovery and monitoring platform, *EpiSwitch*™.

We aim to be at the forefront of the personalized medical revolution through using *EpiSwitch*™ biomarkers for patient stratification, advanced disease understanding and new target identification in the context of drug development and patient healthcare.

WHAT MAKES US DIFFERENT

- Robust, validated technology that is reduced to practice.
- Highly experienced Management team, with deep commercial and technical expertise.
- Extensive IP portfolio, protected by worldwide patents.
- Leading position within a large and growing biomarker sector – *EpiSwitch*™ is the only commercially available high-throughput 3D genomics discovery platform.

OUR VALUES

INNOVATIVE

Saving lives by producing high quality *EpiSwitch*™ biomarkers.

PIONEERING

Willing to explore and adapt to new ideas and changes.

ACHIEVING EXCELLENCE

Adhering to good working practice and quality procedure compliance. Delivering results of unique value.

DIVERSE

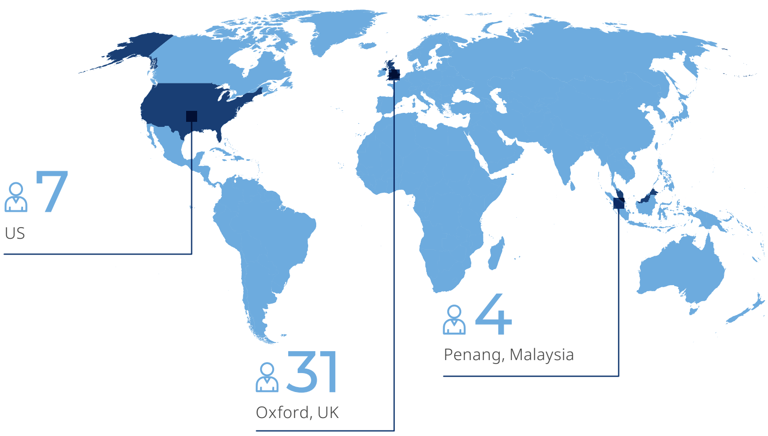
Respecting others and encouraging a diverse work environment.

PROFESSIONAL

Maintaining a high standard of work and professionalism.

OUR TEAM & LOCATIONS

Today, the Group has its offices and an ISO-certified, state-of-the-art reference laboratory in Oxford, UK, a growing US-based commercial team and a further ISO-certified reference laboratory in Penang, Malaysia. The global OBD team is based in the UK (31), Malaysia (4) and the US (7).



The world's largest curated 3D genomics knowledgebase with 10,000+ samples, 30+ diseases, hundreds of millions of datapoints.

Pipeline of deployable qPCR molecular diagnostic tests.

Proprietary bioinformatic tools for 3D genomics analyzes.

Revenue-generating contracts with leading pharmaceutical and biotechnology companies.

OUR BUSINESS: IN DETAIL

The science behind OBD's *EpiSwitch*™ 3D genomics technology platform

EPIGENETICS, 3D GENOMICS AND CHROMOSOME CONFORMATIONS

When the human genome was sequenced in 2001, one of the biggest surprises was that the proportion of the genome that actually encoded proteins was very small (around 2%), leaving the need to explain why 98% of the genome was 'non-coding'. At the same time, technological advances allowed scientists to visualize the organization of chromosomes within a nucleus and to discover that chromosomes are not randomly organized, but instead occupy distinct nuclear territories within three-dimensional space (figure 2).

This two-fold recognition (that most of the genome did not encode genes and that the genome itself possessed a high degree of spatial order) led researchers to investigate whether something in addition to the linear genetic code could contribute to biological function: the field of 'epi-genetics' was born.

The dictionary definition of epigenetics is 'a stably heritable phenotype resulting from changes in a chromosome without alterations in the DNA sequence'. What this means is that the way chromosomes are arranged within a cell has an effect on what that cell does, and that this characteristic can be passed on.

The packaging of chromosomal DNA plays a critical role in the epigenetic regulation of the whole genome. It ensures effective storage, access to genetic information and its regulation by the complex protein machinery utilized in gene expression. Known also as 'gene loops', 'long-range chromosomal interactions' and 'chromatin domains', chromosome conformations have been recognized as an essential high-level framework of epigenetic regulation imposed across the whole genome.

Thousands of peer-reviewed publications have pointed to the potential for using groups of chromosomal interactions (or chromosome conformation signatures, 'CCSs') as biomarkers. In the wider scientific community, we see increasingly broad acceptance of the critical importance of 3D genomics in integrating external environmental stimuli and cellular responses, to produce the phenotypic effects seen in both healthy and diseased states. In the last few years, multiple research studies and reviews have been published in the leading peer-reviewed journals, including Science and Nature, providing evidence of the importance of the links between changes in chromatin

Figure 1

A basic view of cellular organization.

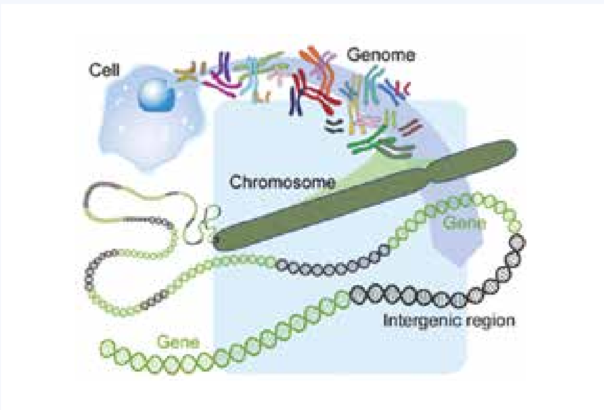
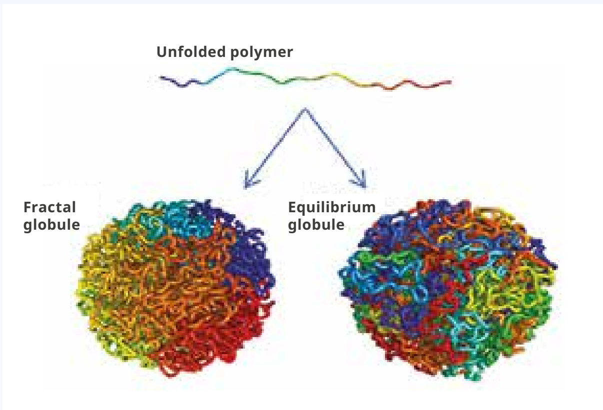


Figure 2

Hypothetical organizational states of the genome.



structure and cellular function. Among pharmaceutical and biotech R&D groups the awareness of genome architecture, related biomarkers and their value has significantly increased.

Studying this phenomenon involves looking at the functional consequences of alterations in the three-dimensional structural organization of the genome. While this is conceptually relatively easy to understand, it is less easy to address experimentally. Existing academic protocols for the detection of CCSs have proved prohibitively costly and slow and insufficiently robust for commercial exploitation.

OBD'S *EPISWITCH*™ PLATFORM

OBD's *EpiSwitch*™ is the only commercially available high-throughput 3D genomics biomarker discovery platform. Successfully transforming initial scientific findings into a commercially viable technology, *EpiSwitch*™ uses proprietary bioinformatic pattern recognition algorithms to detect anchor sites on the genome as high probability targets for the detection of chromosome conformations – showing researchers where to look to 'read' the 3D regulatory architecture of the genome that is implicated in different phenotypic traits (figure 4).

***EpiSwitch*™:**

- stratifies patients based on their 3D genomic architecture to reduce the risk, cost and time to market for therapeutic development programs, provide significant insights into disease mechanisms and help personalize therapeutics to ensure better outcomes;
- is the result of robust, validated, award-winning technology and methodology and provides high quality readouts from as little as 50µl of blood;
- enables fast clinical assay development of new stratification biomarker panels with rapid robotic sample processing and demonstrated technology transfer capabilities; and
- provides actionable clinical development information by measuring a network that controls phenotype and integrates into itself many levels of molecular regulations.

Figure 3

The higher order, three-dimensional structure of DNA includes chromosome conformations, or 'gene loops' that bring genomic loci that are distant from each other in linear space into close spatial proximity.

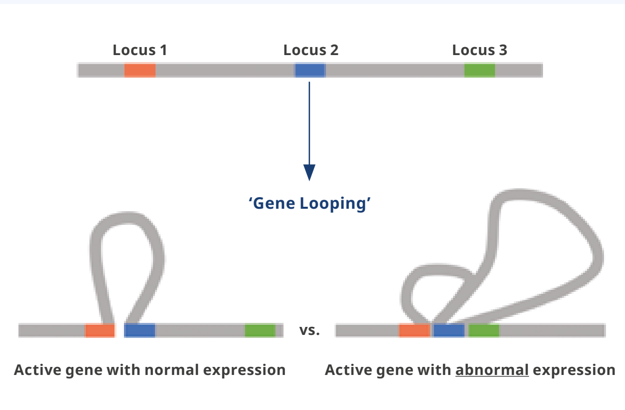
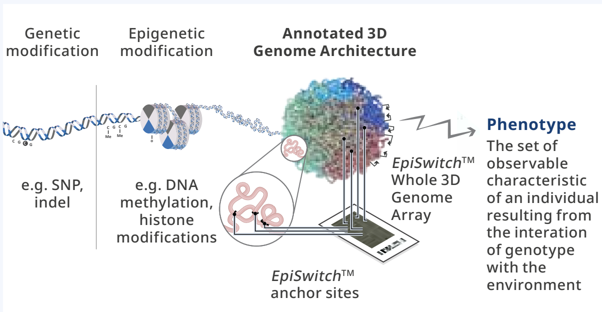


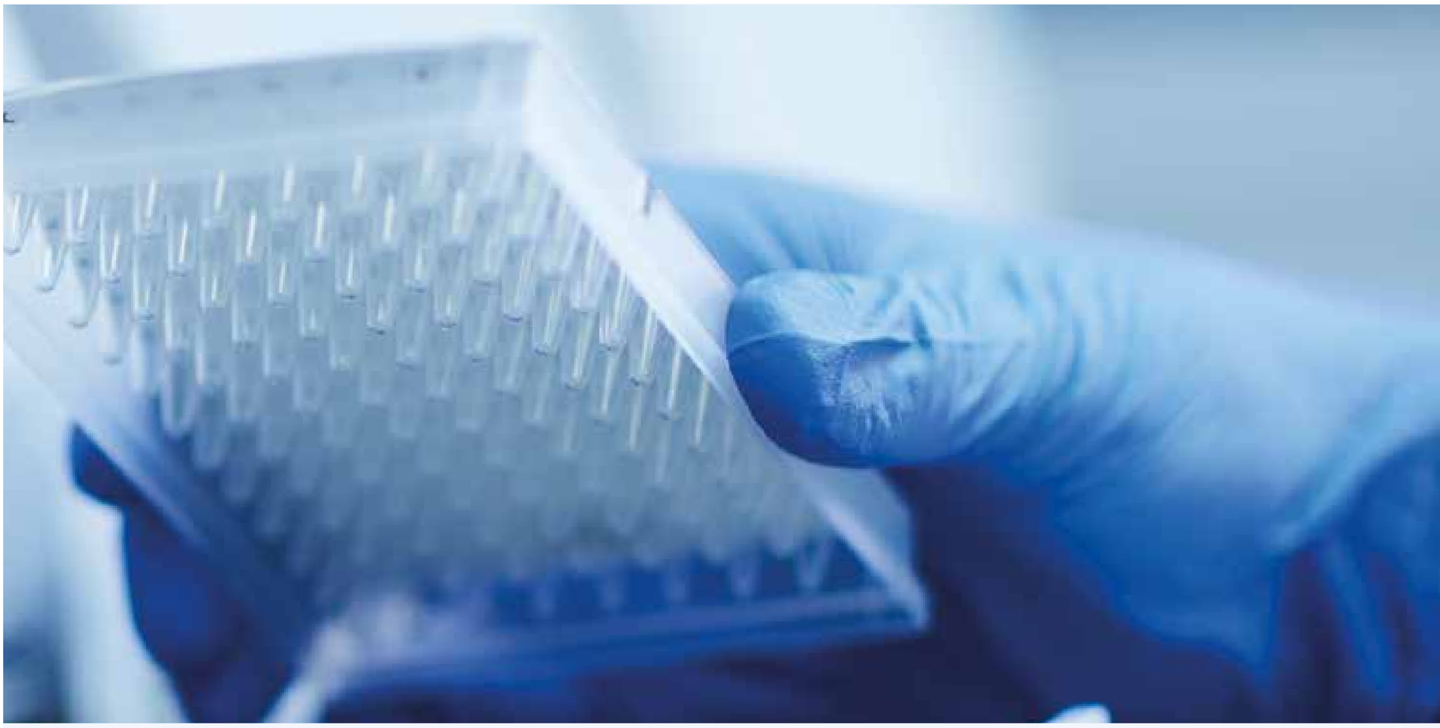
Figure 4

OBD's *EpiSwitch*™ technology is used to detect target anchor sites in the 3D genome.



***EpiSwitch*™ is a proprietary industrial 3D genomics platform for discovery, evaluation, validation and monitoring of a novel class of epigenetic biomarkers known as chromosome conformation signatures (CCSs)**

OUR BUSINESS: IN DETAIL CONTINUED



Biomarker discovery with *EpiSwitch*™

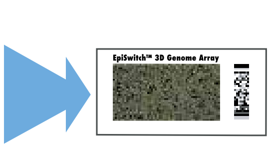
We follow a three-stage approach to screen, identify, evaluate and validate CCSs, ensuring that the biomarker panels that emerge from this pipeline are biologically vetted and statistically robust to be used in pre-clinical and clinical practice. Biomarker discovery begins by screening samples against one million *EpiSwitch*™ anchor sites using a custom array. In subsequent steps, statistical analysis is used to identify the most promising markers: these are then translated from the array screen for detection using an industry standard PCR process, prior to validation of the final panel of *EpiSwitch*™ markers on an independent cohort of samples.

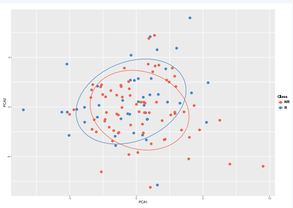
EPISWITCH™ – THE PRECISION MEDICINE PLATFORM FOR ENABLING 3D GENOMICS

STAGE I

Discover

- 106 whole-genome array
- Custom focused array
- 20× samples per phenotype, 2ml whole-blood or PBMCs

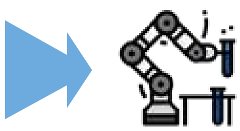


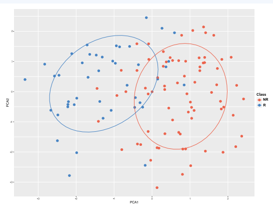


STAGE II

Refine

- Translate array to qPCR
- 50µl whole-blood per sample

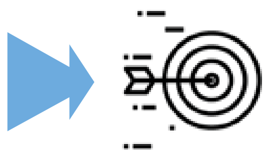


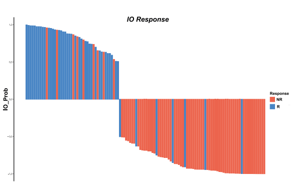


STAGE III

Validate

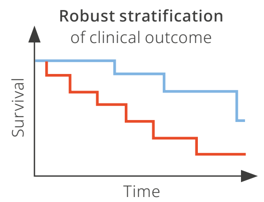
- Blind validation on independent cohort
- 50µl whole-blood per sample



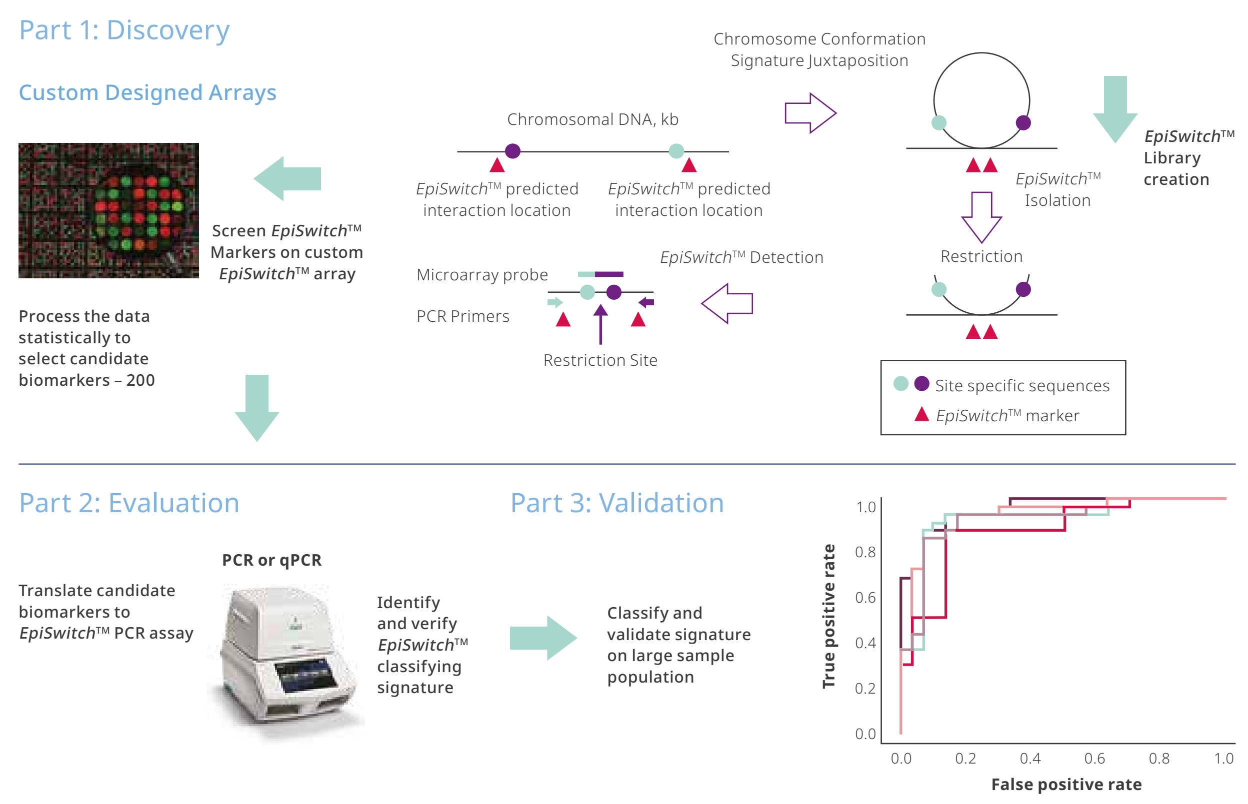


EpiSwitch™ PCR Assay

- Custom biomarker panel for human clinical samples characterize disease and host response
- Easy to measure, generating actionable, binary result with strong signal-to-noise ratio
- Cost-effective – uses standard laboratory equipment
- Robust across large patient populations
- Integrates genetic and epigenetic state
- Provides direct measure of network measure implicated in pathology



The following diagram provides shows in more detail how OBD carries out the stages of biomarker discovery with *EpiSwitch*™:

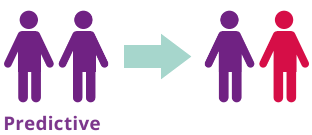


From receipt of initial blood samples, OBD can typically develop a validated biomarker panel within as little as three months.

Thereafter, testing is performed on a small (50µl) blood sample, from which a robust, repeatable, binary result is produced on standard laboratory equipment in a matter of hours. In published results, OBD's *EpiSwitch*™ has outperformed several other biomarker modalities on key statistical measures of sensitivity, specificity and positive and negative predictive power.

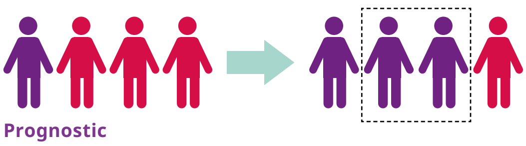
Biomarkers discovered using *EpiSwitch*™ have a number of key applications, providing critical insights into clinical and therapeutic outcomes including prediction for response to treatment, prognosis, disease monitoring, and diagnosis.

Who is likely to respond to treatment?

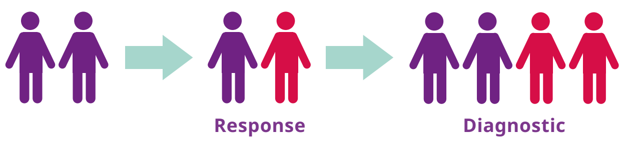


For those that have had a disease, will the disease return?

What is the risk of that patient deteriorating (and at what rate)?



Who is responding to treatment?



EpiSwitch™ biomarker panels have been developed successfully for more than 30 indications in oncology, autoimmune, neurodegenerative and metabolic diseases as well as a growing number of non-clinical and non-human applications.

The Company has developed the world's largest curated 3D genomics knowledgebase: to date, over 10,000 clinical samples have been analyzed, generating hundreds of millions of individual data points.

CHIEF EXECUTIVE OFFICER'S REVIEW

Expanded strategic focus, new sales channels

STRATEGIC OVERVIEW

2020 has been an unusual and, for many individuals and businesses, a difficult year. At OBD, whilst we felt the effect of slowdowns across the pharma/biotech industry as a result of the COVID-19 pandemic, we have been able to continue working throughout the year, without recourse to UK or US government assistance. Most importantly, the Company has pivoted from being focused predominantly on research and development to making commercialization of its technology and product development our absolute priorities.

Since my appointment in March 2020, with the OBD Board and Senior Management Team, I have spent time assessing the Group's business, the *EpiSwitch*™ technology, identifying ways in which we can unlock the considerable growth potential and bring the technology pipeline the Company has developed rapidly into the precision medicine market. Whilst continuing to drive our original strategy to work with big pharma on biomarker development projects, we have also been expanding OBD's strategic focus to include the development of several new sales channels, beginning with the planned launch of the Company's COVID-19 'severity of response' test. We provide a summary of the work achieved and value created in the rest of this review.

"The Company has pivoted from being focused predominantly on research and development to making commercialization of its technology and product development our absolute priorities."

COMMERCIAL DEVELOPMENTS

COVID-19-related developments

In April 2020, the Company announced selection of the *EpiSwitch*™ platform for prognostic and predictive profiling of COVID-19 patients in the GETAFIX clinical study, in collaboration with the University of Glasgow. As well as seeking a biomarker profile to predict patients' likely response to the anti-viral treatment Favipiravir, OBD announced plans to develop a prognostic disease severity classifier, to help identify patients who may be at increased risk of serious illness or death as a result of their immune response to COVID-19 infection.

In June 2020, the Company started to use its own resources to procure a representative international set of COVID-19 patient samples from cohorts in the UK, USA, and Latin America. Applying the Company's know-how with the *EpiSwitch*™ platform, a proprietary severity of response test for COVID-19 was developed by the end of the year. The goal of the test is to provide crucial information to address the open medical questions regarding an individual's risk of disease severity and need for hospitalization, including intensive care unit support. Development of the test was completed in less than six months and we expect it to be launched initially in the US concierge medicine market later in Q1 of 2021, a great achievement for the OBD team.

Immuno-oncology (IO)-related developments

In recent years, the Company has regularly reported on the growing acknowledgment of the potential for its *EpiSwitch*™ biomarkers to benefit IO drug development programs and cancer patients. The aim is to enable clinicians to identify patients who are unlikely to respond to IO treatment, across a wide spectrum of indications and treatment combinations, helping to match potential responders to the right IO drugs.

This year has seen further progress for OBD in the IO field. As well as ongoing work with a major commercial customer and the presentation of compelling results from *EpiSwitch*™ biomarker discovery projects with industry partners, in December 2020 the Group announced its plan to develop and launch a proprietary predictive immune response profile for IO checkpoint inhibitor treatments. The aim of the *EpiSwitch*™ Universal IO response test is to help physicians stratify complete and partial responders in advance of treatment, enabling better treatment options for each individual.

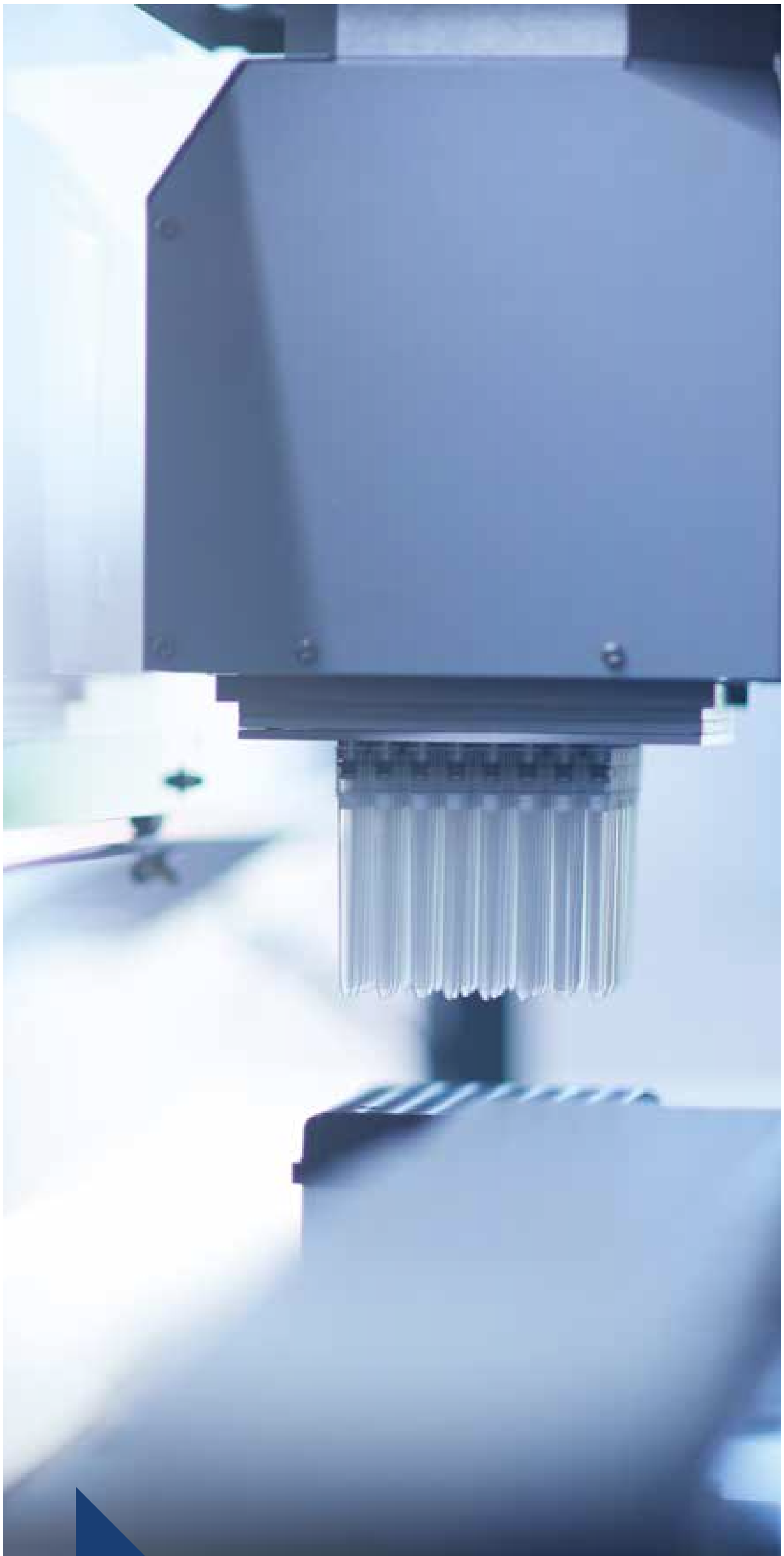
Biomarker development projects

In December 2019, the Group entered into a master service agreement for the development of predictive *EpiSwitch*™ biomarkers with a top US pharmaceutical company. This agreement built on OBD's proven ability to develop predictive biomarkers for response in IO, granting the customer access to OBD's *EpiSwitch*™ technology for use in the development of predictive biomarkers. Work under this agreement has progressed well despite the COVID-19 pandemic, with several hundred clinical trial samples successfully analyzed in our UK laboratory. We continue to work under the master services agreement in the current year.

