RENALYTIX AI

Renalytix AI plc Annual Report and Financial Statements

For the Year Ended 30 June 2020

Index

Strategic Report

Chairman & CEO's Joint Statement

To the Members of Renalytix AI plc

We are delighted to present the annual report for the twelve months ended 30 June 2020 for Renalytix AI plc ("RenalytixAI" or the "Company").

About RenalytixAI

RenalytixAI was created to accelerate the introduction of advanced diagnostic products to the market place that could have a major impact on the cost and quality of life for patients with kidney and other chronic diseases. Chronic Kidney Disease ("CKD"), in particular, is one of the largest unmet medical challenges today. RenalytixAI was founded in 2018 based on research by leading nephrologists at the Icahn School of Medicine at Mount Sinai ("Mount Sinai") and initially funded through an admission to AIM, a market of the London Stock Exchange, on 6 November 2018. Post-period, in July, we expanded our capital base by raising an additional $85 million through an offering and listing on the Nasdaq Global Market.

We have made significant progress towards our operational, regulatory and reimbursement goals and are now engaged in commercial roll-out of our lead product, KidneyIntelX™, in the United States. In addition, we are seeing an increase in strategic partnering activities which will continue to build on the validation and commercial use cases for KidneyIntelX.

KidneyIntelX™

KidneyIntelX is a clinical grade, artificial intelligence in vitro diagnostic ("AI-IVD") solution that we believe will change the ability to identify rapid kidney function decline and/or kidney failure earlier and more accurately in diabetic patients with CKD. KidneyIntelX uses a unique combination of blood-based markers and electronic health record information to provide a unique patient risk-score. We believe KidneyIntelX is setting a medical and regulatory standard for use of artificial intelligence enabled algorithms to predict disease outcomes and drive actionable clinical response.

KidneyIntelX has achieved national medical reimbursement pricing and also regulatory approval to offer testing services nationally. We believe our core strategy of using in vitro diagnostic development protocols and quality standards will continue to yield commercial benefits such as growing reimbursement coverage and expanded use cases with regulatory review.

As our validation and utility study accumulate, KidneyIntelX has growing potential to be viewed as the compelling solution to promote early intervention in kidney disease where impact on care and cost is most effective. The board of directors of the Company (the "Directors" or the "Board") is pleased with the broad-based support that KidneyIntelX is attracting from leading clinicians and healthcare providers.

Operational Progress

In the year ended 30 June 2020 ("FY20") and the immediate post-period, the Company has achieved a number of key objectives culminating in the activation of KidneyIntelX within the Mount Sinai Health System, our launch hospital system partnership, shortly after period end. Expert experience is reflected in the design of the KidneyIntelX test report and the newly launched product website – www.kidneyintelx.com. We believe our education and support programme will be an important resource to help inform and improve care for early stage diabetic kidney disease ("DKD") patients and support future hospital system deployments of KidneyIntelX in the United States and abroad.

The Company also continues to execute on a number of key operational items including (1) growing our world-class employee base and leadership team to manage US national commercial expansion, (2) product development which will add to the KidneyIntelX clinical use cases and addressable market, (3) expanding laboratory services capacity with our new facility in Salt Lake City, Utah, (4) gaining further regulatory approvals which currently allow us to operate in 49 states and (5) generating additional utility and validation data to build-out our peer-reviewed performance data dossier.

Reimbursement

As we have previously reported, KidneyIntelX has achieved both a distinct Common Procedural Terminology ("CPT") reimbursement code 0105U and inclusion in the Final 2020 Clinical Laboratory Fee Schedule ("CLFS") by the Centers for Medicare and Medicaid Services ("CMS") which set a national price for KidneyIntelX at $950 per reportable test result. Post-period, CMS has submitted for public comment a rule which would provide an automatic National Medicare Coverage Determination for diagnostic devices under FDA Breakthrough Device designation upon approval. As we already have designated coding and pricing in effect and were awarded Breakthrough Device designation in May of 2019, this new proposed CMS rule making, if it becomes effective, could help shorten the time to addressable market population with insurance coverage for KidneyIntelX. We estimate that the number of DKD patients covered under Medicare exceeds 12 million and, in specific metro markets such as our New York City launch market, represents a majority of insured DKD patients.

Regulatory

Post-period in July 2020, we received a clinical laboratory permit from the New York State Department of Health (NYS DOH) to provide commercial testing of KidneyIntelX. The permit was granted following a review by a panel of NYS DOH scientists and external reviewers of the analytical and clinical validation results for KidneyIntelX. Officials from the NYS DOH successfully completed an inspection of the RenalytixAI New York laboratory as part of this process, with no findings reported.

In addition, post-period, we submitted our final package to FDA seeking clearance of KidneyIntelX. Our FDA process has been highly constructive and, we believe, fundamental to producing a robust first-in-class, artificial intelligence-enabled in vitro diagnostic product. Further we believe FDA clearance will be important to building on our national reimbursement strategy and clinical adoption.

Financing

RenalytixAI has continued to benefit from the participation of a growing investor base. In July 2019, we raised gross proceeds of $17.3m in a following-on financing on the AIM market, and post-period end, we raised an additional $85.1m in gross proceeds through an offering and concurrent dual-listing on the Nasdaq Global Market in the U.S. The Directors believe our company is now in a position with considerable financial resources to build our business and maintain a competitive advantage for years to come.

Strategic Partnerships

We believe that KidneyIntelX's unique value proposition and the early, but rapidly developing market for precision medicine applications in CKD will allow us to form long-term partnerships with key industry stakeholders including pharmaceutical, services and health care providers. These partnerships can have a material impact on expanding performance data and market opportunity around KidneyIntelX.

In FY20 and the post-period, we announced partnerships with two leading pharmaceutical companies, most recently with AstraZeneca (LSE/STO/NYSE: AZN). Our partnership with AstraZeneca is examining uptake of, and patient adherence to, chronic kidney disease treatments using the ability of KidneyIntelX to identify patients earlier with progressive decline in kidney function.

In May 2020, we entered into a joint venture with Mount Sinai to form Kantaro Biosciences LLC ("Kantaro") for the purpose of developing and commercialising test kits for the detection of blood antibodies to SARS-CoV-2 based on technology originally developed by Mount Sinai. We believe Kantaro and its exclusive manufacturing and distribution partner Bio-Techne (NASDAQ TECH) are making progress towards key regulatory and other commercial milestones that will enable these testing kits to be sold worldwide.

Patient Studies

We have now completed expanded clinical validation studies for patients with DKD with positive results consistent with the KidneyIntelX interim analyses announced on 9 July 2019. These study results were presented at the 80th Annual American Diabetes Conference and are under peer-review for journal publication. These data results were part of our KidneyIntelX FDA filing requesting clearance.

During the period, a collaboration study was completed with University Medical Center Groningen ("UMCG"), Netherlands, to determine the ability of KidneyIntelX to identify patients that will experience a progressive decline in kidney function or kidney failure in over 9,000 blood samples analysed across multiple time points in 3,500 patients followed longitudinally. In addition, we are evaluating the response to drug therapy based on baseline risk and change in risk over time as defined by KidneyIntelX. The analyses are ongoing, and multiple findings from the dataset will be presented at international conferences including the American Society of Nephrology Kidney Week, October 2020 in Denver.

Intellectual Property

In the period, the U.S. Patent and Trademark Office allowed claims extending the use of one of KidneyIntelX's primary blood biomarkers, sTNFR1, to all patients with diabetes to determine an increased risk of developing progressive kidney disease or kidney failure. We have also completed rights to additional patent applications for use with KidneyIntelX.

We continue to build out our intellectual property portfolio and are actively evaluating in-licensing opportunities that will enhance our competitive product positioning.

Human Resources

Fundamental to execution of our business plans is the hiring and retention of top-tier professionals through the entire company operations. Leading in to our NASDAQ listing, we implemented an international search to fill key management and operating positions critical to commercialisation, product development, quality control, marketing, governance and other core functions. To date we have filled several positions including VP of Health Systems Partnerships, Chief Human Resources Officer, VP of Project Management, Director of Scientific Project Management, Billing Manager, Client Services Director, Senior Site Reliability Engineer, Clinical Laboratory Scientist, Senior Manager Technical Accounting, Client Services Specialist, among others. Professionals coming on board RenalytixAI have cited an excitement to be part of a high-growth opportunity intersecting with a game-changing technology that can affect many patient lives.

Finally, we would like to thank Julian Baines and Richard Evans for their valued service as directors of the Company (Mr. Baines as chairman) since inception until our dual-listing on Nasdaq.

Christopher Mills

Chairman

James R. McCullough

Chief Executive Officer

Company Overview

Pioneering Next-Generation Health Technology Solutions for Kidney Disease

RenalytixAI is an artificial intelligence-enabled in vitro diagnostics company, focused on optimising the clinical management of kidney disease to drive improved patient outcomes and advance value-based care. Our goal is to lower healthcare costs and improve a patient's quality of life by transforming the paradigm for kidney disease risk assessment and clinical management through our KidneyIntelX platform. KidneyIntelX is a first-in-class artificial intelligence-enabled in vitro diagnostic enabling risk prediction of progressive decline in kidney function and/or risk of kidney failure in diabetic patients with CKD.

We believe KidneyIntelX is a powerful prognostic tool to help clinicians and patients slow the progression of kidney disease and support strategies to prevent kidney failure and the need for long-term dialysis or a kidney transplant. We are continuing to build a body of evidence through clinical validation and utility studies demonstrating that accurate and early identification of high-risk patients, coupled with guidelines-driven clinical recommendations designed to maximise patient treatment and compliance, can have a measurable positive impact on a patient's quality of life.

On a Mission to Combat a Devastating and Costly Disease

Kidney disease is a public health epidemic affecting over 850 million people globally, approximately twice that of diabetes and 20 times more than cancer. Commonly referred to as a "silent disease," kidney disease is often asymptomatic until a majority of kidney function has been lost. As a result, CKD is associated with significant morbidity, mortality, and healthcare costs.

In the United States, 15 percent of adults, or 37 million people, currently have CKD, significantly impacting their quality of life and resulting in Medicare spending of over $120 billion per year. Further, the CDC reports that 9 out of 10 adults with CKD do not know they have it, and one out of two people with very low kidney function who are not on dialysis do not know they have CKD.

It is estimated that one-third of adults in the U.S. are at risk for kidney disease. This risk is greatest for those suffering from diabetes, high blood pressure, heart disease, and obesity. Studies have also shown that ethnicity is a determining factor, with African Americans and Hispanic populations deemed most at risk.

In response to this substantial kidney disease burden, a U.S. Presidential Executive Order on Advancing American Kidney Health was issued in July 2019 to support changes in kidney disease care and to prevent kidney failure whenever possible through better diagnosis, treatment, and incentives for preventative care.

We believe that RenalytixAI is well-positioned to help meet this urgent medical need with KidneyIntelX, initially indicated for adult patients with type 2 diabetes and existing CKD, accounting for 20 to 30 percent of the estimated 37 million U.S. CKD patients.

Operational and Financial Highlights

Operational Highlights

- CPT reimbursement code 0105U for KidneyIntelX became effective across the U.S. on 1 October 2019
- Medicare national pricing for KidneyIntelX set at $950 per reportable test result, effective through December 2022
- First positive coverage determinations from both private insurance payors and preferred provider organisations in the U.S.
- Medicare coverage determination process initiated with results expected in 2021
- New York State Department of Health approved KidneyIntelX for patient testing
- FDA Regulatory review process for KidneyIntelX continues on track
- CLIA Certificate of Registration received to initiate commercial testing for newly established commercial laboratory in Utah
- Mount Sinai electronic medical record (EMR) system integration initiated for KidneyIntelX
- Completed 3,500 patient diabetic kidney disease study evaluating the effectiveness of KidneyIntelX
- Submitted manuscripts for publication highlighting predictive performance and health economics savings potential
- Research collaboration with University of Michigan provides access to novel biomarker technology and to the C-PROBE cohort for potential expanded indications for KidneyIntelX
- Health economic model developed by Boston Healthcare Associates demonstrates compelling savings for payers and providers, achieving breakeven in less than two years
- Key leadership appointments including Dr. Chirag Parikh (Non-Executive Director) and Thomas McLain (President & Chief Commercial Officer)
- Additional key operating hires to support commercial operations
- Expansion of intellectual property portfolio
- Advancing commercial discussions with additional insurance payors and healthcare providers
- U.S. Presidential Executive Order, *Advancing American Kidney Health,* prioritises the need for transformation in the prevention and treatment of kidney disease
- Approved to offer KidneyIntelX testing in 50 states

2020

Q3
- Initiation of KidneyIntelX Testing at Mount Sinai
- FDA Submission
- AstraZeneca Collaboration

Q2
- Nasdaq IPO (RNLX)
- Univ. of Michigan Partnership

Q1
- Expanded Payor Coverage
- New York State Commercial Testing Approval

2019

Q4
- Opened Utah CLIA Testing Facility
- Medicare Pricing

Q3
- KidneyIntelX CPT Code

Q2
- First Payor Coverage
- FDA Breakthrough Device Designation

Q1

2018

Q4
- London Stock Exchange IPO (LON:RENX)

Financial Highlights

- Placing of new ordinary shares in July 2019 secondary offering raising gross proceeds of $17.3m
- $2.9 million invested in assay development, laboratory equipment and clinical validation during the period ($4.5m invested since inception)
- Net loss after tax for the period of $9.3m, in line with expectations and reflecting continuing investment in key development, regulatory and commercialisation activities (FY 2019: $6.2m)
- Cash and equivalents of $13.3m on 30 June 2020 (prior to July 2020 Nasdaq dual-listing and associated financing)
- Post period end: completed successful offering and Nasdaq dual-listing in July 2020 raising net capital of $76.1m after commissions, fees and associated offering expenses ($85.1m gross)

Post-Period End Developments

- Activation of KidneyIntelX within the Mount Sinai Health System in September 2020
- Submission of final package to FDA seeking clearance of KidneyIntelX
- Collaboration with AstraZeneca (LSE/STO/NYSE: AZN) to develop and launch precision medicine strategies for cardiovascular, renal and metabolic diseases
- Initiation of a multi-centre study to conduct in-depth investigations into kidney-related complications and long-term outcomes linked to COVID-19
- Spin-out of Verici Dx (previously FractalDx) completed and admission to AIM of Verici Dx under consideration
- Dual-listing achieved on Nasdaq Global Market in the U.S., expanding institutional investor base
- Achieved regulatory approval offer KidneyIntelX testing in all 50 states
- Building human resources base to implement scale up of operations including VP of Health Systems Partnerships, VP of Chief Human Resources Officer, VP of Project Management among others

Indemnification Agreements

The Company entered into new deeds of indemnity with each Director of the Company in respect of liabilities to which they may become liable in their capacity as Director of the Company and of any Company in the Group during the year in connection with the Nasdaq dual-listing.

Product Overview and Strategy

RenalytixAI is a commercial-stage artificial intelligence-enabled in vitro diagnostics company, focused on optimising clinical management in chronic kidney disease to help drive improved patient outcomes and significantly lower healthcare costs. The Company's products are being designed to make significant improvements in kidney disease prognosis, transplant management, clinical care, and patient stratification for drug clinical trials.

KidneyIntelX: Bringing Precision Medicine to Kidney Care

KidneyIntelX employs a proprietary, artificial intelligence-enabled algorithm that combines diverse data inputs, including validated blood-based biomarkers, inherited genetics, and data from electronic health record systems to generate a unique patient risk score, which is reported to the treating clinician on a scale from 0 to 100 and categorises patients into low-, intermediate-, and high-risk strata. This patient risk score enables prediction of progressive decline in kidney function in patients with diabetic kidney disease (DKD), allowing physicians and healthcare systems to optimise the allocation of treatments and clinical resources to those patients at highest risk.

KidneyIntelX is one of the first in vitro diagnostics with the novel capability of using a machine learning-enabled algorithm to generate a continuous risk score. KidneyIntelX enables timely and accurate prediction of risk of disease progression in the earlier stages of DKD, where active intervention has the most potential to delay or prevent progression to kidney failure and the need for dialysis or a kidney transplant.

Our business model is focused, in part, on partnerships with healthcare systems and insurance payors to drive rapid adoption across regionally concentrated populations of DKD patients and maximise data analysis and clinical management strategies across all key disease stakeholders.

