RNS Number : 1840S
Diaceutics PLC
15 March 2021

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Diaceutics PLC
("Diaceutics" or "the Company" or "the Group")

Final Results

Diaceutics PLC (AIM: DXRX), a diagnostic commercialisation company for precision testing, reports its audited results for the year-ended 31 December 2020.

The previous 12 months reflect a challenging year in light of the COVID-19 pandemic. The Group continued on its mission to become the leading provider of precision testing data and commercialisation services for the global Pharma industry.

Financial Highlights

- Revenue decreased by 6% to £12.7m (2019: £13.4m)
- Gross profit decreased by 8% to £9.4m (2019: £10.3m)
- Gross margin of 75% (2019: 77%)
- Adjusted loss before tax* (£0.3m) (2019: adjusted profit before tax £1.8m)
- Loss before tax £0.7m (2019: profit before tax £0.5m)
- Adjusted EBITDA* of £0.5m (2019: £2.4m)
- EBITDA £0.2m (2019: £1.0m)
- Net assets of £40.2m (2019: £20.1m)
- Net cash inflow of £13.6m reflecting a gross raise of £20.5m (2019: inflow of £9.7m reflecting a gross raise of £17.0m)
- Strong balance sheet with net cash of £25.3m (2019: net cash of £11.7m)

**Adjusted for exceptional costs of £0.4m in relation to a restructuring event.*

Operational Highlights

- Strengthened the balance sheet in June with an equity placing of £20.5m (before costs)
- Successfully launched the DXRX platform in October 2020 within budget
- Completion of restructuring exercise by the year-end, resulting in a £1.9m annual reduction in cost base but resulted in exceptional costs of £0.4m
- Provided data and services to 53 therapy brands in 29 countries serving 39 clients - maintaining our brand engagement through a difficult COVID-19 year
- Strong client repeat business at 92% of revenue (2019: 87%)
- Added seven new clients to our customer list - now servicing 39 clients (2019: 36 clients)
- Integration and online access to all our 365 million patient testing records and 49 Diagnostic Deductive Pathways ™ (DDPs)
- Added 138 million new patient testing records to our data lake (2019: 112m)

Peter Keeling, Chief Executive Officer, commented: *"Recent Market data indicates that US Pharma commercial activity had returned to 95% of pre-COVID-19 levels by the end of December 2020. This has a direct link to Pharma commercial investment and consequently we observe greater predictability returning to Pharma budgeting. This combines with the on-track adoption of our DXRX platform by clients in the first three months of being on market.*

"As a result, we have seen an increased level of engagement from clients in the past quarter and our business development team continue to see positive steps towards a more predictable pipeline position. The Group is well placed to respond to these opportunities, and feedback from our clients has been positive. That said, we recognise that we are not immune to ongoing challenges within the global market, particularly as we emerge from the COVID-19 pandemic.

"On balance, given the positive and cautious approach to H1 2021, the board have approved the re-instatement of guidance for 2021. I am pleased with this decision and my management team remain focused on accelerating adoption of our DXRX platform."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

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About Diaceutics
At Diaceutics we believe that every patient should get the precision medicine they deserve. We are a data analytics and end-to-end services provider enabled by DXRX - our Proprietary Diagnostic Network solution for the development and commercialisation of precision medicine diagnostics. The Company, listed on the AIM Market of the London Stock Exchange, has created commercially useful data sets for every precision medicine that has come to market. We have built the world's largest repository of diagnostic testing data with a growing network of 2,500 laboratories in 51 countries. www.diaceutics.com

About DXRX - The Diagnostic Network®
DXRX is Diaceutics' proprietary diagnostic network for precision medicine. DXRX is an end-to-end solution for the development and commercialisation of Precision Medicine diagnostics. The platform enables a vibrant marketplace where all stakeholders in Precision Medicine come to find trusted partners and collaborations in a secure, standardised way. DXRX provides access to a pipeline of global diagnostic testing data on one secure platform.

Chair's Statement

Introduction
Welcome to our 2020 Annual Report and my first statement as Chair of Diaceutics having taken on this role in January 2021. I am delighted to be a part of this market-leading business and look forward to helping the Company realise its full potential. Having worked in global technology-led platform and software businesses and served on the board of listed entities for the last eight years I am looking forward to leveraging this experience together with my personal interest in using technology and data to improve patient outcomes for those suffering from some of the most challenging diseases experienced today.

2020 was an extraordinary year like no other with a number of external factors impacting our global business and presenting a challenging year for Diaceutics, along with many other businesses. That said, we produced a satisfactory performance for the full year 2020, we have restructured our business to reposition it for the future and we have successfully launched our diagnostic network platform DXRX - The Diagnostic Network ® (DXRX). The board of directors ('the Board') wants to thank the full Diaceutics team, for navigating the challenges and uncertainties of the year and repositioning the business for growth.

Performance
During the year, we reported a successful H1 with growth in revenue. During H2 the impact of COVID-19 on our clients' drug launches resulted in a downward revision to market expectations for the full year. Our revenue, adjusted EBITDA and adjusted PBT for the financial year, albeit below 2019, were in excess of the revised market expectations provided in September 2020, and reflected continued signs of improved activity towards the end of the year.

Our Technology
Diaceutics occupies a position at the convergence of healthcare data, precision medicine therapy pipeline and global test commercialisation, which we are optimally placed to host and commercialise on our DXRX platform, and within an industry experiencing multiple growth drivers.

DXRX has been purpose built to create a vibrant platform and marketplace where all stakeholders in precision medicine come to find trusted partners for collaboration on precision medicine diagnostics in a secure, standardised way. We have a world-leading global flow of diagnostic testing data supported by a 2,500+ laboratory network. Within the platform, our lab-derived data is enhanced with diagnostic, claims and demographic data, building the complete picture of a patient's diagnostic journey.

COVID-19 has accelerated the uptake of digital technologies within the Pharma and Diagnostic industries. We believe DXRX is the right technology at the right time to meet the evolving needs of our stakeholders and provides a scalable, secure platform for increased collaborations.

Our People
Reflective of its global reach, Diaceutics has a diverse employee workforce. Remote working has always been a central part of day-to-day work at Diaceutics so the COVID-19 transition to full remote working was seamless. It was important to provide additional support to our colleagues during this time and, led by our CEO, a comprehensive internal COVID-19 response was implemented. In our most recent employee survey 98% of colleagues said that they were treated fairly and with respect, and 96% said they would recommend Diaceutics as a place of employment to a friend.

The Board recognises that all our colleagues have been touched by COVID-19 in some way and several have lost family and lovedones to the virus. We extend our sincere condolences to those colleagues and their family and friends during this difficult time.

Board matters

The Board has supported management throughout the COVID-19 pandemic and during the fundraising which was announced on 11 June 2020.