SCIENTIFIC DEVELOPMENTS

In October 2019 the first patient was recruited to the REFINE-ALS study, led by Massachusetts General Hospital (MGH) Neurological Clinical Research Institute (NCRI) and sponsored by Mitsubishi Tanabe Pharma America (MTPA). This study is designed to identify and measure specific biomarkers to act as a complementary diagnostic for people being treated with MTPA's already approved drug for amyotrophic lateral sclerosis (ALS). In the study, OBD's *EpiSwitch*™ biomarkers will be assessed alongside other biomarker modalities, as well as clinical assessments. Recruitment to the study was affected by the COVID-19 pandemic through much of 2020, although as reported in December 2020, patient samples are now being received by the Company, enabling work to continue.

In November 2019, the Company's *EpiSwitch*™ technology featured in two poster presentations at The Society for Immunotherapy of Cancer's 34th Annual Meeting. The presentations, co-authored with collaborating scientists from EMD Serono, Pfizer, Oxford BioDynamics and the Mayo Clinic, showed that biomarkers identified by *EpiSwitch*™ using blood samples from patients treated with immune checkpoint inhibitors enabled robust exclusion of non-responders across cancer indications and therapeutic combinations. The data also provided asset-specific classifiers with high positive predictive value and had the potential to enable IO drug development programs to advance with smaller patient cohorts.



"OBD has made significant strategic and organizational progress over the year."

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

In January 2020, further evidence of the applicability of *EpiSwitch*™ derived biomarkers across species was presented at American Association for Cancer Research (AACR) Conference on Advances in Liquid Biopsies, in Miami, Florida. In work conducted in collaboration with the University of Minnesota Department of Veterinary Clinical Sciences, Animal Cancer Care and Research Program, College of Veterinary Medicine and Masonic Cancer Center, OBD utilized its proprietary datasets of *Episwitch*™ biomarkers associated with lymphoma in humans, successfully translating the markers from humans into dogs. A new biomarker signature using whole blood from a cohort of dogs with lymphoma was developed and validated on a second cohort. These results highlight the potential application of non-invasive *EpiSwitch*™ biomarkers in new therapeutic developments, including in the veterinary industry.

In March 2020, the results of OBD's work in collaboration with Roche and Genentech to develop a blood-based *EpiSwitch*™ signature for non-invasive prognostic stratification of Diffuse large B-cell lymphoma (DLBCL) patients were published in the peer-reviewed journal Translational Medicine (Communications). The results of the study were striking, showing that the *EpiSwitch*™ DLBCL biomarker signature was accurate in classifying patient subtypes, correctly predicting clinical outcome with a high level of statistical significance and outperforming a number of current industry standard gene expression-based assays.

In April 2020, the Group's Chief Scientific Officer, Dr Alexandre (Sasha) Akoulitchev, was appointed to represent OBD on three Steering Committees of the FNIH Biomarkers Consortium, in Oncology, Inflammation & Immunity, and Neuroscience, in Bethesda, MD, USA. The Biomarkers Consortium is a public-private biomedical research partnership managed by the FNIH that endeavours to discover, develop, and seek regulatory approval for biomarkers, to support new drug development, preventive medicine, and medical diagnostics. The members of the Steering Committees represent a variety of sectors, including academia, government, industry and not-for-profit/advocacy organizations and are responsible for identifying and moving forward promising biomarker projects for implementation by the Consortium. Sasha's appointment to the prestigious Steering Committees represents a major recognition of his expertise in the field and has already provided valuable opportunities to share the application of OBD's *EpiSwitch*™ platform in this highly respected scientific forum.

IP portfolio development

At OBD we have developed a global intellectual property portfolio as leaders in the 3D genomics space. We continue to grow and maintain our intellectual property in terms of a broad and multi-layered patent strategy, trade secrets and know-how, trademarks and branding.

To date we have patents filed or granted in 17 separate families, most recently the granting of a second US patent: 'Methods of Detecting Long Range Chromosomal Interactions' International Application. In November 2020, *EpiSwitch*™ was granted as an OBD-owned trademark by the US Patent and Trademark Office.

NEW LEADERSHIP WITH INDUSTRY EXPERIENCE AND US COMMERCIAL FOCUS

I joined the Group as Chief Executive Officer on 23 March 2020 and spent the initial months of my tenure reviewing the Group's position and planning how best to strengthen the Group's commercial focus. The first step in this plan has been the recruitment of new team members with significant US operational, commercial and marketing experience. We will make further additions to our US-based team during the first quarter of 2021 to support the launch of our COVID-19 severity and subsequent Universal IO response tests.

We have also added further scientific expertise. Earlier, in October 2019, we appointed Professor Iain McInnes CBE to the Company's Scientific Advisory Board. Iain is the Director of the Institute of Infection, Immunity, and Inflammation, Muirhead Professor of Medicine and Professor of Rheumatology at the University of Glasgow. OBD has collaborated with Professor McInnes and his teams on several successful research projects since 2014, including our participation in the GETAFIX COVID-19-related clinical study mentioned above.

Post-year end, we have announced two significant changes to the Board. We appointed Matthew Wakefield as Non-Executive Chairman on 14 December 2020, taking the place of Dr Peter Pack. Matthew brings significant experience of financial markets to the role, with a 27-year career in the City in fund management and investment banking. He has also been a long-time supporter of the Company and already has a deep understanding of its business.

In addition, our co-founder and former Chief Executive Officer, Christian Hoyer Millar announced his retirement from the Board and the Company at the end of 2020. Christian has been a major force in championing OBD's technology and the strong ties it has built with big pharma and academia over the last 12 years. On behalf of the Board, I would like to thank both Peter and Christian for their contribution to the Company and wish them both every future success.

SUMMARY AND OUTLOOK

Despite the tribulations of the pandemic, OBD has made significant strategic and organizational progress over the year. We enter 2021 with an expanded strategic focus, team and infrastructure to drive near-term commercialization of the *EpiSwitch*™ technology, via multiple commercial pathways, beginning with our COVID-19 severity test.

The next anticipated launch, later in 2021, will be the proprietary *EpiSwitch*™ Universal IO response test.

We will also continue to identify and develop further proprietary products for which there is commercial demand, building on our existing expertise in indications such as rheumatoid arthritis, lymphoma, cancer, and veterinary medicine. Finally, our biomarker arrays and 3D genome bioinformatics tools will be made commercially available to the R&D market and we will continue to work closely with big pharma to leverage the insights of our 3D genome knowledgebase.

To support the development and launch of these exciting products alongside our ongoing work with commercial and other partners, we intend to continue to expand our team and infrastructure.

I would like to thank our shareholders for their continued support of the Company and look forward to reporting on our anticipated progress in 2021.

Dr Jon Burrows
Chief Executive Officer
Oxford BioDynamics plc

27 January 2021

OUR BUSINESS MODEL

Oxford BioDynamics plc is a revenue-generating biotechnology company focused on developing precision medicine tests for personalized healthcare based on the *EpiSwitch*™ 3D genomics platform

The table below summarizes the Group's business model, with more information provided on the following pages:

INPUTS

Assets, resources, strengths, relationships

Proprietary *EpiSwitch*™ technology platform
Robust and validated, proven and reduced to practice, award-winning technology, protected by early, broad, worldwide patents.

The world's largest curated 3D genomics knowledgebase with 10,000+ samples, 30+ diseases, hundreds of millions of datapoints.

Custom proprietary biomarker arrays for 3D genomics translation.

Pipeline of deployable (qPCR) molecular diagnostic tests.

Proprietary bioinformatic tools for 3D genomics analyzes.

Growing diverse customer and partner base and collaborative research network
We have an extensive customer base within the pharmaceutical and biotechnology industry. The Group has entered into multiple contracts with eight of the top ten global pharmaceutical companies (by 2019 revenue)[1].

We also have collaborative links with several world-class academic institutions.

In 2018 we entered into a strategic partnership for the growing Chinese market in our investor, GL Capital.

Unique position within a large, growing market with strong macro drivers
EpiSwitch™ is the only commercially available high-throughput 3D genomics discovery platform. We expect 3D genomics to play a pivotal role in the evolution of precision medicine and personalized healthcare. This is a unique position within this large and growing biomarker sector.

Highly experienced management team
The Board and Senior Management Team, further strengthened during the year, blend successful commercial and leadership experience with considerable scientific and technological expertise.

Strong balance sheet
The Group is well-resourced to make continued progress, retaining cash resources sufficient to fund activity in the short-term.

1 **Source:** Pharm Exec's Top 50 Companies, 2020.

WHAT WE DO

To achieve our aim of making *EpiSwitch*™ the leading industry standard in the field of 3D genomics, we will shortly launch several OBD products and services direct. We also continue to agree contracts with commercial partners, expand our proprietary research and seek licensing opportunities for our technology.

PILOT
- R&D projects with commercial and research partners
- Internal proprietary research

EXPAND
- Validation of CCS biomarker panels

LAUNCH
- Develop and commercialize OBD products and services

LICENSE
- Exploit opportunities to outlicense IP, across multiple applications and indications

More detail on the process of biomarker discovery using the Group's *EpiSwitch*™ platform is shown on pages 6 to 9.

HOW WE GENERATE REVENUE

The Company has a pipeline of products and services that are expected to generate revenue in the short to medium-term:

Initial *EpiSwitch*™ Immune Health tests

EpiSwitch™ COVID-19 Severity

EpiSwitch™ Universal IO Response

EpiSwitch™ Biomarker Array Kit

EpiSwitch™ 3D genome Bioinformatics tools

To date, OBD has also generated revenue from four streams:

- Service fees from conducting commercial biomarker projects with major pharmaceutical and biotechnology companies.
- Service fees from conducting collaborative biomarker projects with multiple commercial partners and research institutes.
- Service fees and upfront signing fees from licence agreements for the use of biomarkers in clinical diagnostics in Asia and specific non-clinical areas worldwide.
- Grant income from Innovate UK.

HOW WE DIFFERENTIATE OURSELVES

- OBD's *EpiSwitch*™ is the only commercially available high-throughput 3D genomics discovery platform.
- *EpiSwitch*™ has performed extremely strongly against other conventional, invasive, biopsy-based biomarker methodologies.
- The Group has positioned itself to fast-track the commercialization of its technology in key markets, especially the US.
- The Company is revenue-generating and has incurred only relatively modest levels of expenditure in pursuit of its strategic aims and objectives to date.
- By collaborating with pharmaceutical and biotechnology companies and research institutes, the Group is able to leverage customer-funded development projects alongside its own proprietary work, which helps maintain a manageable cost base, while providing future opportunities for licence and royalty income.

OUTPUTS

We create value for:

INVESTORS

- We seek to benefit our investors through increases in the Company's share price and eventually through dividend payments.
- We are committed to operating in accordance with the principles of good corporate governance, and providing timely, regular and reliable information on the business to all of its shareholders.

CUSTOMERS

- Our products will assist clinicians in their decision-making.
- Our proprietary technology platform enables pharmaceutical companies to accelerate and improve the rate of drug discovery and development.

EMPLOYEES

- We foster a culture of continuous improvement and excellence, allowing employees to explore and adapt to new ideas and embrace change.
- We provide structured training and development opportunities based on employees' individual requirements and aspirations.
- We recognize individual and team contribution and reward employees appropriately.

SOCIETY

Our science and technology education through animations and explainers can help members of the general public to understand:

- the benefits of precision medicine for personalized healthcare;
- the basic principles of 3D genomics and epigenetics; and
- how immune health monitoring can help long term health.

Our technology can help pharmaceutical companies to:

- reduce the risk, cost and time to market for therapeutic development programs;
- gain significant insights into disease mechanisms, to support the personalization of medicine; and
- personalize therapeutics to patients, to ensure better clinical outcomes.

OUR BUSINESS MODEL CONTINUED

MARKET OPPORTUNITY

The primary market in which OBD operates is the molecular diagnostics and biomarker discovery market. This market was estimated to be worth over US$8 billion in 2019 and is expected to grow at a rate of 9% over the five years to 2024[1]. Key drivers of market growth include the widespread prevalence of infectious and other diseases as well as various types of cancer.

The growing importance of personalized medicine has led to the increasing use of companion diagnostics by pharmaceutical and biotechnology companies during all stages of the drug discovery and development process, including target identification and better disease understanding. As a core component of companion diagnostics, biomarkers enable pharmaceutical and biotechnology companies to answer key questions regarding patient groups, which can ultimately lead to improved R&D and clinical development productivity.

Estimates suggest that it typically takes nine to 12 years and over US$2.5 billion to bring a drug to market, with perhaps 60% of this cost incurred on phase III clinical trials, and over 90% of drug programs failing during the discovery stage. Several factors contribute to these costs and failure rates, including increasing complexity of drug development, rising costs of healthcare, pricing pressure driven by regulatory reforms and requirements for targeted therapeutics with improved patient outcomes if drugs are to be approved by regulators. This context of high costs and failure rates continues to lead pharmaceutical and biotechnology companies to seek technologies that enable more informed decisions to be made, more quickly. This is largely as a result of the demand for biomarker use during the drug discovery and development process (for example to assist in the optimal stratification of patient cohorts for clinical trials), covering not only oncology, but also other pathologies including autoimmune disorders, neurodegenerative and age-related diseases.

In response to the increasing demand for biomarkers during multiple stages of drug discovery and development, the pharmaceutical and biotechnology industry has sought to use outsourced capability for the discovery of biomarkers due to the considerable time, cost and expertise required in this discovery process. The Directors expect that this trend for outsourcing the discovery of biomarkers is likely to continue.

As the integration of companion diagnostics within the drug discovery and development process continues, the Directors believe the development of therapeutics is set to become increasingly reliant upon biomarkers and those discovery platforms, such as *EpiSwitch*™, which can provide robust biomarker signatures for multiple stages of the R&D and drug development process.

$8 billion+

Size of molecular diagnostics market

1 **Source:** Global Market Insights Report, February 2020.

2 **Source:** Business Research Company Report, November 2020.

Further, the ongoing COVID-19 pandemic is estimated to have generated a market for diagnostics worth approximately US$17 billion in 2020[2]. OBD's COVID severity test is not a COVID-19 diagnostic, but the Directors expect that the market opportunity for this test is nonetheless significant, with a potential addressable US market of several millions of people including those who will seek reassurance prior to receiving a vaccine, groups who will be unable to receive vaccines (such as the immunocompromised or pregnant women).

As noted in the Chief Executive Officer's review, the Board considers the growing IO market in particular to offer potential for considerable value, both in terms of the Company's proprietary tests offered direct to physicians and indication- and drug-specific biomarker development contracts with pharma and biotech partners.

The Board also expects there to be significant opportunity in clinical markets other than IO and in the discovery and exploitation of biomarkers for use in non-clinical and non-human applications. The market for these applications outside of the human clinical sphere is relatively undeveloped, and at this stage the Directors have not estimated its likely size.

BUSINESS MODEL – REVENUE GENERATION

The table on page 15 shows the revenue streams which the Group has generated to date. The terms of the Company's contracts with its customers remain confidential due to commercial sensitivity; however, the value of each contract has typically been up to US$1m, with amounts payable to the Company in accordance with the respective terms of each contract, usually around the achievement of agreed contract milestones.

As announced in December 2020, the Directors aim to transition the Company's revenue model to one that emphasises sales of its already developed pipeline of proprietary molecular diagnostic products and services for precision medicine in the personalized healthcare market, in multiple sales channels. Alongside proprietary products and services, the Company will continue to work with pharma and biotech partners on biomarker discovery and clinical development projects with the potential for the development of companion/complementary diagnostic tests.

To this end, the Company's business model has now pivoted to a more commercial footing, including a focus on the development, launch and support of its proprietary products.

The Directors believe that the opportunity for value creation is considerable, from both:

- profitable sales of its own products, initially in the US market where there is a history of significant early adoption of innovative genomic technology. The pharma industry is always looking for innovative technologies that are reduced to practice, have been proven and can answer questions that existing molecular modalities cannot; and
- continued discovery and development of biomarkers with pharma/biotech partners to support clinical development and future sales of therapeutics.

OUR KEY STRENGTHS

The table on page 14 lists OBD's main 'inputs' – the assets, resources, strengths and relationships on which the business relies. These are explained in more detail below.

PROPRIETARY TECHNOLOGY PLATFORM

The Directors believe that *EpiSwitch*™ is the only proprietary technology platform for the use of 3D genomic biomarkers that meets industry standards and quality requirements, producing binary results at a forensic level of sensitivity, through non-invasive testing (liquid biopsy), in a matter of hours, and on an industrial scale. By pursuing a process of continuous improvement and quality management in its laboratories, the Group has now 'reduced to practice' the standardized process it follows to discover and develop 3D genomic biomarkers. Through the application of the Senior Management Team's expertise, the Company has sought to protect its technology by developing an international intellectual property portfolio in the 3D genomics space with the following main elements:

- Broad and multi-layered patent strategy, with 17 patent families addressing:
  - Dominating claims to core technology
  - Integration with other technologies and downstream applications
  - Claims tailored to specific applications of the core technology
- Trade secrets
  - OBD products are difficult to reverse engineer
  - Access to sensitive information limited to select individuals
- Manufacturing know-how
  - Novel technology: commercial methods include uniquely designed elements that are complex to implement, providing layers of protection against product duplication by competitors
- Brand name and trademark
  - OBD is building brand name value as a leader / disrupter in the 3D genomics field
  - *EpiSwitch*™ accepted as an OBD-owned trademark granted by the US PTO in November 2020

GROWING DIVERSE CUSTOMER BASE AND COLLABORATIVE RESEARCH NETWORK

The Company has established an extensive customer base within the pharmaceutical and biotechnology industries. The Directors believe companies in these industries may seek to accelerate the development of novel biomarkers to be used on an exclusive, licensed basis. Furthermore, the Directors believe the Group is well-placed to develop strategic links with external organizations for the delivery of its pipeline of proprietary products, initially to the US market. The Company is also collaborating with several leading research institutes worldwide, which are utilizing its *EpiSwitch*™ technology for the purposes of research into new biomarkers and companion diagnostic tests. In addition, the Company has contracted with customers such as Holos Life Sciences in non-therapeutic fields, to date with a focus on the application of 3D genomic biomarkers and stratifications in well-being and fitness training in the athletics and equine industries.

UNIQUE POSITION WITHIN A LARGE, GROWING MARKET WITH STRONG MACRO DRIVERS

As noted on page 16, the global market for molecular diagnostics and biomarker discovery is large and rapidly growing. As a core component of companion diagnostics, it is anticipated that significant opportunities exist both for the Company's proprietary products and biomarker discovery platforms such as *EpiSwitch*™, which can provide novel biomarker signatures to support all stages of the drug discovery and development process, thereby improving trial success rates and the personalization of medicine to address the unmet needs of patients.

COMMERCIALLY AND SCIENTIFICALLY EXPERIENCED MANAGEMENT TEAM

Blending experienced commercial leadership within the industry, particularly in the US, with considerable scientific, technological and operational expertise, the strengthened Senior Management Team has the complementary skills and experience required to rapidly exploit the commercial opportunity afforded by the Group's *EpiSwitch*™ technology platform, through future product launches and potential licensing arrangements.

STRONG BALANCE SHEET

As at 30 September 2020 the Group held cash and term deposits of £11.5m, representing sufficient funds to pursue its short-term plans without the need for further fundraising or significant upfront revenue.

BUSINESS STRATEGY AND OBJECTIVES

The Directors believe that the Company's *EpiSwitch*™ platform provides OBD with a unique, leading position in the field of 3D genomic biomarkers. The Company's aim is to advance personalized healthcare by developing and commercializing precision medicine tests for life-changing diseases. OBD's proprietary 3D genomic biomarker platform, *EpiSwitch*™, can build molecular classifiers for prediction of response to therapy, patient prognosis, disease diagnosis and subtyping, and residual disease monitoring in a wide range of indications.

The Board believes this affords the Company the opportunity to achieve strategic aim of making *EpiSwitch*™ the leading standard in this field for the pharmaceutical and biotechnology industries and the wider clinical market.

The Directors' strategy is to capitalize on the growth in the molecular diagnostics and outsourced biomarker discovery markets, which continue to be driven by a number of key trends, namely:

- The continued prevalence of infectious diseases (including COVID-19), cancer and other illnesses that require improved diagnostic and prognostic tests.
- The growing appreciation of human biological complexity and the acknowledgement of the importance of personalized medicine and biomarker-based patient stratification modalities, including *EpiSwitch*™, to improve patient outcomes and to de-risk various stages of the drug discovery and development process.
- The significant cost, time and experience needed for biomarker discovery and development solutions available primarily through third party outsourced providers.
- The need for pharmaceutical and biotechnology companies to access biomarker discovery platforms that offer rapid and accurate validation solutions to trial studies at high risk of failure.

The Group's objectives, designed to meet its strategic aims, fall into the following main areas:

- Development, launch and support of proprietary precision medicine test products, initially delivered via partner laboratories.
- Making available its custom biomarker arrays and 3D genome bioinformatics tools to the global R&D market.
- Expansion and extension of the current customer and collaborator base. Through the continued development of contracts with pharmaceutical, biotechnology and other research partners, the Group can leverage third party research and development resources, while retaining control and ownership of its intellectual property portfolio.
- Expansion of its own proprietary biomarker research. By accelerating its own biomarker discovery programs, the Company can utilize validated biomarkers to help shape, influence and expand biomarker-based clinical trials with commercial partners, leading to more successful trial outcomes.
- Licensing of core technology. Through the licensing of the Company's technology platform, *EpiSwitch*™, which can benefit large pharmaceutical and biotechnology companies in their therapeutic development programs, the enrichment of their clinical trials, and the development of companion diagnostics.

Through the execution of its strategy, the Directors believe the Company can capitalize on significant commercialization opportunities as it seeks to transition its revenue model towards proprietary product sales and licence fees, milestones and royalties on licence agreements.

KEY PERFORMANCE INDICATORS

The Directors use a range of measures to monitor performance, with the main financial key performance indicators ('KPIs') being revenue, operating loss before non-recurring items, net cash used in operating activities, overall cash resources, and adjusted loss per share, as noted in the Financial review on page 22. In addition, the Group expects in future to monitor its performance by reference to the number of products and services that it successfully launches, and the revenues and sales volumes achieved by those products and services.

The main non-financial KPIs monitored by the Group include: the number of contracts agreed with customers; the number and size of customers contracted with; the quality of results achieved in biomarker discovery and development projects; the time taken for individual project phases; the number of high-quality presentations and publications of the Group's research; and the extent of the protection of the Group's intellectual property afforded by its patent and trademark portfolio.

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RISK MANAGEMENT AND PRINCIPAL RISKS

The Group's risk management strategy is a key responsibility of the Board of Directors. The Group's Senior Management Team meet at least twice a month to identify areas of risk and to communicate with the Board as appropriate. The Group's Quality Management System includes extensive risk assessment, planning, internal audit and reporting as well as the maintenance of detailed risk registers covering its ISO-certified laboratories in the UK and Malaysia. A detailed financial reporting and procedures framework is in place. The Board ensures that all key risks are understood and appropriately managed in the light of the Group's strategy and objectives and is satisfied that the Group's risk management and internal control systems are adequate. At this stage of the Company's development, the Board does not consider it to be appropriate to establish a financial internal audit function, but this is kept under review, primarily by the Audit Committee in consultation with the external Auditor and the Chief Financial Officer.

The table below outlines the principal risks faced by the Group, how those risks are mitigated, and an indication of Directors' assessment of the change in significance of each risk since the last Annual Report.

Principal risks	How these risks are managed or mitigated	Change*
The Group is at an early stage of development with a relatively limited operating history and track record of revenue generation – whilst OBD is revenue-generating through a number of contracts, it has been (and is expected to remain) loss making over the near term as it continues to develop the commercialization opportunities for its *EpiSwitch*™ platform. There is a risk that the Group's current contracts and commercial activity will not lead to substantial licence or royalty payments beyond the contracted fee income under those contracts or that the Group will be unable to secure new product, service or licensing revenues. The significance of this risk is assessed to have increased over the last 12 months because: • the COVID-19 pandemic has delayed some customers' projects and has made routine business development activity more difficult; • cash resources, whilst still significant, are lower than 12 months ago; and • plans to develop and launch OBD products are forward-looking and therefore subject to an inherent level of uncertainty and involve increased costs relative to the Group's historic cost base. The going concern section of Note 2 to the financial statements on page 68 provides more detail of the Board's assessment in this area.	The Group has sufficient cash resources from investors and revenue-generating projects to fund its short-term development plans. The Group has continued to build its team of senior business development executives. The Group's primary focus is on increased commercial development. The Group has reduced to practice the process it follows to discover and develop biomarkers with its *EpiSwitch*™ platform. The Group's plans to commercialize its *EpiSwitch*™ platform through the development and launch of its own products, especially in the US, further mitigating this general risk by providing opportunities for more revenue and wider appreciation of the Group's technology in this critical market.	↑
The Group operates in a complex area of biotechnology which can be subject to considerable levels of uncertainty – rapid scientific and technological change within the pharmaceutical and biotechnology industry could lead to other market participants creating approaches, products and services equivalent or superior to the CCS-based biomarker approaches offered by the Company, which could adversely affect the success of its technology.	The Group's *EpiSwitch*™ platform undergoes regular review and improvement. Whilst entirely new modalities of biomarker development may arise, these are not currently known and would take time to develop. The Directors continue to believe that *EpiSwitch*™ is the only CCS-based biomarker technology that meets industry standards on sensitivity, cost and evidence of validated stratifications.	↔
The Group relies on key suppliers – certain stages of the Company's proprietary processes involve products or services currently sourced from single third party suppliers.	The Group reduced this risk in the prior year by bringing critical steps in the process 'in-house', employing specialist new staff and increasing capability at the UK laboratory. The Group also relies on multiple suppliers and the membership of purchasing groups where possible.	↔

Change in risk profile in the last 12 months*

↑ Increased ↔ No Change ↓ Reduced

* Directors' estimates.