Commercialisation

KidneyIntelX is designed as a scalable platform that can be optimised and deployed into clinical use on a validated-version by validated-version basis. The initial commercial launch version of KidneyIntelX is indicated for patients 21 years of age or older with earlier stage DKD (Stages 1 through 3) and assesses the risk of progressive decline in kidney function over a five-year timeframe.

In June 2020, RenalytixAI received approval to commence commercial testing from the New York State Department of Health's Clinical Laboratory Evaluation Program. With licensed CLIA commercial laboratories in Salt Lake City, Utah and New York, New York, RenalytixAI can currently provide KidneyIntelX testing services in 50 states.

Reimbursement and Regulatory Progress

RenalytixAI is actively engaged in efforts to achieve commercial coverage and reimbursement for KidneyIntelX. In February 2020, we received certification to ISO 13485 for the Salt Lake City Laboratory. In FY20, KidneyIntelX was granted a common procedural terminology (CPT) code and received its first positive coverage determination from a private insurance payor group. In addition, the Centers for Medicare and Medicaid Services ("CMS") set the national price for KidneyIntelX at $950, effective on 1 January 2020. This price will remain in effect for a three-year term from January 2020 until December 2022.

In May 2019, KidneyIntelX was granted Breakthrough Device Designation from the U.S. Food and Drug Administration (FDA). In June 2020, we received approval from the New York State Department of Health (NYS DOH) to provide commercial testing of KidneyIntelX. The approval was granted following a review by a panel of NYS DOH scientists and external reviewers of the analytical and clinical validation results for KidneyIntelX. Additionally, officials from the NYS DOH successfully completed an inspection of our New York laboratory with no deficiencies reported.

Partnership Model

Partnerships with healthcare systems are core to our adoption and growth strategy. Integrated partnerships are designed to allow KidneyIntelX to be deployed directly to patient populations and their treating clinicians in a cost-efficient and timely manner.

Our Company was founded through a collaborative effort with the Mount Sinai Health System (Mount Sinai). Mount Sinai is one of our significant shareholders and the launch partner for KidneyIntelX. Mount Sinai encompasses the Icahn School of Medicine at Mount Sinai and eight hospital campuses in the New York metropolitan area. Mount Sinai is a pioneer in kidney health and devoted to discovering causes, prevention, and treatment of kidney disorders. Our collaborative research and validation studies with Mount Sinai utilise the Mount Sinai BioMe biobank. BioMe is designed to enable researchers to conduct genetic, epidemiologic, molecular, and genomic studies using research specimens from consented participants, which are linked with each participant's de-identified health information. For KidneyIntelX, this has allowed us to conduct rapid, prospective clinical validation using samples banked at "time zero," prior to the occurrence of progressive kidney function decline.

In June 2020, we announced a partnership with the University of Michigan to extend the application of the KidneyIntelX platform to an expanded population of patients with established CKD or at risk of developing CKD. RenalytixAI also announced a data sharing agreement with a top ten global pharmaceutical company during this same time period.

RenalytixAI COVID-19 Initiatives

In FY2020, RenalytixAI also emerged as an innovator in the fight against COVID-19, employing its scientific resources and technology to help mitigate the impact of the COVID-19 pandemic.

Prediction of Major Adverse Kidney Events and Recovery Study

In April 2020, RenalytixAI announced a study launched in conjunction with the Icahn School of Medicine at Mount Sinai to assess the risk of adverse kidney events in patients diagnosed with COVID-19 in the acute hospitalisation setting. The study is using the KidneyIntelX platform to analyse clinical features and several biomarkers as predictors of major adverse kidney events in patients hospitalised with COVID-19. Data from this study will be used to foster research projects to improve the knowledge of COVID-19 and augment clinical operations with augmented intelligence.

Kantaro Biosciences

Additionally, in May 2020, Renalytix announced the launch of Kantaro Biosciences, a joint venture with the Icahn School of Medicine at Mount Sinai, to develop and scale production and distribution of a high-performance test kit for SARS-CoV-2 antibodies. The underlying technology was created by Mount Sinai's internationally-recognised team of virologists and pathologists, and is designed for use in any lab without the need for proprietary equipment. The test will deliver valuable information regarding the level of potentially neutralising antibodies in previously infected individuals. Additionally, the test will diagnose patients' post-acute infection, that previously were asymptomatic or did not receive a diagnostic test during the acute infection period. This diagnostic information is vital to patients presenting with signs and symptoms of known comorbidities such as multisystem inflammatory syndrome in children, cardiac anomalies, and acute kidney injury. This information is also expected to be critical to the development of vaccines and therapeutics, as well as the assessment of workplace personal protection programmes and population vaccination programmes.

Financial Review

The results presented cover FY20. The Group's presentational currency is the United States Dollar.

Key Performance Indicators

Renalytix AI and its subsidiaries (together, the "Group") focuses on assay development and operating/ administrative costs relative to plan as key performance indicators, as well as its cash position. Once test sales commence, revenue, gross margin and adjusted EBITDA will be added as performance indicators, as well as certain non-financial measures.

Income Statement

Revenue

The Group is in its initial commercial launch phase and therefore has not yet commenced revenue generation as of the end of FY20. The Group expects commercial testing sales to begin in the first half of the financial year ended 30 June 2021 ("FY21").

Administrative Costs

During FY20, administrative expenses totalled $11.1m (financial year ended 30 June 2019 ("FY19"): $7.6m). The major items of expenditure were general and administrative costs of $8.9m (FY19: $6.4m) which included $4.6m in employee-related costs (FY19: $2.1m), $3.0m in subcontractors, legal, accounting, and other professional fees (FY19: $2.6m), and $2.3m in insurance, marketing, materials, rent, and other administrative costs (FY19: $1.7m). Depreciation and amortization expense totalled $1.2m for the period (FY19: $1.2m).

Finance Income

Finance income totalled $0.5m during FY20 (FY19: $0.2m) related to interest earned on short-term investments.

Other Income

$0.1m was generated through the sale of assay materials in support of a third-party study.

Balance Sheet

Inventory

During FY20, the Company purchased $0.4m of consumable assay materials to be used in the processing of tests to be sold. Inventory on hand at 30 June 2020 totalled $0.3m (no inventory on hand in FY19).

Fixed Assets

Property, plant, and equipment consists of laboratory equipment being used to support the product development activities. At 30 June 2020, the company held $0.9m in net property, plant, and equipment (FY19: $0.3m).

Intangible Assets

$17.1m net book value of intangible assets held at 30 June 2020 (FY19: $18.8m) includes payments made primarily to Mount Sinai for license and patent costs for the intellectual property underlying KidneyIntelX and VericiDx, as well as amounts capitalised as development costs. Intangible assets also include the value of the biomarker business purchased (in exchange for ordinary shares in the Company) from EKF.

Deferred Tax

A deferred tax asset totalling $2.3m (FY19: $1.0m) has been calculated based on the accumulated tax losses in the US.

Cash

The Group had cash on hand of $13.3m (FY19: $7.3m). Cash and equivalents are held in several deposit accounts in the US ($10.9m) and UK ($2.4m), as well as in US Treasury Bills ($1.0m). Our expenditure plans remain sufficiently adaptable to align with available resources.

Borrowings

In April 2020, the Company entered into an original loan agreement with Fortis Private Bank as the lender ("Lender") for a loan in an aggregate principal amount of $0.3 million (the "Loan") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and implemented by the U.S. Small Business Administration. The Loan matures in two years and bears interest at a rate of 1% per annum, with all payments deferred through the six-month anniversary of the date of the Loan. Principal and interest are payable monthly commencing on October 29, 2020 and may be prepaid by the Company at any time prior to maturity without penalty. The Company may apply for forgiveness of amounts due under the Loan, with the amount of potential loan forgiveness to be calculated in accordance with the requirements of the PPP based on payroll costs, any mortgage interest payments, any covered rent payments and any covered utilities payments during the 8-week period after the origination date of the Loan. The Company intends to use proceeds of the Loan for payroll and other qualifying expenses, but there can be no assurances that any portion of the Loan will be forgiven.

Other than the Loan, the Group has no long-term debt outstanding as of 30 June 2020.

Post Balance Sheet Event

The Company completed a Nasdaq dual-listing in July 2020 and associated financing raising net capital of $76.1m after commissions, fees and offering expenses.

Risk Management Approach

We recognise that effective risk management is essential to the successful delivery of the Group's strategy. As we grow our business, we believe it is important to develop and enhance our risk management processes and control environment on an ongoing basis and ensure it is fit for purpose by identifying and managing risks across the Group in a consistent and robust manner.

Below we describe our risk management approach, the principal risks and uncertainties faced by the Group and the controls in place to manage them.

Overview of Risk Management Approach

The key principles that guide the Group's risk management approach are outlined below:

- It is the employees' responsibility to ensure they understand and comply with the Risk Management Policy and their defined risk management roles and responsibilities.
- There is a defined risk management governance structure with clear accountabilities at Group's location.
- A consistent risk management approach is used throughout the Group to identify and manage risks posed in the AI and life sciences industries.
- Risk management is embedded in all key processes and decision-making within the Group (including strategy setting, budgeting, planning and day-to-day operations and activities).

A risk register is maintained and updated periodically. The register includes the risk description, risk owner, mitigation/control description and risk profile.

Principal Risks and Uncertainties

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

The Group Is Dependent Upon Its Strategic Collaboration With Third Party Partners

The Group is working to develop and commercialise its products in close collaboration with strategic partners. The Group is dependent upon third parties for resources and revenue. Failure by these strategic partners to meet its key contractual obligations or to purchase KidneyIntelX tests, for whatever reason, would likely have a material adverse effect on the Group and its ability to achieve its commercial objectives, potentially including the attainment of sales volumes leading to profitability, and may ultimately result in the Group becoming unviable.

Regulatory Risk

There can be no guarantee that any of the Group's products will be able to obtain or maintain the necessary regulatory approvals in any or all of the territories in respect of which applications for such approvals are made. Where regulatory approvals are obtained, there can be no guarantee that the conditions attached to such approvals will not be considered too onerous by the Group or its partners in order to be able to market its products effectively.

The Group seeks to reduce this risk by seeking advice from regulatory advisers, consultations with regulatory approval bodies and by working with experienced partners.

Reimbursement Levels

There is no guarantee that the Company will be able to continue to sell its products or services profitably if the reimbursement level from third party payers, including government and private health insurers, is limited or subsequently withdrawn. Third party payers are increasingly attempting to contain health care costs through measures that could impact the Company including challenging the prices charged for health care products and services, limiting both coverage and the amount of reimbursement for new diagnostics products and services, and denying or limiting coverage for products that are approved by the regulatory agencies but are considered experimental by third party payers.

The Company understands that due to third party dependency it is extremely difficult to eradicate this risk. However, the Company manages this risk with constant dialogue and educating the third-party payers on the Group's products and also developing new technologies in order to seek additional reimbursements.

Key Employees

The Company's future development and prospects depend to a significant degree on the continuing contribution of key members of its Board, Senior Management and Scientific Advisory Board. As a small organisation, the Company relies on a core team of staff and is therefore exposed to any significant departures of key personnel. In particular, the Company's performance depends significantly on the continuing contribution of its CEO, James McCullough, its President, Thomas McLain, its CTO, Fergus Fleming, its CFO, O. James Sterling and its CMO, Michael Donovan.

The Group operates in a highly competitive field and the expertise and skills of key individuals are also applicable in a number of other fields and industries. The high level of demand for such expertise and skills means that there is increasingly intense competition for talent. The departure of any of the key members to pursue other opportunities or because they are no longer able to continue to perform their roles (for whatever reason) could have a negative impact on its operations and could affect the Group's ability to execute the Group's business strategy.

To seek to mitigate the potential risk of departures, the Company has adopted a competitive remuneration structure, which includes share-based incentives. The Company has also taken out key-man insurance on James McCullough. However, there can be no assurance that this insurance will be adequate or continue to be available on appropriate terms or at all.

Obsolescence of Group's Products

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

The Group is Subject to Increasingly Stringent Privacy and Data Security Legislation

Regulatory, legislative or self-regulatory/standard developments regarding privacy and data security matters could adversely affect the Group's ability to conduct the Group's business. The Group is subject to laws, rules, regulations and industry standards related to data privacy and cyber security, and restrictions or technological requirements regarding the collection, use, storage, protection, retention or transfer of data.

For the foreseeable future, the Group will only process data relating to patients in the US and will therefore be subject to various rules and regulations, including those promulgated under the authority of the US Department of Health and Human Services, the Federal Trade Commission, and state cybersecurity and breach notification laws, as well as regulator enforcement positions and expectations.

If the Company begins processing personal data in the context of an establishment in a country that is subject to the GDPR or if it offers products or services to residents of an EU country, it will have to comply with various robust obligations.

Globally, governments and agencies have adopted and could in the future adopt, modify, apply or enforce laws, policies, regulations, and standards covering user privacy, data security, technologies that are used to collect, store and/or process data, marketing online, the use of data to inform marketing, the taxation of products and services, unfair and deceptive practices, and the collection (including the collection of information), use, processing, transfer, storage and/or disclosure of data associated with unique individual internet users. New regulation or legislative actions regarding data privacy and security (together with applicable industry standards) may increase the costs of doing business and could have a material adverse impact on the Group's operations and cash flows.

Despite the Group's ongoing efforts to ensure practices are compliant, the Group may not be successful either due to various factors within the Group's control, such as limited financial or human resources, or other factors outside the Group's control. It is also possible that local data protection authorities may have different interpretations of the GDPR, leading to potential inconsistencies amongst various EU member states.

Competition

The markets in which the Group operates, which include the markets for laboratory developed tests, clinical diagnostic support tools and clinical AI solutions, are potentially highly competitive and rapidly changing.

Competitors may have access to considerably greater financial, technical and marketing resources. The availability and price of the Group's competitors' clinical AI development services could limit the demand, and the price the Group is able to charge, for its services. New competing products may enter the market and make the Group's discoveries and the products developed from those discoveries obsolete. Alternatively, a competitor's products may be more effective, cheaper or more effectively marketed than the products developed by the Group, which could have a material adverse effect on the Group's profitability and/or financial condition.

Technological competition from medical device companies, life science companies, universities and academic medical centres is intense and can be expected to increase. Many competitors and potential competitors of the Group have substantially greater product development capabilities and financial, scientific, marketing and human resources than the Group. The future success of the Group depends, in part, on its ability to maintain a competitive position, including an ability to further progress through the necessary preclinical and clinical trials to support commercialisation, marketing authorisation where necessary, and coverage and reimbursement. Other companies may succeed in commercialising products earlier than the Group or in developing products that are more effective than those which may be produced by the Group. While the Group will seek to develop its capabilities in order to remain competitive, there can be no assurance that research and development by others will not render the Group's products obsolete or uncompetitive.

Research and Development Risk

The Group operates in the life sciences sector and will look to exploit opportunities within that sector. The Group is involved in complex clinical development processes and industry experience indicates that there may be a very high incidence of delay or failure to produce the desired results. The Group may not be able to develop new products or to identify specific market needs that can be addressed by technology solutions developed by the Group. The ability of the Group to develop new technology relies, in part, on the recruitment of appropriately qualified staff as the Group grows. The Group may be unable to find a sufficient number of appropriately highly trained individuals to satisfy its growth rate which could affect its ability to develop as planned.

Product development timelines are at risk of delay, particularly since it is not always possible to predict the rate of patient recruitment into clinical trials. There is a risk therefore that product development could take longer than presently expected by the Board. If such delays occur, the Group may require further working capital. The Board shall seek to minimise the risk of delays by careful management of projects.

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

Financial Reporting and Disclosure

Due to the nature of the Group there is a requirement to report accurate financial information in compliance with accounting standards and applicable legislation.

This risk is mitigated through the Group's internal controls over the financial information and reporting, overseen by the local financial heads and then reviewed by the central finance team, including the Chief Financial Officer. The annual financial statements are also subject to audit by the Group's external auditors.

Cyber Security Risk

The Group uses computers extensively in its operations and has an online presence but does not trade online. It is at risk of attack through hacking or other methods. This risk is mitigated by the use of robust security measures, staff training, and back-up systems.