At the year-end Julie Goonewardene stood down as Non-Executive Chair and we thank Julie for her long-term service and wish her well in her new endeavours. I was very pleased to assume the role of Chair from 4 January 2021. I am excited to be involved with Diaceutics at this pivotal point in its journey with the launch of our DXRX platform and the transition of the business from its classic model into a platform business.

During Q2 the Board oversaw a fundraising that resulted in a placing of 14,137,931 ordinary shares at 145p per share raising £20.5m (before expenses). The Board was pleased with the support from both existing and new shareholders. The proceeds will support the Company's role in the accelerated digital opportunity that our clients see as becoming the new way of doing business.

During the year, we conducted an internal Board effectiveness review as part of our strive for continuous improvement. As our new Chair, I want to build on this sound base and continue to leverage the skills and experience around the table.

As a Board, we continue to monitor employee engagement and satisfaction through town hall and employee feedback surveys. The feedback shows the support and dedication of our people and as a Board we have responded to meet the needs of our people through the COVID-19 pandemic.
The Board is cognisant of the importance of Environmental, Social and Corporate Governance (ESG) factors in a successful and responsible business. It is my intention to set long term goals around ESG and to track and report against key indicators.

The Board supports all aspects of diversity and our Company is global and diverse by nature of the geographies in which we operate. In addition to this, diversity of gender, sexuality, ethnic background and religion or any other form of diversity is supported by the Board.

Outlook

Peter Keeling, CEO and the entire team have shown excellent leadership, resilience, and agility as we moved through the year to end it ahead of revised market expectations.

There is a need for real-world data and implementation services to support the growth in pre- and post-launch precision therapy brands, and we are now positioned to deliver to our clients on our newly launched DXRX platform.

Overall, the business is in good financial health and is well positioned to take advantage of the anticipated market growth as we manage through COVID-19, and on this basis the Board have reinstated guidance to the market.

Thank you to all our clients, partners, suppliers, investors and employees and we look forward to interacting with you all during 2021.

Ms Deborah Davis
Chair

13 March 2021

Chief Executive Officer's Statement

Overview

Like many organisations in global healthcare, Diaceutics was subject to the business uncertainties triggered by COVID-19. Despite this, my team navigated the challenges across 2020, achieving key business milestones whilst responding to budget reductions and delays by many of our key clients also triggered by COVID-19.

We reported H1 revenue growth of 20% to £5.3m, compared with £4.4m in the same period for 2019, reflecting the underlying growth in clients and therapy brands. In addition, we carried out a second share placing in June 2020, raising £20.5m of additional cash (before costs), further strengthening the balance sheet and supporting us in planning for further growth opportunities and investments.

In mid-August, it had become apparent that COVID-19 had resulted in an unprecedented downturn in the number of cancer and immune-compromised patients attending their doctors. As a result, Pharma moved mid-year to reprioritise their budgets, and delay spend on several on-market and near-market therapy brands. As a result of this, we determined that the revenue for the year was expected to be below that of the 2019 financial year and issued a revision downward of the guidance in place for 2020 followed by immediate action to reduce the operating cost-base accordingly.

By year-end we reported revenue of £12.7m (2019: £13.4m) ahead of revised guidance by 5.8%, with Gross Margin remaining strong at 75% (2019: 77%). Furthermore, we reported a positive EBITDA of £0.2m (2019: £1.0m) against guidance of (£0.6m) EBITDA and an adjusted EBITDA of £0.5m (2019: £2.4m). The cash reserves at 31 December 2020 were £25.3m (2019: £11.7m).

In support of the above and to ensure a more robust operational base for 2021, we undertook a complete cost review and a restructure in Q4, triggering an exceptional cost of £0.4m, and expected to provide an annual cost saving of £1.9m and a reallocation of a material amount of this cost saving towards platform business development and marketing for 2021. Our restructuring activity included a full external and internal review and reorganisation of our resources in support of our current and future business operations.

Of key importance to the business in 2020 was the on-time launch of the DXRX Platform in October within the original planned budget. By year-end we had presented the DXRX platform to 19 client teams and formed several collaborative partnerships to support moving our lab network online. Overall, as a business we had supported 39 Pharmaceutical companies 53 therapy brands, broadly in line with prior year.

I am proud of how the team responded to the global disruption of COVID-19 significantly increasing touch points and ensuring client relationships remained strong and robust, in particular, for post COVID-19 growth.

DXRX Launched October 2020

In October 2020, Diaceutics officially launched DXRX, its diagnostic network platform dedicated to precision medicine. The DXRX platform launch was a key milestone in the evolution of our business, which was needed to provide a fully integrated solution to our Pharma clients and other stakeholders working to address a broken diagnostic ecosystem denying patients access to precision medicines.

This enables Diaceutics to serve Pharma's precision testing needs over the years ahead and as precision medicine becomes the predominant business model for the Pharmaceutical industry. In 2020 progress was therefore seen across all three strategic drivers of our business as described below.

1. **Right Business Model for Pharma's Precision Testing Needs**

Precision medicine is fully recognised today by the world's leading Pharmaceutical companies as a predominant driver of future growth, with half of the top 10 predicted therapy brands by 2025 being interdependent upon better patient testing. 'Super brands' like Merck's "Keytruda" (enabled by better PD-L1 testing) are likely to break annual records projecting the greatest revenue of any therapy brand, at $22bn annually by 2025. Oncology pipelines are dominated by therapies likely to be interdependent upon efficient patient testing. Notably large Pharma, including GSK and AstraZeneca made key acquisitions for new precision medicine therapies from the growing number of biotech companies dedicated to developing integrated test and drug combinations.

Over the past 15 years, Diaceutics has dedicated its business model to serving the complex and evolving precision testing needs of a growing number of Pharmaceutical companies bringing precision therapies to market. Despite the backdrop of a marketplace interrupted by COVID-19 (see below) across 2020, we increased our global client base to 39 (2019: 36).

A goal for us as a company is to serve the needs of therapy brands over multiple years specifically to "live longer with the therapy brand". We now have 18 therapy brands where we have assisted our clients for three years and eight therapy brands for at least five years.

Additionally, a key USP for Diaceutics is our ability to provide a global service to our clients and 11 of our clients worked with us in all three regions simultaneously in 2020 - US, EU and Asia (11 in 2019). With the arrival of DXRX, we anticipate scaling up this global solution, bringing a total of 16 products of which seven are enhancements of current product offerings. Nine are new of which five were launched at the year-end and four in development through 2021. In July 2020, before the arrival of DXRX, we announced our largest single order of $1.27m with a top Pharma client to provide a multi-country, multi-year solution in the commercialisation of a complex testing strategy for Non-small cell lung carcinoma (NSCLC).