RISK MANAGEMENT AND PRINCIPAL RISKS CONTINUED

Principal risks	How these risks are managed or mitigated	Change*
The Group remains largely reliant on the pharmaceutical and biotechnology industry – whilst the Group has continued to broaden its customer base during recent years, a significant portion of its revenue is expected to be generated through collaborations with pharmaceutical and biotechnology companies. In the event that the pharmaceutical and biotechnology industry reduces its expenditure on drug development and discovery, or can meet its requirements for biomarker discovery through internal capability and resources, the Group's operations or financial results could be adversely impacted.	The Group seeks to mitigate this risk by contracting with several major pharmaceutical and biotech customers. As part of the expansion of its strategic focus, the Group plans for the launch of proprietary products direct to the wider US healthcare market, initially through partner laboratories. The Group has also broadened its customer base during the last two years to include non-pharma / biotech customers, for example through its contracts with Holos Life Sciences, reflecting the increasing awareness of the importance of 3D genomics in non-clinical and non-human fields.	⬅➡
The Group expects to face competition from other biotechnology companies, which could adversely impact the rate and level of commercialization of its technology if it fails to compete effectively – the Group's competitors within the biomarker discovery industry may have superior R&D capabilities or better access to those leading pharmaceutical and biotechnology companies who require novel biomarkers. Further, a number of other biomarker discovery companies have greater financial, technical and human capital, which can be deployed in any attempts to gain a superior market position. This risk is expected to increase as the quality of the Group's *EpiSwitch*™ platform becomes more generally known.	The Group has demonstrated its commitment to commercialization through the appointment of an experienced commercial leader in Jon Burrows as Chief Executive Officer. The Group has secured and continues to support broad, early intellectual property protection in what is still a relatively nascent field. In the development of its *EpiSwitch*™ platform technology, the Group has also acquired significant know-how, which would be difficult and time-consuming for any competitor to replicate.	⬅➡
The Company may incur significant costs as a result of intellectual property disputes – the Company's ability to compete depends, in part, on the successful protection of its intellectual property. Third parties may infringe upon or otherwise challenge the Company's intellectual property, release confidential information about the Company's intellectual property or claim technology which is registered to the Company.	The Company seeks to protect its leading intellectual property position through 1) the strategic filing of worldwide patent applications where permissible, 2) strict protection of the know-how behind *EpiSwitch*™, 3) maintaining its lead in offering a high quality solution in the field in which it operates, 4) including robust confidentiality obligations in contracts with its employees, collaborators, subcontractors and licensees in order to protect the Company from the release of information relating to its know-how.	⬅➡
The Group depends upon a small number of key personnel – in line with groups of a similar size, the Group is managed by a limited number of key personnel, including the Executive Directors and the Senior Management Team, who have significant experience within the Group and the sectors it operates in, and who could be difficult to replace.	In the prior year, the Board performed a succession planning exercise to determine the risks posed to the Group by the potential loss of individual team members. That exercise identified potential internal successors where these are in post, and specific actions, including recruitment and training to be undertaken, to reduce the potential impact of loss of key personnel. The Group has continued to mitigate this risk by recruiting new staff to a number of its teams including those with general management, commercial, bioinformatics and finance experience. Executive and employee remuneration plans, incorporating long-term incentives, are designed to attract and retain staff with appropriate skills. A limited number of 'key man' insurance policies are in place.	⬇

* Directors' estimates.

Principal risks	How these risks are managed or mitigated	Change*
Foreign exchange rate fluctuations may adversely affect the Group's earnings, financial condition, results or future operations – a significant proportion of the Group's revenues are denominated in US dollars and the majority of expenditure is in UK pounds sterling, US dollars or Malaysian ringgits. Fluctuations in exchange rates between these currencies could have a material impact on the Group's earnings, financial condition, results or future operations, which are required to be reported in UK pounds sterling.	The Group plans what balances to retain in given currencies. It is able to use US dollars received from customers to pay liabilities denominated in US dollars. Excess US dollar funds were converted to sterling during the year ended 30 September 2019. The Group does not engage in foreign currency trading or speculation.	⬅➡
The Group may face risks following the end of the Brexit transition period on 31 December 2020 – as the Group's main customers are predominantly based outside of the EU and the majority of the Group's expenditure originates in the UK or US, the Directors do not expect that Brexit will have a material impact on the future performance and position of the business. The main risks to the Group are considered to be significant exchange rate fluctuations and difficulties in sourcing laboratory consumables from those of the Company's suppliers (who are mainly UK-based), that in turn rely on EU suppliers.	The Directors have continued to monitor Brexit-related developments over the period. The Company is a member of a purchasing group which has provided helpful guidance to prepare for the end of the transition period during the year, which the Group has followed.	⬅➡
The Group may continue to face challenges because of the COVID-19 pandemic – the main problems already faced by the Group as a result of the pandemic have been: • international travel becoming impossible or inconvenient; • reductions in the number of staff who can safely work in the Group's facilities at any time; • delays in non-COVID-related activity at pharma and biotech partners. There is a risk that infection of laboratory-based staff members could result in insufficient staff members being available to perform certain specific technical duties.	The Group has continued to operate throughout the pandemic. In the UK, the Company has not placed any staff on furlough or otherwise drawn on government support. Work at the Group's facilities has been limited to smaller teams on strict rotas. This is both to allow for adequate social distancing and to segregate staff members in order to minimize the likelihood of a large number of people becoming unavailable for lab-based work because they are required to self-isolate. The Group's cash resources have allowed it to continue in operation despite the delays to some of its revenue-generating activity as a result of the pandemic.	⬆

Change in risk profile in the last 12 months*

⬆ Increased ⬅➡ No Change ⬇ Reduced

* Directors' estimates.

FINANCIAL REVIEW

During the year ended 30 September 2020, OBD focused on organizational and strategic development for the commercialization of its *EpiSwitch*™ technology, strengthening its Board and team. The Group was also engaged in continuing contracts with global pharmaceutical and biotechnology companies and other commercial partners, collaborating with research institutions, investing in internal proprietary R&D projects, and further developing its IP portfolio.

FINANCIAL PERFORMANCE

Revenue in the year ended 30 September 2020 was £0.46m (2019: £0.91m), comprising services fees received for commercial biomarker projects with pharmaceutical, biotechnology and other commercial companies and collaborations with research institutions (the prior year also included revenue in respect of licence fees from agreements for the use of biomarkers). As a result of the COVID-19 pandemic, there were delays to a number of projects and curtailment of regular business development activity during the year, which led to lower than originally expected revenues.

Operating expenses (excluding share option charges) were £5.2m in the year ended 30 September 2020 (2019: £4.4m). Broadly, the £0.8m increase in operating expenses resulted from £0.63m in additional staff costs (reflecting, as in the prior year, the impact of new senior staff, a full year's cost for staff recruited during the prior year and other general pay increases), £0.15m increase in non-staff R&D costs, and £0.08m in increased depreciation and amortization costs. These increases were offset by a reduction in general and administrative costs of £0.10m which were affected by the accounting treatment of property rent costs on the adoption of IFRS 16 'Leases' as well as reductions in other costs as a result of COVID-19-related travel restrictions. This measure of operating expenses (excluding share option charges) is quoted because it provides a better indicator of the costs of the Group's continuing operations. Share option charges are non-cash expenses that do not necessarily correlate with the Group's underlying cost base. Share option charges are shown in the consolidated income statement on page 59.

Operating loss for the Group was £4.95m (2019: £3.72m).

Financial income of £0.12m related to interest receivable, which was reduced compared to the prior year as a result of both lower balances and lower interest rates (2019: £0.34m in interest receivable and foreign exchange gains).

Financial expenses of £0.08m (2019: £nil) included interest payable in respect of property leases accounted for under IFRS 16 (Leases) and foreign exchange losses.

The net taxation credit of £0.60m in the year (2019: £0.59m) represents tax relief on research and development expenditure during the period of £0.61m (2019: £0.61m), offset by a foreign tax charges arising in the Group's main subsidiaries. The Group has not recognized any deferred tax assets in respect of trading losses arising in the current or prior financial periods.

Net loss for the year was £4.31m (2019: £2.80m). Loss per share was 4.7 pence (2019: 3.0 pence).

FINANCIAL POSITION

Cash and term deposits at 30 September 2020 totalled £11.5m (2019: £15.5m), the increased outflow compared to the prior year mainly resulting from lower receipts from customers.

Total assets at 30 September 2020 were £15.35m (2019: £18.79m), reflecting increases in tangible and intangible fixed assets and inventory as well as reductions in cash and debtors over the year.

Total liabilities increased to £1.77m at 30 September 2020 (2019: £1.20m) driven mainly by the recognition of lease liabilities under IFRS 16, with trade creditors, accruals and contract liabilities broadly similar to the prior year.

CASH FLOW

The Group has continued to exercise close control over cash expenditure during the year. Net cash used in operating activities for the year ended 30 September 2020 was £3.40m (2019: £2.27m). Net cash generated by investing activities was £4.58m (2019: net cash used of £11.19m). The investing activities cash flow figure includes the effect of placing funds into term deposits with an initial maturity of between three and twelve months and the subsequent maturity of those deposits. In the current year there was a net inflow of £4.91m arising from maturing term deposits (2019: outflow as a result of increases in term deposits of £10.3m). Other investing cash flows reflected investment in intangible and tangible fixed assets, offset by interest receipts and, in the prior year, the Group's investment in Holos Life Sciences (Singapore) Pte Ltd. Net cash used in financing activities was £0.18m, being property lease payments accounted for the first time this year under IFRS 16 as described in Notes 2 and 3 (2019: net cash generated of £0.24m, received on the exercise of share options).

Overall, there was a net decrease in cash and term deposits for the year ended 30 September 2020 of £3.99m (2019: decrease of £2.79m) including exchange losses on opening non-sterling denominated deposits of £0.08m (2019: gains of £0.14m).

SECTION 172(1) STATEMENT

The Directors acknowledge their duty under section 172 of the Companies Act 2006 and consider that they have, individually and as a Board, taken account of the views of the Group's stakeholders in Board discussions and decision-making. Section 172(1) sets out six matters to which the Directors must have regard when performing their duty. These are listed below, with explanations of how the Directors have addressed the matter and, where appropriate, references to relevant information presented elsewhere in this report.

THE LIKELY CONSEQUENCES OF ANY DECISION IN THE LONG TERM

Several of the Board's most significant decisions during the year related directly to how best to achieve the Group's long-term strategic objectives, including the appointment of Jon Burrows as Chief Executive Officer and the election of Peter Pack and then, post-year end, Matthew Wakefield, as Chairman. Several of the principal risks faced by the Group and the mitigating actions taken by the Board to address these (shown on pages 19 to 21) are related to the long-term prospects of the Group.

THE INTERESTS OF THE COMPANY'S EMPLOYEES

The Group is reliant on its employees for the achievement of its strategic objectives and commercial success. The Board aims to foster the recruitment and retention of suitably qualified and experienced team members across the Group's operations. The Board and its subcommittees have specific roles in this area in respect of the recruitment and remuneration of Directors. The Directors' responsibilities in respect of ensuring the interests of the wider staff team are met include:

- creating a safe, professional, diverse work environment, free of harassment and bullying, where everyone is treated with dignity and respect;
- providing salary and benefits packages that are competitive and reward good performance;
- providing appropriate training to enable staff to perform their duties; and
- ensuring that appropriate mechanisms are in place for staff to raise any grievances.

Diversity

The Directors recognize the benefits of diversity in the workforce and, whilst all appointments are made based on candidates' suitability for the role concerned, the Directors note the Group's experience that having a diverse team has positively supported the strength and success of its business and continues to do so.

Health and safety

The Directors are committed to ensuring the highest standards of health and safety, both for employees and for the communities within which the Group operates. Alexandre Akoulitchev is the Director with overall responsibility for health and safety matters.

The Group meets legal requirements aimed at providing a healthy and secure working environment to all employees. The Group's successful health and safety management involves regular review of its health and safety policy and integrating sound principles and practice into its day-to-day operating procedures and quality management arrangements. This requires the collaborative effort of all employees, who undergo regular training in this area and are positively encouraged to be involved in consultation and communication on health and safety matters that affect their work.

THE NEED TO FOSTER THE COMPANY'S BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

The Group is committed to:

- providing high quality, consistent, accessible and reliable services to its customers;
- ensuring that contractors and suppliers are aware of, and where necessary work with it to comply with, its business principles, policies and standards; and
- conducting its operations in accordance with the principles of good corporate governance, and providing timely, regular and reliable information on the business to all of its shareholders.

THE IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND THE ENVIRONMENT

Community

The Group's aim is that the communities in which it operates should benefit directly from its presence through the wealth and jobs created, and the investment of its time and money in the community. In pursuit of this aim, the Group seeks to assist in local community development activities where it operates, in consultation with local government, the public and other stakeholders; and respect the rights of indigenous people in all countries in which it operates.

Environment

The Group is mindful of the environmental impact of its activities and seeks to minimize resource usage, for example by seeking to engage only in essential business travel and where possible recycling the single-use plastic consumable items necessary for its laboratory operations. The Group is not subject to significant regulatory requirements in addition to those faced by most businesses; however, it does hold all of the licences necessary to operate its business, including a Human Tissue Authority licence for the storage of material from the human body (in the form of blood samples). The Group also maintains uniform levels of quality control and quality assurance standards throughout its reference facilities and laboratories, through the application of its quality management systems as demonstrated by its meeting the requirements of international standards ISO 13485 and ISO 9001.

The Group's business activities result in various environmental impacts (mainly in the form of CO_2 and other emissions, from travel and utility usage and as a consequence of the safe management of clinical waste and maintenance of high levels of cleanliness in its facilities). The Group strives to improve its environmental performance and complies with all relevant legislative, regulatory and other environmental requirements.

Human rights

The Group aims to conduct its business with integrity, respecting the different cultures and the dignity and rights of individuals in the countries where it operates, and to:

- identify, assess and manage human rights risks, including those relating to modern slavery and human trafficking, within its supply chain, sphere of influence and other activities, working firstly to avoid or mitigate them, and then seek to remedy any actual or potential impacts;
- respect and support internationally recognized human rights standards wherever the Group operates and seek to ensure non-complicity in human rights abuses.

THE DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

The Group operates honestly and transparently. Further details of how the Group promotes a corporate culture based on ethical values and behaviours, specifically in connection with its compliance with Principle 8 of the QCA Code, is included in the Corporate Governance Statement on page 32.

Corporate social responsibility

The Group is committed to maintaining the highest standards of corporate social responsibility in its business activities. The Group aims to be at the forefront of the personalized medical revolution by using *EpiSwitch*™ biomarkers for disease detection, prognostic testing and screening for drug responses in patient healthcare. The Group aspires to high standards of practice through a process of continual improvement and the adoption of international codes and standards where practicable. The Group has implemented, and continues to review and update, management systems in its operations that accord with the requirements of its corporate social responsibility standards, and strives to:

- comply with all applicable laws and regulations, wherever the Group operates;
- achieve and comply with relevant quality and people management standards;
- consult with and respond to the concerns of our stakeholders;
- work towards realizing the Group's vision and strategic aim; and
- behave with honesty and integrity in all the Group's activities and relationships with others and reject bribery and corruption in all its forms.

THE NEED TO ACT FAIRLY BETWEEN MEMBERS OF THE COMPANY

Notwithstanding the fact that some of the Directors also hold significant shareholdings in the Company, Board discussions and decision-making are focused on seeking the long-term benefit of the Company's members as a body, without favour for individual members or groups of members. Directors are required to declare any interests in matters discussed at Board meetings. The Group is committed to complying fully with all legal and regulatory requirements that pertain to the fair treatment of members and potential members. To this end, whenever necessary, Directors seek and follow the independent advice of the Company's nominated adviser.

In common with other public companies, Directors are likely to hold meetings with institutional and other significant shareholders during the year. However, any member may contact the Directors through the Group's investor relations email address (investorrelations@oxfordbiodynamics.com) and members are welcome to attend and to ask questions of the Board at the Company's annual general meeting.

The strategic report, which incorporates this s172(1) statement and comprises pages 2 to 25, has been approved by the Board and is signed by order of the Board by:

Jon Burrows
Chief Executive Officer
27 January 2021

Registered office:
Building 7600 C2, The Quorum,
Alec Issigonis Way,
Oxford Business Park North
Oxford
OX4 2JZ

Registered number:
06227084

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"We are mindful of the trust placed in the Board by institutional and retail investors, employees and other stakeholders."

MATTHEW WAKEFIELD
Non-Executive Chairman

BOARD OF DIRECTORS

Matthew Wakefield (Non-Executive Chairman)

Matthew was appointed to the Board as Non-Executive Chairman on 14 December 2020. Matthew graduated with a degree in law and has an MBA in finance. He has spent his 27-year career in the City working in senior positions in both the fund management and investment banking industries. Matthew started his career as a fund manager at Legal and General Plc before moving into broking at Nomura Holdings, Inc. He joined Collins Stewart Hawkpoint Limited ('Collins Stewart') in 1992 and was Head of Sales and a member of the management committee. He left Collins Stewart in 2004, after 12 years, to work for two charities, The Besom Foundation and The 999 Club. In 2011 Matthew set up the broking partnership Baden Hill LLP, where he remains as a partner and shareholder. Matthew has an in-depth knowledge of the Company having been one of the Company's earliest external shareholders. Baden Hill LLP raised capital for the Company at its IPO in 2016 and Matthew has acted as an advisor to the Company since then. Matthew chairs the Nomination and Remuneration Committees and is a member of the Audit Committee.

Dr Jon Burrows (Chief Executive Officer)

Dr Jon Burrows was appointed as Group Chief Executive Officer on 23 March 2020. Dr Burrows brings over 25 years of industry experience with an established track record in oncology and personalized medicine within big pharma, biotech and molecular diagnostics companies. Jon leads the Group from Maryland, USA, a location which will help OBD to further expand its US presence.

Jon joined OBD from Oncology Partners, a consulting and clinical advisory firm focused on providing strategic counsel to development stage pharma, biotech, medical devices and diagnostic companies, which he co-founded. Previously Jon was President and CEO of OncoPlex Diagnostics, a leader in clinical proteomics for oncology. Under Jon's leadership OncoPlex was transformed from a private, pre-revenue stage company into a thriving clinical diagnostics business with marketed products, which was ultimately acquired by NantOmics in May 2015. From 2007 to 2009, he was Director of Business Development and Interim Head of the Translational Diagnostics Business Unit at Ventana Medical Systems, and subsequently Director of Pharma Operations at Roche, following the $3.4 billion acquisition of Ventana Medical Systems by Roche in 2008. His early career was in oncology drug development and the development of molecular diagnostics for precision medicine. Jon holds a Bachelor's degree in Industrial Chemistry (Colour) from the University of Leeds (UK), and a Master's degree in Physical Chemistry and PhD in Cell and Molecular Biology from the University of Nevada. He completed postdoctoral studies in the laboratory of Dr David Perlmutter at Washington University in St Louis, Children's Hospital before becoming the inaugural Alpha One Foundation Young Investigator for Clinical Research at Washington University Medical School in St Louis. Jon is a member of the Company's Nomination Committee.

Dr Alexandre (Sasha) Akoulitchev (Chief Scientific Officer)

Sasha read Mathematics, Physics, Chemistry, Biochemistry and Biophysics at Moscow Institute of Physics and Technology. In 1989 he was selected by the George Soros Foundation for the Oxford Scholarship, associated with St. Antony's College, along with 20 top Soviet graduate students from the USSR. He obtained his PhD in cell biology from University College, London (with the research based at the Imperial Cancer Research Fund). He spent six years at the Robert Wood Johnson Medical School-UMDNJ, NJ, as a research assistant funded by the Howard Hughes Medical Institute. Upon his return to England, he established his research laboratory at the Sir William Dunn School of Pathology, University of Oxford. He was a University Academic Fellow (Research Council UK) and a Senior Fellow of Exeter College, sponsored by Cancer Research UK, The Wellcome Trust, The Medical Research Council. Sasha is also a Fellow of the Royal Society of Medicine. He is currently a Non-Executive Director of Sibelius Limited. Sasha was appointed to the Board on 8 June 2007.

Paul Stockdale (Chief Financial Officer)

Paul joined the Company in September 2017 from e-Therapeutics plc, where he held the position of Financial Controller from 2012. Paul is a Chartered Accountant, beginning his career at Deloitte, where he worked from 1996 until 2004. Following this, he worked in finance and operations management in the charitable and automotive sectors. He read Natural Sciences at St John's College, University of Cambridge.

Dr David Holbrook (Non-Executive Director)

David is a proven leader in business development and healthcare investing, with 30 years' experience in the life sciences sector. David, a qualified physician and MBA graduate from Harvard Business School, has worked for a variety of companies, charities and academic institutions including: GlaxoSmithKline, Roche, Imperial College London and the University of Cambridge. In addition to his Non-Executive Directorship at OBD, David will continue in his roles as Head of Seed Funds at LifeArc, Senior Independent Director at Worldwide Healthcare Trust plc and Chairman of The Liver Group Charity. David brings a wealth of healthcare investment expertise as a former General Partner and Head of Healthcare Investing at MTI Ventures LLP, and Director, Life Sciences at the Cambridge University Seed Fund. David chairs the Audit Committee and is a member of the Remuneration and Nomination Committees.

Stephen Diggle (Non-Executive Director)

Stephen is the founder and Chief Executive Officer of Vulpes Investment Management (a significant shareholder in the Company), and co-founder and former managing partner of Artradis Fund Management, one of the largest hedge fund groups in Asia. He has been involved in equity capital markets for over 30 years and has considerable experience investing in and supporting life science businesses through the Vulpes Life Sciences Fund. Stephen holds an MA from the University of Oxford. He was appointed to the Board on 4 October 2016 and served as Non-Executive Chairman between 5 April 2019 and 3 June 2020.

CORPORATE GOVERNANCE STATEMENT

CHAIRMAN'S INTRODUCTION

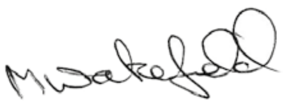
Dear Shareholders,

I am pleased to introduce this year's Corporate governance statement.

The OBD Board seeks to follow best practice in corporate governance as appropriate for a company of our size, nature and stage of development. As a public company listed on AIM we are mindful of the trust placed in the Board by institutional and retail investors, employees and other stakeholders. We recognize the importance of an effectively operating corporate governance framework which is designed to help the Board make robust, informed decisions and to manage risk.

At OBD, the Board has adopted the principles of the 2018 Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') to support the Company's ongoing development and operation of its governance activities. These principles focus on the pursuit of medium to long-term value for a diverse shareholder base without stifling the Group's entrepreneurial spirit. This statement sets out how we currently apply each of the QCA Code's ten principles, and the reasons for any current departures from compliance.

I was appointed as Non-Executive Chairman post-year end, in December 2020, succeeding Peter Pack on his resignation from the Board. Peter was himself appointed as Chairman during the year, succeeding Stephen Diggle who had carried out the role of Non-Executive Chairman on an interim basis from April 2019 until 3 June 2020. I would like to thank both Peter and Steve for their leadership of the Board and commitment to the role of Chairman. I look forward to continuing to lead the Board as the Group progresses through the next stage of its development.



Matthew Wakefield
Non-Executive Chairman

CORPORATE GOVERNANCE STATEMENT CONTINUED

QCA Code Governance principle	Compliant	Explanation and further information
QCA Principle 1: Establish a strategy and business model which promote long-term value for shareholders	✓	OBD's strategic aim and business objectives are underpinned by the Group's values: Innovative, Pioneering, Achieving Excellence, Diverse, Professional. The Group's strategy and business model are set out on pages 14 to 18 of the Strategic report. OBD's approach to risk management, as well as key risks and their mitigation, is shown on pages 19 to 21 of the Strategic report. The Directors' obligation under s172(1) to consider the long-term consequences of their decisions is addressed on page 24.
QCA Principle 2: Seek to understand and meet shareholder needs and expectations	✓	The Company recognizes the importance of engaging with its shareholders and reports formally to them when its full-year and half-year results are published. The Board also seeks to engage with shareholders to understand their needs and expectations, primarily through meetings with the Executive Directors, both individually as required (this mainly applies to institutional investors and/or those with significant shareholdings) and at annual general meetings, at which all shareholders are welcome and may ask questions of the Board. The Non-Executive Directors may be contacted by shareholders who wish to raise matters with them, and the Chairman and other Non-Executive Directors will attend meetings with institutional investors and analysts as required. Investors may contact the Company directly through the investor relations email address: investorrelations@oxfordbiodynamics.com
QCA Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success	✓	The Board recognizes that it is responsible not only to the Company's shareholders and employees, but to a wider group of stakeholders (including customers and suppliers) and the communities in which the Group operates. Whilst OBD does not have direct contact with patients, the Group aims through its technology to improve outcomes for those who are suffering from diseases with unmet or poorly-met medical needs. As noted in the Strategic report and s172(1) statement, the Group seeks to follow best practice by: • Treating all stakeholders fairly; • Communicating openly and honestly all shareholder and stakeholder information; • Providing safe, secure and healthy working conditions for all employees; • Promoting equality, judging neither by race, nationality, religion, age, gender, disability, sexual orientation nor political opinion; and • Observing the laws and regulations of each country in which it operates.

QCA Code Governance principle	Compliant	Explanation and further information
QCA Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organization	✓	The Board has implemented what it considers to be a sensible approach to risk management for a company of OBD's size. The Group's approach to risk management, including the maintenance of risk registers, is outlined in the Strategic report on pages 19 to 21. The Group follows detailed prescribed risk assessment and management processes for its ISO-certified activities. In addition, the Board regularly considers risks relating to other areas of the business and steps taken to mitigate or reduce them. The principal elements of the Group's internal control system include: • Close management of the day to day activities of the Group by the Executive Directors; • Clearly defined lines of responsibility and delegated authority; • A comprehensive system for consolidating financial results from Group companies and reporting these to the Board each month; • Annual revenue, cost, and capital forecasts, which are reviewed regularly during the year, regular monitoring of management accounts and capital expenditure reported to the Board, and regular comparisons with forecasts; • Financial controls and procedures including hierarchical dual authorization of purchases and payments using segregation of duties wherever possible; • Computerized quality and project management systems; and • Audit Committee approval of audit plans and published financial information and review of reports from the external Auditor arising from the audit.
QCA Principle 5: Maintain the board as a well-functioning, balanced team led by the Chair	✓	The Board, led by the Chairman, is responsible to the shareholders and sets the Group's strategy for achieving long-term success. It is ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group. More information on the composition of the Board is given on page 34, and meeting attendance and the management of Board activities is described in more detail on page 36.
QCA Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	✓	The Nomination Committee is responsible for identifying and assessing the suitability of candidates to fill vacancies on the Board, and also for assessing the appropriateness of the size and composition of the Board as OBD develops. Directors' skills and experience and the processes in place to ensure the Board maintains appropriate capabilities are set out on page 35.
QCA Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	✓	The regular Board evaluation process is explained in more detail on page 36. There have been several changes to Board and committee membership and chairmanship during 2019 and 2020. The Board's intention is to carry out a further evaluation process once Directors have had sufficient time in their current roles to allow them to make an informed assessment of Board performance.