Intellectual Property Risk

The commercial success of the Group and its ability to compete effectively with other companies depends, amongst other things, on its ability to obtain and maintain patents sufficiently broad in scope to provide protection for the Group's intellectual property rights against third parties and to exploit its products. The absence of any such patents may have a material adverse effect on the Group's ability to develop its business.

The Group mitigates this risk by developing products where legal advice indicates patent protection would be available, seeking patent protection for the Group's products, maintaining confidentiality agreements regarding Group know-how and technology and monitoring technological developments and the registration of patents by other parties. The commercial success of the Group also depends upon not infringing patents granted, now or in the future, to third parties who may have filed applications or who have obtained, or may obtain, patents relating to business processes which might inhibit the Group's ability to develop and exploit its own products.

Pandemic Risk

The recent COVID-19 pandemic has created uncertainty in the market in the short term. Many countries are either closed or on the verge of being shut down, and government action is having a significant effect on economies across the world. The eventual severity and length of the economic disruption is impossible to forecast. We believe we have a robust plan in place to mitigate the effect of the disruption on the business including taking the following actions (amongst others):

- Organising for as many staff as possible to work from home
- Improving our computer networking to facilitate remote working
- Gaining designation as a company essential to basic medical care which allows our premises to remain open even in a lockdown
- Improved social distancing by limiting physical meetings, expanding flexible working, and altering production practices
- Preparing requests for support for short time working with local authorities in case this becomes necessary
- Banning international travel and limiting domestic travel
- Increasing supplier and customer contact so as to be able to anticipate issues and react quickly

We have insurance cover in place in case there is a loss of business, although it cannot be guaranteed that cover will be sufficient to protect against all eventualities.

We have not yet seen any material disruption to our business as a result of the COVID-19 pandemic and current trading suggests that our base case forecasts are still applicable. However, at this stage, it is difficult to assess reliably whether there will be any material disruption in the future. We have modelled a number of scenarios covering reductions in revenue of 10% and 50%, without taking into account the potential benefits of any mitigation strategies such as potential cost savings or insurance claims. We have also modelled out 100% reductions in revenue with cost savings within our control. While the eventual severity and length of the economic disruption stemming from the pandemic is impossible to forecast these models give the Directors reasonable confidence that the business has sufficient resources to continue as a going concern for at least the next 12 months.

Section 172 Statement

The Directors are required by law to act in good faith to promote the success of the Company for the benefit of the shareholders as a whole and are also required to have regard to the following:

- the likely long-term consequences of any decision;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

Please see the Corporate Governance Statement in the Directors' Report for an overview of the Company's corporate governance arrangements.

The Chairman and Chief Executive Officer's joint statement and the section headed "Product Overview and Strategy" in this Strategic Report describes the Group's activities, strategies and future prospects, including the considerations for long-term decision making. In particular, the Group has made significant progress towards its operational, regulatory and reimbursement goals and is now engaged in commercial roll-out of its lead product, KidneyIntelX in the United States. In addition, the Group is seeing an increase in strategic partnering activities which will continue to build on the validation and commercial use cases for KidneyIntelX.

The Board has a good relationship with the Group's employees. The Board maintains constructive dialogue with employees through the Chief Executive Officer and other members of the executive team. Appropriate remuneration and incentive schemes are maintained to align employees' objectives with those of the Group. See further under Employees in the section headed "Corporate Social Responsibility" below.

The Group endeavours to maintain good relationships with its suppliers by contracting on fair business terms, paying within agreed timeframes, and responding promptly to inquiries.

The Group's operations have minimal environmental impact. Please see Environment in the section headed "Corporate Social Responsibility" below for more details.

The Board recognises the Group's duty to be a good corporate citizen. See Social, community and human rights in the section headed "Corporate Social Responsibility" below for more details. Please also see details of our initiatives in relation to the global COVID-19 pandemic under "Renalytix AI Covid-19 Initiatives".

The Board recognises the importance of maintaining high standards of business conduct. The Group operates a Code of Business Conduct and Ethics applicable to its employees, independent contractors, executive officers and directors. A current copy of the Code of Business Conduct and Ethics is available on our website, which is located at www.renalytixai.com.

The Board endeavours to maintain good relationships with its shareholders and treat them equally. This is described in more detail in the Corporate Governance Statement under the heading "Relations with Shareholders".

There were a number of initiatives and strategic actions undertaken during FY20 which the Directors believe were in the best interests of the Company and all its stakeholders as follows:

- In May 2020, following negotiations, during which the Board had full oversight, the Company and Mount Sinai entered into the Kantaro Operating Agreement for the purpose of developing and commercialising laboratory tests for the detection of antibodies against SARS-CoV-2 originally developed by Mount Sinai. Kantaro has partnered with Bio-Techne Corporation to develop the new test with the goal of commercially launching in the third quarter of calendar year 2020. The decision to invest time and resources into the global effort against SARS-CoV-2 demonstrates a commitment to community engagement on behalf of the Board. The Board considered this transaction to be in the best interests of all stakeholders.
- The Company made key strategic appointments during the period of review, including Thomas McLain (President & Chief Commercial Officer) and Dr. Chirag Parikh (Non-Executive Director). Mr McLain brings extensive experience in progressive diagnostic reimbursement strategy, having served as Board Chair and Board member of numerous successful pharmaceutical, biotechnology and diagnostic companies. Dr. Parikh is the Director of the Division of Nephrology and the Ronald Peterson Professor of Medicine at the Johns Hopkins School of Medicine. Each of these strategic appointments was made with consideration for all of our key stakeholders. The Board continually reviews the Company's composition of Directors and officers in order to ensure that the relevant level of expertise and experience is maintained at senior management level and above. Our continual review of Board composition and thorough decision making regarding key strategic hires is central to our value creation strategy and is beneficial for our shareholders, employees, and customers as a whole.
- Throughout the period, the Board had full oversight of ongoing discussions and negotiations with third parties in respect of potential business development transactions which could further strengthen the Company's financial position. After the period end, the Company entered into a collaboration with AstraZeneca to develop and launch precision medicine strategies for cardiovascular, renal and metabolic diseases. The Board considered this transaction in the best interests of all stakeholders.
- During FY20, the Board dedicated significant time and resources to achieving the offering and dual-listing on Nasdaq, which was completed after the end of the financial year. The Board concluded that pursuing the offering and dual-listing was in the best interests of all stakeholders as it enabled the Company to obtain additional capital to support its operations, to create a public market for American Depositary Shares representing the Company's ordinary shares in the United States and to facilitate future access to the U.S. public equity markets.

Corporate Social Responsibility

Environment

The Directors consider that the nature of the Group's activities is not inherently detrimental to the environment. The Group is committed to identifying and minimising any effect on the environment caused by its operations. As a minimum standard, we will fully comply with all relevant legislation and, wherever possible, look for opportunities to make a positive contribution to the environments in which we operate.

Employees

The Group places great value on the involvement of its employees and they are regularly briefed on the Group's activities. The Group closely monitors staff attrition rates which it seeks to keep at low levels and aims to structure staff compensation levels at competitive rates in order to attract and retain high calibre personnel.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the specific aptitudes of the applicant involved. It is the policy of the Group that the training, career development and promotion of disabled persons, as far as possible, be identical to that of other employees.

Social, Community and Human Rights

The Board recognises that the Group has a duty to be a good corporate citizen and to respect and comply with laws, regulations, and where appropriate the customs and culture of the territories in which it operates. The Group encourages employees to take part in charitable activities which are related to our business areas or customers. It contributes as far as is practicable to the local communities in which it operates and takes a responsible and positive approach to employment practices.

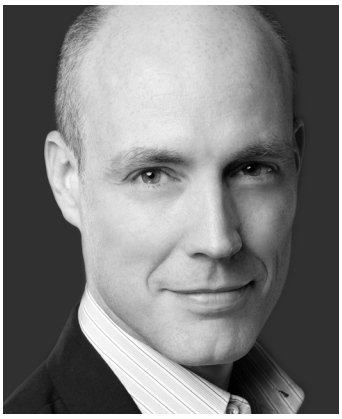
Corporate Governance

Board of Directors

Christopher Mills

Non-Executive Chairman (Aged 67)

Christopher Mills has served as a member of the RenalytixAI Board since its inception. Christopher founded Harwood Capital Management in 2011, a successor to its former parent company, J.O. Hambro Capital Management, which he co-founded in 1993. He is Chief Executive and Investment Manager of North Atlantic Smaller Companies Investment Trust plc and Chief Investment Officer of Harwood Capital LLP. He is a Non-executive Director of a number of companies, including EKF Diagnostics. Christopher was a Director of Invesco MIM, where he was Head of North American Investments and Venture Capital, and of Samuel Montagu International.



James McCullough

Chief Executive Officer and Director (Aged 52)

James McCullough has served as RenalytixAI's co-founder and Chief Executive Officer since its inception. James has leadership experience building emerging technology companies in both the public and private sectors with specific expertise in the life-sciences industry. James was most recently Chief Executive Officer of Exosome Diagnostics, a venture-backed personalised medicine company developing non-invasive liquid biopsy diagnostics in cancer, which was recently acquired by Bio-Techne Corporation. James is also a managing partner of Renwick Capital, LLC, a management consulting firm specialising in assisting emerging healthcare technology companies with strategic planning and business execution, and was a co-founder of PAIGE.AI, a computational pathology spin-out from the Memorial Sloan Kettering Cancer Center. James received his B.A. from Boston University and an M.B.A. from Columbia Business School. James is currently Chairman of BalletNext, a performing arts company in New York City.

Fergus Fleming

Chief Technical Officer and Director (Aged 53)

Fergus Fleming has served as RenalytixAI's Chief Technical Officer since its inception. Fergus is managing director of FF Consulting Limited and Head of Business Development for Oncomark Limited. Fergus has over 25 years' experience in the life sciences sector, including leadership positions with Baxter Healthcare, Boston Scientific, Trinity Biotech plc, and EKF Diagnostics. Fergus has extensive experience in the design and manufacture of medical device software, in vitro diagnostics instruments and reagents, and electromechanical devices. He has extensive experience managing global projects, including clinical research collaborations, product development, acquisition integration, and manufacturing site transfers.

Erik Lium Ph.D.

Non-Executive Director (Aged 52)

Erik Lium, Ph.D., has served as a member of the RenalytixAI Board since November 2018. Dr. Lium is the executive vice president of Mount Sinai Innovation Partners and is responsible for advancing Mount Sinai's research, instruction, and public service missions through strategic research partnerships with industry, the management, transfer and commercialisation of technologies, and fostering the development of start-ups and joint ventures to advance promising early-stage technologies. Dr. Lium also serves as a director of Amathus Therapeutics and as a member of the Investment Review Committee for the Accelerate NY Seed Fund.

Prior to joining Mount Sinai, Dr. Lium served as the assistant vice chancellor of Innovation, Technology & Alliances at the University of California, San Francisco (UCSF), and the UCSF Principal Investigator for the Bay area National Science Foundation I-Corps node. He held previous positions at UCSF, including assistant vice chancellor of Research and director of Industry Contracts, and director of Business Development for the Diabetes Center & Immune Tolerance Network. Dr. Lium served as president of LabVelocity Inc., an Information Services Company focused on accelerating research and development in the life sciences prior to its acquisition in 2004. He pursued post-doctoral research at UCSF, and earned a PhD with honours from the Integrated Program in Cellular, Molecular and Biophysical Studies at Columbia University. Dr. Lium holds a BS in Biology from Gonzaga University.

Barbara Murphy M.D.

Non-Executive Director (Aged 53)

Barbara Murphy, M.D., has served as a member of the RenalytixAI Board since November 2018. Barbara is the Murray M. Rosenberg Professor of Medicine, chair of the Department of Medicine for Mount Sinai and Dean for Clinical Integration and Population Health. Her area of interest is transplant immunology, focusing on the use of high throughput genomic technologies as a means to understand the immune mechanisms that lead to graft injury and loss, with the aim of identifying gene expression profiles and / or genetic variants that may be used to predict those at greatest risk. Dr. Murphy earned her M.B. B.A.O. B.Ch. from The Royal College of Surgeons in Ireland and spent her early career at Beaumont Hospital in Dublin. Dr. Murphy completed her postdoctoral training with a fellowship in Nephrology at Brigham and Women's Hospital, Harvard Medical School. As part of this, she trained in transplant immunology at the Laboratory of Immunogenetics and Transplantation, Renal Division, Brigham and Women's Hospital, Harvard Medical School. Among her many honours, Dr. Murphy was awarded the Young Investigator Award in Basic Science by the American Society of Transplantation in 2003. In 2005, Dr. Murphy was awarded the Irene and Dr. Arthur M. Fishberg Professor of Medicine at The Mount Sinai Hospital. Her many awards include being named Nephrologist of the Year 2011 by the American Kidney Fund; the distinguished Jacobi Medallion; an honorary degree from University College, Dublin, Ireland; and being honoured by The Annual Irish America Healthcare & Life Science 50.

Dr. Murphy belongs to a number of professional societies, including the American Society of Transplantation and the American Society of Nephrology. Among her numerous achievements, she has held many

leadership roles at a national level, including being a member of the board of the American Society of Transplantation, the executive committee of the American Transplant Congress, and chair of Education Committee of the American Society of Transplantation. In 2009, Dr. Murphy was the president of the American Society of Transplantation and, in 2016, was elected to Council for the American Society of Nephrology.

Chirag R. Parikh, Ph.D., M.D.

Non-Executive Director (Aged 47)

Chirag R. Parikh, Ph.D., M.D., has served as a member of the Board since October 2019. Since July 2018, Dr. Parikh has served as a Professor of Medicine and the Division Director of Nephrology at Johns Hopkins University. Dr. Parikh also served as a faculty member at Yale University where he directed the Program of Applied Translational Research. Dr. Parikh's research focuses on the translation and validation of novel biomarkers for the diagnosis and prognosis of kidney diseases. He has assembled multi-centre longitudinal prospective cohorts for translational research studies across several clinical settings of acute kidney injury and chronic kidney disease for the efficient translation of novel biomarkers. Dr. Parikh received his medical degree from Seth G.S. Medical College and KEM Hospital in Mumbai, India, and subsequently completed his Nephrology fellowship and a Ph.D. in Clinical Investigation at the University of Colorado Health Sciences Center.

Julian Baines MBE

Non-Executive Chairman - Resigned on 16 July 2020 (Aged 56)

Richard Evans

Non-Executive Director - Resigned on 16 July 2020 (Aged 63)

This report was approved by the Board on 27 October 2020 and signed on behalf of the Board by:

Christopher Mills

Chairman

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the consolidated financial statements and auditor's report for the year ended 30 June 2020. The Corporate Governance Statement set out on pages 30 to 31 forms part of this report.

Corporate Details

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

Directors

The Directors, who served in office during the year and as date of signing these financial statements were as follows:

- Christopher Mills
- James McCullough
- Erik Lium
- Fergus Fleming
- Barbara Murphy
- Chirag Parikh (appointed on 14 October 2019)
- Julian Baines (resigned on 16 July 2020)
- Richard Evans (resigned on 16 July 2020)

Details of the Directors' membership of committees is shown on pages 31 to 32.

The Company Secretary is Salim Hamir.

Principal Activities

The principal activity of the Group is the development of artificial intelligence-enabled clinical diagnostic solutions for kidney disease.

Post Balance Sheet Events

Post balance sheet events are discussed in the Strategic Report on page 9.

Going Concern

The Group and Company meet their day-to-day working capital requirements through the use of cash reserves.

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

We have not yet seen any material disruption to our business as a result of the COVID-19 pandemic and current trading suggests that our base case forecasts are still applicable. However, at this stage, it is difficult to assess reliably whether there will be any material disruption in the future. In addition, the Directors have considered the potential effects of the COVID-19 pandemic as laid out in the Strategic Report. We have modelled a number of scenarios covering reductions in revenue of 10% and 50%, without taking into account the potential benefits of any mitigation strategies such as potential cost savings or insurance claims. We have also modelled out 100% reductions in revenue with cost savings within our control. While the eventual severity and length of the economic disruption stemming from the pandemic is impossible to forecast these models give the Directors reasonable confidence that the business has sufficient resources to continue as a going concern for at least the next 12 months.

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

Future Developments and Research and Development Activities

Future developments and research and development activities are discussed in the Strategic Report on pages 4 to 21.