Across the year we worked on the top biomarkers driving precision medicine today including PD-L1, EGFR, HER2 and BRCA deepening our experience in removing the hurdles holding back seamless testing in key cancers enabled by these biomarkers.

Our domain experts continued to project their thought leadership in precision testing in 2020, and in October we published our 7th landmark Pharma Precision Medicine Readiness report describing the broken ecosystem in NSCLC as a disease-level lens into the systemic barriers impeding precision testing. For the first time we had four key clinical abstract studies and one poster presentation accepted at the industry's key oncology meeting of the year (ASCO) (2019: nil). Across the year we also published four other peer reviewed publications.

As we reported in September, COVID-19 caused disruption to expected new therapy launches in 2020, as budgets were reallocated and reshaped to support on-market brands. Our analysis of this disruption with our clients indicated that a number of new drug launches were pushed back at least six months into 2021. Nonetheless, COVID-19 has not materially impacted the mid- to long-term march of our clients towards a precision medicine future.

2. **Right Data Insights to Support Better Testing**

A prerequisite to eliminating access hurdles to precision therapy caused by testing is to understand the real-world clinical testing ecosystem. Evidence over the years has shown that having patients routinely tested in cancer and other areas with a novel test or biomarker takes years of planning and significant levels of investment. Too often launch planning for a new test is late and investment far short of what is required to support a multi-million dollar therapy.

To truly shine a spotlight on the real-world difficulties which patients have travelling their own diagnostic journey to receive the right precision drug, in 2011 we began investing in gathering and analysing everyday testing patterns for cancer and other diseases. Today, this data repository represents a world-leading diagnostic data lake, combining multiple sources of information to build a complete picture of a patient's diagnostic journey. In 2020 we further enhanced our data insights by adding 138 million patient testing records to the 227 million we had at the end of 2019 (2019: 112m). We continue to invest in adding data sources and disease coverage in line with the needs of the precision medicine market.

To derive real value for our Pharma clients and laboratory partners we leverage our data scientists and machine learning to expertly label the raw data and allow us to map patient journeys at a disease level. These complex DDPs form a core part of our Intellectual Property portfolio. In 2020 we added 13 new DDPS to the 36 already existing. This forms the foundation for developing our services into the non-oncology space, including cardiology and autoimmune disease.

In addition to the disease level insights from our DDPs, our data repository provides an understanding of the testing patterns in all the key cancer testing labs across 35 countries, as well as for 670,000 precision therapy prescribers. Key to further unlocking the significant clinical and commercial value resident in our data repository, is the ability to provide online access to our clients and laboratory partners. This took a huge leap forward with the launch of DXRX, the third and last piece of the strategic infrastructure essential to provide a global, scalable solution to the broken precision testing ecosystem and integrate our data and business model via the platform through 2023.

3. The Right Platform to Unlock a More Efficient Diagnostic Marketplace

DXRX was launched on target in October following three years of development and a further £6m of investment in platform and data in 2020. At its core lies the ability to enable our Pharma clients and laboratory network to collaborate in solving the real-world issues holding back precision testing and integrate the development and commercialisation of new precision tests in step with therapy launches. This first-generation platform enhanced our current offering and expanded our technology-enabled services (TES), data services and network access to 12 modules with the remaining four TES and data services to be introduced sequentially over the next four quarters. Service capabilities at year-end include:

- Data Subscription
- Lab Mapping
- Physician Mapping
- Testing Dashboard
- Test Quality Assessment
- Test Educational Awareness
- Test Report Optimisation
- Lab Training
- Lab Support
- Lab Standardisation
- Test Regulation
- Network Access Fee

These additional platform offerings enable our end-to-end commercialisation offering to clients allowing us to encourage and pursue more of the investment in removing test access hurdles to precision therapy and provide real value to our laboratory partners. Key features of DXRX at launch included:

- Integration and online access to all our 365 million patient testing data records and 49 DDPs
- Access to data from all 2,500+ Laboratories in the network
- Commencement of six key collaborations with important diagnostic partners and quality assessment organisations
- By the end of 2020 conversion of 61 Labs directly online to work on client projects, successfully engaging the first wave of key oncology laboratories

We fully recognise that the introduction of a new disruptive platform in healthcare takes time to diffuse into the market. Nonetheless, one of the indirect consequences of COVID-19 has been an accelerated adoption of digital platforms by Pharma commercial teams where their legacy commercial model has struggled.

Whilst it was important to have a minimum viable platform to introduce first time to our Pharma clients, we took the decision to accelerate our client outreach with DXRX and over November and December 2020 we introduced the platform to 19 different Pharma client teams and commenced platform-enabled delivery to eight key projects. Client reception to the platform has been positive, and we believe this pattern of early traction will continue across 2021 as we seek to bring this transformative digital platform into the precision testing arena.

DXRX will facilitate the Diaceutics business model and data repository in important ways, primarily in enabling us to scale more easily across markets and within clients, over time increasing the number of products and services to support our clients' circa $10m investment in each of their therapy brands. Importantly, we have introduced a flexible and multi-tier pricing structure to our clients including a network access fee, data subscriptions and technology-enabled services bundling, which, combined, will provide greater transparency and predictability to our future revenue flows as we move gradually to full platform adoption.

Business Operations

Aside from our progress with the business model, data repository and DXRX platform launch, we advanced our balance sheet and business operations in four important ways:

Fundraising Q2

At the end of Q1 we reported the COVID-19 led digital accelerated evolution of our clients' internal programmes from drug development to full commercialisation. The speed of the disruption to our clients' traditional business models, and in particular the client field-force and the doctor relationship interactions, were most impacted. Moreover, we could see a trend in some of our clients expressly favouring tech-enabled services as a way to continue the launch and adoption of drugs which are key to maintaining their own growth trajectory.

As a Board we launched a fundraising round in Q2 with the objective of being adequately funded for the increasing favouring of, and client demand for, digital solutions to bridge the COVID-19 disruption but also as an acceleration to their own internal digital KPIs. I am pleased to report we concluded the raise in June 2020 with a raise of £20.5m (before expenses) with continued support from our existing shareholders and a cohort of new shareholders added to the register. Management are progressing a plan for application of these funds.

Our team

Our people are key to our business and as such we supported them through COVID-19 disruption via an employee assistance programme to support staff and their families and continue to do so. Transitioning to 100% homeworking was seamless as 70% worked virtually pre-COVID-19 and our years of investment in digital communications served to minimise the impact to our client work.

Net of restructuring we increased our overall headcount by 15, gearing our operations towards our platform business model by the end of the year. This restructuring has allowed us to remove £1.9m annualised costs by further leveraging the efficiencies brought internally by DXRX.

To support our Executive Committee ("EXCO") we formalised and mentored an operations leadership team ("OPCO") to assume greater control of the day-to-day operations of the Company. This is critical to underpin a scalable organisation and further contributes to our agility as a business.