CORPORATE GOVERNANCE STATEMENT CONTINUED

QCA Code Governance principle	Compliant	Explanation and further information
QCA Principle 8: Promote a corporate culture that is based on ethical values and behaviours	✓	The Group operates a policy of equal opportunities in the recruitment and engagement of staff as well as during the course of their employment. The Group endeavours to promote the best use of its human resources on the basis of individual skills and experience, matched against those required for the work to be performed. In support of this policy the Company has achieved the Investors in People standard accreditation. The Group's employee handbook, which is read by all employees as part of their induction, sets out in detail the Group's values and ethical policies. The Group aims to: • Ensure employees operate and behave in line with the values of the Group; • Respect the rights and dignity of every employee and treat them fairly and without discrimination; • Encourage team working and the sharing of knowledge by creating transparency and trust among employees; • Recognize employees' individual and team contribution and reward them appropriately; • Ensure each member of staff has structured training and development opportunities based on their individual requirements and aspirations; • Encourage a pioneering environment where employees are willing to explore and adapt to new ideas and embrace change; and • Create a culture of continuous improvement and excellence by encouraging innovation and a high standard of work and professionalism. The Strategic report and s172(1) statement provide further detail on the policies in place to promote and support ethical behaviour and the Group's values, and how these align with the Group's objectives, strategy and business model.
QCA Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	✓	The governance structure of the Board and its subcommittees, their terms of reference and matters for which they are responsible and the governance responsibilities of Directors who undertake specific roles are shown in more detail on page 33.
QCA Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	✓	Throughout the year, the Company maintains a healthy dialogue with institutional shareholders through individual meetings with Executive Directors. Private shareholders are encouraged to attend the annual general meeting at which the Group's activities are considered and questions answered. General information about the Group is also available on the Company's website (www.oxfordbiodynamics.com). This includes an overview of activities of the Group and details of all recent Company announcements. The Non-Executive Directors are available to discuss any matter stakeholders might wish to raise, and the Chairman and the Independent Non-Executive Directors will attend meetings with investors and analysts as required. Results of shareholder votes are made public on the Company's website after the meetings concerned. None of the resolutions proposed at any of the four annual general meetings held by the Company to date had a significant proportion (more than 20%) of votes cast against them. The work undertaken by of each of the Board's subcommittees during the year ended 30 September 2020 is detailed in their reports on the following pages.

GOVERNANCE STRUCTURE

OBD has established an Audit Committee, a Nomination Committee and a Remuneration Committee with formally delegated duties and responsibilities, as summarized in the table below.

THE BOARD

The Board is responsible to shareholders for the effective stewardship of the Group's affairs and, as mentioned above, there is a formal schedule of matters reserved for decision by the Board in place, which enables the Board to provide leadership and ensure effectiveness, and which may be found on the Company's website.

AUDIT COMMITTEE

The Audit Committee's principal functions includes ensuring that the appropriate accounting systems and financial controls are in place, monitoring the integrity of the financial statements of the OBD, reviewing the effectiveness of the OBD's accounting and internal control systems, reviewing reports from the OBD's auditors relating to OBD's accounting and internal controls, and reviewing the interim and annual results and reports to shareholders, in all cases having due regard to the interests of shareholders.

MEMBERS

David Holbrook (Chair)

Matthew Wakefield

The Audit Committee's report is found on pages 39 to 41.

NOMINATION COMMITTEE

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board based upon the skills, knowledge and experience required to ensure the Board operates effectively. The Nomination Committee will also identify and nominate suitable candidates to join the Board when vacancies arise and make recommendations to the Board for the reappointment of any Non-Executive Directors.

MEMBERS

Matthew Wakefield (Chair)

David Holbrook

Jon Burrows

The Nomination Committee's report is found on page 38.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining and agreeing with the Board the framework for the remuneration packages for each of the Executive Directors. The Remuneration Committee will consider all aspects of the Executive Directors' remuneration, including pensions, bonus arrangements, benefits, incentive payments and share option awards, and the policy for, and scope of any termination payments. The remuneration of the Non-Executive Directors is a matter for the Board. The Remuneration Committee will generate an annual remuneration report to be approved by the members of the Company at the annual general meeting. No Director may be involved in discussions relating to their own remuneration.

MEMBERS

Matthew Wakefield (Chair)

David Holbrook

The Remuneration Committee's report is found on pages 42 to 45.

Copies of each Committee's detailed terms of reference are available in the Investors section of the Company's website.

CORPORATE GOVERNANCE STATEMENT CONTINUED

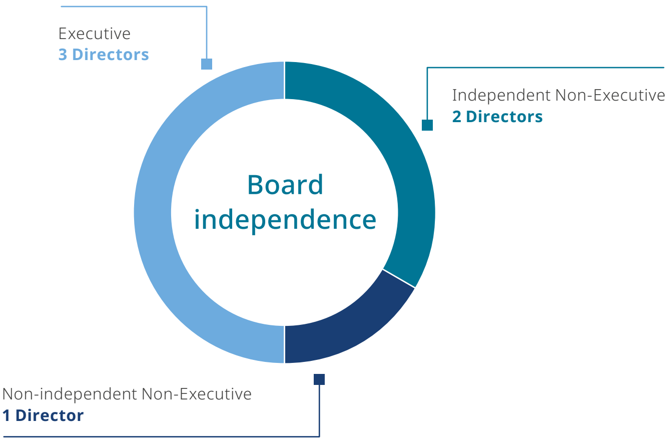
Role	Responsibilities
Chairman	The Chairman, Matthew Wakefield, is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role, setting its agenda and ensuring that the Directors receive accurate, timely and clear information. The Chairman also ensures effective communication with shareholders and facilitates the effective contribution of Non-Executive Directors. He is responsible for leading the Board's regular evaluation of its effectiveness.
Chief Executive Officer	The Chief Executive Officer, Jon Burrows, is responsible for running the Group's business and for managing the Senior Management Team, which reports formally to the Board at each Board meeting.

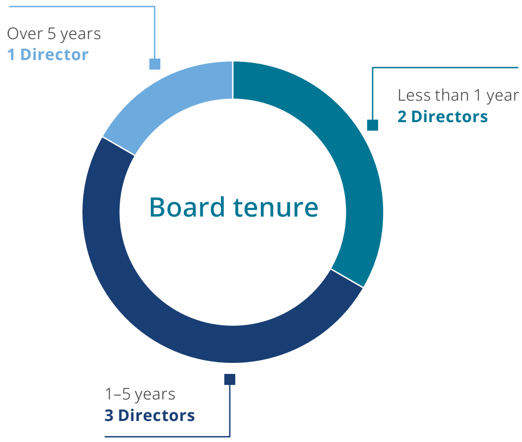
The appropriateness of the Board's structures and processes are reviewed through the Board evaluation process detailed under QCA Principle 7 above and on an ad hoc basis by the Chairman together with the other Directors, and these will evolve in parallel with the Group's objectives, strategy and business model as the business develops.

BOARD COMPOSITION AND INDEPENDENCE

The QCA Code recommends that a company should have at least two independent Non-Executive Directors, further noting that it may not be possible for growing companies to meet all of the objective independence criteria demanded of the largest listed companies. During the reporting period, the Board comprised three and, following Jon Burrows' appointment as Chief Executive Officer, four, Executive Directors and three Non-Executive Directors. Of the current Board, David Holbrook and Matthew Wakefield are considered by the Directors to be independent for the purposes of the QCA Code. David Holbrook joined the Board on 5 April 2019 and prior to his appointment did not have any association with the Company. Matthew Wakefield joined the Board after the year end on 14 December 2020.

The balance of independence and length of tenure of the current membership of the Board is summarized in the charts below:





Stephen Diggle represents a significant shareholder (Vulpes Life Sciences Fund) and, therefore, is not considered by the Board to be independent for the purposes of the QCA Code.

All of the Non-Executive Directors offer robust challenge and support to the Executive Directors and are committed to representing the interests of all shareholders. The Board is pleased to have increased the number of Directors who are considered to be independent and who have relevant sector experience during the last two years.

At each of its meetings, the Board considers Directors' conflicts of interest. The Company's articles of association provide for the Board to authorize any actual or potential conflicts of interest.

The Nomination Committee is responsible for identifying and assessing the suitability of candidates to fill vacancies on the Board, and also for assessing the appropriateness of the size and composition of the Board as OBD develops.

The Directors are satisfied that the Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders and will continue to monitor the requirement for additional Non-Executive Directors as the Company grows further.

BOARD SKILLS AND EXPERIENCE

The Board currently comprises three Executive and three Non-Executive Directors with an appropriate balance of sector, financial and public market skills and experience to enable the Board to deliver the Group's strategy for the benefit of shareholders over the medium to long term. The balance of skills and experience of the Board is summarized in the table below:

Director	Biotech/ pharma sector	Financial	General Management	Other public company (board level)
Alexandre Akoulitchev	●			
Jon Burrows	●		●	
Stephen Diggle	●	●	●	
David Holbrook	●	●		●
Paul Stockdale	●	●		
Matthew Wakefield		●	●	

Further details of the skills and experience of the Directors are provided in their biographies on page 28. The experience and knowledge of each of the Directors gives them the ability to constructively challenge and contribute to the Company's strategy and to scrutinize its performance. The Board also has access to external advisors, at the Company's expense, where necessary. During the reporting period, the Board and Committees made enquiries to the Company's lawyers and other advisers as necessary, and used externally-sourced information relating to remuneration benchmarking.

On joining the Board, Directors take part in a formal induction process, including briefing on AIM rules by the Company's Nominated Adviser ('NOMAD') and the provision of past Board materials to provide background information on the Company and information on the Board's processes and governance framework. The induction is tailored to meet each new Director's specific needs and Committee membership. The Directors also receive regular briefings and updates from the Company's NOMAD in respect of continued compliance with the AIM Rules and the Market Abuse Regulation.

The Board and Committees receive training as appropriate, and the Directors and the Senior Management Team are encouraged to attend external seminars on areas relevant to their role. In particular, the members of the Audit Committee receive technical updates from the Company's external auditor to keep them abreast of the latest accounting, auditing, tax and reporting developments.

The Company Secretary provides information and advice on corporate governance and individual support to Directors on any aspect of their role, particularly supporting the Chairman and those who chair Board Committees. The Company Secretary is also responsible for ensuring that Board procedures are followed and that the Board receives the information it needs to fulfil its duties effectively.

The Company strongly supports diversity in the boardroom. Appointments to the Board are made with reference to a number of different criteria, including promoting diversity of gender, background and personal attributes, alongside the necessity for Directors to have appropriate skills and experience.

BOARD FUNCTION

As noted above, QCA Principle 5 requires that the Board is maintained as a well-functioning, balanced team led by the Chair.

Time commitments

On joining the Board, Non-Executive Directors receive a formal appointment letter, which identifies the terms and conditions of their appointment and, in particular, the time commitment expected of them. A potential Director candidate (whether an Executive Director or Non-Executive Director) is required to disclose all significant outside commitments prior to their appointment.

The Board is satisfied that the Chairman and each of the other Non-Executive Directors is able to, and does, devote sufficient time to the Company's business. Each of the Executive Directors is employed on a full-time basis.

In the appropriate circumstances, the Board may authorize Executive Directors to take Non-Executive positions in other companies and organizations, provided the time commitment does not conflict with the Director's duties to the Company, since such appointments should broaden their experience. The acceptance of appointment to such positions is subject to the approval of the Chairman.

CORPORATE GOVERNANCE STATEMENT CONTINUED

BOARD FUNCTION CONTINUED

Attendance at Board and Committee meetings

The Board meets at least four times per year for formal Board meetings. The Board approves financial statements, dividends (if any) and significant changes in accounting practices and key commercial matters, such as decisions to be taken on whether to take forward or to cancel a material collaboration project or commercial agreement. There is a formal schedule of other matters reserved for decision by the Board, which is available on the Company's website.

The Board considers that it has shown its commitment to leading and controlling the Group by meeting seven times for formal meetings during the year ended 30 September 2020 and the attendance of each Director at Board and Committee meetings during the period is set out in the table below:

Director	Board[1]	Audit Committee[1]	Remuneration Committee[1]	Nomination Committee[1]
Alexandre Akoulitchev	7/7	–	–	–
Jon Burrows (appointed 23 March 2020)	3/3	–	–	0/0
Stephen Diggle	7/7	–	–	2/2
David Holbrook	7/7	2/2	2/2	2/2
Christian Hoyer Millar (resigned 31 December 2020)	7/7	–	–	2/2
Peter Pack (resigned 14 December 2020)	7/7	2/2	2/2	0/0
Paul Stockdale	7/7	–	–	–
Matthew Wakefield (appointed 14 December 2020)	0/0	0/0	0/0	0/0

1 Attendance is expressed as the number of meetings attended/number eligible to attend. Directors' attendance by invitation at meetings of Committees of which they are not a member is not reflected in the above table. In addition, authority was delegated to subcommittees of the Board on an ad hoc basis to deal with routine matters such as the issue of shares in exchange for duly exercised options – meetings of these subcommittees are not reflected in the above table.

Timeliness and quality of Board information

The Board seeks to ensure that Directors are properly briefed on issues arising at Board and Committee meetings by establishing procedures for distributing Board and Committee papers in a timely manner in advance of meetings; considering the adequacy and quality of the information provided before making decisions; and adjourning meetings or deferring decisions if Directors have concerns about the information available to them.

The Board receives detailed reports from executive management on the operational and financial performance of the Group at Board meetings and other information as necessary, and Senior Management Team members regularly make presentations to the Board on their areas of responsibility.

BOARD EVALUATION

The Board is mindful that it needs continually to monitor and identify ways in which it might improve its performance and recognizes that board evaluation is a useful tool for enhancing a board's effectiveness. Alongside a formal annual evaluation, the Chairman routinely assesses the performance of the Board and its members and discusses any issues arising with the relevant Directors.

Review of the effectiveness of the Board and its Committees is conducted through questionnaires and interviews with the Chairman. Any performance-related remuneration of Executive Directors is determined by the Remuneration Committee. The Executive Directors and the other Non-Executive Directors are responsible for evaluating the performance of the Chairman.

In conducting formal annual evaluations, the Board undertakes a rigorous assessment of its own performance, balance of skills, experience, independence, diversity (including gender diversity) and other factors relevant to its effectiveness (and also of that of its Committees) and the performance of its individual Directors.

The Board last undertook a formal evaluation of its performance, and that of its Committees, in 2018. In conducting this review, the Chairman undertook a formal discussion with the other Non-Executive Directors regarding the performance of the Board and its Committees, and the other Non-Executive Directors' own individual contribution and performance. In preparation, the Chairman solicited the views of the other Directors, including the completion by each Director of a confidential questionnaire. Alison Kibble, the independent Non-Executive Director at the time of the evaluation process, led the evaluation of the Chairman's performance.

The performance evaluations focused on the Board, specifically:

- Its scope of responsibilities/duties with the Company and to all its stakeholders;
- The appropriateness and timeliness of information provided to it;
- Its procedures;
- Its composition and that of its Committees (i.e. mix of skills, diversity (including gender), experience and expertise);
- Continuing professional development;
- The effectiveness of its communication with shareholders;
- Its contribution to developing and testing strategy and to risk management;
- The quality of advice received from the current external advisers;
- Corporate social responsibility; and
- The effectiveness of Board Committees.

In addition to the above, the Chairman (then David Williams) was evaluated on his:

- Effective leadership of the Board;
- Management of relationships and communications with shareholders;
- Identification of development needs of individual Directors with a view to enhancing the overall effectiveness of the Board as a team;
- Promotion of the highest standards of corporate governance; and
- Management of Board meetings and ensuring effective implementation of Board decisions.

Following the reviews, the Chairman shared his views and any actions arising, where appropriate, with the other Non-Executive Directors and the Executive Directors. These individual evaluations aimed to confirm that each Director continues both to contribute effectively and to demonstrate commitment to the role (including the allocation of necessary time for preparation and attendance at Board and Committee meetings and any other duties).

The results of the 2018 review were satisfactory overall. There have been several changes to Board and Committee membership and chairmanship during 2019 and 2020. The Board intends to carry out an evaluation of Board performance during the year ending 30 September 2021.

NOMINATION COMMITTEE REPORT

MEMBERS

Matthew Wakefield (Chair)

David Holbrook

Jon Burrows

PREVIOUS MEMBERS

Stephen Diggle

Peter Pack

Christian Hoyer-Millar

100%

Meeting attendance

NOMINATION COMMITTEE

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board given the skills, knowledge and experience required to ensure that it operates effectively. The Nomination Committee meets at least once per year and at other times if required. The Nomination Committee also identifies and nominates suitable candidates to join the Board when vacancies arise and makes recommendations to the Board for the re-appointment of any Non-Executive Directors. Matthew Wakefield is Chairman of the Nomination Committee (Stephen Diggle chaired the Committee until 3 June 2020 and Peter Pack was then Chairman until his resignation on 14 December 2020). The other members are David Holbrook and, from 3 June 2020, Jon Burrows (Christian Hoyer Millar was a member of the Committee until 3 June 2020).

During the reporting period, the Nomination Committee met twice. Details of meeting attendance are shown in the Corporate governance statement on page 36.

In discharging its duties during the year, the Nomination Committee was involved in the appointment of Dr Jon Burrows as Chief Executive Officer and the election of Peter Pack as Non-Executive Chairman. The Company engaged the services of a recruitment agency to assist with the search for an appropriately experienced executive. Following interviews of a number of candidates by various members of the Board and Management team, the Nomination Committee reviewed the candidacy of Dr Burrows and concluded that he was an excellent candidate for the role of Chief Executive Officer. Accordingly, Jon's appointment was unanimously recommended to the Board. Later in the year, the Nomination Committee also recommended to the Board that Peter Pack be appointed to the role of Non-Executive Chairman. Post-year end, the Committee recommended the appointment of Matthew Wakefield to the Board as Non-Executive Chairman.

The Committee is responsible for monitoring and reviewing the structure, size and composition of the Board. The composition of the Board at the end of the reporting period of four Executive Directors and three Non-Executive Directors (two of whom are considered to be independent for the purposes of the QCA Code) is considered appropriate at the present time.

The Nomination Committee is also responsible for succession planning of the executive leadership team and makes recommendations to the Board for the re-appointment of any Non-Executive Directors as necessary. Last year the Committee identified the need for a more active succession planning process as the Company grows. Following the appointment of Jon Burrows as Chief Executive Officer, the Company has developed plans to further strengthen its commercial, scientific and administrative teams, with a small number of appointments shortly after the period intended to reduce the Group's reliance on a small number of executives in key roles. It is envisaged that the process of strengthening the leadership of the Company and planning for stable continuity through succession planning will continue.

The Nomination Committee is also responsible for considering the retirement and re-election of Directors. Dr Jon Burrows was appointed as a Director on 23 March 2020, Matthew Wakefield was appointed as a Director on 14 December 2020 and Paul Stockdale was last elected at the 2018 AGM. Accordingly, each of them will retire at the forthcoming AGM and, being eligible, offer himself for re-election.

AUDIT COMMITTEE REPORT

MEMBERS

David Holbrook (Chair)

Matthew Wakefield

PREVIOUS MEMBERS

Peter Pack

100%

Meeting attendance

I am pleased to present the report of the Group's Audit Committee for the year ended 30 September 2020.

This report outlines the role of the Audit Committee on behalf of the Board, and its activities during the year. It also sets out the issues relating to the financial statements that the Committee has considered as part of our work, and the conclusions it has reached, in consultation with the external Auditor where appropriate.

David Holbrook

Chairman of the Audit Committee

AUDIT COMMITTEE

The Audit Committee's principal functions include ensuring that the appropriate accounting systems and financial controls are in place, monitoring the integrity of the financial statements of the Group, reviewing the effectiveness of the Group's accounting and internal control systems, reviewing reports from the Group's Auditor relating to the Group's accounting and internal controls, and reviewing the interim and annual results and reports to shareholders, in all cases having due regard to the interests of shareholders.

The Audit Committee typically meets three times a year, with regard to the reporting and audit cycle. Committee Chairman David Holbrook has recent and relevant financial experience through his roles as a Director and member of the audit committee of the Worldwide Healthcare Trust plc and as Head of Seed Funds at LifeArc. Matthew Wakefield is the other member of the Audit Committee and also has significant relevant financial experience in his previous and other current roles. Peter Pack was a member of the Audit Committee until his resignation on 14 December 2020.

Only members of the Audit Committee receive automatic invitations to meetings of the Audit Committee. The Chief Financial Officer and external Auditor are invited to attend meetings on a regular basis, and other non-members may be invited to attend all or part of any meeting as and when considered appropriate and necessary. The Company Secretary acts as secretary to the Audit Committee.

The Audit Committee meets the external Auditor at least once a year without executive management present, and the Chairman of the Audit Committee keeps in touch on a continual basis with the key people involved in the Company's governance, including the Chief Executive Officer, the Chief Financial Officer, the Chairman, the Company Secretary and the lead partner from the external Auditor.

SUMMARY OF THE ROLE OF THE AUDIT COMMITTEE

The Audit Committee has primary responsibility for monitoring the quality of internal financial controls, ensuring that the financial performance of the Group is properly measured and reported on, and for reviewing reports from the Group's Auditor relating to the Group's accounting and internal controls, in all cases having due regard to the interests of shareholders. In the course of discharging its duties and responsibilities, the Audit Committee focuses particularly on compliance with legal requirements and accounting standards and on ensuring that an effective system of internal financial controls is maintained.

AUDIT COMMITTEE REPORT CONTINUED

SUMMARY OF THE ROLE OF THE AUDIT COMMITTEE CONTINUED

Its other areas of focus include reviewing and monitoring:

- the external Auditor's independence and objectivity and the effectiveness of the audit process, and making recommendations to the Board on the appointment and re-appointment of the Group's external Auditor;
- the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- the requirement for an internal audit function;
- the Group's internal financial controls and internal control and risk management systems; and
- the Group's whistleblowing, anti-bribery and fraud protection procedures;

The Audit Committee reports to the Board, and the effectiveness of the Audit Committee is reviewed by the Board.

EXTERNAL AUDITOR

The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the external Auditor and assesses annually the qualifications, expertise, resources, remuneration and independence of the external Auditor. The Audit Committee also receive reports annually on the external audit firm's own internal quality control procedures. For each annual cycle, the Audit Committee undertakes to ensure that appropriate plans are in place for the external audit.

Grant Thornton UK LLP were appointed as the Company's and the Group's external Auditor following an extensive tender process, commencing with the audit of the financial year ended 30 September 2018. There are no contractual obligations restricting the Company's choice of external auditor.

In accordance with professional standards, the Grant Thornton LLP senior statutory auditor responsible for the audit is rotated every five years. The current senior statutory auditor was first appointed in respect of the year ended 30 September 2018.

The Audit Committee annually reviews the effectiveness of the external Auditor. This process involves the external Auditor presenting to the Audit Committee its proposed audit scope, such presentation last having taken place in September 2020 in relation to the audit of the financial statements for the year ended 30 September 2020. The external Auditor also reports to the Audit Committee on its detailed year-end work and the Audit Committee challenges significant judgements (if any). In making its assessment of external Auditor effectiveness, the Audit Committee reviews the audit engagement letters before signature, reviews the external Auditor's summary of Company issues, and conducts an overall review of the effectiveness of the external audit process and the external Auditor. The Audit Committee reports its findings to the Board.

The Audit Committee and the Board were satisfied with the performance of Grant Thornton UK LLP since their appointment as external Auditor. The Audit Committee and Board were also content with the policies and procedures the external Auditor had in place to maintain their objectivity and independence.

The Audit Committee also approves in advance any non-audit services to be performed by the Auditor such as tax compliance and advisory work, and non-audit-related assurance services. Any non-audit services that are to be provided by the external Auditor are reviewed in order to safeguard Auditor objectivity and independence. During the reporting period, no non-audit services have been provided by the external Auditor. Accordingly, the Audit Committee can confirm that during the reporting period there have been no non-audit services that are considered to have impaired the objectivity and independence of the external Auditor. A full breakdown of fees payable to the external Auditor during the financial year is disclosed within Note 8 on page 78.

WORK UNDERTAKEN BY THE AUDIT COMMITTEE

The Audit Committee met twice during the period. Details of meeting attendance are shown in the Corporate governance statement on page 36.

The key matters addressed by the Audit Committee whilst discharging its duties and responsibilities are set out below:

- review and approval of the Annual Report and Accounts for the year ended 30 September 2019;
- consideration and approval of the unaudited interim financial statements for the period ended 31 March 2020;
- discussions with the external Auditor on the audit approach and strategy, the audit process, significant audit risks and key matters of focus for the annual audit, described in more detail below;
- review of the financial integrity of the Group's financial statements including relevant corporate governance statements;
- consideration and approval of the audit fees for the financial year ended 30 September 2020;
- review of the impact of newly applied financial reporting standards;
- the appropriateness of any non-audit work to be carried out by the external Auditor;
- the independence and objectivity of the external Auditor;
- review of the internal controls and risk management systems within the Group;
- consideration of the size and composition of the Group's finance team;
- consideration of the requirement for the Group to have an internal audit function;
- review of the effectiveness of the external Auditor, as more fully described above; and
- post-period, review of the Annual Report and Accounts for the year ended 30 September 2020.

The ultimate responsibility for reviewing and approving the financial statements in the interim and Annual Reports remains with the Board.

SIGNIFICANT ISSUES RELATED TO THE FINANCIAL STATEMENTS

The Audit Committee, in conjunction with the external Auditor, has considered significant issues relating to the preparation of the financial statements contained in this Annual Report as follows:

Going concern

Consulting with the external Auditor, post-period the Committee reviewed the Board's determination of the appropriateness of adopting the going concern assumption in preparing the financial statements and the additional disclosures, shown in Note 2 on page 68, made in relation to the consideration of going concern.

Revenue recognition

The Group's contracts with customers include research service contracts with different deliverables and payment milestones, and licence agreements. The payment milestones may not necessarily equate to the revenue recognition points. The determination of the number of revenue components contained in contracts and the appropriate revenue recognition points requires considerable judgement. The Audit Committee reviewed and challenged, where necessary, the judgements of Management, taking into account the views of the external Auditor, and was satisfied that the judgements made are appropriate.

Carrying value and disclosure of the Company's shareholding in Holos Life Sciences

Taking into account the views of the external Auditor, the Audit Committee reviewed the valuation of and disclosure included in the financial statements in respect of the Company's shareholding in Holos Life Sciences Pte Ltd ('Holos'). During the prior period the Audit Committee reviewed the estimation of the fair value of the Company's investment and was satisfied that it was reasonable (see Note 4 to the consolidated financial statements for more information). This year, the Committee again considered, taking into account the views of the external Auditor, Management's assessment of whether there existed any indications of impairment of the goodwill associated with the Company's investment in Holos. The Committee was satisfied that no impairment charge was required.

Lease accounting under IFRS 16

The Audit Committee reviewed the impact on the Group's financial performance and position of the adoption of IFRS 16 Leases with effect from the year ended 30 September 2020 and the relevant disclosures contained in Note 2 to these financial statements. The Group has relatively straightforward leasing arrangements in place and the Committee was satisfied that appropriate steps had been taken to identify leases and to determine appropriate accounting treatment with effect from 1 October 2019.