Results and Dividends

The Group recorded a loss for the year of $9.3 million (FY19: $6.9 million). When it is commercially prudent to do so and subject to the availability of distributable reserves, the Board may approve the payment of dividends. However, at present, the Directors consider that it is more prudent to retain cash to fund the development of the Group and, as a result, feel it is inappropriate to give an indication of the likely level or timing of any future dividend payment. The Directors do not recommend payment of a dividend in respect of FY20 (FY19: nil).

Financial Risk Management

Financial risk management is discussed in Note 4 of the financial statements.

Employee Policies

Employee policies are discussed in the Strategic Report on page 21.

Political Contributions and Charitable Contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year ended 30 June 2020 (FY19: nil).

Directors' Interests

The interests in the share capital of the Company of those Directors serving at 30 June 2020 and as at the date of signing of these financial statements, all of which are beneficial, were as follows:

	On 30 June 2020 Ordinary Shares of 0.25p each	On 30 June 2019 Ordinary Shares of 0.25p each
Christopher Mills	9,197,501	9,197,501
James McCullough	2,870,110	2,870,110
Erik Lium	-	-
Fergus Fleming	584,481	584,481
Barbara Murphy	150,800	150,800
Chirag Parikh	-	-
Julian Baines	1,231,236	1,231,236
Richard Evans	706,322	706,322

Christopher Mills' shareholding includes shares held through North Atlantic Smaller Companies Investment Trust plc and Oryx International Growth Fund Limited. Christopher Mills is a partner and Chief Investment Officer of Harwood Capital LLP. Harwood Capital LLP is investment manager to North Atlantic Smaller Companies Investment Trust plc and investment adviser to Oryx International Growth Fund Limited.

Substantial Shareholdings

As at 31 July 2020 October 2020, the following interests in 3% or more of the issued Ordinary Share capital had been notified to the Company:

Shareholder	Number of Shares	Percentage of Issued Share Capital
Icahn School of Medicine at Mount Sinai	10,750,926	14.93%
Christopher Mills	9,197,501	12.77%
Gilder Gagnon Howe and Co LLC	4,800,000	6.66%
James McCullough	2,870,110	3.98%
EKF Diagnostics Holdings plc	2,677,981	3.72%
Canaccord Genuity Wealth Management	2,517,105	3.49%
Fidelity Investment International	2,354,539	3.27%

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Report of the Directors confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Review includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

Directors' Indemnities

The Company has entered into deeds of indemnity for the benefit of each Director of the Company in respect of liabilities to which they may become liable in their capacity as Director of the Company and of any Company in the Group [and entered into new deeds of indemnity with its Directors during the year in connection with the Nasdaq dual-listing]. Those indemnities are qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006 and have been in force during the whole of the financial period and up to the date of approval of the financial statements.

Independent Auditors

PKF Littlejohn LLP has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Disclosure of Information to the Auditors

The Directors who hold office at the date of approval of this report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Corporate Governance

The Company's statement of corporate governance can be found in the Corporate Governance Statement on pages 30 to 33 of these financial statements. The Corporate Governance Statement forms part of this Report of the Directors and is incorporated into it by cross-reference.

Annual General Meeting

The resolutions to be proposed at the forthcoming Annual General Meeting are set out in a separate notice sent to the shareholders.

Recommendation

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and it is unanimously recommended that shareholders support these proposals as the Board intends to do in respect of their own holdings.

This report was approved by the Board on [·] 2020 and signed on behalf of the Board by:

Christopher Mills

Chairman

Corporate Governance Statement

Compliance

The Company recognises the value of good corporate governance in every part of its business. The Board has adopted the corporate governance principles of the 2018 Quoted Companies Governance Code (the "QCA Code") and the Company has continued to comply with the QCA Code throughout the reporting period. The Board believes that this corporate governance framework is appropriate for the Company, having regard to its size and nature. Details of the QCA Code can be obtained from the Quoted Companies Alliance's website (www.theqca.com).

Details of how the Group seeks to address the principles underlying the QCA Code and how it leverages its principles to support the long-term success of the Group can be found on the Company's website.

Board Composition and Responsibility

The Board currently comprises two Executive Directors and four Non-Executive Directors. Julian Baines was Non-Executive Chairman during FY20 until his resignation after the year end, on 16 July 2020. Christopher Mills has been appointed as Non-Executive Chairman. Richard Evans served as a Non-Executive Director during FY20 until his resignation after the year end, on 16 July 2020.

It is the Board's opinion that the four Non-Executive Directors, Julian Baines, Richard Evans, Chirag Parikh and Barbara Murphy, have been independent in character and judgement and that there are no relationships or circumstances which could materially affect or interfere with the exercise of their independent judgement during the course of FY20. Julian and Richard both have resigned since the end of FY20, on 16 July 2020.

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

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

There is a division of responsibilities between the Non-Executive Chairman, who is responsible for the overall strategy of the Group and running the Board, and the Chief Executive Officer, who is responsible for implementing the strategy and day to day running of the Group. He is assisted by the Chief Technical Officer, who is a Board member, and Chief Financial Officer who is not a Board member.

Board Meetings

Ten Board meetings were held during the year. The Directors' attendance record during their period of office is as follows:

Christopher Mills (Non-Executive Chairman)	**14/17**	
James McCullough (Chief Executive Officer)	**17/17**	
Erik Lium (Non-Executive Director)	**16/17**	
Fergus Fleming (Chief Technology Officer)	**17/17**	
Barbara Murphy (Non-Executive Director)	**16/17**	
Chirag Parikh (Non-Executive Director)	**11/12**	(Appointed on 14 October 2019)
Julian Baines (Non-Executive Chairman)	**17/17**	(Resigned on 16 July 2020)
Richard Evans (Non-Executive Director)	**16/17**	(Resigned on 16 July 2020)

During the year, the Board conducted an evaluation of the performance of the Board and that of the Chairman, as well as the effectiveness of the Board Committees. The Board intends to develop further its evaluation of the performance of the Board and Committees on an annual basis. The evaluation will include Board composition, experience, dynamics and the Board's role and responsibilities for strategy, risk review and succession planning. The evaluations will involve a detailed questionnaire and individual discussions between the Non-Executive Chairman and the Directors. Being a small listed company, the Board considers it unnecessary to have evaluations facilitated by an external consultant. During the year, independent Directors, Barbara Murphy and Richard Evans conducted an evaluation of the Non-Executive Chairman's performance. The outcome has been discussed between the Directors.

Audit Committee

The Audit Committee comprised Richard Evans, who acted as chair, and Erik Lium. The Audit Committee, among other things, determines and examines matters relating to the financial affairs of the Company including the terms of the engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It receives and reviews the reports from management and the Company's auditors relating to the half yearly and annual forward statements and the accounting and the internal control systems in use throughout the Company.

The committee has met formally twice during the year ended 30 June 2020. There have been no significant matters communicated to the Committee by the auditors and no interaction with the Financial Reporting Council.

Since the resignation of Richard Evans as a Director on 16 July 2020, the composition of the Audit Committee has changed to Erik Lium, acting as chair, Barbara Murphy and Christopher Mills.

Remuneration Committee

The Remuneration Committee comprised Julian Baines, who acted as chair, and Christopher Mills. The Remuneration Committee reviews and makes recommendations in respect of the Executive Directors' remuneration and benefits packages, including share options and the terms of their appointment. The

Remuneration Committee also make recommendations to the Board concerning the allocation of share options to employees under the intended share option schemes.

The Committee has met twice during the year ended 30 June 2020.

Since the resignation of Julian Baines as Director on 16 July 2020, the composition of the Remuneration Committee has changed to Erik Lium, acting as chair, and Chirag Parikh.

Nomination Committee

The Nomination Committee comprised Julian Baines, who acted as chair, and Christopher Mills. The Nomination Committee reviews and recommends nominees as new Directors to the Board. Since 16 July 2020 the composition of the Nomination Committee comprises Barbara Murphy, who acts as chair, and Chirag Parikh.

Internal Control

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

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

Internal Financial Reporting

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

Relations with Shareholders

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

The Chair(s) of the Audit and Remuneration Committees normally attend the Annual General Meeting and will answer questions which may be relevant to their work. However, due to the ongoing COVID-19 pandemic, the Committee Chairs will not be in attendance at this year's Annual General Meeting. The Chairman advises the meeting of the details of proxy votes cast on each of the individual resolutions after they have been voted on in the meeting. The Chairman and the Non-Executive Directors intend to maintain a good and continuing understanding of the objectives and views of the Shareholders.

Shareholders May Contact the Company as Follows:

Tel: +44 (0)20 7933 8790 (from USA: +1-646-217-4999) **Email:** investors@renalytixai.com

Corporate Social Responsibility

The Board recognises that the Group has a duty to be a good corporate citizen and is conscious that its business processes minimise harm to the environment, that it contributes as far as is practicable to the local communities in which it operates and takes a responsible and positive approach to employment practices. The Group is subject to the requirements of the Modern Slavery Act 2015 and published the required statement on its website.

The Corporate Governance Statement was approved by the Board on ** October 2020 and signed on its behalf by:

Salim Hamir

Company Secretary

Director's Remuneration Report

For the Period Ended 30 June 2020

Statement of Compliance

This report does not constitute a Directors' Remuneration Report in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Companies (Miscellaneous Reporting) Regulations 2018, and the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 which do not apply to the Company as it was not a quoted company (as defined in the Companies Act 2006) as at the end of the financial year. This report sets out the Group policy on Directors' remuneration, including emoluments, benefits and other share-based awards made to each Director.

Policy on Executive Directors' Remuneration

Remuneration packages are designed to motivate and retain Executive Directors to ensure the continued development of the Group and to reward them for enhancing value to shareholders. The main elements of the remuneration package for Executive Directors are basic salary or fees, performance-related bonuses[1], benefits and share based incentives.

Directors' Remuneration – Audited

The remuneration of the Directors for the year ended 30 June 2020 is shown below[2]:

	Salary and Fees	Pension	Period to 30 June 2020
	$'000	$'000	$'000
Executive Directors			
James McCullough	470	17	**488**
Fergus Fleming	317	11	**328**
	787	**28**	**816**
Non-Executive Directors			
Julian Baines	25	-	**25**
Richard Evans	33	-	**33**
Mt. Sinai	33	-	**33**
Christopher Mills	20	-	**20**
Barbara Murphy	33	-	**20**
Chirag Parikh	14	-	**14**
	158	**-**	**158**
Total Fees and Emoluments	**945**	**28**	**974**

(1) Erik Lium is not entitled to receive remuneration as he sits on the Board as a representative of the Icahn School of Medicine at Mount Sinai.[3]

Directors' Share Option Plan

Share options were issued to a number of directors and other parties under the Company's share-option scheme. The options held by Directors as at 30 June 2020 were as follows:

	Number of Ordinary Shares Under Option	Exercise Price	Exercise Period
	$'000	$'000	$'000
Fergus Flemming	538,161	£1.21	1 November 2021 – 31 October 2028
Icahn School of Medicine at Mount Sinai	204,501	£1.21	1 November 2021 – 31 October 2028
Barbara Murphy	269,081	£1.21	1 November 2021 – 31 October 2028
Chirag Parikh	80,724	£1.21	1 November 2021 – 31 October 2028
	50,000	£2.51	14 October 2022 – 13 October 2029

Independent Auditors' Report

Opinion

We have audited the financial statements of Renalytix AI plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in 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 June 2020 and of the group's and parent company's loss for the period 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 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.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our Application of Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statements line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Group materiality was $410,000 (2019 $540,000) based upon gross assets and performance materiality was $246,000 (2019 $378,000). The benchmark of gross assets was selected as we consider this to be the most significant determinant of the Group's performance for shareholders during the period of product development prior to commercialisation. Parent Company materiality was $260,000 (2019 $378,000) based upon gross assets and performance materiality was $156,600 (2019 $264,600) . The Parent Company holds the product trademarks and licenses and product development costs are capitalised in this company.

For each component in the scope of our group audit, we allocated a materiality that was less than our overall group materiality. Component materiality for significant and/or material subsidiary undertakings ranged from $246,000 to $240,000 (2019 $378,000 to $140,000).

We agreed with the Audit Committee that we would report to them all individual audit differences identified during the course of the audit in excess of $20,500 (2019 $27,000) for the Group and $13,000 (2019 $18,900) for the Parent Company.

An Overview of the Scope of Our Audit

In designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the Directors such as the recoverability of intangible fixed assets and eligibility of capitalised development costs, as outlined in the Key Audit Matter section below, and considered events that are inherently uncertain. We also addressed the risk of management override of controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. All significant and/or material subsidiary undertakings were audited directly by PKF Littlejohn LLP.

Key Audit Matters

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

Key Audit Matter	How the Scope of Our Audit Responded to the Key Audit Matter

Recoverability of intangible fixed assets and eligibility of capitalised development costs

Intangible assets comprise the following categories with a carrying value as at 30 June 2020 of $17,118,000. Refer to note 18.

- Trademarks, trade names and licenses
- Development costs

Intangible assets not yet subject to amortisation are tested annually for impairment via value in use calculations. Assets that are subject to amortisation are assessed for indicators of impairment.

Estimated recoverable amounts using value in use calculations are subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. Judgement is also required when estimating useful economic lives.

The eligibility for capitalisation of expenditure is assessed in accordance with the criteria in IAS 38 Intangible Assets.

Given the judgements and estimates involved these were a key focus for our audit.

We confirmed the Group held good title to the trademarks, trade names and licenses. We assessed whether any indicators of impairment (including regulatory issues, progress on obtaining milestones towards commercialisation, development of competing technology and products entering the market) existed which required an impairment charge to be recognised in profit or loss. We reviewed the terms and obligations contained in the underlying contractual agreements.

We performed substantive testing of additions in both intangible asset categories to supporting documentation. We reperformed the amortisation calculations.

Our testing on the forecasts and value in use calculations included:

- Evaluation and challenge of the key assumptions used by management;
- The performance of a sensitivity analysis on the headroom to reasonably possible changes in key assumptions.

We tested and verified the eligibility for capitalisation of development costs in accordance with the criteria under IAS 38, in particular technical feasibility, the ability to commercialise the asset and the availability of technical and financial resources to complete development.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company 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.

Opinions on Other Matters Prescribed by the Companies Act 2006

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

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

Matters on Which We Are Required to Report by Exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters 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

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company 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 group and parent company 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.

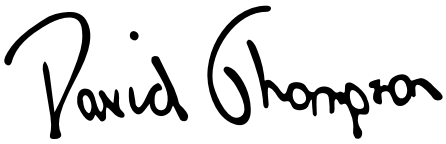
Auditor's responsibilities for the audit of the financial statements

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.



David Thompson

Senior Statutory Auditor

For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Financial Statements

Consolidated Income Statement

For the Year Ended 30 June 2020

	Note	Year ended 30 June 2020	Period from inception to 30 June 2019 (RESTATED)
		$'000	$'000
Continuing operations			
Administrative expenses	8	(11,078)	(7,556)
Operating loss		**(11,078)**	**(7,556)**
Share of net Profit (Loss) of associates and joint ventures accounted for using the equity method	36	(63)	-
Finance income - net	13	531	19
Loss before tax		**(10,610)**	**(7,537)**
Taxation	14	1,360	959
Profit/(Loss) attributable to Owners of the Parent		**(9,250)**	**(6,578)**
Earnings per ordinary share from continuing operations			
Basic and diluted	15	$ (0.16)	$ (0.18)

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2020

	Year ended to 30 June 2020	Period from inception to 30 June 2019 (RESTATED)
	$'000	$'000
Loss for the period – continuing operations	(9,250)	(6,578)
Other comprehensive income:		
Items that may be subsequently reclassified to profitor loss		
Currency translation differences	(1,265)	(599)
Other comprehensive loss for the period	**(1,265)**	**(599)**
Total comprehensive loss for the period	**(10,515)**	**(7,177)**
Total comprehensive income for the period is attributable to:		
Owners of the Parent Company	(10,515)	(7,177)
	(10,515)	**(7,177)**

Items stated above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 14.