We have continued to invest heavily in team training via our online Percipio platform and dedicated training staff. This facility allows us to remain highly agile as a business as our client needs from precision testing rapidly evolve. By the year-end we had provided on average one week of training to every team member.

Our culture is an important asset that we have invested in over many years. Supported by our internal cultural ambassador, I personally monitor the health of our culture so that at difficult times such as COVID-19 I know we have a dedicated, resilient and collaborative workforce to meet any challenge.

Partners and stakeholders

We have continued to extend our stakeholder and supplier engagement, increasing the data supply and signing on new labs to support our current offering. The introduction of DXRX supports a deeper and digitally-enabled engagement with our laboratory network supporting data-supply and Pharma sponsored activities. This level of engagement and commitment presents our clients with a commercial-ready network of laboratories to support the full DXRX offering.

Growth drivers

Diaceutics operates within a convergence of healthcare data, precision medicine and the migration of the testing ecosystem to a platform. Ultimately our core growth driver is our clients' need to seek adoption of test and drug into the market thereby achieving an increased return on investment. Underpinning this client demand we see an increase in the volume of precision medicine drugs moving to market and an enhanced awareness, via the real-world data, of the need to increase investment in the area of diagnostic testing. Winning new clients in addition to servicing existing clients, and also expanding our offering will be key to our growth in the immediate term. The breadth and depth of our data, client and stakeholder platform activity at a critical mass, has the potential, with future investment, to create upside blocks of revenue into the future.

Our strategy is to provide our clients with an end-to-end platform for the launch and commercialisation of precision drugs, in addition to selling more to our existing 39 clients and winning new clients. Within our client cohort multiple brand teams exist. We currently engage with 53 brands and we see a further 300 precision medicine brands moving to market in the next three years. DXRX provides a platform where we can offer additional modules enabling a deeper relationship with our clients. We continue to invest in platform business development account managers who are committed to understanding the challenges facing each drug brand team and, in conjunction with our specialist scientists, providing a "5-mile-deep" understanding and solution matrix for our clients.

A further aspect for our strategy is to achieve global access to the platform engaging with our client "global" and "country" teams. As key stakeholders, we see country team engagement as key in the consistent rollout of the commercialisation strategy. We expect to see further growth in the Asia-Pacific Economic Cooperation (APEC) region as we work with government agencies to identify and pitch to local APEC companies with a commercialisation drug-launch need. We have planned to invest in headcount to support our regional business development and further invest in our data supply and laboratory network.

Key challenges ahead

COVID-19 and the severity of the lockdowns are a challenge for our business. We do see how our clients, under the highest level of lockdown, can delay budget-release. We continue to engage with our clients and monitor spend activity to better understand budget and spending patterns and safeguard our business. Our DXRX platform is built to support data subscription and as such requires a commitment to bring it outside of client discretionary budget.

As the healthcare sector continues to grow, staff retention will be critical as the sector funding and growth can see increasing demand for what is a relatively fixed pool of scientific and healthcare commercial talent in the short-term. We continue to monitor and adjust our corporate staff packages to support retention and attract best-in-class individuals to our Diaceutics family.

Precision testing outlook remains strong

Despite the investments being made by Pharma in precision medicine and precision testing there remains a very high level of unmet need. Our own estimates based on a specific subset of our testing data suggest that as many as 50% of patients are missing out on treatment as a result of the broken diagnostic ecosystem. The outcome of this can be measured in patient lives and loss of revenue to the Pharmaceutical and Healthcare industry. As the realities of the broken testing ecosystem become better understood, and investments increasingly pivot towards better testing, we believe Diaceutics is in the right place at the right time.

Our data tells us that in addition to the more than 150 precision medicines on the market today, there are over 450 progressing through to market, representing a percentage of current and future opportunity for our business. To support these new therapies will require the launch of novel biomarkers not currently used in mainstream clinical testing. Much work needs to be done pre-therapy and test-launch to avoid the issues and mistakes made by years of under investment in precision testing. Armed with DXRX and the most extensive data repository, Diaceutics ends 2020 in pole position to provide a one-stop global solution to the leading therapy brands driving precision medicine today. We remain realistic about the time and investment it takes to introduce a new commercial paradigm and develop a new Lab-to-Clinician channel and pragmatic about the operational prerequisites to service a demanding Pharmaceutical client base.

Our primary objective in 2021 is to continue to drive adoption of DXRX across our clients, laboratories and diagnostic partners. To enable this, the business has created a number of KPIs with a focus on Business Development and client engagement, and operational process and efficiency. KPIs for January and February 2021 indicate that we delivered six client projects enabled by DXRX integrated data. In addition, we have won DXRX contracts with a combined value of $1.22m, supporting an increase in average proposal price of 30%+ and supporting our 2021 objective of delivering a minimum of 20% of our revenue through DXRX products. Furthermore, we continue to increase the number of laboratories and diagnostic partners engaged on our platform, now 101 and six respectively.

We continue to use the KPIs developed to monitor efficiency as we transition our business to the DXRX platform and operating model through 2023. These efficiencies will be supported by the DXRX revenue product suite and revenue streams.

Outlook

Recent Market data indicates that US Pharma commercial activity had returned to 95% of pre-COVID-19 levels by the end of December 2020. This has a direct link to Pharma commercial investment and consequently we observe greater predictability returning to Pharma budgeting. This combines with the on-track adoption of our DXRX platform by clients in the first three months of being on market.

As a result, we have seen an increased level of engagement from clients in the past quarter and our business development team continue to see positive steps towards a more predictable pipeline position. The Company is well placed to respond to these opportunities, and feedback from our clients has been positive. That said, we recognise that we are not immune to ongoing challenges within the global market, particularly as we emerge from the COVID-19 pandemic. On balance, given the positive and cautious approach to H1 2021, the board have approved the re-instatement of guidance at revenue of £13.6m and EBITDA of £2m for 2021.

Mr Peter Keeling
Director

13 March 2021

Chief Financial Officer's Review

The 2020 financial year was an unprecedented year for the Group. The trading update announcement in September 2020 outlined how the financial performance of the Group should be viewed in two parts.

The 2020 financial year ended with a revenue of £12.7m (2019: £13.4m) with Gross Margin remaining strong at 75% (2019: 77%). Despite the challenges of COVID-19 in H2, the Group successfully ended the 2020 financial year with a positive EBITDA of £0.2m against guidance of EBITDA loss of less than £1m (2019: EBITDA £1m) and an adjusted EBITDA of £0.5m (2019: £2.4m). The income statement reflects a research and development tax credit of £0.9m (2019: (£0.1m)) resulting in profit after tax of £0.3m (2019: £0.4m). The cash reserves at 31 December 2020 were £25.3m (2019: £11.7m).