Share options

The Audit Committee reviewed the assumptions and estimates used by Management in the calculation of share option-related charges, taking into account the views of the external Auditor, and was satisfied that the valuation methodologies adopted and estimates used are reasonable.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for, and maintains a system of, internal controls, to safeguard shareholders' investment and the Group's assets, and has established a continuous process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the process, which has been in place throughout the period and up to the date of approval of the Annual Report and Accounts.

The Board's internal control and risk management review process (conducted with the assistance of the Audit Committee), is outlined on pages 19 to 21.

INTERNAL AUDIT

The Board considers the need for a financial internal audit function annually and in consultation with the Auditor has concluded that, given the current size of the Group's operations, such a function is not necessary at this time.

Approved on behalf of the Board

Dr David Holbrook
Chairman of the Audit Committee
27 January 2021

REMUNERATION COMMITTEE REPORT

MEMBERS

Matthew Wakefield (Chair)

David Holbrook

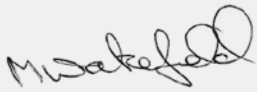
PREVIOUS MEMBERS

Peter Pack

100%
Meeting attendance

As Chairman of the Remuneration Committee, I am pleased to present our report for the year ended 30 September 2020.

This report does not constitute a full Directors' remuneration report in accordance with the Companies Act 2006. As a company whose shares are admitted to trading on AIM, the Company is not required by the Companies Act to prepare such a report. The Board does, however, have regard to the principles of the QCA Code which it considers to be appropriate for an AIM company of OBD's size. This report provides details of remuneration for all Directors and gives a general statement of policy on Directors' remuneration as it is currently applied.



Matthew Wakefield
Chairman of the Remuneration Committee

REMUNERATION COMMITTEE

The Remuneration Committee considers all aspects of the Executive Directors' remuneration, including pensions, bonus arrangements, benefits, incentive payments and share option awards, and the policy for, and scope of, any termination payments. The remuneration of the Non-Executive Directors is a matter for the Board. The Remuneration Committee meets at least twice a year (and at such other times as may be necessary). No Director may be involved in discussions relating to his or her own remuneration. Matthew Wakefield is the Chairman and David Holbrook is the other member of the Remuneration Committee. Peter Pack was Chairman of the Remuneration Committee until his resignation, post-year end, on 14 December 2020.

The Remuneration Committee met twice during the reporting period. Details of meeting attendance are shown in the Corporate governance statement on page 36.

In discharging its responsibilities during the year, the Remuneration Committee:

- reviewed proposed salary changes for the period ended 30 September 2020;
- set bonus performance targets for the year ended 30 September 2020; and

At the year end, the Remuneration Committee met to:

- consider and approve bonus awards to Executive Directors in respect of the year ended 30 September 2020;
- review and propose increases to Executive Directors' salaries for the year ending 30 September 2021; and
- consider performance objectives for Executive Directors for the year ending 30 September 2021.

POLICY ON EXECUTIVE REMUNERATION

The policy of the Remuneration Committee is to ensure that the Executive Directors are rewarded for their individual contributions to the Company's overall performance, and to provide them with a fair and competitive remuneration package (including long-term incentive plans) to attract, retain and motivate individuals of the experience and competence required to ensure that the Company is managed effectively and successfully, having regard to the interests of shareholders. When setting the remuneration policy for Directors, the Remuneration Committee reviews, and has regard to, the pay and employment conditions across the Group and also within the sector in which the Group operates, especially when determining salary increases.

POLICY ON NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-Executive Directors receive a fixed fee and do not receive any pensions payments or other benefits. Matthew Wakefield receives an additional fee in his role as Non-Executive Chairman. No additional fees are payable in respect of membership of the Board's Committees.

Ordinarily, the Non-Executive Directors do not participate in bonus or incentive schemes. However, each of David Holbrook and Peter Pack was awarded a modest number of share options, with an exercise price in excess of the share price at the date of grant, shortly after joining the Board and again, in the case of Peter Pack, during the period. Further details of all Directors' share options are set out on page 45.

The notice periods for all Non-Executive Directors are three months.

EXECUTIVE DIRECTORS' REMUNERATION PACKAGE

The components of the annual remuneration package are base salary and benefits, bonuses, and pension contributions. Base salaries are reviewed by the Remuneration Committee annually and this review takes into account a number of factors, including the current position and development of the Group, individual contribution and salaries typically paid for similar roles by comparable organizations. There is no prescribed minimum or maximum increase, and there is no obligation on the Remuneration Committee to increase basic salary.

The Senior Management Team may also receive bonuses, depending on whether certain strategic, financial or operational objectives are met. The annual standard bonus plan for the Executive Directors has a maximum threshold of between 20% and 60% of base salary.

After conducting its reviews of performance against the bonus targets which had been set for the year ended 30 September 2020, the Remuneration Committee awarded bonuses to each of the Executive Directors based on 75% achievement against target. In the prior year, the Remuneration Committee also awarded bonuses based on 75% achievement against target.

The Committee has determined that for the year ending 30 September 2021, any bonuses for Executive Directors will again be determined by the achievement of specific corporate and personal near-term goals, which are consistent with the long-term interests of shareholders and aligned with the Group's business objectives.

The benefits packages offered include private health insurance and payments to money purchase pension schemes. It is possible for Executive Directors to receive additional salary in lieu of contributions to pension schemes and, for US-based Directors, healthcare benefits. Where made, such payments may be adjusted to take account of employer's national insurance contributions and similar amounts payable, so that the total cost to the Company is no higher as a result. Payments in lieu of pension contributions or healthcare benefits are not included in bonus calculations. Executive Directors may also elect to sacrifice salary in exchange for increased employer contributions to money purchase pension schemes: in such cases any bonus entitlement payable is calculated by reference to the pre-sacrifice salary of the Director concerned.

Notice periods for Executive Directors are set at between three and six months.

REMUNERATION COMMITTEE REPORT CONTINUED

DIRECTORS' EMOLUMENTS

Details of the emoluments of Directors who served during the current and prior years are also set out below:

	Base Salary £000	Payment in lieu of pension £000	Bonus £000	Other benefits £000	Total 2020 £000	Total 2019 £000	Retirement contributions 2020 £000	Retirement contributions 2019 £000
Non–Executive Directors								
S C Diggle[1]	–	–	–	–	–	–	–	–
D M A Holbrook (appointed 5 April 2019)	30	–	–	–	30	15	–	–
P Pack (appointed 5 April 2019)[2]	40	–	–	–	40	15	–	–
A C Kibble (resigned 31 May 2019)	–	–	–	–	–	16	–	–
D J Williams (resigned 5 April 2019)	–	–	–	–	–	31	–	–
Executive Directors								
A Akoulitchev[3]	163	–	33	1	197	191	30	29
J A J Burrows (appointed 23 March 2020)[4]	149	12	67	18	246	–	3	–
C G Hoyer Millar[5]	229	20	52	1	302	330	–	–
P L Stockdale	149	–	22	1	172	168	15	15
					987	766	48	44
Share–based payments					119	56	–	–
Total					1,106	822	48	44

Notes

1 S C Diggle's annual fee for his services as a Non-Executive Director is £1.

2 P Pack became Chairman on 3 June 2020.

3 A Akoulitchev's base salary is stated net of salary sacrificed in exchange for increased employer pension contributions.

4 J A J Burrows is paid in US dollars. Figures shown above are translated to sterling at the average rate for the period.

5 C G Hoyer Millar was the highest paid Director in 2020 (2019: C Hoyer Millar).

DIRECTORS' SHARE OPTIONS

The share options of the Directors who served during the year are shown in the table below. Exercise prices of options are set equal to or above the market price on the date of grant. Options awarded to Directors vest between one year and three years from the date of grant. Apart from a requirement that Directors continue to serve the Company throughout the vesting period, there are no performance conditions that affect vesting of the options, therefore provided a Director's service period continues up to the vesting date, 100% of the options granted will vest and become exercisable.

	30 September 2019 No.	Granted in the period No.	Exercised in the period No.	Lapsed in the period No.	30 September 2020 No.	Exercise price Pence	Date from which exercisable	Expiry date[1]
Non–Executive Directors								
D M A Holbrook	40,000	–	–	–	40,000	158p	12 Jun 2020 to 12 Jun 2022	12 June 2029
P Pack	40,000	210,000	–	–	250,000	100p to 158p	12 Jun 2020 to 12 Jun 2022	12 June 2029
Executive Directors								
A Akoulitchev	1,096,131	–	–	–	1,096,131	34p	1 Jan 2009 to 1 Jan 2011	31 Dec 2022
J A J Burrows	–	925,598	–	–	925,598	100p	31 Mar 2021 to 31 Mar 2023	31 Mar 2030
C G Hoyer Millar	1,730,742	–	–	–	1,730,742	34p	1 Jan 2009 to 1 Jan 2011	31 Dec 2022
P L Stockdale	120,000	–	–	–	120,000	170p	19 Mar 2019 to 19 Mar 2021	19 Mar 2028

1 As announced on 13 December 2017, in order to ensure the continued alignment of the interests of shareholders and the option holders, in light of the liquidity of the Company's shares, the independent Directors of the Company approved an extension of the exercise period of certain options which were due to expire on 31 December 2017 unless exercised prior to that date. Those options will now expire on 31 December 2022. All other terms and conditions, including the exercise price, remain unchanged.

Approved on behalf of the Board

Matthew Wakefield
Chairman of the Remuneration Committee
27 January 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under the current rules of the London Stock Exchange's AIM Market, they are required to prepare the Group financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including International Financial Reporting Standards ('IFRSs') as adopted by the EU), and have elected to prepare the parent company financial statements on the same basis.

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 Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company 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 they have been prepared in accordance with EU-adopted international accounting standards;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and a Directors' report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT

The Directors present their Directors' report together with the financial statements for the year ended 30 September 2020. The Corporate governance statement on pages 29 to 37 also forms part of this Directors' report.

REVIEW OF BUSINESS

A review of the business, the Group's trading for the year ended 30 September 2020, key performance indicators and an indication of future developments and risks may be found in the Strategic report on pages 4 to 25.

CAPITAL STRUCTURE

The Company was admitted to AIM on 6 December 2016. Movements in the Company's issued share capital during the year under review are set out in Note 24 to the financial statements. The issued share capital as at 30 September 2020 was £925,597.71, comprising 92,559,771 ordinary shares of one pence each in nominal value. Each share carries one vote, and all rank equally. Holders of ordinary shares are entitled to receive all shareholder documents, to attend, speak and exercise voting rights, either in person or by proxy, on resolutions proposed at general meetings and participate in any distribution of income or capital. There are no restrictions on the transfer of the ordinary shares in the Company other than certain restrictions which may from time to time be imposed by laws and regulations (for example, insider trading laws); and pursuant to the Market Abuse Regulation whereby certain employees of the Company require the approval of the Company to deal in the ordinary shares.

SHARE OPTION SCHEMES

As at 22 January 2021 (the latest practicable date before the publication of this document), options to subscribe for shares were outstanding which entitle their holders to acquire 7,846,519 ordinary shares of one pence each (representing approximately 8.5% of the issued share capital).

RESULTS AND DIVIDEND

The results for the period and financial position of the Company and the Group are as shown in the annexed financial statements and reviewed in the Strategic report. No dividends will be proposed for the financial year ended 30 September 2020 (2019: £nil).

RESEARCH AND DEVELOPMENT

The Group's research and development activities relate to the development of technologies to discover and develop novel biomarkers for use within the pharmaceutical and biotechnology industry. During the financial year ended 30 September 2020, not including the cost of staff engaged in research and development, the Group invested £622,000 into research and development (2019: £468,000).

DIRECTORS

The current members of the Board of Directors are presented on page 28. The Directors of the Company who served during the year ended 30 September 2020 were:

A Akoulitchev
J A J Burrows (appointed 23 March 2020)
S C Diggle
D M A Holbrook
C G Hoyer Millar (resigned 31 December 2020)
P Pack (resigned 14 December 2020)
P L Stockdale

DIRECTORS' REPORT CONTINUED

ELECTION OF DIRECTORS

All Directors are subject to election by shareholders at the first annual general meeting following their appointment by the Board. The Company's current articles of association state that each Director shall retire and (unless his/her terms of appointment with the Company specify otherwise) is eligible for election or re-election at the annual general meeting held in the third calendar year (or such earlier calendar year as may be specified for this purpose in his/her terms of appointment with the Company) following his/her last appointment, election or re-election at any general meeting of the Company. In practice, this means that every Director stands for re-election at intervals of not more than three years.

Dr Jon Burrows was appointed as a Director on 23 March 2020, Matthew Wakefield was appointed as Non-Executive Chairman on 14 December 2020 and Paul Stockdale was elected at the 2018 AGM. Accordingly, each of them will retire at the forthcoming AGM and, being eligible, offer himself for re-election. Each of the other serving Directors retired and was re-elected at the 2020 annual meeting.

DIRECTORS' INDEMNITY PROVISIONS

The Company has made qualifying third party indemnity provisions for the benefit of its Directors, which remain in force at the date of this report. In addition, the Company has purchased and maintains Directors' and Officers' liability insurance cover against certain legal liabilities and costs for claims incurred in respect of any act or omission in the execution of their duties.

DIRECTORS' INTERESTS

The beneficial interests of the Directors holding office on 30 September 2020 in the issued share capital of the Company were as follows:

	As at 30 September 2020 Number of shares	As at 1 October 2019 Number of shares
Ordinary share capital		
Alexandre Akoulitchev	6,153,082	6,153,082
Jon Burrows	–	n/a
Stephen Diggle[1]	12,242,874	11,793,361
David Holbrook	–	–
Christian Hoyer Millar[2]	12,364,303	12,354,303
Peter Pack	15,000	–
Paul Stockdale	15,000	10,000

1 Includes the shareholdings of Vulpes Life Sciences Fund and Vulpes Testudo Fund which are associated with Stephen Diggle.

2 Includes 4,473,140 shares held by Christian Hoyer Millar's wife, Mrs P Hoyer Millar.

Details of the Directors' share options are disclosed on page 45.

POLITICAL DONATIONS

The Company made no political donations during the reporting period.

FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policy are set out in Note 33 in the notes to the consolidated financial statements.

MAJOR INTERESTS

As at 22 January 2021, being the latest practicable day prior to the publication of this report, the Company had been notified of the following shareholdings amounting to 3% or more of the issued share capital of Oxford BioDynamics plc:

Shareholder	Number of shares	%
Christian Hoyer Millar[1]	12,364,303	13.36%
Vulpes Life Sciences Fund and Vulpes Testudo Fund	12,242,874	13.23%
Odey Funds	8,592,523	9.32%
The Chancellor, Masters and Scholars of the University of Oxford	6,360,529	6.90%
Alexandre Akoulitchev	6,153,082	6.67%
Aroul Ramadass and Family	5,830,468	6.32%
GL Healthcare Investment L.P.	4,688,000	5.08%
Jeremy Richard Chancellor Ironside	4,236,644	4.84%

1 Christian Hoyer Millar's holding includes 4,473,140 shares held by his wife, Mrs P Hoyer Millar.

PURCHASE OF OWN SHARES BY THE COMPANY

At the general meeting held on 20 March 2020, shareholders authorized the Directors to make market purchases of the Company's ordinary shares up to a maximum number of 9,255,977 shares on such terms and in such manner as the Directors determined from time to time, subject to the limitations set out in the resolution.

This authority remains valid until the date of the next annual general meeting. No such purchases were made during the year. At the close of business on 22 January 2021, being the latest practicable day prior to the publication of this report, the Company had 92,559,771 ordinary shares in issue, none of which were held in treasury. A renewal of the authority to make market purchases of the Company's ordinary shares, if believed appropriate, will be sought at the forthcoming annual general meeting, although the Board has no present intention of exercising such authority. If this resolution is passed, the Company will be authorized to purchase up to a maximum of 9,255,977 ordinary shares, being approximately 10% of the Company's issued ordinary share capital on 22 January 2021 (being the latest practicable date before the date of this document). The resolution sets out the minimum and maximum price that the Company may pay for purchases of its ordinary shares.

POST-BALANCE SHEET EVENTS

There were no events after the year-end that require disclosure in these financial statements.

GOING CONCERN

After making appropriate enquiries, the Directors consider that it remains appropriate to adopt the going concern basis in preparing the financial statements. However, a number of conditions exist that, taken together, present a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These conditions include the inherent difficulty, at the time of signing the accounts, in forecasting the likely sales that will be generated by the proprietary products that the Group plans to launch. More detail is provided in Note 2 on page 68.

DIRECTORS' REPORT CONTINUED

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each person who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's Auditor is unaware; and
- the Director has taken all reasonable steps as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

INDEPENDENT AUDITOR

Grant Thornton UK LLP were first appointed as the Group's Auditor following an extensive tender process in 2018. A resolution to re-appoint Grant Thornton UK LLP as Auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

ANNUAL GENERAL MEETING

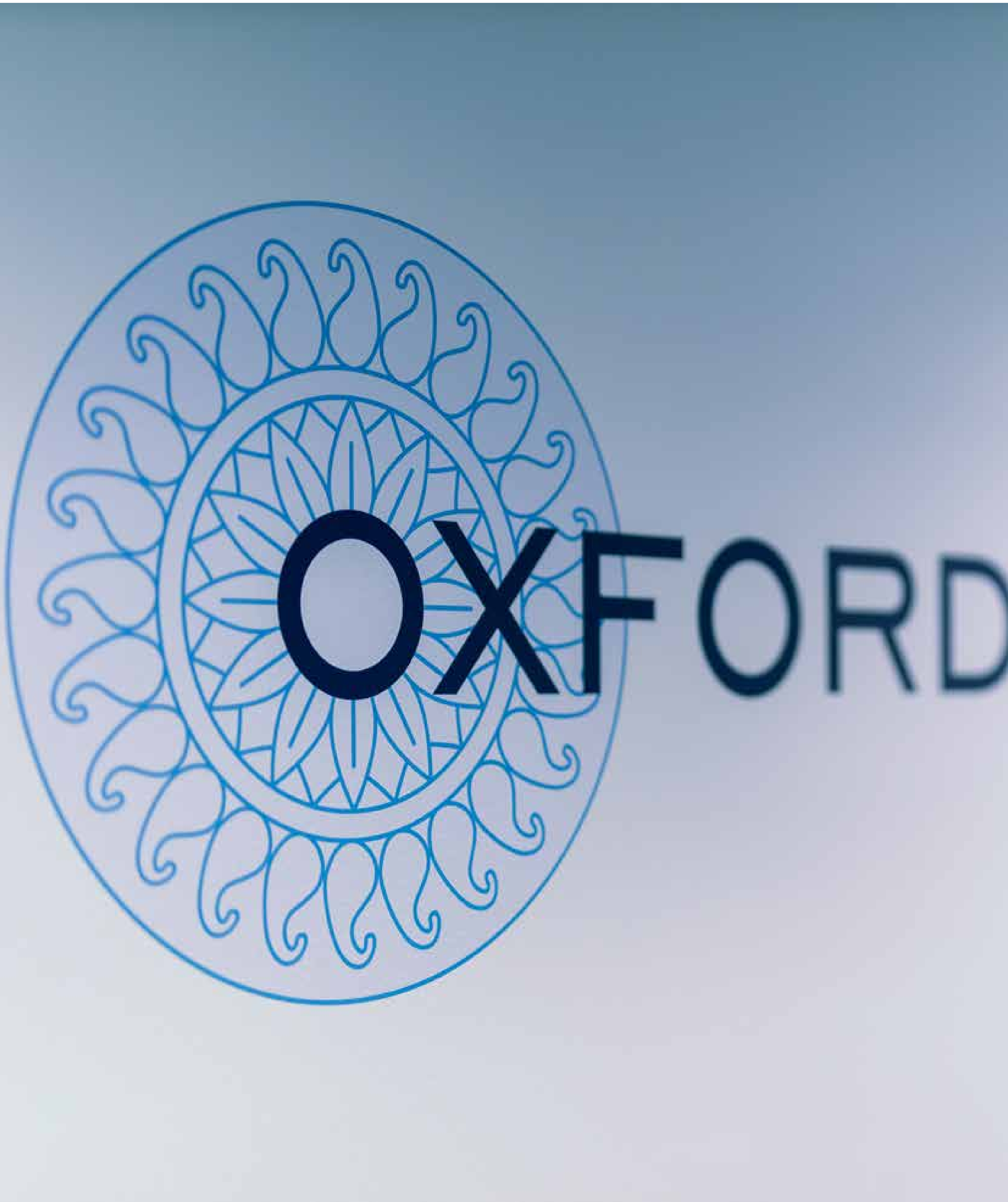
The annual general meeting of the Company will be held at Oxford Works, Building 4650 Kingsgate, Oxford Business Park, Oxford, OX4 2SU on 24 March 2021 at 12pm. The notice convening the meeting is set out on pages 97 to 103, along with a summary of the business to be transacted. A copy of the notice is also available on the Company's website at www.oxfordbiodynamics.com.

By order of the Board

Dr Jon Burrows
Chief Executive Officer
27 January 2021

"To support the development and launch of proprietary products alongside our ongoing work with commercial and other partners, we intend to continue to expand our team and infrastructure."

DR JON BURROWS
Chief Executive Officer


OXFORD

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INDEPENDENT AUDITOR'S REPORT

to the members of Oxford BioDynamics plc

OPINION

Our opinion on the financial statements is unmodified

We have audited the financial statements of Oxford BioDynamics plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2020 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows, company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 30 September 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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 parent 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as COVID-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and the parent company's future prospects and performance.

COVID-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardized firm-wide approach in response to these uncertainties when assessing the group's and parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group or company associated with these particular events.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that none of the group and parent company's planned proprietary products have yet been launched and there are therefore no historical sales data on which to rely when developing the estimate. These events or conditions, along with the other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In concluding that a material uncertainty exists, our audit work included, but was not restricted to:

- Obtaining management's base case cash flow forecasts covering the period from 1 October 2020 to 30 September 2022, assessing how these cash flow forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions;
- Assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to the actual results for last year and considering the impact on the base case cash flow forecast;
- Obtaining management's worst-case forecast prepared to assess the potential impact of not achieving expected revenue levels arising from the group and parent company's planned proprietary products. We evaluated management's assumptions regarding the impact of no revenue being generated and the costs associated with the expansion of its strategic focus. We considered whether the assumptions are consistent with our understanding of the business derived from other detailed audit work undertaken;

- Assessing the impact of the mitigating factors available to management in respect of the ability to restrict cash impact, including the level of available facilities; and
- Assessing the adequacy of related disclosures within the annual report.

GrantThornton

Overview of our audit approach

- Overall materiality: £177,000, which represents 3.6% of the group's loss before taxation; and
- Key audit matters were identified as material uncertainty related to going concern, improper revenue recognition and impairment of investment in associate for both group and the parent company.
- We performed a full scope audit of the financial statements of Oxford BioDynamics plc (the parent company) and specified audit procedures on the financial information of Oxford BioDynamics PTE Ltd., Oxford BioDynamics (M) Sdn Bhd, Oxford BioDynamics Australia Pty Ltd and Oxford BioDynamics Inc.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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) that we identified.

These matters included those that 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.

In addition to the matter described in the 'material uncertainty related to going concern' section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter – group and parent company	How the matter was addressed in the audit – group and parent company
Improper revenue recognition Revenue is recognized in accordance with the group's accounting policy and IFRS 15 'Revenue from contracts with customers'. The revenue recorded by the group and parent company is one of the key determinants of the group and parent company's underlying performance and is one of the group and parent company's key performance indicators. It is therefore considered that there is a risk that revenue recognized for the year has not occurred or has been recorded fraudulently. In addition, the nature of the contracts entered into by the group and parent company involve delivery of service over a period of time. As a result, there is an element of judgement in determining the amount of revenue to be recognized in each reporting period. We therefore identified improper revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Understanding the group and parent company's revenue recognition policy and checking that revenue has been recognized in accordance with IFRS 15. • Obtaining copies of all revenue generating contracts in the year, developing an understanding of the key terms of each contract and determining the expected revenue recognition for each contract based on those terms and the revenue recognition policy. We then compared our expectations against revenue recognized in the financial statements for the contract and investigated and corroborated any significant differences; and • Identifying all contracts that spanned the year end and re-calculating the expected deferred or accrued income and comparing this against deferred and accrued revenue recorded in the financial statements and investigated and corroborated any significant differences at the year end. The group and parent company's accounting policy on revenue recognition is shown in Note 3 to the financial statements and related disclosures are included in Note 5. The Audit Committee identified revenue recognition as a significant issue in its report on page 41 where the Audit Committee also described the action that is has taken to address this issue. **Key observations** Our testing did not identify any material misstatement of revenue as per the accounting policy adopted by the group and the parent company. The judgements made by management were consistently applied.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Oxford BioDynamics plc

Key Audit Matter – group and parent company	How the matter was addressed in the audit – group and parent company
Impairment of investment in the associate The assessment of impairment of investment in associate is carried out annually, where there are indicators of impairment. The assessment of any potential impairment requires management to make significant assumptions and judgements about the recoverability of the investment, especially as the associate is loss making. The review of the impairment indicators continues to be a key judgement. In particular failure to commercialize the licences could lead to a material impairment. We therefore identified the valuation of investment in the associate as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Understanding the group and parent company's accounting treatment of the impairment of investment in associate ensuring that it is in accordance with IAS 28 - Investment in associate and joint ventures • Obtaining management's review of the potential impairment indicators and corroborating their key assumptions to the associate's financial position, market data and funding position of the associate. The key assumptions included: the associate's financial position and future funding requirements the market potential for the underlying products the inherent value of the business derived from previous funding rounds The group and parent company's accounting policy valuation of investment is shown in Note 3 to the financial statements and related disclosures are included in Note 20. The Audit Committee identified valuation of investment in the associate as a significant issue in its report on page 41, where the Audit Committee also described the action that is has taken to address this issue. **Key observations** Based on our audit work, we found that the judgement made there were no impairment indicators as at 30 September 2020 was reasonable.