Consolidated and Company's Statement of Financial Position

As at 30 June 2020

	Notes	Group As at 30 June 2020 $'000	Group As at 30 June 2019 (RESTATED) $'000	Company As at 30 June 2020 $'000	Company As at 30 June 2019 (RESTATED) $'000
Assets					
Non-current assets					
Property, plant and equipment	17	580	278	-	-
Right of Use Asset	26	365	-	-	-
Intangible assets	18	17,118	18,287	16,841	18,287
Investment in subsidiaries	19	-	-	2,264	783
Investments accounted for using the equity method	36	1,937	-	-	-
Note receivable	27	83	-	2,106	-
Deferred tax assets	14	2,319	959	-	-
Total non-current assets		**22,402**	**19,524**	**21,211**	**19,070**
Current Assets					
Inventory	28	326	-	-	-
Security deposits		71	49	-	-
Assets classified as held for sale	34	1,705	-	-	-
Trade and other receivables	21	18	-	21,956	10,860
Prepaid and other current assets	37	2,501	61	2,408	24
Short term investments	20	982	-	-	-
Cash and cash equivalents	22	13,293	9,288	2,441	3,045
Total current assets		**18,896**	**9,398**	**26,805**	**13,929**
Total assets		**41,298**	**28,922**	**48,016**	**32,999**
Equity attributable to owners of the parent					
Share capital	24	192	175	192	175
Share premium	38	-	34,032	-	34,032
Share-based payment reserve	25	2,833	1,137	2,833	1,137
Foreign currency reserves		(1,915)	(599)	(1,970)	(610)
Retained earnings/(deficit)		34,852	(6,578)	46,710	(2,176)
Total equity		**35,962**	**28,167**	**47,765**	**32,558**
Liabilities					
Current liabilities					
Trade and other payables	23	2,899	755	251	441
Lease liabilities	26	92	-	-	-
SBA PPP Funding - Short Term	29	121	-	-	-
Payables due to associates		271	-	-	-
Total Current liabilities		**3,383**	**755**	**251**	**441**
Non-Current liabilities					
SBA PPP Funding - long-term	29	134	-	-	-
Lease Liabilities	26	275	-	-	-
Payables due to associates		1,544			
Total Liabilities		**5,336**	**755**	**251**	**441**
Total equity and liabilities		**41,298**	**28,922**	**48,016**	**32,999**

The notes on pages 47 to 80 are an integral part of these financial statements.
The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company income statement. The loss for the Parent Company for the year was ($1,794,000). (Period ended 30 June 2019: loss of $2,176,000).
The financial statements were approved and authorised for issue by the Board on 27 October 2020 and signed on its behalf by:

Christopher Mills
Chairman

James R. McCullough
Chief Executive Officer

Consolidated and Company's Statements of Cash Flows

For the Year Ended 30 June 2020

	Notes	Group Year to 30 June 2020 $'000	Group Period to 30 June 2019 (RESTATED) $'000	Company Year to 30 June 2020 $'000	Company Period to 30 June 2019 (RESTATED) $'000
Cash flow from operating activities					
Loss before income tax		(10,610)	(7,541)	(1,793)	(2,369)
Adjustments for					
Depreciation		140	31	25	-
Amortisation and impairment charges		1,108	1,094	1,094	1,094
Share-based payments		1,696	1,137	172	532
Share of net loss of associate		63	-	-	-
Gain on sale of assets		-	--	(270)	-
Changes in working capital					
Trade and other receivables		(18)	218	(12,756)	(10,639)
Prepaid assets and other current assets		(2,440)	(61)	(2,378)	(24)
Assets classified as a available for sale		(1,714)	-	-	-
Inventory		(326)	-	-	-
Security Deposits		(22)	(49)	-	-
Trade and other payables		2,064	755	(188)	440
Cash used in operations		**(10,059)**	**(4,416)**	**(16,094)**	**(10,966)**
Interest paid		-	-	-	-
Net cash used in operating activities		**(10,059)**	**(4,416)**	**(16,094)**	**(10,966)**
Cash flow from investing activities					
Investment in subsidiary		-	-	-	(1)
Purchase of property, plant and equipment (PPE)		(359)	(308)	-	-
Lease payments		(61)	-	-	-
Purchase of intangibles		(1,411)	(12,741)	(1,027)	(12,741)
Proceeds (purchase) of financial assets		982	-	-	-
Net cash generated by / (used in) investing activities		**(849)**	**(13,049)**	**(1,027)**	**(12,742)**
Cash flow from financing activities					
Note receivable		(83)	-	(161)	-
Issue of shares (net of issue costs)		16,678	26,753	16,678	26,753
Proceeds from loans		255	438	-	67
Repayment of loans		-	(438)	-	(67)
Net cash generated from financing activities		**16,850**	**26,753**	**16,517**	**26,753**
Net increase / (decrease) in cash and cash equivalents		**5,942**	**9,288**	**(604)**	**3,045**
Cash and cash equivalents at beginning of period		7,297	-	3,045	-
Cash and cash equivalents at end of period	22	**13,293**	**9,288**	**2,441**	**3,045**

Substantial non-cash items in the period ended 30 June 2019 comprise the Biomarker business acquisition included within intangible assets in return for the issue of Ordinary shares (note 24)
The notes on pages 47 to 80 are an integral part of these financial statements.

Consolidated and Company's Statements of Changes in Equity

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2020

	Share Capital	Share Premium	Share-based Payment Reserve	Foreign Currency Reserve	Retained Earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
At 15 March 2018	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	-
Loss for the period	-	-	-	-	(5,977)	(5,977)
Other comprehensive income						
Currency translation differences	-	-	-	(595)	-	(595)
Total comprehensive income	-	-	-	**(595)**	**(5,977)**	**(6,572)**
Transactions with owners						
Issue of shares	175	35,522	-	-	-	35,697
Less issue costs	-	(1,490)	-	-	-	(1,490)
Share-based payments	-	-	532	-	-	532
Total transactions with owners of the parent, recognised directly in equity	**175**	**34,032**	**532**	-	-	**34,739**
At 30 June and 1 July 2019	**175**	**34,032**	**532**	**(595)**	**(5,977)**	**28,167**
Prior period adjustment			605	(4)	(601)	-
At 30 June and 1 July 2019 (as originally stated)	175	34,032	1,137	(599)	(6,578)	28,167
Comprehensive income						
Loss for the period	-	-	-	-	(9,250)	(9,250)
Other comprehensive income						
Currency translation differences	-	-	-	(1,265)	-	(1,265)
Total comprehensive income	**175**	**34,032**	**1,137**	**(1,265)**	**(9,250)**	**(10,515)**
Transactions with owners						
Issue of shares	17	17,193	-	-	-	17,210
Less issue costs	-	(596)	-	-	-	(596)
Share-based payments	-	-	1,696	-	-	1,696
Reduction of Capital	-	(50,629)	-	(51)	50,680	-
Total transactions with owners of the parent, recognised directly in equity	**17**	**(34,032)**	**1,696**	**(51)**	**50,680**	**18,310**
At 30 June 2020	**192**	-	**2,833**	**(1,915)**	**34,852**	**35,962**

Company Statement of Changes in Equity

For the Year Ended 30 June 2020

	Share Capital	Share Premium	Share-based Payment Reserve	Foreign Currency Reserve	Retained Earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
At 30 June 2018	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	-
Loss for the period	-	-	-	-	(2,369)	(2,369)
Other comprehensive income						
Currency translation differences	-	-	-	(593)	-	(593)
Total comprehensive income	-	-	-	**(593)**	**(2,369)**	**(2,962)**
Transactions with owners						
Issue of shares	175	35,522	-	-	-	35,697
Less issue costs	-	(1,490)	-	-	-	(1,490)
Share-based payments	-	-	532	-	-	532
Total transactions with owners of the parent, recognised directly in equity	**175**	**34,032**	**532**	-	-	**34,739**
At 30 June and 1 July 2019 (as originally stated)	**175**	**34,032**	**532**	**(593)**	**(2,369)**	**31,777**
Prior period adjustment			605	(17)	193	781
At 30 June and 1 July 2019 (RESTATED)	175	34,032	1,137	(610)	(2,176)	32,558
Comprehensive income						
Loss for the period	-	-	-	-	(1,794)	(1,794)
Other comprehensive income						
Currency translation differences	-	-	-	(1,309)	-	(1,309)
Total comprehensive income	-	-	-	**(1,309)**	**(1,794)**	**(3,103)**
Transactions with owners						
Issue of shares	17	17,193	-	-	-	17,210
Less issue costs	-	(596)	-	-	-	(596)
Share-based payments	-	-	1,696	-	-	1,696
Asset Sale	-	-	-	-	-	-
Reduction of Capital	-	(50,629)	-	(51)	50,680	-
Total transactions with owners of the parent, recognised directly in equity	**17**	**(34,032)**	**1,696**	**(51)**	**50,680**	**18,310**
At 30 June 2020	**192**	-	**2,833**	**(1,970)**	**46,710**	**47,765**

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2020

1. General Information and Basis of Presentation

Renalytix AI Plc (the "Company") is a company incorporated in the United Kingdom. The Company is a public limited company, which is listed on the AIM market of the London Stock Exchange. The address of the registered office is Avon House, 19 Stanwell Road, Penarth, Cardiff CF64 2EZ. The Company was incorporated on 15 March 2018 and its registered number is 11257655.

The principal activity of the Company and its subsidiaries (together "the Group") is as a developer of artificial intelligence-enabled diagnostics for kidney disease.

The financial statements are presented in United States Dollars (USD) because that is the currency of the primary economic environment in which the Group and Company operates.

2. Basis of Presentation

The consolidated financial statements of Renalytix AI plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs), IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The standards that have been adopted by the Group are those that are effective for financial years beginning on or after 1 January 2019.

The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets measured at fair value. They cover the year to 30 June 2020. The comparatives cover the period from the inception of the Company on 15 March 2018 to 30 June 2019.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 6.

New Standards, Amendments, and Interpretations Adopted by the Group

The Group applied IFRS 16 "Leases" for the first time, which is effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any other standards, amendments or interpretations that have been issued but not yet effective. The nature and impact of the new standard is described below:

The Group has adopted IFRS 16 Leases using the fully retrospective approach. The leases in place in the prior year do not fall under the scope of IFRS 16. The new accounting policy is disclosed within the 'Leases' section of Note 2.

In applying IFRS 16 Leases for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing
- An impairment review – there were no onerous contracts as at 1 July 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Not reassessing whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

New standards, amendments, and interpretations issued but not effective for the period ended 30 June 2020, and not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group or Parent Company.

- Amendments to IFRS 3: Business Combinations
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRA 16: Leases – COVID-19 Concessions

3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Going Concern

The Group and Company meet their day-to-day working capital requirements through the use of cash reserves.

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

We have not yet seen any material disruption to our business as a result of the COVID-19 pandemic and current trading suggests that our base case forecasts are still applicable. However, at this stage, it is difficult to assess reliably whether there will be any material disruption in the future. In addition, the Directors have considered the potential effects of the COVID-19 pandemic as laid out in the Strategic Report. We have modelled a number of scenarios covering reductions in revenue of 10% and 50%, without taking into account the potential benefits of any mitigation strategies such as potential cost savings or insurance claims. We have also modelled out 100% reductions in revenue with cost savings within our control. While the eventual severity and length of the economic disruption stemming from the pandemic is impossible to forecast these models give the Directors reasonable confidence that the business has sufficient resources to continue as a going concern for at least the next 12 months.

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. The Group controls an entity when the Group 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 existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On 23 October 2018 as part of a pre-admission re-organisation, the Company acquired the entire share capital of Renalytix AI, Inc., then a subsidiary of EKF Diagnostics Holdings LLC. Given common ownership of the Company and the subsidiary from incorporation up to the date of legal ownership, the transaction has been treated as a group reorganisation with no fair value adjustments to assets or liabilities. The subsidiary has been consolidated within the results of the Group from the date of incorporation.

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

Associates are entities over which the Group has significant influence but not control over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Foreign Currency Translation

(a) Functional and Presentational Currency

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

(b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within 'administrative expenses'.

(c) Group Companies

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

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

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

Segmental Reporting

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

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the asset to its working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Fixtures and fittings 20%

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

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

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

Intangible Assets

(a) Trademarks, Trade Names and Licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over the contractual licence period of 10 to 15 years and is charged to administrative expenses in the income statement.

(b) Development Costs and Trade Secrets

Development costs have a finite useful life and are carried at cost less accumulated amortisation.

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

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

The carrying value of capitalised development costs is reviewed for potential impairment at least annually and if a product becomes unviable and an impairment is identified the deferred development costs are immediately charged to the income statement. Amortisation has not yet commenced.

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

Impairment of Non-Financial Assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in the prior period. A reversal of an impairment loss is recognised in the income statement immediately. If goodwill is impaired however, no reversal of the impairment is recognised in the financial statements.

Financial Assets

Classification

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

(a) Loans and Receivables

Financial assets are classified as at amortised cost only if both of the following criteria are met: the asset is held within a business model whose objective is to collect contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

(b) Financial Assets at Fair Value Through Profit or Loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or fair value through Other Comprehensive Income;
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through Other Comprehensive Income.

(c) Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income comprise equity securities that are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. The Group considers this category to be more relevant for assets of this type.

Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short- term deposits with an original maturity of three months or less.

For the purposes of the cash flow statements, cash and cash equivalents consist of cash and short-term deposits as defined above.

Share Capital and Premium

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

Other Reserves - Equity

The share-based payment reserve is used to recognise the fair value of equity settled share-based payment transactions.

Foreign currency reserve is used to record the exchange differences on translation of entities in the Group which have a functional currency different to the presentation currency.

Retained earnings includes all current and prior period results as disclosed in the income statement.

Trade and Other Payables

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

Current and Deferred Income Tax

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

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

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset

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

Leases

As noted above, the Group has applied IFRS 16 using the fully retrospective approach. The leases in place in the prior year do not fall under the scope of IFRS 16, therefore the comparative information presented for 2019 has not been restated. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Accounting Policy Applied from 1 July 2019

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date on which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit within the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

Where the Group is exposed to potential future increases in variable lease payments based on an index or rate, amounts are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on straight line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Accounting Policy Applied Prior to 1 July 2019
Until 30 June 2019, Leases which transfer substantially all the risks and rewards of ownership of an asset were treated as a finance lease. Assets held under finance leases were capitalised at their fair value at the inception of the lease and depreciated over the estimated useful economic life of the asset or lease term if shorter. The finance charges were allocated to the income statement in proportion to the capital amount outstanding. All other leases were classified as operating leases. Operating lease rentals were charged to the income statement in equal annual amounts over the lease term.

Employee Benefits

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

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

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

National Insurance on Share Options

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

Interest Income

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

Exceptional Items

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

Assets Classified as Held for Sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying value and fair value less costs to sell. An impairment loss is recognised for any subsequent write-down of the asset to fair value less costs to sell.

4. Financial Risk Management

Financial Risk Factors

The Company's activities expose it to a variety of financial risks. The Company's Board monitors and manages the financial risks relating to the operations of the Company.

(a) Market Risk

Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk primarily with respect to the US Dollar and the Pounds Sterling. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

(b) Credit Risk

Credit risk relates mainly to cash at bank. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

(c) Liquidity Risk

The Company's continued future operations depend on its ability to raise sufficient working capital through the issue of share capital and generate revenue.

5. Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The Company's capital structure primarily consists of equity attributable to the owners, comprising issued capital, reserves and retained losses.

6. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual results may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to:

- Capitalisation and recoverability of intangible assets (note 18);
- Share based payments (note 25).

7. Segmental Reporting

The Group operates as a single segment. The Group is in its initial commercial launch phase and therefore has not yet commenced revenue generation as of the end of FY20.

8. Expenses – Analysis by Nature

	Year ended 30 June 2020	Period ended 30 June 2019
	$'000	$'000
Employee benefit expense	4,639	2,083
Contract labour	1,376	1,273
Depreciation and amortisation	1,244	1,141
Professional fees	1,654	1,312
Laboratory supplies	366	660
Other expenses	1,799	1,087
Total administration expenses	**11,078**	**7,556**

9. Auditor's Remuneration

During the year the Group (including its overseas subsidiary) obtained the following services from the Company's auditor and its associates:

	Year ended 30 June 2020	Period ended 30 June 2019
	$'000	$'000
Fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements	28	23
Fees payable to the Company's auditor for other services:		
Tax compliance services	5	4
Audit related assurance services	9	51
Total	**42**	**78**

10. Directors' Remuneration

	Year ended 30 June 2020	Period ended 30 June 2019
	$'000	$'000
Aggregate emoluments	945	500
Share based payments	230	185
Contribution to defined contribution pension scheme	28	7
Total	**1,203**	**692**

Retirement benefits are accruing to 1 current director under a defined contribution scheme. See further disclosures within the Remuneration Report on pages 34. The highest paid director received aggregate emoluments, excluding the effect of the share based payments charge, totalling $488,000 (2019: $396,000).