The year started strongly, with the Group reporting H1 revenue growth of 21% to £5.3m, compared with £4.4m in the same period for 2019 reflecting growth in numbers of clients and therapy brand cohorts. In addition, the Group carried out a second share placing in June 2020, raising £20.5m of additional cash (before costs), further strengthening the balance sheet and supporting the Group in further growth opportunities and investments.

In mid-August, due to the ongoing disruption of the COVID-19 pandemic, it became apparent that Pharma had reprioritised their budgets, and delayed their spend on several of the therapy brands which the Group was working on. The reported revenue for the year was expected to be materially below that of the 2019 financial year which resulted in a revision downward of the guidance in place for 2020, and the Group took immediate action to reduce the operating cost-base accordingly.

Despite the continued disruption of the pandemic, the Directors were pleased to announce the launch of the DXRX Platform in October 2020 within the original planned budget. With the launch of the platform, the Group undertook a restructuring exercise, with the aim to reduce the cost base, reorganise resources and improve operational efficiency for the Group in 2021 and onwards. The restructure event resulted in an exceptional cost as of 31 December 2020 of £0.4m and cost savings of £1.9m annually, with the view to redeploying a material amount of the cost saving towards business development and marketing of the platform.

The Group's Key Financial Performance indicators have been summarised below:

	2020	2019
	£000's	£000's
Revenue	12,696	13,442
Gross Profit	9,463	10,311
Gross Profit (%)	75%	77%
EBITDA	151	1,024
Adjusted EBITDA*	539	2,372
(Loss)/Profit before tax	(682)	497

* After exceptional costs of £0.4m relating to a restructuring event

Revenue

The Group generated revenue of £12.7m (2019: £13.4m) which was ahead of the revised market guidance issued in September 2020. Despite the 6% year-on-year reduction in revenue, the Group continued to expand its global outreach with Pharma clients, increasing the number of clients serviced to 39 (2019: 36) and maintaining engagement with 53 drug brands (2019: 53) over 29 countries (2019: 41 countries). The Group continues to manage the spread of revenue such that only three clients attributed greater than 10% of revenue for the year (2019: two clients), and no client attributed more than 11%.

COVID-19 undoubtedly impacted how the Group's 2020 revenue was constructed during the year. During H1, revenue generated from Data Analytics represented 90% of total revenue (H1 2019: 62%) reflecting an increase in demand for Data Services and decline in Implementation Services, a reaction to the COVID-19 lockdowns. However, as we progressed through H2, we began to see the demand for Implementation Services return with access to laboratories resuming. At the year-end, Data Services represented 76% of total revenue (2019: 72%).

US-regional sales increased by 7% for the year in comparison to 2019 (2019: 15% in comparison to 2018). This contrasted with a reduction in revenues in Europe (including UK) of 17% (2019: Increase of 29%) and a reduction of revenues in Asia and Rest of World of 8% (2019: Increase of 105%). Despite the reduction of revenue in Asia for the 2020 financial year, we saw an increase in the number of therapy brands in which we engaged, highlighting future opportunity in this region.

A key performance indicator for the Group is the level of repeat business we see from customers and the number of new clients we do business with particularly as the business pivots towards a platform based operating model. While we do see some client churn within the smaller Biotech's, this is largely due to acquisitions by large Pharma and changes in their drug-to-market runway. During 2020, we engaged with seven new clients (2019: 10) and the proportion of revenue attributable to repeat business was 92% (2019: 87%). This demonstrates that we have continued to broaden our market outreach and continued to increase the level of engagement we have with our current customer base, thus improving the level of stickiness within our own Group brand.

Gross Margin

Despite the reduction in revenue and challenging of COVID-19, Gross Margin remained strong at the year-end at 75% (2019: 77%). Our continued investment in artificial intelligence through the build and launch of the DXRX platform contributed to the continued strong performance on Gross Margin through standardisation and improved data integration. It is worth noting that the launch of DXRX in October 2020 resulted in the commencement of amortisation of the platform which has been, and will continue to be, absorbed within the Gross Margin.

Administration Expenses

Administration expenses, which consists of operational support, marketing and sales expenses and administration expenses including non-platform and share-based payment charges, totals £10.0m for the 2020 financial year (2019: £8.4m). During 2020, the COVID-19 pandemic had a direct impact on travel costs which reduced by £1.0m to £0.2m (2019: £1.2m), but increased business support costs for example computer/telecoms and IT as the Group pivoted to supporting a fully functionally remote based working environment contributing to an overall increase in operational costs by 18%. In September, immediate steps were taken by the directors to reduce the operating cost base of the Group in response to the updated trading announcement, for example a freeze on recruitment and a delay on other discretionary project spend not related to DXRX launch.

Whilst the Group's presentational currency is pounds sterling, the Group operates in a number of global territories and as such is subject to fluctuation in foreign exchange. At the year-end, the Group reported a gain on foreign exchange of £0.1m (2019: £0.2m loss).

Exceptional Costs

In December 2020, the Group carried out a restructure with the aim of reducing operating cost-base and re-positioning staff to support the future operations and revised performance of the business. Exceptional costs of £0.4m were reflected in the profit & loss account, with an associated provision recognised within current liabilities on the balance sheet of £0.4m which will be utilised by 31 March 2021. The exceptional costs relate to redundancy costs and professional fees which were wholly and exclusively attributable to the restructure event. Exceptional costs of £1.3m were recognised in the previous year in relation to the IPO.

Tax

The Group income tax credit for the year was £0.9m (2019 Charge: £0.1m) which represents the provision for corporate income taxes due in the Republic of Ireland of £0.3m, the US of £0.5m, and credits in the UK of £1.7m, net of adjustments with respect to prior periods of £0.3m.

Corporate income tax charges are calculated after R&D tax incentives which are available and have been reclaimed within the UK and the Republic of Ireland.

The adjustments in respect of prior year arose due to prudent assumptions relating to the deductibility of certain costs being taken in the year and the Group completing calculations of R&D tax incentives after the financial statements were finalised.

Deferred tax assets and liabilities have been recognised as they arise, with the exception of potential asset of £0.2m (2019 £0.1m) which has not been recognised in certain subsidiary companies. The Group estimates that losses of £6.3m will be available for future utilisation in the UK resulting in a deferred tax asset of £1.3m, (2019: £0.6m). A deferred tax liability of £0.7m (2019: £0.5m) arises due to the Group capitalising certain R&D costs, and £0.6m relating to other temporary differences, including capital allowances on property, plant and equipment which remain deductible in the current year for corporate income tax purposes.

EBITDA, Adjusted EBITDA & Loss before Tax

The Group generated an EBITDA of £0.2m (2019: £1.0m) which was ahead of the revised guidance of an EBITDA loss of less than £1m. The adjusted EBITDA for the year was £0.5m (2019: £2.4m) which excluded exceptional costs.