OUR APPLICATION OF MATERIALITY

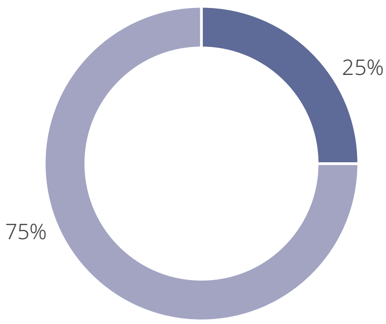
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

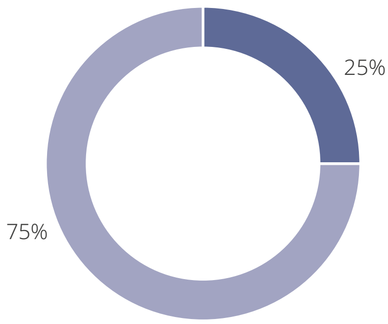
Materiality measure	Group	Parent company
Financial statements as a whole	£177,000, which is approximately 3.6% of the group's loss before tax. This benchmark is considered the most appropriate because it is a prominent key performance indicator for the users of the financial statements. Materiality for the current year is higher than the level that we determined for the year ended 30 September 2019 due to an increased loss in the current financial year combined with a change in our risk assessment.	£155,000, which is approximately 3.1% of company's loss before tax, restricted to be lower than group materiality as it is a component of the group. This benchmark is considered the most appropriate because it is a prominent key performance indicator for the users of the financial statements. Materially for the current year is lower than the level we determined for the year end 30 September 2019 due to the component materiality restriction applied in the current year.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality, being £132,750.	75% of financial statement materiality, being £116,250.
Specific materiality	We determined a lower level of specific materiality for directors' remuneration and related party transactions.	We determined a lower level of specific materiality for directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£8,850 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£7,750 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent



● Tolerance for potential uncorrected mis-statements ● Performance materiality

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Evaluating the group's internal control environment and documenting controls relevant to the audit.
- Obtaining an understanding of controls relevant to the Key Audit Matters, including how they are designed and implemented.
- Determining the scope of the group audit based on the relative contribution of revenue, expenses and net assets of each component to the group. We performed a full scope audit of the financial statements of the parent company Oxford BioDynamics plc.
- Specified audit procedures on the financial information of Oxford BioDynamics PTE Ltd were focused on revenue and cash. Specified audit procedures on the financial information of Oxford BioDynamics (M) Sdn Bhd were focused on tangible fixed assets. Specified audit procedures on the financial information of Oxford BioDynamics Australia Pty Ltd were focused on cash. Specific audit procedures on the financial information of Oxford BioDynamics Inc were focussed on revenue and cash.
- 99.9% of the group's revenue was included in the scope of our full scope and specified audit procedures.

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OUR OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 IS UNMODIFIED

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Oxford BioDynamics plc

MATTERS ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the group and the parent 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Directors' responsibilities statement set out on page 46, 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's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

USE OF OUR REPORT

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

Grant Thornton UKLLP

Mark Bishop FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford

27 January 2021

CONSOLIDATED INCOME STATEMENT

	Note	2020 £000	2019 £000
Continuing operations			
Revenue	5	456	907
Research & development costs (excluding staff costs)		(622)	(468)
Staff costs	11	(2,747)	(2,117)
General & other admin costs		(1,321)	(1,423)
Share option charges		(253)	(274)
Depreciation and amortization		(467)	(387)
Other operating income		3	39
Operating loss		(4,951)	(3,723)
Finance income	9	121	337
Finance costs	10	(80)	–
Loss before tax		(4,910)	(3,386)
Income tax	12	597	586
Loss for the year from continuing operations	7	(4,313)	(2,800)
Loss attributable to:			
Owners of the Company		(4,313)	(2,800)
Non–controlling interest		–	–
		(4,313)	(2,800)
Earnings / (loss) per share			
From continuing operations			
Basic and diluted (pence per share)	15	(4.7)	(3.0)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2020 £000	2019 £000
Loss for the year	7	(4,313)	(2,800)
Exchange differences on translation of foreign operations that may be reclassified to the income statement		(11)	26
Total comprehensive income for the year		(4,324)	(2,774)
Total comprehensive income attributable to			
Owners of the Company		(4,323)	(2,774)
Non–controlling interest		(1)	–
		(4,324)	(2,774)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2020 £000	2019 £000
Assets			
Non-current assets			
Intangible fixed assets	16	869	555
Property, plant and equipment	17	700	891
Right-of-use assets	18	480	–
Deferred tax asset	29	–	–
Investments accounted for using the equity method	20	422	422
Total non-current assets		2,471	1,868
Current assets			
Inventories	21	323	243
Trade and other receivables	22	1,053	1,183
Fixed-term deposits	23	5,387	10,300
Cash and cash equivalents	23	6,119	5,198
Total current assets		12,882	16,924
Total assets		15,353	18,792
Equity and liabilities			
Capital and reserves			
Share capital	24	926	926
Share premium	25	16,740	16,740
Translation reserves	25	193	203
Share option reserve	25	3,018	2,788
Retained earnings	25	(7,314)	(3,082)
Equity attributable to owners of the Company		13,563	17,575
Non-controlling interest		18	19
Total equity		13,581	17,594
Current liabilities			
Trade and other payables	26	1,102	1,081
Lease liabilities	27	130	–
Provisions	28	42	–
Current tax liabilities	12	13	25
Total current liabilities		1,287	1,106
Non-current liabilities			
Lease liabilities	27	411	–
Provisions	28	65	92
Deferred tax	29	9	–
Total non-current liabilities		485	92
Total liabilities		1,772	1,198
Total equity and liabilities		15,353	18,792

The financial statements of Oxford BioDynamics plc, registered number 06227084, were approved by the Board of Directors and authorized for issue on 27 January 2021.

Signed on behalf of the Board of Directors:

Dr Jon Burrows
Chief Executive Officer
27 January 2021

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2020 £000	2019 £000
Assets			
Non-current assets			
Intangible fixed assets	16	869	555
Property, plant and equipment	17	602	770
Right-of-use assets	18	480	–
Deferred tax asset	29	–	–
Subsidiaries	19	281	281
Investments accounted for using the equity method	20	422	422
Total non-current assets		2,654	2,028
Current assets			
Inventories	21	291	207
Trade and other receivables	22	1,084	1,268
Fixed-term deposits	23	5,387	10,300
Cash and cash equivalents	23	5,471	4,552
Total current assets		12,233	16,327
Total assets		14,887	18,355
Equity and liabilities			
Capital and reserves			
Share capital	24	926	926
Share premium	25	16,740	16,740
Share option reserve	25	3,018	2,788
Retained earnings	25	(7,523)	(3,257)
Equity attributable to owners of the Company		13,161	17,197
Non-controlling interest		–	–
Total equity		13,161	17,197
Current liabilities			
Trade and other payables	26	1,078	1,066
Lease liabilities	27	130	–
Provisions	28	42	–
Current tax liabilities		–	–
Total current liabilities		1,250	1,066
Non-current liabilities			
Lease liabilities	27	411	–
Provisions	28	65	92
Deferred tax	29	–	–
Total non-current liabilities		476	92
Total liabilities		1,726	1,158
Total equity and liabilities		14,887	18,355

The parent company's loss for the year ended 30 September 2020 was £4,347,000 (2019: £2,857,000 loss).

The financial statements of Oxford BioDynamics plc, registered number 06227084, were approved by the Board of Directors and authorized for issue on 27 January 2021.

Signed on behalf of the Board of Directors:

Dr Jon Burrows
Chief Executive Officer
27 January 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2020

	Share capital £000	Share premium £000	Translation reserve £000	Share option reserve £000	Retained earnings £000	Attributable to shareholders £000	Non–controlling interest £000	Total £000
At 1 October 2019	926	16,740	203	2,788	(3,082)	17,575	19	17,594
Adjustment arising on adoption of IFRS 16	–	–	–	–	58	58	–	58
At 1 October 2019 (adjusted)	926	16,740	203	2,788	(3,024)	17,633	19	17,652
Loss for the year	–	–	–	–	(4,313)	(4,313)	–	(4,313)
Other comprehensive income for the period	–	–	(10)	–	–	(10)	(1)	(11)
Total comprehensive income for the period	–	–	(10)	–	(4,313)	(4,323)	(1)	(4,324)
Share option credit	–	–	–	253	–	253	–	253
Lapse of vested share options	–	–	–	(23)	23	–	–	–
At 30 September 2020	926	16,740	193	3,018	(7,314)	13,563	18	13,581

Year ended 30 September 2019

	Share capital £000	Share premium £000	Translation reserve £000	Share option reserve £000	Retained earnings £000	Attributable to shareholders £000	Non–controlling interest £000	Total £000
At 1 October 2018	925	16,696	177	2,704	(472)	20,030	19	20,049
Loss for the year	–	–	–	–	(2,800)	(2,800)	–	(2,800)
Other comprehensive income for the period	–	–	26	–	–	26	–	26
Total comprehensive income for the period	–	–	26	–	(2,800)	(2,774)	–	(2,774)
Issue of shares	1	44	–	–	–	45	–	45
Share issue costs	–	–	–	–	–	–	–	–
Share option credit	–	–	–	274	–	274	–	274
Exercise of share options	–	–	–	(30)	30	–	–	–
Lapse of vested share options	–	–	–	(160)	160	–	–	–
At 30 September 2019	926	16,740	203	2,788	(3,082)	17,575	19	17,594

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2020

	Share capital £000	Share premium £000	Share option reserve £000	Retained earnings £000	Attributable to shareholders £000	Non–controlling interest £000	Total £000
At 1 October 2019	926	16,740	2,788	(3,257)	17,197	–	17,197
Adjustment arising on adoption of IFRS 16	–	–	–	58	58	–	58
Loss for the year	926	16,740	2,788	(3,199)	17,255	–	17,255
	–	–	–	(4,347)	(4,347)	–	(4,347)
Other comprehensive income for the period	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	(4,347)	(4,347)	–	(4,347)
Share option credit	–	–	253	–	253	–	253
Lapse of vested share options	–	–	(23)	23	–	–	–
At 30 September 2020	926	16,740	3,018	(7,523)	13,161	–	13,161

Year ended 30 September 2019

	Share capital £000	Share premium £000	Share option reserve £000	Retained earnings £000	Attributable to shareholders £000	Non–controlling interest £000	Total £000
At 1 October 2018	925	16,696	2,704	(590)	19,735	–	19,735
Loss for the year	–	–	–	(2,857)	(2,857)	–	(2,857)
Other comprehensive income for the period	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	(2,857)	(2,857)	–	(2,857)
Issue of shares	1	44	–	–	45	–	45
Share issue costs	–	–	–	–		–	–
Share option credit	–	–	274	–	274	–	274
Exercise of share options	–	–	(30)	30	–	–	–
Lapse of vested share options	–	–	(160)	160	–	–	–
At 30 September 2019	926	16,740	2,788	(3,257)	17,197	–	17,197

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2020 £000	2019 £000
Loss before tax for the financial year		(4,910)	(3,386)
Adjustments to reconcile loss for the year to net operating cash flows:			
Net interest	9,10	(102)	(196)
(Profit) on disposal of property, plant and equipment		(1)	–
Depreciation of property, plant and equipment	17	318	362
Depreciation of right of use assets	18	113	–
Amortization of intangible assets	16	36	25
Movement in provisions	28	15	22
Share based payments charge	30	253	274
Working capital adjustments:			
Decrease / (increase) in trade and other receivables		136	(14)
Increase in inventories		(80)	(97)
Increase in trade and other payables		165	381
Operating cash flows before interest and tax paid		(4,057)	(2,629)
R&D tax credits received		598	480
Tax paid		(13)	–
Cash used in operations		(3,472)	(2,149)
Net foreign exchange movements		71	(122)
Net cash used in operating activities		(3,401)	(2,271)
Investing activities			
Interest received		123	165
Purchases of property, plant and equipment		(107)	(400)
Purchases of intangible assets		(350)	(232)
Proceeds from disposal of tangible assets		1	–
Investment in associate		–	(422)
Decrease / (increase) in term deposits		4,913	(10,300)
Net cash generated by / (used in) investing activities		4,580	(11,189)
Financing activities			
Lease payments		(181)	–
Issue of equity shares		–	236
Net cash (used in) / generated by financing activities		(181)	236
Net increase / (decrease) in cash and cash equivalents		998	(13,224)
Foreign exchange movement on cash and cash equivalents		(77)	144
Cash and cash equivalents at beginning of year		5,198	18,278
Cash and cash equivalents at end of year		6,119	5,198

COMPANY STATEMENT OF CASH FLOWS

	Note	2020 £000	2019 £000
Loss before tax for the financial year		(4,954)	(3,468)
Adjustments to reconcile loss for the year to net operating cash flows:			
Net interest		(100)	(193)
(Profit) on disposal of property, plant and equipment		(1)	–
Depreciation of property, plant and equipment	17	298	345
Depreciation of right of use assets	18	113	–
Amortization of intangible assets	16	36	25
Movement in provisions	28	15	22
Share based payments charge	30	253	274
Working capital adjustments:			
Decrease in trade and other receivables		180	44
Increase in inventories		(84)	(100)
Increase in trade and other payables		162	370
Operating cash flows before interest and tax paid		(4,082)	(2,681)
R&D tax credits received		598	480
Cash used in operations		(3,484)	(2,201)
Net foreign exchange movements		78	(145)
Net cash used in operating activities		(3,406)	(2,346)
Investing activities			
Interest received		122	162
Purchases of property, plant and equipment		(103)	(380)
Purchases of intangible assets		(350)	(232)
Proceeds from disposal of tangible assets		1	–
Investment in associate		–	(422)
Decrease / (increase) in term deposits		4,913	(10,300)
Net cash generated by / (used in) investing activities		4,583	(11,172)
Financing activities			
Lease payments		(181)	–
Issue of equity shares		–	236
Net cash generated by financing activities		(181)	236
Net (decrease) / increase in cash and cash equivalents		996	(13,282)
Foreign exchange movement on cash and cash equivalents		(77)	144
Cash and cash equivalents at beginning of year		4,552	17,690
Cash and cash equivalents at end of year		5,471	4,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial statements of Oxford BioDynamics plc and its subsidiaries (collectively, 'the Group') for the year ended 30 September 2020 were authorized for issue in accordance with a resolution of the Directors on 27 January 2021. Oxford BioDynamics plc (the 'Company') is a public limited company incorporated in the United Kingdom, whose shares were admitted to trading on the AIM market on 6 December 2016. The Company is domiciled in the United Kingdom and its registered office is Building 7600 C2, The Quorum, Alec Issigonis Way, Oxford Business Park North, Oxford OX4 2JZ. The registered company number is 06227084 (England & Wales).

The Group is primarily engaged in biomarker research and development.

2. BASIS OF ACCOUNTING

Basis of preparation

These consolidated financial statements and the financial statements of the Company have been prepared under the historical cost convention in accordance with the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU ('adopted IFRSs') in response to the IAS regulation (EC 1606/2002).

The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgement in applying the Group's accounting policies. The areas for which significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 4.

Reporting currency

The consolidated financial statements are presented in pounds sterling (GBP), which is also the Company's functional currency.

New accounting standards adopted for the first time in these financial statements

The Group applied the following accounting standards and amendments for the first time in these financial statements:

- IFRS 16 'Leases'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Amendments to IFRS 9: 'Prepayment Features with Negative Compensation'
- Amendments to IAS 28 'Investment in associate and Joint Ventures'
- Annual Improvements to IFRSs – 2015-2017 Cycle

With the exception of IFRS 16 'Leases', none of the standards or amendments had a significant impact on the financial statements. The Group's approach to, and the impact of, applying IFRS 16 is described below.

IFRS 16 'Leases'

The Group applied IFRS 16 for the first time with effect from 1 October 2019. IFRS 16 requires operating leases to be recognized on the balance sheet and will have a significant impact in that the assets and liabilities for all operating leases with a term of more than 12 months under which the Group is a lessee (mainly rental properties) will be recognized on the balance sheet.

Transition to IFRS 16

The Group applied IFRS 16 to its leases following the modified retrospective approach, whereby the cumulative effect of initially applying the new standard is recognized at the date of initial application (1 October 2019) in accordance with paragraphs C7-C13 of IFRS 16. The Group applied this election consistently to all of the leases in which it is a lessee. Comparative information was not restated. Instead, the cumulative effect of initially applying IFRS 16 has been recognized as an adjustment to the opening balance of retained earnings on 1 October 2019.

The Group:

(a) recognized a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. The lease liability was measured at the present value of the remaining lease payments, discounted using an estimated incremental borrowing rate of 3%.

(b) recognized a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The right-of-use asset was measured at its carrying amount as if IFRS 16 had been applied since the commencement date, discounted using an estimated incremental borrowing rate of 3%.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group applied the optional exemptions allowing it not to recognize right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

Impact on Group statement of financial position and equity (increase / (decrease)) of applying IFRS 16 on 1 October 2019

	£000
Assets	
Property plant and equipment (right-of-use assets)	
– cost	734
– accumulated depreciation	(141)
	593
Liabilities	
Lease liabilities	703
Lease liabilities recognized under IAS 17	(168)
Net impact on equity	58

Reconciliation of total operating lease commitments at 30 September 2019 to lease liabilities recognized at 1 October 2019

	£000	£000
Total operating lease commitments disclosed at 30 September 2019:		779
Recognition exemptions:		
– Low value assets	(8)	
– Leases with a remaining term of 12 months or less	(11)	
		(19)
Operating lease liabilities before discounting		760
Discounted using incremental borrowing rate		(57)
Operating lease liabilities		703
Finance lease obligations as at 30 September 2019		–
Total lease liabilities recognized under IFRS 16 at 1 October 2019		703

Under IFRS 16 it is likely that for a given lease, the Group's operating costs will be lower and its finance expenses higher than was the case under IAS 17. As accounting under IFRS 16 includes the recognition of interest charges on a reducing lease liability, it is expected that future lease costs will be 'front-loaded' to an extent.

Applicable accounting standards and interpretations issued but not yet adopted

At the date of authorization of the consolidated financial statements, the following Standard and Amendments which have been issued and endorsed by the EU, have not been applied by the Group in preparing the consolidated financial statements:

- IFRS 17 'Insurance contracts' (effective date: 1 January 2021)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective date: 1 January 2020)
- Amendment to IFRS 3 'Definition of a Business' (effective date: 1 January 2020)
- Amendments to IAS 1 and IAS 8: 'Definition of Material' (effective date: 1 January 2020)
- Amendment to IFRS 16 'COVID-19-Related Rent Concessions' (effective date: 1 June 2020)

In addition there are a number of other Amendments with effective dates of 1 January 2022 or later that have not yet been endorsed for use in the EU. The Directors do not expect that the adoption of the Standard and Amendments listed above will have a material impact on the consolidated financial statements of the Group in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. BASIS OF ACCOUNTING CONTINUED

Going concern

In assessing the appropriateness of adopting the going concern assumption, the Group has prepared a detailed financial forecast ('the forecast') for the two-year period ending 30 September 2022. The forecast includes:

- cautious estimates of likely revenue arising from the Group's proprietary products (based on market research independently commissioned by the Group)
- costs associated with the expansion of its strategic focus that was announced in December 2020, principally as a result of strengthened US commercial and UK scientific infrastructure

The Directors consider that the forecast represents a reasonable best estimate of the performance of the Group over the two years to 30 September 2022. The Group has also modelled a number of potential scenarios, each of which assumes significant reductions, including to zero, in the revenue arising from its first product, the COVID severity test anticipated to launch early in 2021 ('the scenarios'). The forecast and the scenarios show that the Group should be able to continue operating for the foreseeable future without recourse to additional financing. Accordingly, the Directors have concluded that it is reasonable to continue to adopt the going concern assumption in preparing these financial statements.

The Group has further modelled a more negative scenario in which none of its planned products generates revenue and revenue from contracts with pharmaceutical and biotech partners is also severely curtailed, but costs associated with the planned expansion of its US and UK infrastructure are still incurred ('the worst case scenario'). Whilst the Directors do not consider the worst case scenario to be likely, it has been considered because:

- at the time of signing the accounts, none of the Group's planned proprietary products has yet been launched and there are therefore no historical sales data on which to rely when developing estimates
- with the exception of staff costs, cash outflows associated with expanding the Group's infrastructure are either up-front in nature (for example capital expenditure on laboratory fit-out and equipment) or generate relatively long-term commitments (for example property leases)
- in the worst case scenario, the Group would need to access additional cash resources in order to continue as a going concern, most likely by the second quarter of 2022
- at the time of signing the accounts, the Group has no guarantee that it will be able to access additional cash resources

The Directors do not believe that any of the factors listed above is unusual or unexpected for the Group at this point in its history, but that shareholders should be aware that, taken together, these conditions present a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Basis of consolidation

a) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value each reporting date and subsequent changes in fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

When necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

c) Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

d) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the provision of services and licences in the ordinary course of the Group's activities. Revenue is shown net of sales taxes, discounts and after eliminating intra-group sales.

To determine whether to recognize revenue, the Group follows a five-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligations are satisfied

Revenue is recognized either at a point in time or over time when (or as) the Group satisfies performance obligations by transferring promised services and goods to its customers.

The Group recognizes contract liabilities for consideration received for any unsatisfied performance obligations. These amounts are reported in trade and other payables in the statement of financial position (see Note 26). Similarly, if the Group satisfies a performance obligation before receipt of the relevant consideration, the Group recognizes either a contract asset or a receivable in trade and other receivables in the statement of financial position (see Note 22), depending on whether something other than the passage of time is required before the consideration becomes due.

a) Provision of services

The Group typically recognizes revenue from the performance of its research service contracts over time as separate performance obligations are satisfied. The stage of completion of each performance obligation is assessed based on progress towards project milestones specified in the contract, recorded by the Group's scientists in its project management system.

b) Upfront licence fees

Revenue generated from entering licence agreements is recognized upon signing the contract (at a point in time) if the licence contract is, in substance, a sale of an asset or right to use intellectual property, with risks and rewards having transferred to the licensee. Revenue generated from entering licence agreements is spread over the life of the contract if the substance of the transaction is a right to access IP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Revenue continued

c) Interest income

Interest income is not classed as revenue from contracts with customers and is therefore not accounted for according to the five-step process set out in IFRS 15 and outlined above. Interest income is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 on initial recognition.

d) Government grants

Grant income is not classed as revenue from contracts with customers and is therefore not accounted for according to the five-step process set out in IFRS 15 and outlined above. Government grants are included within Other Operating Income and are recognized so as to match the expenditure to which they are intended to contribute. Government grants comprise amounts from Innovate UK to support the Group's biomarker research and development activities whereby 60% of eligible costs incurred can be claimed for. There are no unfilled conditions or contingencies relating to grant income recognized in the income statement.

Leasing

The Group adopted IFRS 16 Leases with effect from 1 October 2019. The impact of adopting this new accounting standard is outlined on page 67. In the current and prior year the Group acted only as a lessee, not as a lessor.

a) Accounting Policy from 1 October 2019

For any new contracts entered into on or after 1 October 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether each of the following criteria apply:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At the commencement date of a lease, the Group recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date, net of any incentives received.

The Group depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when indicators of impairment exist.

At the commencement date of a lease, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available, or the Group's incremental borrowing rate. As the Group does not have any other borrowings, indicative rates received from the Group's bankers have been used to estimate the incremental borrowing rate that the Group would incur were it to enter into borrowing.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under any residual value guarantees and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

If a lease liability is remeasured, a corresponding adjustment is reflected in the value of the right-of-use asset, or, if the carrying value of the right-of-use asset is already reduced to zero, the income statement.

The Group has elected to account for short-term leases (with a term of up to 12 months) and leases of low-value assets using the practical expedients available in IFRS 16. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to such leases are recognized as an expense in the income statement on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

b) Accounting policy applicable before 1 October 2019

Leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases. Rentals payable under operating leases were charged to income on a straight-line basis over the term of the relevant lease.

In the event that lease incentives were received at the time the Group entered into an operating lease agreement, such incentives were recognized as a liability and recycled through profit and loss over the term of the lease agreement. The aggregate benefit of incentives was recognized in profit and loss as a reduction to rental expense on a straight-line basis, except where another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

Foreign currencies

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which it operates (its functional currency). Sterling is the predominant currency of the Group and presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate) gross of any associated tax impact.

Retirement benefit costs

Payments to personal pension schemes of employees are charged as an expense as they fall due.

Holiday pay accrual

The Group recognizes a provision for annual leave accrued by employees as a result of services rendered in the current period, in order to account for the timing difference between the Group's holiday year and its financial year. The provision is measured at the salary cost (including employer's national insurance contributions) payable for the period of absence.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

a) Dilapidations

Provisions for dilapidations are recognized on a lease by lease basis and are based on the Group's best estimate of the likely committed outflow.

Taxation

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

a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for research and development tax credits calculated at the tax rates effective for the current year. It is included as an income tax credit under trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Taxation continued

b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying 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 profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

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 realized based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tangible and intangible assets

a) Property, plant and equipment

The Group has held no land and buildings in the period covered by these financial statements.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and any recognized impairment loss.

Depreciation is recognized so as to write off the cost or valuation of assets less residual value over their useful lives, using the straight-line method, on the following bases:

Laboratory equipment and tooling	3 years
Office equipment	3 years
Fixtures and fittings	5 years
Leasehold improvements	Life of lease
Right-of-use assets	Life of lease

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income on the transfer of the risks and rewards of ownership.

The Group has no class of tangible fixed asset that has been revalued in the period covered by the consolidated financial statements.

b) Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset is recognized only if all of the following conditions are met:

- an asset is created that can be identified (such as product designs and new processes);
- it is technically feasible that the asset can be completed so that it will be available for use or sale;
- the Group has the intention to complete the development of the asset;
- the Group has the ability to use or sell the asset;
- the Group has sufficient financial technical and other resources to complete the development of the asset;
- it is probable that the asset created will generate future economic benefits; and
- the costs of developing this asset can be measured reliably.

Internally-generated intangible assets are amortized over the useful life of the asset on a straight-line basis, unless the pattern of benefits can be determined reliably, in which case amortization is charged so as to reflect the pattern of economic benefits likely to accrue to the Group.

To the extent that the above conditions are not met, any development costs are recognized as an expense in the period in which they are incurred.

c) Patents and trademarks

External expenditure on the creation of patents and trademarks is capitalized to the extent that the conditions listed in b) above are met, and carried at cost less accumulated amortization and accumulated impairment losses. Expenditure to maintain patents and trademarks after the date of their grant is charged to the income statement as incurred. Patents and trademarks are amortized on a straight-line basis over the remainder of their term from the date of their grant.

d) Impairment of tangible and intangible assets

At each balance sheet date, the Group 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of: (i) fair value less costs to sell and (ii) 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 recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent that the revaluation balance is greater than the impairment loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years for the asset (or cash-generating unit). A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs, and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using either the First-In-First-Out method or, for fast moving items, the average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and term deposits with an initial maturity of less than three months.

Financial instruments

a) Recognition and derecognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

b) Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial instruments continued

b) Classification and initial measurement of financial assets continued

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost;
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

In the periods presented the Group does not have any financial assets categorized as either FVTPL or FVOCI.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs or finance income, except for impairment of trade receivables which is presented within other expenses.

c) Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions and they are not classified as FVTPL:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets are measured at amortized cost using the effective interest method. Discounting is omitted where its effect would be immaterial. The Group's cash and cash equivalents, term deposits, trade and other receivables fall into this category.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

d) Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- financial assets that have objective evidence of impairment at the reporting date ('Stage 3').

'12-month expected credit losses' are recognized for 'Stage 1' financial instruments, while 'lifetime expected credit losses' are recognized for 'Stage 2' financial instruments. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

e) Classification and measurement of financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities include trade and other payables. The Group does not have any borrowings or derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless classified as a financial liability at FVTPL. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

The Group holds no financial liabilities classified as financial liabilities at FVTPL.