11. Employee Benefit Expense

	Group Year ended 30 June 2020	Group Period ended 30 June 2019 (RESTATED)	Company Year ended 30 June 2020	Company Period ended 30 June 2019 (RESTATED)
	$'000	$'000	$'000	$'000
Wages and salaries	2,712	866	215	69
Social security costs	231	75	-	
Share based payment expenses	1,696	1,137	172	343
Total	**4,639**	**2,078**	**387**	**412**

12. Monthly Average Number of People Employed

The monthly average number of people (including Executive Directors) employed was

	Group Year ended 30 June 2020	Company Year ended 30 June 2020	Group Period ended 30 June 2020	Company Period ended 30 June 2020
Administration	6.3	6.3	3.9	1.4
Research and development	6.3	6.3	1.5	1.0
Total	**12.6**	**12.6**	**5.4**	**2.4**

The total number of employees (FTEs) in the Group at 30 June 2020 was 8.5, and in the Company was 8.5.

13. Finance Income and Costs

	Year ended 30 June 2020	Period ended 30 June 2019
	$'000	$'000
Finance costs:		
Interest expense	2	20
Finance income:		
Interest income	194	34
Other income	339	5
Net finance income	**531**	**19**

14. Income Tax

Group	Year ended 30 June 2020 $'000	Period ended 30 June 2019 $'000
Deferred tax	2,319	959
Total deferred tax	2,319	959
Income tax credit	2,319	959

The Finance Act 2015 which was substantively enacted in 2015 included legislation to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and the Finance Act 2016 which was substantively enacted in 2016 included legislation to reduce the main rate of UK corporation tax to 17% from 1 April 2020. On 18 November 2019, the government pledged to put the planned corporation tax reduction from 19% to 17% on hold. This was substantively enacted on March 17 2020.

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the standard tax rate applicable to the losses of the consolidated entities as follows:

	Year ended 30 June 2020 $'000	Period ended 30 June 2020 $'000
Loss before tax	**10,610**	**7,537**
Tax calculated at domestic tax rates applicable to the UK standard rate of tax of 19%	2,016	1,432
Tax effects of:		
Expenses not deductible for tax purposes	(159)	(217)
Losses on which no deferred tax asset is recognized	(501)	(257)
Other movements	4	1
Tax Credit	**1,360**	**959**
Prior year Deferred Tax	959	0
Deferred tax asset	**2,319**	**959**

Deferred tax assets are recognised based on subsidiary net losses based on the US corporate tax rate of 21%. Net losses can be carried forward indefinitely to offset future taxable profits. No deferred asset is calculated on losses in the UK totalling $1,794,000 where the probability of future utilisation is considered too remote.

15. Earnings Per Share

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

	Year ended 30 June 2020	Period ended 30 June 2019 (RESTATED)
	$'000	$'000
Loss attributable to owners of the parent	**(9,250)**	**(6,578)**
Weighted average number of ordinary shares in issue	59,079,522	37,332,983
Basic and diluted loss per share	$ (0.16)	$ (0.18)

The Company was incorporated on 15 March 2018 with 50,000 ordinary shares of £1.00 each, and as a result of subdivisions (100:1 on 4 May 2018 and then 4:1 on 24 October 2018), the resulting founding shares became 20,000,000 at £0.0025 each.

The Company has one category of dilutive potential ordinary share, being share options (see note 25). The potential shares were not dilutive in the period as the Group made a loss per share.

16. Dividends

No dividends to shareholders of the holding company were provided or paid during the period to 30 June 2020. The Board's policy is to enhance shareholder value mainly through the growth of the Group, which is currently in the early stages of its development. The Board will however consider the payment of dividends if and when appropriate.

17. Property, Plant, and Equipment

Group	Fixtures and fittings
	$'000
Cost	
At beginning of period	
Additions	309
At 30 June 2019	**309**
Depreciation	
At beginning of period	-
Charge for the period	31
At 30 June 2019	**31**
Net book value at 30 June 2019	**278**
Cost	
At 1 July 2019	309
Additions	862
Transfer to - Assets Held for Sale	(522)
Foreign translation	1
At 30 June 2020	**650**
Depreciation	
At 1 July 2019	31
Charge for the period	74
Transfer to - Assets Held for Sale Depreciation	(36)
Foreign translation	1
At 30 June 2020	**70**
Net book value at 30 June 2020	**580**

The depreciation charge of $74k related to Property, Plant and Equipment has been charged to administration expenses.

18. Intangible Fixed Assets

Group	Trademarks trade names & licences	Trade secrets	Development costs	Total
	$'000	$'000	$'000	$'000
Cost				
At beginning of period	-	-	-	-
Additions	10,997	6,644	1,740	19,381
Foreign translation	5	(3)	-	2
At 30 June 2019	**11,002**	**6,641**	**1,740**	**19,383**
Amortisation				
At beginning of period	-	-	-	-
Charge for the period	1,095	-	-	1,095
Foreign translation	1	-	-	1
At 30 June 2019	**1,096**	**-**	**-**	**1,096**
Net book value				
At 30 June 2019	**9,906**	**6,641**	**1,740**	**18,287**
Cost				
At 1 July 2019	11,002	6,641	1,740	19,383
Additions	-	-	1,538	1,538
Transfer to Assets Held for Sale	(1,261)	-	-	(1,261)
Foreign translation	(275)	(239)	(55)	(569)
At 30 June 2020	**9,466**	**6,402**	**3,223**	**19,091**
Amortisation				
At July 2019	1,096	-	-	1,096
Charge for the period	1,108	-	-	1,108
Transfer to Assets Held for Sale	(114)	-	-	(114)
Foreign translation	(117)			(117)
At 30 June 2020	**1,973**	**-**	**-**	**1,973**
Net book value				
At 30 June 2020	**7,493**	**6,402**	**3,223**	**17,118**

Amortisation expense of $1,108,000 has been charged to administration costs.

Licences entail agreements with Icahn School of Medicine at Mount Sinai for rights to intellectual property and data to support the KidneyIntelX and FractalDx families of diagnostic assays. Trade secrets refer to the Company's acquisition of the biomarker business from EKF, which includes intellectual property licensed from Joslin Diabetes Centre and forms a key component of the KidneyIntelX product. Development costs include proprietary software development and diagnostic assay design for KidneyIntelX.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount.

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

The Group has tested the carrying value for impairment at the balance sheet date. The recoverable amount was assessed on the basis of value in use. The assessed value exceeded the carrying value and no impairment loss was recognised. The key assumptions in the calculation to assess value in use are future revenues and costs and the ability to generate future cash flows. Recent working capital projections approved by the Board were used as well as forecasts for a further four years, followed by an extrapolation of expected cash flows and the calculation of a terminal value. For prudence the expected growth rate used for longer term growth was zero. The projected results were discounted at a rate which is a prudent evaluation of the pre-tax rate which reflects current market assessments of the value of money and the risks specific to the business, reflecting an assessment of the risk-adjusted weighted average cost of capital of 10%. The headroom in the value in use calculation is not sensitive to changes in key assumptions.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Any impairment loss is charged pro rata to the other assets in the cash generating unit.

The remaining average useful lives of the intangible assets is as follows:

Trademarks trade names & licenses	10-15 years
Trade secrets	15 years
Development Costs	15 years

The Company holds capitalised development costs with a cost and net value of $3,335,000. These have not been placed into service as of the financial statements date.

19. Investments in Subsidiaries

Company	At 30 June 2020 $'000	At 30 June 2019 $'000
At beginning of period	771	-
Capital contribution relating to share based payment	1,493	771
Shares in Verici Dx Ltd	1	-
At end of period	2,264	771

Investments in Group undertakings are recorded at cost which is the fair value of the consideration paid, less any impairment.

The Company had the following subsidiaries as of 26 October 2020.

Name of Company	Proportion held	Class of shareholding	Nature of business
Renalytix AI Inc.[1]	100%	Ordinary	Developer of artificial intelligence-enabled clinical diagnostic soulutions for kidney disease
Verici Dx Limited[2]	100%	Ordinary/Golden	Developer of tests to understand how patients will and are responding to an organ transplant

(1) Renalytix AI Inc. is incorporated in the United States of America and has their principal place of business at 1460 Broadway, New York, New York 10036. Renalytix AI Inc. is included in the consolidation. The proporations of voting shares held by the parent company do not differ from the proporation of Ordinary Shares held.

(2) In April 2020, the Group announced its intentions intentions to pursue a spin-off and potential admission to AIM of Verici Dx in order to secure separate financial and management resources for the FractalDx portfolio with the goal of enabling accelerated development.

The Group announced on July 8, 2020 that the share capital of Verici Dx had been re-designated into 59,416,134 A Shares of £0.001 each and one golden share of £0.001 (the ""Golden Share"") and that Renalytix would retain the Golden Share and its associated controlling voting rights. The Golden Share will be the only voting share in the capital of Verici. The capital contribution relating to share based payments related to share options granted to employees and advisors of subsidiary undertakings in the Group.

20. Financial Instruments

Group	Group 30 June 2020	Group 30 June 2019	Company 30 June 2020	Company 30 June 2019
(a) Assets at amortised cost	$'000	$'000	$'000	$'000
Assets as per balance sheet				
Intragroup receivable	-	-	21,956	10,860
Security deposits	71	49	-	-
Short term investments	982	-	-	-
Cash and cash equivalents	13,293	9,288	2,441	3,045
Total	**14,346**	**9,337**	**24,397**	**13,905**

Receivables in the analysis above are all categorised as "loans and receivables" for the Group and Company.

Short term investments relate to Treasury Bills with maturity dates in excess of three months.

	Group 30 June 2020	Group 30 June 2019	Company 30 June 2020	Company 30 June 2019
(b) Liabilities at amortised cost	$'000	$'000	$'000	$'000
Liabilities as per balance sheet				
Accounts payable	2,245	315	158	55
Accrued expenses	654	412	93	357
SBA PPP Funding	255			
Lease liabilities	367	-	-	-
Total	**3,521**	**727**	**251**	**412**

Liabilities in the analysis above are all categorised as 'other financial liabilities at amortised cost' for the Group and Company.

(C) Credit Quality of Financial Assets

The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group's maximum exposure to credit risk, due to the failure of counterparties to perform their obligations as at 30 June 2020, in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the accompanying balance sheets.

Trade Receivables
The credit quality of trade receivables that are neither past due nor impaired have been assessed based on historical information about the counterparty default rate.

Cash at Bank
The credit quality of cash has been assessed by reference to external credit ratings, based on reputable credit agencies' long-term issuer ratings:

(c)	Group At 30 June 2020	Group At 30 June 2019	Company At 30 June 2020	Company At 30 June 2019
	$'000	$'000	$'000	$'000
AA-	13,293	7,297	2,441	3,045
AA+	982	1,991	-	-
Total	**14,275**	**9,288**	**2,441**	**3,045**

21. Trade and Other Receivables

	Group As at 30 June 2020	Group As at 30 June 2019	Company As at 30 June 2020	Company As at 30 June 2019
	$'000	$'000	$'000	$'000
Due from subsidiary	-	-	21,956	10,860
Due from affiliates	18	-	-	-
Total	**18**	**-**	**21,956**	**10,860**

Due to their short term nature, the Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The carrying amount of the trade and other receivables balances denominated in GBP are £17,735 for the Company (2019 - £8,440).

22. Prepaids and Other Current Assets

	Group As at 30 June 2020	Group As at 30 June 2019	Company As at 30 June 2020	Company As at 30 June 2019
	$'000	$'000	$'000	$'000
Prepaids	137	61	44	24
Deferred Nasdaq Offering Costs	2,364	-	2,364	-
Prepaids and Other Current Assets	2,501	61	2,408	24

Due to their short term nature, the Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The carrying amount of the trade and other receivables balances denominated in GBP are £1,945 for the Company (2019 - £19).

23. Cash and Cash Equivalents

	Group As at 30 June 2020	Group As at 30 June 2019	Company As at 30 June 2020	Company As at 30 June 2019
	$'000	$'000	$'000	$'000
Cash at Bank	13,293	9,288	2,441	3,045
Cash and cash equivalents	**13,293**	**9,288**	**2,441**	**3,045**

The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

24. Trade and Other Payables

	Group As at 30 June 2020	Group As at 30 June 2019	Company As at 30 June 2020	Company As at 30 June 2019
	$'000	$'000	$'000	$'000
Accounts payable	2,221	315	134	58
Payroll taxes payable	24	28	24	26
Accrued expenses	654	412	93	357
	2,899	**755**	**251**	**441**

The carrying amount of the trade and other receivables balances denominated in GBP are £202 for the Group and Company (2019 - £301).

25. Share Capital

Group and Company		Movement	Total Number of Shares	As at 30 June 2019
				$'000
At 15 March 2018			-	-
15-Mar-18	Formation	50,000	50,000	66
4-May-18	100:1 subdivision	-	5,000,000	-
24-Oct-18	4:1 subdivision	-	20,000,000	-
24-Oct-18	Biomarker business acquisition	15,427,704	35,427,704	49
6-Nov-18	Placing & offer (listing on AIM)	18,388,430	53,816,134	60
At 30 June 2019			**53,816,134**	**175**
29-Jul-19	Placing & Secondary Offering (AIM)	5,600,000	59,079,522	17
At 30 June 2020			**59,079,522**	**192**

Ordinary Shares have a par value of £0.0025 each. All issued shares are fully paid.

26. Share Premium Account

On May 15, 2020, our shareholders approved at a general meeting the reduction of our share capital by the cancellation of our share premium account in its entirety in order to create realized profits, which was confirmed by the High Court in England and Wales on June 9, 2020. This was necessary to increase our distributable reserves to allow us to implement the distribution in specie for the FractalDx spin-off, whose distribution was declared by our board of directors on July 7, 2020 and distributed on July 10, 2020.

27. Share Options and Share-Based Payments

On 23 October 2018 shareholders approved a share option scheme for certain senior employees and consultants. Options are exercisable at a price equal to the price at which the Company's Initial Public Offering took place. With the exception of options over 80,724 shares, which vested immediately on grant, the options vest equally over twelve quarters commencing from the grant date. If options remain unexercised after the date one day before the tenth anniversary of grant, the options expire. Employees have a six month service requirement after the date of grant before options are exercisable. On termination of employment, options are forfeited either immediately or after a delayed expiry period, depending on the circumstances of termination.

Details of the share options outstanding during the period are as follows:

General Employee Share Option Plan	Average Exercise Price Per Share (GBP)	Number of Options
	$'000	$'000
As at 30 June 2019	1.21	2,195,697
Granted during the year	2.33	833,161
Outstanding at 30 June 2020	1.63	3,028,858
Exercisable at 30 June 2020	1.45	1,367,598
Vested and expected to vest at 30 June 2020	1.63	3,028,858

The fair value of each share option granted has been estimated using a Black-Scholes model and is £0.70 - £1.85 ($0.97 - $2.38). The inputs into the model are a weighted average share price of £1.63 ($2.08), exercise price of £2.41 ($3.10), expected volatility of 63.7%, no expected dividend yield, weighted-average term of 5.74 years and weighted-average risk free interest rate of 1.7%. As of 30 June 2020 none of the granted stock options have been exercised.

The aggregate fair value of the award is $3,866,121. The Group recognised total expenses of $1,696,338 ($644,739 within R&D expense and $1,051,599 within G&A expense) relating to equity-settled share-based payment transactions during the period to 30 June 2020. The weighted average remaining contractual term of the options is 8.6 years.

28. Leases

(i) Amounts Recognised in the Statement of Financial Position

The balance sheet shows the following amounts relating to leases:

	Group As at 30 June 2020	Group As at 30 June 2019	Company As at 30 June 2020	Company As at 30 June 2019
	$'000	$'000	$'000	$'000
Right-of-use assets				
Properties	365	-	-	-
Total right-of-use assets	**365**	**-**	**-**	**-**
Lease liabilities				
Current	92	-	-	-
Non-current	275	-	-	-
Total lease liabilities	**367**	**-**	**-**	**-**

The Group has applied IFRS 16 "Leases" for the first time.