EBITDA and Adjusted EBITDA

	2020 £000's	*2019 £000's*
EBIT	**(658)**	740
Depreciation & Amortisation	**809**	284
EBITDA	**151**	1,024
Exceptional Items	**388**	1,348
Adjusted EBITDA	**539**	2,372

The Group had a Loss before tax of £0.7m (2019: Profit £0.5m) and an adjusted Loss before tax excluding exceptional costs of £0.3m (2019: Profit £1.8m).

Balance Sheet
At 31 December 2020, the Group reported a strong net asset position of £40.2m (2019: £20.1m). Some of the key items have been noted within the sections below.

Intangibles

Investment in development continues to be significant to the Group. During the 2020 financial year we invested £6.4m (2019: £2.8m) in our intangible asset base which includes platform, data, patents and software. Of particular note, the Group's investment in the DXRX platform through capitalised development costs amounted to £4.6m in total (2019: £1.7m), represented by £2.6m internal labour hour costs and £2.0 external fees. This represented the largest contribution to the Group's development investment in the year. We launched our DXRX Platform in October 2020 within budget and on plan, and this represents a significant milestone in our strategic plans for the Group. Data accounted for £1.5m of total intangible investment for the 2020 financial year (2019: £0.9m) as we continue to expand the breadth and depth of the data lake.

Cash

Operating cash inflows for 31 December 2020 increased to £0.3m (2019: outflow of £0.6m) which was a result of improvements in working capital between 2019 and 2020 year-ends. Cash flow generated from financing activities increased to £19.6m (2019: £13.3m) which resulted from the additional share placing proceeds (net of costs) received in June 2020. Cash outflow from investing activities increased to £6.3m (2019: £2.9m) which was a result of increased investment in intangible assets, primarily associated with development costs relating to DXRX.

Overall, cash inflows for 2020 were £13.6m (2019: £9.7m). The cash position as at 31 December 2020 increased to £25.3m (2019: £11.7m). Other than a convertible loan note of £0.1m (2019: £0.1m) the Group had £nil debt as at 31 December 2020.

Profit/(loss) per share

Basic earnings per share is 0.34pence (2019: 0.62pence).

Diluted earnings per share 0.34pence (2019: 0.62pence).

Dividends

In line with the Company's current dividend policy, no dividend has been proposed for the year (2019: £nil). This policy has not needed to be reviewed in the light of this year's performance.

Mr Philip White
Director

13 March 2021

Group Profit and Loss Account for the year ended 31 December 2020

	Note	***2020***	*2019*
		£000's	*£000's*
Revenue	4	**12,696**	13,442
Cost of sales	5	**(3,233)**	(3,131)
Gross profit		**9,463**	10,311
Administrative expenses	5	**(10,015)**	(8,388)
Other operating income	10	**282**	165
Operating (loss)/ profit before exceptional items		**(270)**	2,088
Exceptional items	11	**(388)**	(1,348)
Operating (loss)/profit	5	**(658)**	740
Finance income	12	**27**	3
Finance costs	13	**(51)**	(246)
(Loss)/profit before tax		**(682)**	497
Income tax credit/(expense)	14	**945**	(99)
Profit for the financial year		**263**	398

All results relate to continuing operations.

Group Statement of Comprehensive Income for the year-ended 31 December 2020

	2020	*2019*
	£000's	*£000's*
Profit for the financial year	**263**	398
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(5)**	(159)
Total comprehensive income for the year, net of tax	**258**	239

Earnings per share for the year-ended 31 December 2020

	Note	***2020***	*2019*
		pence	*pence*
Basic	15	**0.34**	0.62
Diluted	15	**0.34**	0.62
Basic adjusted	15	**0.74**	2.46
Diluted adjusted	15	**0.74**	2.45

Group Balance Sheet as at 31 December 2020

	Note	***2020***	*2019*
ASSETS		***£000's***	*£000's*
Non-current assets			
Intangible assets	16	**9,361**	3,761
Property, plant and equipment	17	**238**	133
Deferred tax asset	14	**301**	56
		9,900	3,950
Current assets			
Trade and other receivables	19	**6,107**	6,635
Cash and cash equivalents		**25,255**	11,720
Income tax receivable	14	**2,257**	66
		33,619	18,421
TOTAL ASSETS		**43,519**	22,371
EQUITY AND LIABILITIES			
Equity share capital	24	**168**	139
Share premium		**36,864**	17,335

Translation reserve		**15**	20
Profit and loss account		**3,191**	2,638
TOTAL EQUITY		**40,238**	20,132
Non-Current liabilities			
Deferred tax liability	14	**366**	-
Current liabilities			
Trade and other payables	20	**2,346**	2,131
Financial liabilities	21	**118**	108
Income tax payable	14	**451**	-
		2,915	2,239
TOTAL LIABILITIES		**3,281**	2,239
TOTAL EQUITY AND LIABILITIES		**43,519**	22,371

Group Statement of Changes in Equity for the year ended 31 December 2019

	Equity share capital £000's	Share premium £000's	Capital redemption reserve £000's	Translation reserve £000's	Profit and loss account £000's	Total equity £000's
At 1 January 2019	**-**	**100**	**109**	**179**	**2,242**	**2,630**
Profit for the year	-	-	-	-	398	398
Other comprehensive expense	-	-	-	(159)	-	(159)
Total comprehensive income for the year	-	-	-	(159)	398	239
Transactions with owners, recorded directly in equity						
Reorganisation of shares	2	(2)	-	-	-	-
Bonus issue of shares	88	(88)	-	-	-	-
Conversion of loan notes	4	1,225	-	-	(26)	1,203
Issue of shares on Placing	45	16,100	(109)	-	-	16,036
Share based payment	-	-	-	-	24	24
Total transactions with owners	139	17,235	(109)	-	(2)	17,263
At 31 December 2019	**139**	**17,335**	**-**	**20**	**2,638**	**20,132**

Group Statement of Changes in Equity for the year ended 31 December 2020

	Equity share capital £000's	Share premium £000's	Translation reserve £000's	Profit and loss account £000's	Total equity £000's
At 1 January 2020	**139**	**17,335**	**20**	**2,638**	**20,132**
Profit for the year	-	-	-	263	263
Other comprehensive expense	-	-	(5)	-	(5)
Total comprehensive (expenses)/income for the year	-	-	(5)	263	258

Transactions with owners, recorded directly in equity					
Exercise of warrant	1	264	-	-	265
Share based payment	-	-	-	290	290
Issue of shares on Placing	28	19,265	-	-	19,293
Total transactions with owners	29	19,529	-	290	19,848
At 31 December 2020	**168**	**36,864**	**15**	**3,191**	**40,238**