Costs charged directly to equity

Costs relating directly to the issue of new shares are deducted from the share premium reserve. Costs relating jointly to the Company's IPO in December 2016 and the issue of new shares were allocated between share premium and the income statement by considering the number of shares newly issued at the time of the IPO as a proportion of the total number of shares in issue immediately following the IPO.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

Critical judgements in applying the Group's accounting policies continued

Revenue recognition

For revenue arising from the provision of research services, Management is satisfied that revenue has been recognized appropriately for the stage of the contracts at the reporting date based on reliable estimates. This requires Management to estimate for each project the stage of completion at the reporting date based on an analysis of information from the laboratory-based team and analysis of progress towards performance obligations specified under the terms of customer contracts. Deferred income at 30 September 2020 is £293,000 (2019: £357,000) which represents revenue invoiced but not yet recognized in the income statement, typically because of delays in the provision of blood samples by customers, which are necessary in order for laboratory work to begin. A change in estimate of the stage in completion at the reporting date would result in more of this balance being recognized as revenue or less revenue being recognized in the year.

There are no amounts included within revenue for the year ended 30 September 2020 in respect of upfront licence fee income (2019: £519,000). The determination of the appropriate accounting treatment for upfront licence fees requires judgement, notably whether there are any continuing obligations in respect of the licences and whether the risks and rewards had transferred to the licensee. This involves the consideration of whether contracts are cancellable, any remaining obligations and uncertainties in respect of future royalties.

As at 30 September 2020, the Group had not yet earned any royalty income on licence contracts.

Valuation of investment in Holos Life Sciences Pte Ltd

During the prior period, the Group exercised its option to acquire a 30% shareholding in Holos Life Sciences (Singapore) Pte Ltd ('Holos'), a Singapore-based company which is not listed on any public exchange, for a nominal amount. The Group subsequently invested $540,000 in that entity as part of an interim fundraising. As at 30 September 2020, the Group owned 28.84% of Holos' issued share capital and the Group is determined to have acquired significant influence over its activities. Accordingly, Holos is accounted for as an associate undertaking, using the equity method (see Note 20).

To the extent that any goodwill is recognized in the carrying value of the investment, the Directors must assess this balance for indicators of impairment on at least an annual basis. The determination of the appropriate carrying value of the Group's holding in Holos requires the Directors to assess the fair value of its investment in Holos' business as at the balance sheet date.

In making their judgement on the appropriate carrying value for the Group's investment in Holos, the Directors consider it likely that Holos will be able both i) to generate future sales revenue and profits through its planned business activity, which includes the commercialization of non-clinical applications of the Group's technology and ii) to raise sufficient funds in the short-to-medium term to continue as a going concern until it becomes self-financing.

This judgement may be subject to change in future in the light of Holos' performance and/or fundraising: if the Directors were to change their judgement, it is possible that the value of the Group's investment in Holos would be reduced, potentially to zero, through the recognition of an impairment charge in the income statement. The Directors will continue regularly to review the Group's investment in Holos for indicators of impairment and will update their judgement as necessary.

Key sources of estimation uncertainty

The Directors are required to disclose information relating to any key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Share option scheme

The Company has established a share option scheme ('the Scheme') through which options to purchase shares in the Company may be granted to certain individuals. The fair value of the options issued under the Scheme is derived by the Company using a Black-Scholes model and the resultant values are allocated to the income statement over the vesting period (typically one, two or three years).

In arriving at the fair value of options using this model, Management used judgement in arriving at the estimated share price volatility, which is used as a key input. A 10% change in the estimate of volatility used to value options granted during the period would have an impact on the loss for the year of approximately £13,000 (2019: approximately £5,000). Further details regarding the options granted and outstanding under the Scheme are set out in Note 30.

Estimate of incremental borrowing rate in accounting for leases under IFRS 16

As stated in Note 2, in recognizing a lease liability and right-of-use asset under IFRS 16 the Group has used an estimated incremental borrowing rate of 3%. The Group does not have any borrowings, so in order to apply IFRS 16 it was necessary to estimate the incremental borrowing rate that would be faced by the Group. The rate of 3% was determined following enquiry with the Group's bankers. If the interest rate used in the calculation were higher, this would have the effect of reducing the size of both the lease liability and right-of-use asset, reducing the depreciation charge and increasing the interest charge in the consolidated income statement. The table below shows the impact of a change of +/-2% in the estimated incremental borrowing rate. There would be no change to operating cash flows or lease payments as a result of a change in the estimate of the incremental interest rate.

Estimated incremental interest rate:	1% £000	5% £000
Impact on consolidated income statement for the year ended 30 September 2020		
Right-of-use asset depreciation	(8)	8
Operating Loss	(8)	8
Finance costs (lease interest)	13	(11)
Loss for the year from continuing operations	5	(3)
Impact on balance sheet as at 30 September 2020		
Right-of-use asset	35	(32)
Lease liability (current and non-current)	(24)	23
Net assets	11	(9)

5. REVENUE

All revenue is derived from the Group's principal activity, biomarker research and development. Analysis of the Group's revenue by geography and pattern of revenue recognition is as follows:

	2020 £000	2019 £000
Continuing operations		
USA	378	126
Rest of World	78	781
Consolidated revenue	456	907

	2020 £000	2019 £000
Continuing operations		
Revenue recognized at a point in time	14	519
Revenue recognized over time	442	388
	456	907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. BUSINESS SEGMENTS

Products and services from which reportable segments derive their revenues

Information reported to the Group's Chief Executive (who has been determined to be the Group's Chief Operating Decision Maker) for the purposes of resource allocation and assessment of segment performance is focused on the sole service which Oxford BioDynamics sells. The Group's sole reportable segment under IFRS 8 is therefore that of biomarker research and development.

The Group's non-current assets, analyzed by Geographical location were as follows:

	2020 £000	2019 £000
Non-current assets		
UK	1,952	1,326
Malaysia	97	120
Total non-current assets	2,049	1,446

Information about major customers

The Group's revenues for the periods covered by this report are derived from a small number of customers, several of which represent more than 10% of the revenue for the period. These are summarized below:

	2020 £000	2019 £000
Revenue from individual customers each representing more than 10% of revenue for the period:	378	900

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	Note	2020 £000	2019 £000
Net foreign exchange losses / (gains)		61	(141)
Research and development costs (excluding staff costs)		622	468
Depreciation and impairment of property, plant and equipment	17	318	362
(Profit) on disposal of property, plant and equipment		(1)	–
Short-term lease expense (2019: operating lease rental expense)	32	38	159
Staff costs	11	2,747	2,117
Share based payments charge to profit and loss	30	253	274

Research and development costs consist of inventories recognized as an expense as disclosed in Note 21 and other costs of materials and services.

8. AUDITOR'S REMUNERATION

	2020 £000	2019 £000
Fees payable to the Group's auditor:		
Annual audit	46	43
	46	43

9. FINANCE INCOME

	2020 £000	2019 £000
Bank deposit interest	121	196
Exchange gains	–	141
Finance income	121	337

10. FINANCE COSTS

	2020 £000	2019 £000
Interest payable	19	–
Exchange losses	61	–
Finance costs	80	–

Interest payable represents amounts arising on leases accounted for under IFRS 16.

11. STAFF COSTS

	2020 £000	2019 £000
Wages and salaries	2,388	1,814
Social security costs	226	196
Other pension costs	133	107
	2,747	2,117

The average number of persons, including Executive Directors, employed by the Group during the year was as follows:

	2020 Number	2019 Number
Management, business development and administration	11	9
Laboratory-based	26	22
	37	31

12. INCOME TAX

	2020 £000	2019 £000
Current tax:		
UK corporation tax credit at 19.0% (2019: 19.0%)	(608)	(599)
Over– / (under)– provision of tax credit in prior periods	1	(12)
Overprovision of foreign corporate income tax in prior periods	(12)	–
Foreign corporate income tax	13	25
Total current tax credit	(606)	(586)
Deferred tax:		
Origination and reversal of temporary differences	9	–
Total tax credit	(597)	(586)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. INCOME TAX CONTINUED

The tax credits assessed for the two years ended 30 September 2020 and 30 September 2019 related entirely to R&D tax credit relief. Taxation for the overseas subsidiaries is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year can be reconciled to the loss per the income statement as follows:

	2020 £000	2019 £000
Loss before tax on continuing operations	(4,910)	(3,386)
Weighted average corporation tax rate for the year	19.0%	18.2%
Tax at the above rate on loss for the year	(931)	(615)
Tax effect of:		
Expenses that are not deductible in determining taxable profit	3	85
Research and Development relief	(262)	(258)
Net adjustments in respect of prior periods	(11)	(12)
Share–based payments	25	39
Deferred tax – origination of timing differences	9	–
Unrecognized tax losses and other timing differences	570	175
Tax credit for the year	(597)	(586)

Factors affecting the future tax charge

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. At Budget 2020, the government announced that the UK corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19%.

There is an unrecognized deferred tax asset at 30 September 2020 of approximately £2,657,000 (2019: £1,686,000) in respect of tax losses carried forward and unexercised share options. The asset has not been recognized in respect of these due to uncertainty over its recoverability.

13. DIVIDENDS

No dividends have been declared for the year ended 30 September 2020 (2019: £nil).

14. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year ended 30 September 2020 was £4,347,000 (2019: £2,857,000 loss).

15. EARNINGS PER SHARE

From continuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

	2020 £000	2019 £000
Earnings for the purposes of basic earnings per share being net loss attributable to owners of the Company	(4,313)	(2,800)
Earnings for the purposes of diluted earnings per share	(4,313)	(2,800)

	2020 No	2019 No
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share*	92,558,317	92,558,317

	Pence	Pence
Earnings per share		
Basic and diluted earnings per share	(4.7)	(3.0)

* Ordinary shares that may be issued on the exercise of options are not treated as dilutive as the entity is loss-making.

16. INTANGIBLE FIXED ASSETS

Group and Company	Website development costs £000	Software development costs £000	Patents £000	Total £000
Cost				
At 1 October 2019	62	32	487	581
Additions	–	8	342	350
At 30 September 2020	62	40	829	931
Accumulated depreciation				
At 1 October 2019	12	11	3	26
Charge for the year	21	12	3	36
At 30 September 2020	33	23	6	62
Carrying amount				
At 30 September 2020	29	17	823	869
At 30 September 2019	50	21	484	555

Intangible assets not amortized during the period are patents not yet granted. The Group and Company hold no intangible assets that are determined to have indefinite useful life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £000	Office equipment £000	Fixtures and fittings £000	Laboratory equipment £000	Total £000
Cost					
At 1 October 2019	576	77	59	1,558	2,270
Additions	2	60	4	68	134
Disposals		(4)	–	–	(4)
Exchange differences	(2)	–	(1)	(6)	(9)
At 30 September 2020	576	133	62	1,620	2,391
Accumulated depreciation					
At 1 October 2019	166	48	29	1,136	1,379
Charge for the year	71	28	8	211	318
Eliminated on disposals	–	(4)	–	–	(4)
Exchange differences	–	–	–	(2)	(2)
At 30 September 2020	237	72	37	1,345	1,691
Carrying amount					
At 30 September 2020	339	61	25	275	700
At 30 September 2019	410	29	30	422	891

Company	Leasehold improvements £000	Office equipment £000	Fixtures and fittings £000	Laboratory equipment £000	Total £000
Cost					
At 1 October 2019	561	72	44	1,391	2,068
Additions	1	57	4	68	130
Disposals	–	(4)	–	–	(4)
At 30 September 2020	562	125	48	1,459	2,194
Accumulated depreciation					
At 1 October 2019	159	44	22	1,073	1,298
Charge for the year	69	28	6	195	298
Eliminated on disposals	–	(4)	–	–	(4)
At 30 September 2020	228	68	28	1,268	1,592
Carrying amount					
At 30 September 2020	334	57	20	191	602
At 30 September 2019	402	28	22	318	770

18. RIGHT-OF-USE ASSETS

Group and Company	Buildings £000	Total £000
Cost		
At 1 October 2019	734	734
Additions	–	–
Disposals	–	–
At 30 September 2020	734	734
Accumulated depreciation		
At 1 October 2019	141	141
Charge for the year	113	113
Eliminated on disposals	–	–
At 30 September 2020	254	254
Carrying amount		
At 30 September 2020	480	480
At 30 September 2019	–	–

19. SUBSIDIARIES

Company	Group undertakings £000	Total £000
Cost		
At 1 October 2019	524	524
Additions	–	–
At 30 September 2020	524	524
Amounts written off		
At 1 October 2019	243	243
Written off/(back) in year	–	–
At 30 September 2020	243	243
Carrying amount		
At 30 September 2020	281	281
At 30 September 2019	281	281

All subsidiary undertakings of the Company, listed below, are included in the consolidated financial statements of the Group:

Name	Country of registration or incorporation	Principal activity	Class of shares	2020 %	2019 %
Oxford BioDynamics Inc	USA	Sales & Marketing	Ordinary	100	100
Oxford BioDynamics Pte Ltd	Singapore	Diagnostic research	Ordinary	100	100
Oxford BioDynamics Australia Pty Ltd	Australia	Dormant	Ordinary	86	86
Oxford BioDynamics (M) Sdn Bhd	Malaysia	Diagnostic research	Ordinary	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. INTEREST IN ASSOCIATE UNDERTAKING

The Group has a 28.84% holding in Holos Life Sciences (Singapore) Pte Ltd ('Holos'), a Singapore-based company, which is not listed on any public exchange and whose registered office is at 38 Club Street, Singapore 069418. The Group's interest in Holos is accounted for using the equity method.

On 5 October 2018, the Company exercised a pre-existing option to acquire, for a nominal amount, a 30% shareholding in Holos. Subsequently, on 30 November 2018 the Company also participated in an interim fundraising by Holos, investing US$540,000 in that entity. Summarized financial information for Holos and a reconciliation with the carrying amount of the Group's investment are set out below:

Summarized statement of financial position of Holos Life Sciences (Singapore) Pte Ltd

	30 September 2020 £000	30 September 2019 £000
Current assets	203	260
Non–current assets	2	1
Current liabilities	(87)	(1,025)
Non–current liabilities	(969)	–
Equity	(851)	(764)
Group's share in equity – 28.84% (not recognized) (30 September 2019: 28.84%, not recognized)	–	–
Goodwill	422	422
Carrying amount of the investment	422	422

Summarized income statement for Holos Life Sciences (Singapore) Pte Ltd

	1 October 2019 to 30 September 2020 £000	5 October 2018 to 30 September 2019 £000
Revenue	–	–
Cost of sales	–	–
R&D expenditure	(89)	(795)
Admin expenses	(268)	(541)
Finance costs	(15)	(3)
Loss before tax	(372)	(1,339)
Tax		
Loss and total comprehensive income for the period	(372)	(1,339)
Group's share of loss for the period – 28.84% (not recognized) (30 September 2019: 28.84%, not recognized)	(107)	(386)

The Group's share of Holos' net liabilities and loss for the period have not been recognized because the Group is not liable for any of Holos' liabilities.

Goodwill is subject to review for impairment on at least an annual basis, as set out in Note 3. Further details of the judgement made by the Directors in relation to the carrying value of the Group's investment in Holos are given in Note 4. Holos had no contingent liabilities as at 30 September 2020 (2019: £nil).

21. INVENTORIES

	Group		Company	
	2020 £000	**2019 £000**	**2020 £000**	**2019 £000**
Laboratory consumables	323	243	291	207

The cost of inventories recognized as an expense during the year was as follows:

	Group		Company	
	2020 £000	**2019 £000**	**2020 £000**	**2019 £000**
Cost of inventories recognized as an expense	478	369	469	358

No inventories have been pledged as security against borrowings during the year (year ended 30 September 2019: £nil).

22. TRADE & OTHER RECEIVABLES

	Group		Company	
	2020 £000	**2019 £000**	**2020 £000**	**2019 £000**
Amounts receivable for the provision of services	2	205	2	134
Income taxes recoverable	608	599	608	599
Amounts owed by group undertakings	–	–	39	158
Other debtors	193	121	193	121
Contract assets	30	–	30	–
Prepayments and accrued interest income	220	258	212	256
	1,053	1,183	1,084	1,268

Trade receivables disclosed above are classified as loans and receivables and are measured at amortized cost.

All amounts are short-term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value.

The average credit period offered to customers invoiced during the year ended 30 September 2020 was 90 days (2019: 35 days). The average days sales outstanding ('DSO') in 2020 was 74 days (2019: 58 days). As the Group's revenue reflects a relatively small number of high-value contracts, with some invoicing in advance of performance obligations completed (and therefore revenue recognized), Management expect average DSO to be subject to significant variation from year to year. The recoverability of debtor balances is monitored on an invoice-by-invoice basis.

The Group has not charged interest for late payment of invoices in the year ended 30 September 2020 (2019: £nil). No allowances are made in relation to doubtful debts in view of the nature of the Group's customers and by reference to past default experience.

Before accepting any significant new customer, the Group assesses the potential customer's credit quality. The Group has entered into commercial biomarker projects with a number of customers, the majority of which are global pharmaceutical and biotechnology companies. Because the contracts in which the Group is involved tend to be invoiced by means of milestone payments covering a substantial portion of the whole project, this may distort the credit exposure profile at certain points during the financial period. Accordingly, at 30 September 2020, the proportion of revenue attributable to one customer was 83% (2019: 70%), but the Directors are of the view that this does not signify that there is more than a low-to-moderate risk in this respect, and this is borne out by the Group's history of having had no bad debts throughout the period.

Trade receivables disclosed above include no amounts which are significantly past due at the year-end (see ageing analysis below). To date, the Group has experienced no credit losses from past events. There are no current conditions of which the Group is aware that affect the expected collectability of trade receivables. Accordingly, the Group has not recognized an allowance for expected credit losses (2019: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. TRADE & OTHER RECEIVABLES CONTINUED

Ageing of trade receivables (none of which are considered to be impaired):

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Not overdue	2	154	2	83
Overdue between 0–30 days	–	–	–	–
Overdue between 31–60 days	–	51	–	51
Overdue between 61–90 days	–	–	–	–
Overdue between 91–120 days	–	–	–	–
Overdue more than 120 days	–	–	–	–
	2	205	2	134

23. TERM DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Term deposits	5,387	10,300	5,387	10,300
Cash and cash equivalents	6,119	5,198	5,471	4,552
	11,506	15,498	10,858	14,852

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The Directors consider the carrying amount of these assets to be approximately equal to their fair value.

24. SHARE CAPITAL OF THE COMPANY

	2020		2019	
	Number	£	Number	£
Authorized shares				
Ordinary shares of £0.01 each – allotted and fully paid	92,559,771	925,598	92,559,771	925,598
Total	92,559,771	925,598	92,559,771	925,598

The Company has one class of ordinary shares which carry no right to fixed income.

During the year, the Company did not issue any shares on the exercise of options (2019: 53,633 shares).

The Company has a number of shares reserved for issue under an equity-settled share option scheme; further details are disclosed in Note 30.

25. RESERVES

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

Reserve	Description and purpose
Share premium:	Amount subscribed for share capital in excess of nominal value
Translation reserve:	Gains/losses arising on retranslating the net assets of overseas operations into GB pounds
Share option reserve:	Reserve account for share option equity-based transactions
Warrant reserve:	Reserve account for warrants-related equity-based transactions
Retained earnings:	All other net gains and losses and transactions not recognized elsewhere

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade payables	306	177	282	167
Other creditors including other taxes and social security	69	58	59	58
Amounts owed to group undertakings	–	–	105	–
Accruals and contract liabilities	727	846	632	841
	1,102	1,081	1,078	1,066

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases was 31 days (2019: 30 days). No interest costs have been incurred in relation to trade payables. The Group's policy is to ensure that payables are paid within the pre-agreed credit terms and to avoid incurring penalties and/or interest on late payments.

Other creditors include sales taxes, property taxes, social security and employment taxes due to local tax authorities.

Accruals and deferred income principally comprise accrued overhead expenses and deferred project revenue for which certain delivery or performance obligations remain outstanding at the period end.

The Directors consider that the carrying amount of trade and other payables is approximately equal to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. LEASE LIABILITIES

Maturity analysis:	2020 £000	2019 £000
Year 1	145	–
Year 2	145	–
Year 3	145	–
Year 4	145	–
	580	–
Less: future interest charges	(39)	–
	541	–
Analyzed as:		
Current	130	–
Non-current	411	–
	541	–

28. PROVISIONS

Group & Company	Property dilapidations £000	Total £000
At 1 October 2019	92	92
Arising during the year	15	15
At 30 September 2020	107	107

	2020 £000	2019 £000
Analyzed as:		
Current	42	–
Non–current	65	92
	107	92

The property dilapidations provision is based on the future expected repair costs required to restore the Group's leased buildings to their fair condition at the end of their respective lease term.

29. DEFERRED TAX

Deferred tax relates to the following:

Group & Company	Statement of financial position 2020 £000	Statement of financial position 2019 £000	Consolidated income statement 2020 £000	Consolidated income statement 2019 £000
Accelerated tax depreciation	(108)	(119)	11	(6)
Unrelieved tax losses	99	119	(20)	6
Deferred tax (expense)/income			(9)	–
Net deferred tax asset/(liability)	(9)	–		

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profit will be available against which the Group or Company can benefit therefrom:

Group & Company	Unrelieved tax losses £000	Share-based payments £000	Other £000	Total £000
At 1 October 2019	1,312	350	24	1,686
Movement in year including impact of tax rate changes and vesting of share options	738	223	11	972
At 30 September 2020	2,050	573	35	2,658

30. SHARE-BASED PAYMENTS

Equity-settled share option scheme

In November 2016, the Company established an Enterprise Management Incentive ('EMI') share option scheme, under which options have been granted to certain employees, and a non-employee option scheme with similar terms, except that options granted under it do not have EMI status. EMI and non-EMI share options were also previously granted under a share option scheme established in October 2008 ('the 2008 Scheme'). The Company does not intend to grant any further options under the 2008 Scheme. All of the schemes are equity-settled share-based payment arrangements, whereby the individuals are granted share options of the Company's equity instruments, namely ordinary shares of one pence each.

The schemes include non-market-based vesting conditions only, whereby the share options may be exercised from the date of vesting until the 10th anniversary of the date of the grant. In most cases options vest under the following pattern: one-third of options granted vest on the first anniversary of the grant date; one-third on the second anniversary and one-third on the third anniversary. The only exception to this pattern is 84,000 options which were granted in the year ended 30 September 2016 which vested immediately upon grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. SHARE-BASED PAYMENTS CONTINUED

Equity-settled share option scheme continued

The options outstanding as at 30 September 2020 have exercise prices in the range of £0.34 to £2.10.

	2020		2019	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Outstanding at start of period	6,640,921	0.66	6,840,812	0.61
Granted during the period	1,275,598	1.06	320,000	1.64
Forfeited during the period	(70,000)	(1.88)	(466,258)	(0.56)
Exercised during the period	–	–	(53,633)	(0.83)
Outstanding at end of period	7,846,519	0.72	6,640,921	0.66
Exercisable at end of period	6,224,253	0.59	6,040,906	0.56
Weighted average remaining contractual life (in years) of options outstanding at the period end		4.33		4.37

	2020 £000	2019 £000
Expense arising from share-based payment transactions	253	274

The fair value of share options has been estimated using the Black-Scholes option pricing model. Volatility has been estimated by reference to historical share price data over a period commensurate with the expected term of the options awarded. The assumptions for the options granted during the current and prior periods were as follows:

	2020 £000	2019 £000
Share price at date of grant	£0.57 to £1.02	£1.35 to £1.86
Exercise price	£1.00 to £1.58	£1.58 to £1.86
Expected volatility	47% to 52%	44% to 45%
Dividend yield	0%	0%
Expected life of option	8.5 to 8.6 years	8.5 years
Risk free interest rate	0.18% to 0.82%	0.82% to 1.22%

31. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The Group contributes to the personal pension schemes and, in the USA, 401(k) plans of individual employees.

Other than amounts that are deducted from employees' remuneration and accrued pending payment to the individuals' pension schemes, no further obligations fall on the Group as the assets of these arrangements are held and managed by third parties entirely separate from the Group.

The pension charge for the period represents contributions payable to the pension schemes and 401(k) plans of individual employees and these amounted to £133,000 for the year ended 30 September 2020 (2019: £107,000). Contributions owed to the schemes at 30 September 2020 amounted to £12,645 (2019: £5,259).

32. COMMITMENTS & CONTINGENCIES

Capital and other commitments

	Group		Company	
	2020 £000	**2019 £000**	**2020 £000**	**2019 £000**
Minimum lease payments under operating leases recognized as an expense during the year	38	159	29	151

Future minimum lease payments under non-cancellable operating leases (under IAS 17) are as follows:

	Group		Company	
	2020 £000	**2019 £000**	**2020 £000**	**2019 £000**
Within one year	1	163	–	155
In the second to fifth years inclusive	–	580	–	579
After five years	–	36	–	36
	1	779	–	770

Operating lease payments represent rentals payable by the Group for its office properties together with office and laboratory equipment. Material property rental agreements are now accounted for under IFRS 16 (see Note 2). Rent reviews and break clauses apply to leased property agreements.

33. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments, the main types of risk being market risk, credit risk and liquidity risk, which are described in more detail below.

The Group's financial assets and liabilities are summarized by category in the table below.

The Group's financial risk management is co-ordinated at its head office by its finance function, in close co-operation with the Board. It co-ordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal reports which analyze exposures.

The Group does not trade in financial assets for speculative purposes, nor has it entered into derivatives.

Categories of financial instruments

		Group		Company	
	Note	**2020 £000**	**2019 £000**	**2020 £000**	**2019 £000**
Financial assets					
Amortized cost					
Cash and cash equivalents	23	6,119	5,198	5,471	4,552
Term deposits	23	5,387	10,300	5,387	10,300
Trade and other receivables	22	1,053	1,183	1,084	1,268
		12,559	16,681	11,942	16,120
Financial liabilities					
Amortized cost					
Trade and other payables	26	1,102	1,081	1,078	1,066
		1,102	1,081	1,078	1,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33. FINANCIAL INSTRUMENTS CONTINUED

Fair value of financial instruments

Management has assessed that the fair values of cash and term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Accordingly, none of the bases for valuation under the fair value hierarchy set out in IFRS 13 'Fair Value Measurement' have been deployed in arriving at the values shown above.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see below). To mitigate its exposure to foreign currency risk, the Group monitors amounts to be paid and received in specific currencies, and where these are expected largely to offset one another, no further currency hedging activity or forward exchange contracts are entered into. During the year the Group converted its excess US dollar deposits to sterling.

Foreign currency sensitivity

The Group undertakes transactions denominated in foreign currencies, therefore exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters, utilizing natural hedging as outlined above where possible.

The carrying amounts of the Group's and Company's foreign currency-denominated monetary assets and liabilities at the relevant period end dates are as follows:

	Liabilities		Assets	
Group	2020 £000	2019 £000	2020 £000	2019 £000
US dollar	(144)	(13)	1,035	1,522
Singapore dollar	(4)	(18)	262	285
Euro	(67)	–	–	–
Australian dollar	–	–	130	129
Malaysian ringgit	(2)	(26)	16	13
Outstanding at end of period	(217)	(57)	1,443	1,949

	Liabilities		Assets	
Company	2020 £000	2019 £000	2020 £000	2019 £000
US dollar	(5)	(3)	786	1,229
Euro	(67)	–	–	–
Outstanding at end of period	(72)	(3)	786	1,229

The Group is mainly exposed to variations in the exchange rate between sterling and the US dollar and, to a lesser extent, the Singapore dollar.