Right-of-use assets have been measured at the amount equal to the lease liability.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate.

(ii) Amounts Recognised in the Statement of Comprehensive Income

The statement of profit or loss shows the following amounts relating to leases:

	Group As at 30 June 2020	Group As at 30 June 2019	Company As at 30 June 2020	Company As at 30 June 2019
	$'000	$'000	$'000	$'000
Depreciation charge - right-of-use assets				
Properties	62	-	-	-
Total right-of-use	**62**	**-**	**-**	**-**
Interest expense (included in finance cost)	**1**			

The total cash outflow for leases in the year to 30 June 2020 was $61,826 for the Group and $Nil for the Company.

(iii) The Group's Leasing Activities and How These Are Accounted For

The group leases various offices. Rental contracts for offices are made for fixed periods of between 1 and 5 years, but may have extension options as described below.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability extension options as described below.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental cash rate is used, being the rate that the individual lessee would forego to release the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

29. Notes Receivable

Company

In May 2020, the Group's FractalDX related business was sold to Verici DX Limited (see Note XX) for consideration totalling $2m which took the form of secured convertible debt ("the Notes").

The Notes are for a maximum of $3m to allow for the inclusion of any additional charges.They are secured by a debenture over Verici's assets.

The Notes are interest free and will be redeemed, so far as not converted, on completion by Verici of a fund raising; 12 months from the date of issue; or following a material breach.

Alternatively the Notes may be converted into ordinary shares in Verici at the Company's option, subject to certain conditions, at the equivalent price to that paid by investors on a fund raising, or at the price used for any Distribution in Specie to the Company's shareholders.

As at 30 June 2020 the total value of Notes outstanding was $2.106m

30. Inventories

	Group As at 30 June 2020	Group As at 30 June 2019	Company As at 30 June 2020	Company As at 30 June 2019
	$'000	$'000	$'000	$'000
Finished goods	326	-	-	-
	326	**-**	**-**	**-**

The Directors are of the opinion that the replacement values of inventories are not materially different to the carrying values stated above. The carrying values above are stated net of impairment provisions of $Nil (30 June 2019: $Nil).

The cost of inventories recognised as expense and included in 'cost of sales' amounted to $Nil (Year to 30 June 2019: $Nil).

The Company held no inventories at 30 June 2020 or 30 June 2019.

31. Borrowings

Paycheck Protection Program

On April 29, 2020, the Company, entered into an original loan agreement with Fortis Private Bank as the lender ("Lender") for a loan in an aggregate principal amount of $0.255 million (the "Loan") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and implemented by the U.S. Small Business Administration. The Loan matures in two years and bears interest at a rate of 1% per year, with all payments deferred through the six-month anniversary of the date of the Loan. Principal and interest are payable monthly commencing on October 29, 2020 and may be prepaid by the Company at any time prior to maturity without penalty. The Company may apply for forgiveness of amounts due under the Loan, with the amount of potential loan forgiveness to be calculated in accordance with the requirements of the PPP based on payroll costs, any mortgage interest payments, any covered rent payments and any covered utilities payments during the 8-24 week period after the origination date of the Loan. The Company utilised the proceeds of the Loan for payroll and other qualifying expenses, but there can be no assurances that any portion of the Loan will be forgiven. The balance on the PPP loan was $0.255 million as of June 30, 2020 and has been classified as a current and non-current liability in notes payable in the accompanying consolidated balance sheet at June 30, 2020.

32. Related Party Transactions

In October 2018, the Company purchased a worldwide exclusive license agreement with Joslin, that was previously entered into with EKF in July 2017, in exchange for the issuance of 15,427,704 of the Company's ordinary shares.

EKF provided short-term loans to the Company in the form of notes payable. During the period from March 15, 2018 (inception) through June 30, 2018 and for the year ended June 30, 2019, the Company borrowed $0.4 million and $0.6 million, respectively. The notes bore interest at an annual rate of 5% and the Company recognised $5,000 and $16,000 of interest expense during the period from March 15, 2018 (inception) through June 30, 2018 and for the year ended June 30, 2019. All outstanding principal and accrued interest of $1.0 million and $21,000, respectively, was repaid in November 2018 upon consummation of the Company's IPO.

In May 2018, the Company secured its cornerstone license agreement with Mount Sinai ("ISMMS") for research and clinical study work and intended commercialisation by the Company as discussed previously. As part of the collaboration, ISMMS became a shareholder in the Company and has subsequently made equity investments both in the Company's IPO in November 2018 and the subsequent sale of ordinary shares in July 2019. Additionally, in December 2018, the Company executed its option with ISMMS for the FractalDx license, which grants rights to technology and patents relating to a series of potential diagnostics and prognostics in the field of kidney transplant and rejection.

Prior to the Company's IPO on AIM in November 2018, the Company's Chief Executive Officer and Chief Financial Officer provided their respective services through a consulting agreement between the Company and Renwick Capital, LLC. During the year ended June 20, 2019, the Company incurred consulting services of $0.2 million. Upon consummation of the Company's IPO, the Chief Executive Officer and Chief Financial Officer became employee of the Company and the consulting agreement with Renwick Capital, LLC as terminated.

In connection with the formation of Kantaro, the Company entered into a five-year Advisory Services Agreement ("Advisory Agreement") pursuant to which the Company has agreed to provide certain advisory services to Kantaro.

Pursuant to the Kantaro Operating Agreement, Kantaro issued 750 Class A Units to Mount Sinai in exchange for Mount Sinai granting licenses to Kantaro under certain intellectual property rights of Mount Sinai and 250 Class A Units to the Company as the sole consideration for the services to be rendered by the Company under the Advisory Agreement. A portion of the Company's units are subject to forfeiture if, prior to December 31, 2020, Kantaro terminates the Advisory Agreement as a result of an uncured material breach of the Advisory Agreement or in the event the Company is acquired by a hospital or health system that serves all or any portion of the service areas served by Mount Sinai. The Company

determined the fair value of the services to be provided under the Advisory Agreement was $2.0 million and the fair value of the Class A units received from Kantaro was $1.9 million. A loss of $0.1 million was recognized within equity in losses of affiliate in the accompanying consolidated statements of operations and comprehensive loss. As of June 30, 2020, the total liability associated with the services was $1.9 million of which $0.3 million is included within accrued expenses and other current liabilities and $1.6 million is within other liabilities.

In addition to the equity granted at formation, the Company and Mount Sinai each committed to making a loan to Kantaro. Mount Sinai committed to lend an initial amount of $0.3 million and an additional $0.5 million thereafter. The Company committed to lend an initial amount of $83,333 and an additional $0.2 million thereafter. Each loan bears interest at a per annum rate equal to 0.25%, compounded monthly, until repaid, and is repayable from the first amounts that would otherwise constitute cash available for distribution to the members of Kantaro (provided that each loan repayment will be made, 75% to Mount Sinai and 25% to the Company). The Company loaned Kantaro $83,333 and had a note receivable for this amount at June 30, 2020. In addition, the Company recognized losses of $50,000 on their investment in Kantaro during the year ended June 30, 2020.

In June 2020, we and Mount Sinai entered into a registration rights agreement pursuant to which we have granted Mount Sinai the following registration rights:

- Demand Registration on Form F-3 – Mount Sinai is entitled to demand registrations on Form F-3, if we are then eligible to register shares on Form F-3, including up to two underwritten offerings in any 12-month period.
- Demand Registration on Form F-1 or Form S-1 – At any time following one year after the completion of the global offering, if we are not eligible to register shares on Form F-3 or S-3, Mount Sinai is entitled to a maximum of one demand registration on Form F-1 or Form S-1 during any 12-month period, subject to specified exceptions.
- Piggyback Registration – Mount Sinai is entitled to certain piggyback registration rights, subject to certain marketing and other limitations in the context of an underwritten offering.
- Expenses – We will pay all registration expenses incident to the performance of our obligations under the registration rights agreement.
- Mount Sinai's registration rights will terminate at such time as Rule 144, or another similar exception under the Securities Act, is available for the unlimited public sale of all of Mount Sinai's registrable securities without any volume or manner of sale limitations, subject to specified exceptions.

33. Contingent Liabilities

The Group has two contracts with Icahn School of Medicine at Mount Sinai which give rise to contingent liabilities:

Mount Sinai Collaboration Agreement

The Group is subject to the following one-off milestone payment obligations:

$1.5 million once worldwide sales of Licensed Products reach $50 million; and
$7.5 million once worldwide sales of Licensed Products reach $300 million.

In addition, royalties of 4-5% are payable to Mount Sinai on net sales of KidneyIntelX™, and 15% or 25% (depending on timing) of income from sublicensing. The Group is also subject to an annual data transfer fee of $50,000.

Mount Sinai FractalDx Licence Agreement

The Group is subject to the following one-off milestone payment obligations:

$250,000 upon receipt of certain regulatory clearance / approval
$250,000 upon receipt of U.S. CMS reimbursement code or PAMA reimbursement approval
$1 million once worldwide sales of Licensed Products reach $50 million
$4 million once worldwide sales reach $250 million

The Group has a contract with Joslin Diabetes Center under which the Group is liable for the following costs and payments:

5% royalty on net sales of Joslin Licenced Products and Joslin Licenced Processes;
25% of royalties received by the Group from sublicensing;
A one-off milestone payment of $300,000 once total net sales reach $2 million; and
A one-off milestone payment of $1 million once total net sales reach $10 million.

34. Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through to the date at which the consolidated financial statements were available to be issued, and determined there are no other items requiring disclosure beyond those disclosed below.

In July 2020, the Company closed an initial public offering (IPO) on Nasdaq Global Market, in which they issued and sold 12,583,500 ordinary shares which converted into 6,291,740 American depository shares at a public offering price of $13.50 per share. In addition, the Company completed a concurrent private placement in Europe and other countries outside of the United States of 30,000 ordinary shares at a price of £5.37 per ordinary share (at an exchange rate of GBP:USD 1:1.2563). The Company received net proceeds of $76.1 million as a result of the offering.

In July 2020 the Company's Board of Directors convened and declared a distribution in specie of shares in Verici to trustees on trust for the Company's shareholders. As a result, Verici's share capital has been re-designated into 59,416,134 A Shares of £0.001 each and 1 golden share of £0.001 (the "Golden Share"). The Golden Share will be the only voting share in the capital of Verici and will be retained by the Company. The Company's shareholders on the register as at close of business on July 9, 2020 will receive one A Share in Verici for every 1 ordinary share held in the Company. The value of each Verici A share at the time of distribution was $0.015 per share.

We have entered into deeds of indemnity with our directors and we expect to enter into a new deed of indemnity with each of our directors and executive officers in connection with the listing of our ADSs on Nasdaq. The deeds of indemnity and our articles of association require us to indemnify our directors and executive officers to the fullest extent permitted by law.

35. Ultimate Controlling Party

The Directors believe there to be no ultimate controlling party.

36. Assets and Liabilities of Disposal Group Classified as Held for Sale

In April 2020, the Group announced its intentions to pursue a spin-off and potential admission to AIM of Verici Dx Limited in order to secure separate financial and management resources for the FractalDx portfolio with the goal of enabling accelerated development.

On 7th July 2020 the Board declared a distribution in specie of shares in Verici to trustees on trust for the Company's shareholders. As such, the assets of Verici DX Limited have been classified as held for sale in accordance with IFRS 5.The following Assets and liabilities were reclassified as held for sale as of 30 June 2020 as a result of the pending spin off.

	As at 30 June 2020
Assets classified as held for sale	
Prepaid Expenses	11
Property Plant and Equipment	490
Intangible Assets	1,204
Total assets of disposal group held for sale	**1,705**

37. Restatement of Previously Issued Financial Statements

Change in Volatility Assumption

The company has restated its previously issued Consolidated Financial Statements for the period ended 30 June 2019 to adjust for a change in accounting estimates relating to its share-based compensation. Most significantly, the Company has revised the volatility rate used in the estimate of the fair value of each share option award which has resulted in an increase in the fair value estimate and therefore a higher share-based compensation expense in the period. The fair value of the awards is estimated using a Black-Scholes model. Previously the volatility assumption was estimated using the average volatility rate of Renalytix AI PLC's (RENX) share price. Following discussions with its professional advisers, the Company has now determined that due to the limited trading history of RENX stock it would be more accurate to estimate volatility using the average historical volatility rate of eight peer companies. As a result, the volatility rate used has been increased to 63.7% from the previously used rate of 23.0%. The period to 30 June 2019 has been restated to show the impact of the increased volatility rate. The Company believes that the updated volatility rate is more appropriate as it takes into consideration a wider range of historical data. The revision resulted in an increase in Administrative Expenses in the Consolidated Income Statement and of the Share-based payment reserve in the Consolidated Statement of Financial Position of $605,000.

Reallocation of Stock Based Compensation

The company has restated its previously issued Consolidated Financial Statements for the period ended 30 June 2019 to reallocate a portion of the stock based compensation expense from RenalytixAI PLC to RenalytixAI Inc. In 2019 the entire stock based compensation expense was booked on RenalytixAI PLC's books. Stock based compensation should be booked on the entity that the individual employee works for therefore an adjustment was made in the current year to properly allocate the portion of stock based compensation attributable to Renalytix AI Inc. employees. The revision resulted in a decrease in Stock Based Compensation in the Renalytix AI PLC Income Statement and an increase in Investment in Renalytix AI Inc. in the Renalytix AI PLC Statement of Financial Position of $343,390. The revision resulted in an increase in Stock Based Compensation in the Renalytix AI Inc. Income Statement and an Increase in other reserves of $793,691. The restatement has no impact on the consolidated financial statements.

Income Statement

	Period to 30 June 2019 (As Presented)	Restatement Impacts		Period to 30 June 2019 (Restated)
	$'000	$'000		$'000
Administrative expenses	(6,955)	(601)	(a)	(7,556)
Operating loss	**(6,955)**	**(601)**		**(7,556)**
Finance costs	19			19
Loss before tax	**(6,936)**	**(601)**		**(7,537)**
Taxation	959			959
Loss for the period	**(5,977)**	**(601)**		**(6,578)**
Earnings per ordinary share from continuing operations				
Basic and diluted	$(0.16)	$(0.02)		$(0.18)

(a) Entry was made to increase - Stock Based Compensation' by $604,803, off set by a $4,000 entry to Foreign Translation Reserve

Statement of Financial Position

	30 June 2019 (As Presented)	Restatement Impacts		30 June 2019 (Restated)
	$'000	$'000		$'000
Assets				
Non-current assets				
Property, plant and equipment	278	-		278
Intangible assets	18,287	-		18,287
Deferred tax assets	959	-		959
Total non-current assets	**19,524**	-		**19,524**
Current assets				
Security Deposits	49	-		49
Inventories	-	-		-
Trade and other receivables	-	-		-
Prepaid and other current assets	61	-		61
Cash and cash equivalents	9,288	-		9,288
Total current assets	**9,398**	-		**9,398**
Total assets	**28,922**	-		**28,922**
Equity attributable to owners of the parent				
Share capital	175	-		175
Share premium	34,032	-		34,032
Share-based payment reserve	532	605	(a)	1,137
Foreign currency reserves	(595)	(4)	(b)	(599)
Retained earnings	(5,977)	(601)	(c)	(6,578)
Total equity	**28,167**	-		**28,167**
Liabilities				
Current liabilities				
Trade and other payables	755	-		755
Total liabilities	**755**	-		**755**
Total equity and liabilities	**28,922**	-		**28,922**

Consolidated Statement of Changes in Equity

For the Period Ended 30 June 2020

	Share Capital	Share Premium	Share-based Payment Reserve	Foreign Currency Reserve	Retained Earnings	Total Equity	Restatement Impact		Total Equity (Restated)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000
At 15 June 2018		-	-		-	-			-
Comprehensive income	-	-	-	-	-	-			-
Loss for the period	-	-	-	-	(5,977)	(5,977)	(601)	(a)	(6,578)
Other comprehensive income									-
Currency translation differences	-	-	-	(595)	-	(595)	(4)	(b)	(599)
Total comprehensive income	66	-	-	(595)	(5,977)	(6,572)	(605)		(7,177)
Transactions with owners									
Issue of shares	175	35,522	-	-	-	35,697	-		35,697
Less issue costs	-	(1,490)	-	-	-	(1,490)	-		(1,490)
Share-based payments	-	-	532	-	-	532	(605)	(c)	1,137
Total transactions with owners of the parent, recognised directly in equity	109	34,032	532	-	-	34,739	605		35,344
At 30 June and 1 July 2019	175	34,032	532	(595)	(5,977)	28,167	-		28,167

Company Statement of Changes in Equity

For the Period Ended 30 June 2020

	Share Capital	Share Premium	Share-based Payment Reserve	Foreign Currency Reserve	Retained Earnings	Total Equity	Restatement Impact		Total Equity (Restated)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000
At 15 March 2018	-	-	-	-	-	-			-
Comprehensive income	-	-	-	-	-	-			-
Loss for the period	-	-	-	-	(2,369)	(2,369)	193	(a)	(2,176)
Other comprehensive income						-			-
Currency translation differences	-	-	-	(593)	-	(593)	(17)	(b)	(610)
Total comprehensive income	-	-	-	(593)	(2,369)	(2,962)	176		(2,786)
Transactions with owners									
Issue of shares	175	35,522	-	-	-	35,697	-		35,697
Less issue costs	-	(1,490)	-	-	-	(1,490)	-		(1,490)
Share-based payments	-	-	532	-	-	532	(605)	(c)	1,137
Total transactions with owners of the parent, recognised directly in equity	175	34,032	532	-	-	34,739	605		35,344
At 30 June and 1 July 2019	175	34,032	532	(593)	(2,369)	31,777	781		32,558

(a) As mentioned above an entry was made to correctly allocate the Share Based compensation expense between RenalytixAI PLC and RenalytixAI Inc. Since all expenses were booked on PLC in prior year the entry removed Share Based compensation expense from PLC's books thus decreasing the loss for the period.
(b) Entry was made to increase Stock Based Compensation by $604,803, increased share based payments for the period. Note all share based payments are made out of the Company on behalf of the group. Actual expenses are booked on the respective entity's books.