Group Statement of Cash Flows for the year ended 31 December 2020

	Note	***2020***	*2019*
		£000's	*£000's*
Operating activities			
(Loss) / Profit before tax		**(682)**	497
Adjustments to reconcile (Loss)/profit before tax to net cash flows from operating activities			
Net finance costs		**24**	243
Amortisation of intangible assets	16	**776**	246
Depreciation of property, plant and equipment	17	**33**	38
Research and development tax credits		**(247)**	(157)
Decrease/(Increase) in trade and other receivables		**549**	(2,324)
(Decrease)/Increase in trade and other payables		**(63)**	825
Share based payments		**290**	24
Cash received/(used) in operations		**680**	(608)
Tax paid		**(427)**	(22)
Net cash inflow/(outflow) from operating activities		**253**	(630)
Investing activities			
Interest received		-	3
Purchase of intangible assets		**(6,157)**	(2,828)
Purchase of property, plant and equipment		**(137)**	(99)
Net cash outflow from investing activities		**(6,294)**	(2,924)
Financing activities			
Borrowing costs		-	(248)
Repayment of borrowings		-	(3,451)
Draw down of funds		-	106
Issuance of convertible loan notes		-	850
Issue of shares		**19,614**	16,036
Net cash inflow from financing activities		**19,614**	13,293
Net increase in cash and cash equivalents		**13,573**	9,739
Net foreign exchange losses		**(38)**	(93)
Cash and cash equivalents at 1 January		**11,720**	2,074
Cash and cash equivalents at 31 December		**25,255**	11,720

Note on the Group Financial Statements

Diaceutics PLC (the "Company") is a public company limited by shares, incorporated, domiciled and registered in Northern Ireland. The Company's registration number is NI055207 and the registered office is 55-59 Adelaide Street, Belfast, BT2 8FE.

The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group). The Company financial statements present information about the Company as a separate entity and not about the Group.

The principal activity of Diaceutics PLC ("the Company") and its subsidiaries (together "the Group") is data, data analytics and implementation services. The Group has established a core suite of products and outsourced advisory services which help its Pharma clients to optimise and deliver their marketing and implementation strategies for companion diagnostics. Their mission is to design, create and implement innovative solutions that enhance speed to market and increase the effectiveness of all the stakeholders in the personalised medicine industry.

The financial statements are presented in pound sterling.

Basis of accounting

These consolidated financial statements have been prepared on a going concern basis and in accordance with international accounting standards in conformity with the Companies Act 2006 applicable to companies reporting under IFRS. These financial statements have been prepared under the historical cost convention.

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. Judgements in applying accounting policies and key sources of estimates and uncertainty are disclosed in the notes.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

The financial performance and balance sheet position at 31 December 2020 along with a range of scenario plans to 31 December 2022 has been considered, applying different sensitives to revenue. Across these scenarios, including at the lower end of the range, there remains significant headroom in the minimum cash balance over the period to 31 December 2022 and therefore the Directors have satisfied themselves that the Group has adequate funds in place to continue in operational existence for the foreseeable future.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- Has power over the subsidiary;
- Is exposed, or has rights, to return from its involvement with the subsidiary; and
- Has the ability to use its power to affect its returns.

1. General Information (continued)

The Company considers all relevant facts and circumstances in assessing whether or not it has sufficient influence and control over a subsidiary, including the ability to direct the relevant activities at the time that decisions need to be made.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

2 Accounting policies

New and amended accounting standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2020:

- Amendments to references to conceptual framework in IFRS standards
- Definition of a business (Amendment to IFRS 3)
- Interest rate benchmark reform (Amendment to IFRS 9, IAS 39 and IFRS 7)

The above amendments did not have any impact on the amounts recognised in prior years. The impact of applying IFRS16 is not material and thus no adjustment has been made. The other amendments listed above are not expected to significantly affect the current or future years.

New accounting standards and interpretations not yet adopted by the Group

The following new accounting standards, amendments and/or interpretations have been published but not yet endorsed by the EU and are not mandatory for 31 December 2020 reporting year. They have not been early adopted by the group and these standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

- IFRS 17 insurance contracts
- Classification of liabilities as current or non-current (amendments to IAS 1)
- Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS10 and IAS 28)
- COVID-19 related rent concessions (Amendment to IFRS16)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and after eliminating sales within the Group.

The Group has two revenue streams, Implementation services and Data. The Group's performance obligations for both revenue streams are deemed to be the provision of specific deliverables to the

2. Accounting policies (Continued)

customer. Revenue billed to the customer is allocated to the various performance obligations, based on the relative fair value of those obligations, and is then recognised as follows:

- Where a contractual right to receive payment exists, revenue is recognised as over the period services are provided using the percentage of completion method, based on the input method using time spent; and
- Where no contractual right to receive payment exists, revenue is recognised upon completion of each separate performance obligation, which is typically when implementation services are complete or data has been provided to the customer.

Segment reporting

The Group currently has one operating segment.

Government grants

Grants, which include research and development tax credits where the recovery of those credits is not restricted, are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case the grant is recognised when it becomes receivable.

Grants relating to development projects are included in non-current liabilities as deferred income and are credited to the profit and loss account on a straight-line basis over the expected useful economic lives of the related assets.

Foreign currency translation

(a) Functional and presentation 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 Sterling, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit and loss account.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

2. Accounting policies (Continued)

- 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 profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and disclosed as a separate component of equity in a foreign currency translation reserve.

Exceptional items

The Group presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation on the face of the profit and loss account in order to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in the financial performance.

Employee benefits

The Group operates a defined contribution pension scheme which is open to employees and directors. The assets of the scheme are held by investment managers separately from those of the Group. The contributions payable to the scheme is recorded in the profit and loss account in the accounting period to which they relate.

The Group also operates a long-term incentive plan (LTIP), an element of which is the ability for eligible employees to be awarded a discretionary cash bonus based on Group performance. These short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share based payments

The company has a number of classes of shares in issue. Where shares are issued to employees that contain restrictions that mean they have obtained those shares by virtue of their employment, those shares are accounted for as share based payments. When the shares are issued a determination is made, based on the rights of those shares, as to whether there is a contractual liability for the Company to reacquire the shares at some point (cash settled) or not (equity settled). For equity settled shares, a fair value of those shares is established at the date the shares are granted and, if the employee is required to complete a period of service before the shares vest, this fair value is spread over that period (vesting period).

Taxation

The tax expense for the year 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 or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

2. Accounting policies (Continued)

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 group's subsidiaries operate and

generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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 of different taxable entities where there is an intention to settle the balances on a net basis.