The following table details the Group's sensitivity to a 10% weakening in the pound sterling against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a reasonably possible movement in foreign exchange rates over the medium term (3-12 months). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

For a 10% strengthening of the pound sterling against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	US dollar impact		Singapore dollar impact	
Group	**2020 £000**	**2019 £000**	**2020 £000**	**2019 £000**
Profit	103	151	26	27

	US dollar impact		Singapore dollar impact	
Company	**2020 £000**	**2019 £000**	**2020 £000**	**2019 £000**
Profit	79	123	–	–

In Management's opinion, the sensitivity analysis is representative of the inherent foreign exchange risk through the year.

Interest rate sensitivity

The Group is not significantly exposed to interest rate risk because it does not have any external borrowings. It does hold funds on deposit in accounts paying variable interest rates. The Group's finance income is therefore affected by variations in deposit interest rates.

Credit risk

Credit risk is the risk that a counterparty fails to discharge its contractual obligations, resulting in financial loss to the Group. The Group is primarily exposed to credit risk in respect of its cash, cash equivalents and term deposits and trade and other receivables.

Credit risk management

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group makes appropriate enquiries of the counter party and independent third parties to determine creditworthiness. Use of other publicly available financial information and the Group's own trading records is made to rate its banking counterparties and major customers. The Group's exposure and the creditworthiness of its counterparties are continuously monitored and the aggregate value of transactions is spread amongst approved counterparties. Credit exposure is also controlled by counterparty limits that are reviewed and approved by Group management continuously.

The vast majority of the Group's cash and cash equivalents are invested either with systemic UK and global banks or UK banks with a Tier 1 Capital ratio significantly in excess of the current regulatory recommendation. Cash is predominantly invested in short-term deposits, breakable term deposits or notice accounts which allow for instant access to funds if necessary. The Group holds some deposits in accounts requiring notice of either 35 or 95 days to access funds.

Trade receivables consist of a small number of customers, spread across various geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Expected credit loss rates are based on the Group's historical credit losses during the 48 months prior to 1 October 2019. There were no credit losses during that period, but where appropriate, the historical rates are adjusted to reflect specific current and forward-looking factors that may affect a customer's ability to settle the amount outstanding.

The expected loss rates are based on the Group's historical credit losses during the 48 months prior to 1 October 2019. There were no credit losses during that period, but where appropriate, the historical rates are adjusted to reflect specific current and forward-looking factors that may affect a customer's ability to settle the amount outstanding.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days of an invoice's due date and failure to engage with the Group on alternative payment arrangements would be considered indicative of no reasonable expectation of recovery.

Because the contracts in which the Group is involved tend to be invoiced by means of milestone payments covering a substantial portion of each project, this may distort the credit exposure profile at certain points during the financial period. Accordingly, for the year ended 30 September 2020 the proportion of revenue attributable to one customer was 83% (2019: 70%), but the Directors are of the view that this does not signify that there is more than a low to moderate risk in this respect, and this is borne out by the Group's history of having incurred no credit losses throughout the period covered by this report.

The carrying amount recorded for financial assets in the consolidated financial statements is stated net of any impairment losses and represents the Group's maximum exposure to credit risk. No guarantees have been given in respect of third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33. FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. To counter this risk, the Group operates with a high level of cash and no bank debt. The Group monitors forecast cash inflows and outflows and adjusts its term deposits accordingly to ensure that sufficient funds are available to meet cash requirements. In addition, it benefits from a substantial proportion of revenue being paid in advance when entering into biomarker projects with customers.

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Group	Weighted average effective interest rate %	Less than 1 month £000	1–3 months £000	3 months to 1 year £000	1–5 years £000	5+ years £000	Total £000
30 September 2020							
Non–interest bearing		1,900	–	–	–	–	1,900
Variable interest rate instruments	0.7%	2,905	2,367	5,387	–	–	10,659
		4,805	2,367	5,387	–	–	12,559
30 September 2019							
Non–interest bearing		1,931	–	–	–	–	1,931
Variable interest rate instruments	1.1%	1,328	3,122	10,300	–	–	14,750
		3,259	3,122	10,300	–	–	16,681

Company	Weighted average effective interest rate %	Less than 1 month £000	1–3 months £000	3 months to 1 year £000	1–5 years £000	5+ years £000	Total £000
30 September 2020							
Non–interest bearing		1,426	–	–	–	–	1,426
Variable interest rate instruments	0.7%	2,762	2,367	5,387	–	–	10,516
		4,188	2,367	5,387	–	–	11,942
30 September 2019							
Non–interest bearing		1,509	–	–	–	–	1,509
Variable interest rate instruments	1.1%	1,189	3,122	10,300	–	–	14,611
		2,698	3,122	10,300	–	–	16,120

The maturity of non-derivative financial liabilities, comprising trade payables and other creditors, is less than three months for each of the two financial period ends.

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the relevant year-ends presented above.

Fair value of financial instruments carried at amortized cost

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the financial statements approximate to their fair values.

34. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure entities within the Group are able to continue as going concerns while maximizing the return to stakeholders.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Group and Company statements of changes in equity on pages 62 and 63 and Notes 24 and 25. Equity includes all capital and reserves of the Group that are managed as capital.

The Group is not subject to any externally imposed capital requirements.

35. EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the year-end that require disclosure in these financial statements.

36. RELATED PARTY TRANSACTIONS

Ultimate controlling party

There is no ultimate controlling party.

Subsidiaries

Balances and transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and are therefore not disclosed.

Other related parties

During the year ended 30 September 2020, the Company had transactions with related parties as shown in the table below. In the opinion of the Directors, all of these transactions took place on terms equivalent to those that prevail in arm's length transactions.

			Net amount paid / (received)	
Related party	**Nature of relationship**	**Reason for transactions**	**2020 £000**	**2019 £000**
Holos Life Sciences (Singapore) Pte Ltd Group	Associate undertaking	Service and licence income relating to the development of non–healthcare and non–human applications of the Group's technology.	(31)	(637)
Sibelius Limited	Common Directors: Christian Hoyer Millar and Dr Alexandre Akoulitchev	Reimbursement of property occupation costs, services provided by OBD staff and lab supply purchases made by OBD on behalf of Sibelius, net of reimbursement for administrative services provided to OBD by Sibelius staff.	(59)	(56)
Chronos Therapeutics Limited	Common Director: Christian Hoyer Millar	Reimbursement of property occupation costs and services provided by OBD staff, net of purchases of fixed assets from Chronos.	–	(63)
Mrs P M Hoyer Millar	Mrs Hoyer Millar is married to Christian Hoyer Millar who was a Director during the period	Part–time employment as an administrator.	4	4
Ms S Erdyneeva	Daughter of CEO Jon Burrows	Part-time employment as Social Media Specialist.	2	–

£1,623 was owed to Sibelius at 30 September 2020 (2019: £1,623). There were no other amounts owing to these related parties at 30 September 2020 (2019: £nil). As at 30 September 2020, Holos Life Sciences (or its subsidiary undertakings) owed £nil (2019: £29,237), Sibelius Limited owed £1,410 (2019: £29,187) and Chronos Therapeutics Limited owed £507 (2019: £nil) to OBD plc. No amounts were overdue at 30 September 2020 (2019: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

36. RELATED PARTY TRANSACTIONS CONTINUED

Key management compensation

The key management personnel are the Directors of the Company and the remuneration that they have received during the year is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2020 £000	2019 £000
Short-term employee benefits	987	766
Share-based payments	119	56
Pension contributions	48	44
	1,154	866
Aggregate emoluments of the highest paid Director	302	330

Transactions involving key management personnel

No advances, credits or guarantees have been entered into with any of the Directors of the Company.

NOTICE OF ANNUAL GENERAL MEETING

OXFORD BIODYNAMICS PLC

(incorporated and registered in England and Wales under number 06227084)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about its content or as to what action you should take, you should consult your stockbroker, solicitor, accountant or other independent professional adviser authorized under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or another appropriately authorized independent adviser if you are in a territory outside the United Kingdom.

If you have sold or transferred all your shares in Oxford BioDynamics plc, please pass this document to the purchaser or transferee or to the stockbroker or other agent through whom you made the sale or transfer, for transmission to the purchaser or transferee.

The annual general meeting ('AGM') will be held subject to the provisions of Section A of this Notice, if applicable. This means that if UK Government restrictions on travel and gatherings are in place at the date of the AGM, you must not attend the meeting and may only vote via proxy. Section B of this Notice contains more details on the arrangements which will apply in such a scenario.

A. NOTICE OF ANNUAL GENERAL MEETING AND PROPOSED RESOLUTIONS

Notice is hereby given that the 2021 AGM of Oxford BioDynamics plc (the 'Company') will be at Oxford Works, Building 4650 Kingsgate, Oxford Business Park, Oxford, OX4 2SU on 24 March 2021 at 12.00 pm, to consider and, if thought fit, to pass the following resolutions:

Ordinary business

1 To receive the financial statements and the reports of the Directors and the Auditors for the year ended 30 September 2020. (**Resolution 1**)

2 To elect Dr Jon Burrows as a Director of the Company. (**Resolution 2**)

3 To elect Matthew Wakefield as a Director of the Company. (**Resolution 3**)

4 To re-elect Paul Stockdale as a Director of the Company. (**Resolution 4**)

5 To re-appoint Grant Thornton UK LLP as Auditors of the Company. (**Resolution 5**)

6 To authorize the Directors to set the remuneration of the Auditor. (**Resolution 6**)

Special business

To consider and, if thought fit, to pass the following resolutions, of which resolution 7 will be proposed as an ordinary resolution, and resolutions 8 and 9 will be proposed as special resolutions:

7 That the Directors be and are hereby generally and unconditionally authorized for the purposes of section 551 of the Companies Act 2006 (the 'Act'), to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares:

(a) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £308,533 (being approximately 33.3% of the Company's issued share capital as at close of business on 22 January 2021) such amount to be reduced by the nominal amount allotted or granted under (b) below in excess of such sum; and

(b) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £617,066 (being approximately 66.7% of the Company's issued share capital as at close of business on 22 January 2021), such amount to be reduced by any allotments or grants made under (a) above, in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever, these authorities to expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the AGM of the Company in 2021 (save that the Company may before such expiry make any offer or enter into any agreement which would or might require shares to be allotted or rights to be granted, after such expiry and the Directors may allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of any such offer or agreement as if the authorizations conferred hereby had not expired). (**Resolution 7**)

8 That, subject to the passing of resolution 7 above, the Directors be and are hereby empowered pursuant to section 570(1) of the Companies Act 2006 (the 'Act') to allot equity securities (as defined in section 560(1) of the Act) of the Company for cash pursuant to the authorization conferred by that resolution as if section 561 of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities for cash:

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

(a) in connection with or pursuant to an offer of or invitation to acquire equity securities (but in the case of the authorization granted under resolution 7(b), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, record dates or legal regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

(b) in the case of the authorization granted under resolution 7(a) above, and otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £92,559.77 (being 10% of the Company's issued share capital as at close of business on 22 January 2021)

and this power shall expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the AGM of the Company to be held in 2022 (save that the Company may, at any time before the expiry of such power, make any offer or enter into any agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power conferred hereby had not expired). (**Resolution 8**)

9 That the Company be and it is hereby generally authorized pursuant to section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares on such terms and in such manner as the Directors may from time to time determine, provided that:

(a) the number of such ordinary shares hereby authorized to be purchased by the Company shall not exceed 9,255,977;

(b) the price that may be paid by the Company for any of its ordinary shares shall not be less than one pence, being the nominal value of each ordinary share, and shall not be greater than the higher of:

(i) 105% of the average trading price of the ordinary shares as derived from the middle market quotations for an ordinary share on the London Stock Exchange Daily Official List for the five trading days immediately preceding the date on which such share is contracted to be purchased; and

(ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out, as stipulated by article 5(1) of the EU Buyback and Stabilisation Regulation 2003 (No. 2273/2003); and

(c) unless previously revoked, renewed, extended or varied, the authority hereby conferred shall expire at the conclusion of the AGM of the Company to be held in 2022, provided that the Company may effect purchases following the expiry of such authority if such purchases are made pursuant to contracts for purchases of ordinary shares which are entered into by the Company on or prior to the expiry of such authority. (**Resolution 9**)

B. COVID-19 PROVISIONS

The provisions of this Section shall apply in the event that the UK Government's restrictions on travel and/or public gatherings in response to the COVID-19 pandemic remain in force at the date of the AGM. If the restrictions on both travel and gatherings are lifted before 24 March 2021, this Section will not apply. For the purpose of this Section, 'restrictions' means the restrictions publicized on the UK Government's website at https://www.gov.uk/coronavirus and introduced under the Public Health (Control of Disease) Act 1984, the Coronavirus Act 2020 and/or any subordinate or successor legislation thereto. The provisions of this Section are made under article 18 of the Company's Articles of Association and through the Chairman's common law powers, for the purpose of ensuring the safe, orderly and lawful conduct of the AGM.

1. Attendance

i. Members must not attend the AGM. Attending the AGM is not essential travel.

ii. Two Directors who are members (one of whom will be the Chairman or, if he is unable to attend for any reason, an acting Chairman appointed by the Board) will attend the AGM in order to form a quorum.

iii. No other persons will be admitted to the AGM.

2. Voting

i. In order to vote on the resolutions, members must do so via a proxy form or through CREST if they are registered to do so.

ii. The procedural and explanatory notes on pages 100 to 103 provide further details on how to vote via proxy.

3. Questions for the Board

i. Questions may be submitted to the Board in writing (via email or post) in advance of the AGM.

ii. Questions submitted via post should be sent to the Company's registered office; emailed questions should be sent to: investorrelations@oxfordbiodynamics.com

iii. Written responses to any questions submitted will be circulated after the AGM (in the form of a Q&A Sheet) to all persons who have submitted a question.

iv. Questions must be received 48 hours in advance of the AGM.

v. The Board reserves the right (acting in good faith) to disregard any questions which appear to be frivolous, vexatious or unrelated to the Company or the business of the AGM.

Any queries regarding the application or operation of this Section should be directed to the Company Secretary in writing to the Company's registered office or at the email address specified above.

Your Board believes that the resolutions to be proposed as ordinary and special business at the AGM are in the best interests of the Company and its shareholders as a whole. Accordingly, your Directors unanimously recommend that shareholders vote in favour of the resolutions, as they intend to do in respect of their own beneficial holdings of shares in the Company.

By order of the Board

T Demain
For Alder Demain & Akers Ltd
Company Secretary
27 January 2021

Registered Office: Building 7600 C2, The Quorum, Alec Issigonis Way, Oxford Business Park North, Oxford OX4 2JZ

Registered in England and Wales No 06227084

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

EXPLANATORY NOTES TO THE RESOLUTIONS

The notes on the following pages explain the resolutions proposed at the AGM of Oxford BioDynamics plc (the 'Company'), to be held at Oxford Works, Building 4650 Kingsgate, Oxford Business Park, Oxford, OX4 2SU on 24 March 2021 at 12.00 pm (the 'AGM').

Resolutions 1 to 7 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 8 and 9 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three quarters of the votes cast must be in favour of the resolution.

Resolution 1 – Adoption of Report and Accounts

For each financial year, the Directors are required to present the Directors' report, the audited accounts and the Auditor's report to shareholders at a general meeting. The financial statements and reports laid before the AGM are for the financial year ended 30 September 2020, and the Company proposes a resolution on its financial statements and reports.

Resolutions 2, 3 and 4 – Election of Directors

All Directors are subject to election by shareholders at the first AGM following their appointment by the Board. The Company's current articles of association, which came into effect on 6 December 2016, state that each Director shall retire and (unless his/her terms of appointment with the Company specify otherwise) is eligible for election or re-election at the AGM held in the third calendar year (or such earlier calendar year as may be specified for this purpose in his/her terms of appointment with the Company) following his/her last appointment, election or re-election at any general meeting of the Company. In practice, this means that every Director stands for re-election at intervals of not more than three years.

Resolutions 2, 3 and 4 propose the election of Dr Jon Burrows and Matthew Wakefield and the re-election of Paul Stockdale respectively. Jon Burrows was appointed as a Director on 23 March 2020 and will retire at the AGM and, being eligible, offer himself for re-election. Matthew Wakefield was appointed as a Director on 14 December 2020 and will retire at the AGM and, being eligible, offer himself for re-election. Paul Stockdale was elected at the AGM in 2018 and will also therefore retire at the AGM and, being eligible, offer himself for re-election. Biographies of Jon Burrows, Matthew Wakefield and Paul Stockdale are provided on page 28 of the Annual Report and Accounts for the year ended 30 September 2020.

Resolutions 5 and 6 – Re-appointment of auditor and auditor's remuneration

Resolutions 5 and 6 propose the re-appointment of Grant Thornton UK LLP as the Company's Auditor for the year ending 30 September 2021, and the authorization of the Directors to agree the Auditor's remuneration. The Directors will delegate this authority to the Audit Committee.

Resolution 7 – Authority to allot shares

The Directors may only allot shares or grant rights over shares if authorized to do so by shareholders. The authorities granted on 20 March 2020 are due to expire at the Company's AGM in 2021 and therefore the authorities require renewal. This resolution, if passed, will continue to give the Directors flexibility to act in the best interests of shareholders, when the opportunity arises, by issuing new shares. Accordingly, resolution 7 will be proposed as an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert any security into, shares (a) up to an aggregate nominal amount of £308,533 and (b) in connection with a rights issue up to an aggregate nominal amount (reduced by allotments under part (a) of the resolution) of £617,066.

These amounts represent approximately 33.3% and approximately 66.7% respectively of the total issued ordinary share capital of the Company as at close of business on 22 January 2021, being the last practicable day prior to the publication of this notice. If given, these authorities will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the AGM of the Company in 2022.

The Directors have no present intention of issuing shares pursuant to this authority.

As at the date of this notice the Company holds no treasury shares.

Resolution 8 – Disapplication of pre-emption rights

The Directors also require additional authority from shareholders to allot equity securities for cash and otherwise than to existing shareholders pro-rata to their holdings. The authorities granted on 20 March 2020 are due to expire at the conclusion of the Company's AGM in 2021 and therefore the authorities require renewal. Accordingly, resolution 8 will be proposed, as a special resolution, to grant such an authority. Apart from offers or invitations in proportion to the respective number of shares held, the authority will be limited to the allotment of equity securities for cash up to an aggregate nominal value of £92,559.77 (being 10% of the Company's issued ordinary share capital as at close of business on 22 January 2021, being the last practicable day prior to the publication of this notice). If Resolution 8 is passed, this authority will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the AGM of the Company in 2022.

Resolution 9 – Authority to purchase shares (market purchases)

This resolution, which will be proposed as a special resolution, renews the authority granted at the AGM held on 20 March 2020 which is due to expire on the date of the Company's AGM in 2021. The resolution authorizes the Company to make market purchases of its own ordinary shares as permitted by the Act. The authority limits the number of shares that may be purchased to a maximum of 9,255,977 (representing no more than 10% of the issued share capital of the Company as at 22 January 2021, being the latest practicable date prior to the publication of this Notice of AGM) and sets minimum and maximum prices. If Resolution 9 is passed, this authority will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the AGM of the Company in 2022.

Under the authority sought by this resolution, the Company may purchase its ordinary shares following the date on which the authority expires if such purchases are made pursuant to contracts entered into by the Company on or prior to the date on which the authority expires.

The Directors are of the opinion that it would be advantageous for the Company to have the flexibility to purchase its own shares should such action be deemed appropriate by the Board. The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price, future investment opportunities and the overall position of the Company. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would be in the interests of shareholders generally. Shares purchased would either be held as treasury shares or cancelled and the number of shares in issue reduced accordingly.

PROCEDURAL AND EXPLANATORY NOTES

As noted in Section B on page 98, in accordance with UK Government legislation and related restrictions in response to COVID-19, and to minimize public health risks, the AGM is expected to be held as a closed meeting whereby shareholders will not be permitted to attend (except for the minimum number of members who are required to attend so that the meeting is quorate and the business of the meeting may be conducted). As such, the Company encourages all shareholders to appoint the Chairman of the AGM to act as their proxy, since any other named person will be unlikely to be permitted to attend the meeting.

Entitlement to attend and vote

1 The right to attend and vote at the AGM is determined by reference to the Company's register of members. Only a member entered in the register of members as at close of business on 22 March 2021 (or, if the AGM is adjourned, in the register of members as at the close of business on the date which is two business days before the time of the adjourned AGM) is entitled to attend and vote at the AGM and a member may vote in respect of the number of ordinary shares registered in the member's name at that time. Changes to the entries in the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the AGM.

2 You may vote either:

(a) using the proxy card included with this notice;

(b) via www.sharegateway.co.uk and completing the authentication requirements. Shareholders will need to use their personal proxy registration code that is printed on the Form of Proxy to validate submission of their proxy online; or

(c) in the case of CREST members, by utilizing the CREST electronic proxy appointment service in accordance with the procedures set out below.

Proxies

3

(a) As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM. You can only appoint a proxy using the procedures set out in these notes.

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

(c) A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box on your proxy form. If you sign and return your proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

(d) 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 you. You may not appoint more than one proxy to exercise rights attached to any one share.

(e) If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box provided the number of shares in relation to which they are authorized to act as your proxy. If left blank your proxy will be deemed to be authorized in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. If you submit more than one completed valid proxy, the proxy received last before the latest time for receipt of proxies will take precedence.

(f) To appoint more than one proxy, you may photocopy the proxy form. Please indicate in the box on the form the number of shares in relation to which they are authorized to act as your proxy. Please also indicate with an 'X' in the place provided on the proxy form if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

(g) To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. 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 resolution. If you mark with an 'X' 'discretion', or if no voting indication is given, your proxy will vote or abstain from voting as he or she sees fit.

(h) In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorized officer of the company or an attorney for the company stating their capacity (e.g. Director, secretary).

(i) Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.

(j) CREST members who wish to appoint a proxy or proxies by using the CREST electronic appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST) subject to the provisions of the Company's articles of association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting 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. To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must be transmitted so as to be received by our agent Neville Registrars Limited, whose CREST participant ID is 7RA11, by 12.00 pm on 22 March 2021.

(k) 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).

(l) If you submit more than one valid proxy appointment, the appointment received last 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.

(m) As an alternative to completing a hard copy form of proxy, shareholders can vote electronically by visiting www.sharegateway.co.uk and completing the authentication requirements. Shareholders will need to use their personal proxy registration code that is printed on the Form of Proxy to validate the submission of their proxy online.

(n) In each case, whether through CREST or using a hard copy form of proxy, the appointment of a proxy must be received by Neville Registrars Limited at Neville House, Steelpark Road, Halesowen, B62 8HD by 12.00 pm on 22 March 2021. Hard copy proxy forms should not be sent to the Company's registered office.

Proxies continued

(o) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company as at close of business on 22 March 2021 or, in the event that this meeting is adjourned, on the register of members as at close of business on the day two days before the date of any adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members after close of business on 22 March 2021, or in the event that this meeting is adjourned, in the register of members after close of business on the day two days before the date of the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Corporate representatives

4 A shareholder of the Company which is a corporation may authorize a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company, though there are restrictions on more than one such representative exercising powers in relation to the same shares.

Nominated persons

5 Any person to whom this Notice is sent as a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

6 The statement of the rights of members in relation to the appointment of proxies in paragraph 2 above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by members of the Company.

Issued share capital and total voting rights

7 As at close of business on 22 January 2021, being the last practicable day prior to the publication of this Notice, the Company's issued share capital comprised 92,559,771 ordinary shares of one pence. 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 the date of this Notice is 92,559,771.

Members' requests under section 527 of the Act

8 Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish a statement on a website setting out any matter relating to: (i) the audit of the Company's Accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the last AGM. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the 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 includes any statement that the Company has been required under section 527 of the Act to publish on a website.

Members' rights to ask questions

9 Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

Inspection of documents

10 Copies of the Executive Directors' service contracts and the letters of appointment of the Non-Executive Directors will be available for inspection at the registered office of the Company during normal business hours until the date of the AGM, and at the place of the AGM from 15 minutes before the AGM until it ends.

Security

11 Security measures will be in place to ensure your safety at the AGM. Please do not bring suitcases, large bags or rucksacks. If you do, we may ask you to leave the item in the cloakroom. Recording equipment, cameras and other items that might interfere with the good order of the meeting will not be permitted. Mobile phones must be turned off or on silent during the meeting. Please also note that those attending the AGM will not be permitted to hand out leaflets in the venue.

Website

12 A copy of this Notice, and other information required by section 311A of the Act, can be found at the Company's website, www.oxfordbiodynamics.com.

Voting results

13 The results of the voting at the AGM will be announced through a regulatory information service and will appear on the Company's website, www.oxfordbiodynamics.com, as soon as reasonably practicable.

DEFINITIONS

The following definitions apply throughout this Annual Report and Accounts, unless the context requires otherwise:

Admission	the admission of the Company's ordinary shares to trading on AIM on 6 December 2016
AIM	the market of that name operated by the London Stock Exchange
Innovate UK	an executive non-departmental public body, sponsored by the UK Government's Department for Business, Energy and Industrial Strategy
IPO	Initial Public Offering
QCA Code	the QCA Corporate Governance Code for Small and Mid-Sized Quoted Companies, including AIM companies, as amended from time to time

GLOSSARY

Amyotrophic lateral sclerosis ('ALS')	rapidly progressive neurological disease attacking the nerve cells controlling voluntary muscle movement
Autoimmune	a pathological immune response against the body's own healthy tissue and cells
Biomarker	short for 'biological marker', a naturally occurring molecule, gene or characteristic which provides a measurable indicator or identification of a particular biological state or condition
Companion diagnostic	a diagnostic test using a device to determine if a therapeutic product will benefit the patient and outweigh the risks of its use
Diagnostics	the process of detection and identification of a disease
***EpiSwitch*™**	the Company's proprietary biomarker technology platform
Immuno-oncology (IO)	a type of immunotherapy used to treat cancer
Immunotherapy	a type of treatment to stimulate the body's immune response
Neurodegenerative	damage to the nervous system, particularly in the brain
Oncology	the study and treatment of tumours and cancer
Patient cohorts	groups of patients subjected to stratification analysis
Personalized medicine	medical procedure that separates patients into different groups and treats them accordingly, based on their predicted response and prognostic risk of disease
Prognostic	an indicator of the future course of a disease
R&D	research and development
Rheumatoid arthritis	a long-term, progressive condition causing pain, stiffness and swelling in the joints, particularly the hands and feet
Stratification	the process or result of separating a patient cohort into subgroups according to specified criteria, such as age, disease profile or response to therapeutic treatment
Therapeutic	the treatment of disease by the action of remedial agents
Therapeutics	treatments, drugs or therapies used to treat disease

COMPANY INFORMATION

Directors

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J A J Burrows
S C Diggle
D M A Holbrook
P L Stockdale
M A Wakefield

Secretary

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Reference laboratory (Malaysia)

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Malaysia

Company number

06227084 (England & Wales)

ISO Certification

UK
Combined ISO 13485:2016 / ISO 9001:2015

Malaysia
EN ISO 13485:2016

Regulated and Licensed by Human Tissue Authority
Licence No. 12571

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Awarded April 2019

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