The restatement had no impact on the Group or Company statement of Cash Flows.

38. Equity Method Investments

In May 2020, the Group and Mount Sinai entered into the Kantaro Operating Agreement in order to form Kantaro Biosciences LLC ("Kantaro") for the purpose of developing and commercializing laboratory tests for the detection of antibodies against SARS-CoV-2 originally developed by Mount Sinai. In connection with the formation of Kantaro, the Group entered into the Advisory Agreement, pursuant to which the Group has agreed to provide certain advisory services to Kantaro.

Pursuant to the Kantaro Operating Agreement, Kantaro issued 750 Class A Units to Mount Sinai in exchange for Mount Sinai granting licenses to Kantaro under certain intellectual property rights of Mount Sinai and 250 Class A Units to the Group in respect of the services to be rendered by the Group under the Advisory Agreement. A portion of the units are subject to forfeiture if, prior to December 31, 2020, Kantaro terminates the Advisory Agreement as a result of the uncured material breach of the Advisory Agreement or in the event we are acquired by a hospital or health system that serves all or any portion of the service areas served by Mount Sinai. The Group account for the investment in Kantaro using the equity method of accounting as the Group can exert significant influence over, but do not control, Kantaro.

In addition to the equity granted at formation, the Group and Mount Sinai each committed to making a loan to Kantaro. Mount Sinai committed to lend an initial amount of $250,000 and an additional $500,000 thereafter. The Group committed to lend an initial amount of $83,333 and an additional $166,667 thereafter. Each loan bears interest at a per annum rate equal to 0.25%, compounded monthly, until repaid, and is repayable from the first amounts that would otherwise constitute cash available for distribution to the members of Kantaro (provided that each loan repayment will be made, 75% to Mount Sinai and 25% to us). All services provided by the Group under the Advisory Agreement are subject to the oversight and direction of the board of managers of Kantaro.

(A) Interest in associates and joint ventures

Set out below are the associates and joint ventures of the Group as of 30 June 2020 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of the Entity	Place of Business/ Country of Incorporation	% of Ownership Interest		Nature of Relationship	Method of Measurement	Quoted Fair Value		Carrying Amount	
		2020	2019			2020	2019	2020	2019
Kantaro Biosciences LLC	USA	25%	0%	Joint Venture	Equity Method	(*)	-	1,937,000	-
Total equity accounted investments	-	-		-	-	-		**1,937,000**	-

(*) - Private Entity - No quoted price available

(B) Interest in associates and joint ventures

	As at 30 June 2020
Commitments - Joint Ventures	
Commitment to provide additional loan to Kantaro	166,667
Total	**166,667**

(B) Kantaro Financial Statements

Kantaro Balance Sheet

	As at 30 June 2020
Assets	**$**
Cash and cash equivalents	26,905
Prepaid Services	1,811,373
Total assets	**1,838,278**
Equity attributable to owners of the parent	
Member's Equity	(2,000,000)
Net Income	252,555
Total equity	**(1,747,445)**
Liabilities	
Current liabilities	
Trade and other payables	(7,500)
Note Payable - RenalytixAI	(83,333)
Total Liabilities	**(90,833)**
Total equity and liabilities	**(1,838,278)**

Kantaro Income Statement

	Period to 30 June 2020
Continuing operations	**$**
Administrative Expenses	(252,555)
Operating loss	**(252,555)**
Profit/(Loss) attributable to Kantaro	**(252,555)**
RenalytixAI Equity Interest in Kantaro	*25%*
RenalytixAI Portion of Net Profit (Loss)	(63,139)

Additional Financial Information

The information on pages 81 to 82 is presented in order to assist investors with their review of these accounts. The comparative period within the annual report covers the period from the inception of the Company on 15 March 2018 to 30 June 2019 while the information below presents figures for the fiscal year to 30 June 2020 and for the fiscal year to 30 June 2019. It is unaudited and does not form part of the statutory accounts.

Consolidated Income Statement

For the Year Ended 30 June 2020

	Year to 30 June 2020	Year to 30 June 2019 (RESTATED)
Continuing operations	**$'000**	**$'000**
Administrative expenses	(11,078)	(7,138)
Operating loss	**(11,078)**	**(7,138)**
Share of net Profit (Loss) of associates and joint ventures accounted for using the equity method	(63)	-
Finance income - net	531	19
Loss before tax	**(10,610)**	**(7,119)**
Taxation	1,360	959
Loss for the period	**(9,250)**	**(6,160)**
Earnings per Ordinary share from continuing operations		
Basic and diluted	$ (0.16)	$ (0.17)

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2020

	Year to 30 June 2020	Year to 30 June 2019 (RESTATED)
	$'000	$'000
Loss for the period – continuing operations	(9,250)	(6,160)
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(1,265)	(603)
Other comprehensive loss for the period	**(10,515)**	**(6,763)**
Total comprehensive loss for the period	**(10,515)**	**(6,763)**

Reconciliation of IFRS to US GAAP (Unaudited)

Since Renalytix initial listing on Nasdaq, the Company has followed accounting principles generally accepted in the United States of America ('US GAAP'), both for internal as well as external purposes.

Renalytix Form 20-F, which is based on US GAAP, contains differences from its Annual Repor,t which is based on IFRS. The Form 20-F and Annual Report are available on the Company's website (www.renalytixai.com). In order to help readers to understand the difference between the Group's two sets of financial statements, Renalytix has provided, on a voluntary basis, a reconciliation from IFRS to U.S. GAAP as follows:

Reconciliation of Net Loss ($ thousands)	**30 June, 2020**	**30 June, 2019**
Net loss in accordance with IFRS	**(9,250)**	**(6,578)**
(a) Development expenditures	293	(18,287)
(b) Deferred tax assets	(1,360)	(959)
(c) Stock compensation expense	537	612
(d) Other adjustments	(64)	(17,089)
Total adjustments	(594)	(35,723)
Net loss in accordance with US GAAP	**(9,844)**	**(42,301)**

(a) Development Expenditures
Under IFRS, the acquisition of licenses and subsequent development efforts are capitalized and presented as intangible assets. Under U.S. GAAP, such costs are expensed as incurred until technological feasibility has been achieved or the assets are deemed to have future alternative use.

(b) Deferred Tax Assets
Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized based on available evidence. Under U.S. GAAP, a full valuation allowance has been applied. Under IFRS, a partial valuation allowance has been applied.

(c) Stock Compensation Expense
In addition, stock based compensation is recognized on a straight line basis under U.S. GAAP and a graded vesting basis under IFRS.

(d) Other Adjustments
During the year ended June 30, 2019, the value of the ordinary shares issued in connection with the acquisition of the Joslin license was determined based on the estimated value of the license under IFRS. Under U.S. GAAP, the value of the ordinary shares was determined based upon the initial public offering price of the Company's ordinary shares. This resulted in a difference of roughly $17.6 million. The remaining difference of $0.1 million represents other immaterial audit adjustments. During the year ended June 30, 2020 the differences were related to immaterial audit adjustments.

Reconciliation of Statement of Financial Position

	GAAP 30 June 2020	IFRS 30 June 2020	GAAP vs IFRS Difference	
Assets				
Current assets:				
Cash and cash equivalents	$ 13,293	$ 13,293	$ -	
Short-term investments	982	982	-	
Assets held for sale	-	1,705	(1,705)	(a)
Prepaid expenses and other current assets	551	2,898	(2,347)	(b)
Related-party receivable	18	18	-	
Total current assets	**14,844**	**18,896**	**(4,052)**	
Property and equipment, net	1,655	580	1,075	(c)
Intangibles, net	-	17,118	(17,118)	(d)
Deferred tax assets	-	2,319	(2,319)	(e)
Note receivable	83	83	-	
Investment in affiliate	1,937	1,937	-	
Right of use asset	-	365	(365)	(f)
Deferred Offering Costs	2,364	-	2,364	(g)
Total assets	**$ 20,883**	**$ 41,298**	**$ (20,415)**	
Liabilities and stockholders' equity				
Current liabilities:				
Note payable - current	120	121	(1)	(h)
Accounts payable	2,218	2,221	(3)	(h)
Accrued expenses and other current liabilities	683	678	5	(h)
Payable to affiliate - current	271	271	-	
Current lease liability	-	92	(92)	(f)
Total current liabilities	**3,292**	**3,383**	**(91)**	
Note payable - noncurrent	135	134	1	(h)
Non-current lease liabilities	-	275	(275)	(f)
Payable to affiliate - noncurrent	1,544	1,544	-	
Total liabilities	**4,971**	**5,336**	**(365)**	
Stockholders' (deficit) equity:				
Ordinary shares, £0.0025 par value per share: 62,444,992 and 56,011,831 shares authorized at June 30, 2020 and June 30, 2019, respectively; 59,416,134, 53,816,134 and 20,000,000 shares issued and outstanding at June 30, 2020, 2019 and 2018, respectively	179	192	(13)	(h)
Additional paid-in capital	69,650	2,833	66,817	(i)
Accumulated other comprehensive (loss) income	(1,200)	(1,915)	715	(j)
Accumulated deficit	(52,717)	34,852	(87,569)	(k)
Total stockholders' (deficit) equity	**15,912**	**35,962**	**(20,050)**	
Total liabilities and stockholders' (deficit) equity	**$ 20,883**	**$ 41,298**	**$ (20,415)**	

(a) Under IFRS, the acquisition of licenses and subsequent development efforts associated with FractalDx are capitalized and presented as intangible assets. Under U.S. GAAP, such costs are expensed as incurred until technological feasibility has been achieved or the assets are deemed to have future alternative use. In addition, under IFRS the property and equipment ($0.5 million) associated with FractalDx that are being contributed to Verici have been reclassified as assets held for sale.

(b) Under IFRS, the deferred offering costs below ($2,364) are classified as an other current asset on the Balance Sheet.

(c) Differences are primarily attributable to $0.6 million of capitalized software costs which are recorded as property and equipment under U.S. GAAP and Intangibles under IFRS. In addition, under IFRS the property and equipment ($0.5 million) associated with FractalDx that are being contributed to Verici have been reclassified as assets held for sale.

(d) Under IFRS, the acquisition of licenses and subsequent development efforts are capitalized and presented as intangible assets. Under U.S. GAAP, such costs are expensed as incurred until technological feasibility has been achieved or the assets are deemed to have future alternative use. In addition, $0.6 million of capitalized software costs which are recorded as property and equipment under US GAAP and Intangibles under IFRS.

(e) Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized based on available evidence. Under U.S. GAAP, a full valuation allowance has been applied. Under IFRS, a partial valuation allowance has been applied.

(f) Represents the adoption of IFRS 16 in connection with the Company's commercial laboratory in Utah. The Company has deferred the adoption of ASC 842 under U.S. GAAP until July 1, 2022.

(g) Under IFRS, the deferred offering costs ($2,364) are classified as an other current asset on the Balance Sheet

(h) Represents other immaterial audit adjustments.

(i) Represents a dividend declaration under IFRS in anticipation of a distribution of FractalDx net assets to the shareholders of Verici. In addition, stock based compensation is recognized on a straight line basis under U.S. GAAP and a graded vesting basis under IFRS.

(j) Represents the difference in weighted average foreign exchange rates and spot rates used for translation of financial statements under IFRS and U.S. GAAP.

(k) Represents a dividend declaration under IFRS in anticipation of a distribution of FractalDx net assets to the shareholders of Verici and differences noted within the Company's consolidated statement of operations and comprehensive loss.

	GAAP 30 June 2019	IFRS 30 June 2019	GAAP vs IFRS Difference	
Assets				
Current assets:				
Cash	$ 8,201	$ 9,288	$ (1,087)	(a)
Short-term investments	994	-	994	(b)
Prepaid expenses and other current assets	227	110	117	(c)
Total current assets	**9,422**	**9,398**	**24**	
Property, plant and equipment, net	278	278	-	
Intangibles, net	-	18,287	(18,287)	(d)
Deferred tax assets	-	959	(959)	(e)
Total assets	**$ 9,700**	**$ 28,922**	**$ (19,222)**	
Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable	317	316	1	(c)
Accrued expenses and other current liabilities	832	439	393	(c)
Total current liabilities	**1,149**	**755**	**394**	
Total liabilities	**1,149**	**755**	**394**	
Stockholders' (deficit) equity:				
Ordinary shares, £0.0025 par value per share: 62,444,992 and 56,011,831 shares authorized at June 30, 2020 and June 30, 2019, respectively; 59,416,134, 53,816,134 and 20,000,000 shares issued and outstanding at June 30, 2020, 2019 and 2018, respectively	162	175	(13)	(c)
Additional paid-in capital	52,084	35,169	16,915	(i)
Accumulated other comprehensive (loss) income	(822)	(599)	(223)	(j)
Accumulated deficit	(42,873)	(6,578)	(36,295)	(k)
Total stockholders' (deficit) equity	**8,551**	**28,167**	**(19,616)**	
Total liabilities and stockholders' (deficit) equity	**$ 9,700**	**$ 28,922**	**$ (19,222)**	

(a) Reclassification of investments with maturity dates of 91 days or greater under U.S. GAAP and other immaterial adjustments.

(b) Reclassification of investments with maturity dates of 91 days or greater under U.S. GAAP.

(c) Represents other immaterial audit adjustments.

(d) Under IFRS, the acquisition of licenses and subsequent development efforts are capitalized and presented as intangible assets. Under U.S. GAAP, such costs are expensed as incurred until technological feasibility has been achieved or the assets are deemed to have future alternative use.

(e) Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized based on available evidence. Under U.S. GAAP, a full valuation allowance has been applied. Under IFRS, a partial valuation allowance has been applied.

(i) Under IFRS, the value of the ordinary shares issued in connection with the acquisition of the Joslin license was determined based on the estimated value of the license. Under U.S. GAAP, the value of the ordinary shares was determined based upon the initial public offering price of the Company's ordinary shares. Stock based compensation is recognized on a straight line basis under U.S. GAAP and a graded vesting basis under IFRS.

(j)Represents the difference in weighted average foreign exchange rates and spot rates used for translation of financial statements under IFRS and U.S. GAAP.

(k) Represents differences noted within the Company's consolidated statement of operations and comprehensive loss.