Intangible assets

Research and development

Expenditure on research activities and patents is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of infrastructure and direct labour including employer national insurance. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost until it is brought into use.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

2. Accounting policies (Continued)

- Patents and trademarks 3 years (33.3% straight line) from date of registration
- Datasets 4 years (25% straight line)
- Software 5 years (20% straight line)
- Platform 10 years (10% straight line)

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date (refer to note 16).

Property, plant & equipment

Property, plant & equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

The Group assesses at each reporting date whether there are indicators of impairment.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Office equipment 5 years (20% straight line)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

Lease liabilities

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value (either through Other Comprehensive Income or through profit and loss).

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies its financial assets when and only when its business model for managing those assets changes.

(b) Recognition and measurement

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price.

Subsequent measurement of financial assets depends on the Group's business model for managing those financial assets and the cash flow characteristics of those financial assets. The Group only has financial assets classified at amortised cost. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

2. Accounting policies (Continued)

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(c) Impairment

The Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. For trade receivables the Group applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. For other receivables the Group applies the three-stage model as prescribed in IFRS 9, to determine expected credit losses.

Financial liabilities

Financial liabilities comprise trade and other payables and borrowings due within one year and after one year, which are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Group does sometimes make use of derivative financial instruments or hedge accounting for foreign currency transactions. Trade payables represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable for the issue of new shares are shown in equity as a deduction from the proceeds.

The share premium reserve represents the excess over the nominal value of the fair value of consideration received for equity shares, net of expenses on the share issue.

The capital redemption reserve records the nominal value of shares repurchased by the Company.

Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Group's only assets/liabilities that are significantly impacted by key sources of estimation uncertainty are the Group's intangible assets. The assessment of useful life of data purchases and platform require estimation over the period in which that data will be utilised. Further details on the estimation uncertainty has been disclosed in note 16.

Impairment of intangibles and key sources of estimation uncertainty are reviewed annually using the discount cash flow method. Further details are disclosed in note 16 intangibles.

With respect to revenue recognition, as described in note two accounting policies, where the input method is used to determine recognition over time, a key source of estimation will be the actual hours spent vs the total budgeted hours to completion.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. Revenue

Operating Segments

The Group currently operates under one reporting segment but revenue is analysed under two separate revenue streams.

Revenue represents the amounts derived from the provision of services which fall within the Group's ordinary activities, stated net of value added tax. Revenue is principally generated from implementation services and data.

The following tables present revenue of the Group for the years ended 31 December 2020 and 2019.

Revenue stream

	2020 £000's	*2019 £000's*
Implementation services	**3,110**	3,707
Data	**9,586**	9,735
	12,696	13,442

Geographical Area

	2020 £000's	*2019 £000's*
USA	**6,035**	5,631
UK	**543**	744
Europe	**4,243**	5,031
Asia and Rest of World	**1,875**	2,036
	12,696	13,442

4. Revenue (continued)

In 2020 three customers each had sales which exceeded 10% of total revenue with the largest customer accounting for £1,398,000 (11%); the second accounting for £1,395,000 (11%) and the third accounting for £1,332,000 (10.5%) of revenue.

In 2019 two customers each had sales which exceeded 10% of total revenue with the largest customer accounting for £1,595,000 (11.9%) and the second accounting for £1,557,000 (11.6%) of revenue.

5. Operating (loss)/profit:

	2020 £000's	*2019 £000's*
Employee benefit costs		
- wages and salaries	**9,794**	7,908
- social security costs	**1,236**	744
- pension costs	**366**	248
- benefits	**285**	165
- share based payments	**290**	24
- capitalised development costs	**(3,388)**	(2,160)
	8,583	6,929

Amortisation of intangible fixed assets	**776**	246
Depreciation of tangible fixed assets	**33**	38
Subcontractor costs	**546**	684
Travel costs	**205**	1,159
Legal and professional	**1,465**	815
(Gain)/Loss on foreign exchanges	**(58)**	198
Other expenses	**1,698**	1,451
	4,665	4,591
Total cost of sales and administrative expenses (excluding exceptional items which are disclosed in note 11)	**13,248**	11,520

6. Auditor's remuneration

	2020 £000's	*2019 £000's*
Included within administrative expenses (legal and professional):		
Audit of parent and subsidiary financial information	**92**	68
Other assurance related services	**11**	9
Included within exceptional items:		
Fees in respect of IPO services	**-**	80
Fees relating to restructuring services	**-**	65
Fees relating to tax services	**-**	69
Fees relating to legal services	**65**	58
Included within equity:		
Fees in respect of IPO services	**-**	80
	168	429

7. Staff numbers

The average monthly number of employees, excluding directors, during the year was as follows:

	2020 Number	*2019 Number*
Administration	**30**	25
Technical	**81**	55
Business development	**9**	6
Finance	**8**	5
	128	91

8. Directors emoluments

Directors

	2020 £000's	*2019 £000's*
Aggregate emoluments	**802**	834
Pension contributions	**40**	37
	842	871

Highest paid director

The highest paid director received the following emoluments:

	2020 £000's	*2019 £000's*
Aggregate emoluments	**248**	265
Pension contributions	**25**	19
	273	284

Key senior management

Key senior management received total compensation as follows:

	2020 £000's	*2019 £000's*
Aggregate emoluments	**1,207**	1,346
Pension contributions	**84**	64
Share based payments	**102**	1
	1,393	1,411

9. Share based payments

The Company currently has an Employee share Option Plans ("ESOP") for employees and a Long-Term Incentive Plan ("LTIP") for key management.

The ESOP and LTIP are designed to provide long term incentives for senior management and above, and certain employees (including executive directors) to deliver long-term shareholder returns and promote staff retention. Under these schemes, employees are granted options which only vest if certain performance standards are met. For the ESOP and LTIP options that are outstanding as at 31 December 2020, the only performance obligations attached are continued employment to date of vesting, with no more than two unsatisfactory performance reviews. The total expense recognised in the year in relation to share based payment charges is £290,000 (2019: 24,000).

9. Share based payments (continued)

Set out below are summaries of options granted under the plans:

ESOP:

	2020		2019	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	£0.0002	151,240	£0.0002	-
Granted during the year	£0.0002	231,000	£0.0002	197,400
Exercised during the year	-	-	-	-
Forfeited during the year	£0.0002	26,576	£0.0002	46,160
As at 31 December	£0.0002	355,664	£0.0002	151,240

LTIP:

	2020		2019	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	-	-	-	-
Granted during the year	£1.265	1,430,244	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	£1.265	178,570	-	-
As at 31 December	£1.265	1,251,674	-	-

Share options outstanding at the year-end have the following expiry dates and exercise prices:

ESOP:

Grant Date	Expiry Date	Exercise Price	Share options at 31 December 2020	Share options at 31 December 2019
June 2019	June 2022	£0.0002	151,240	197,400
June 2020	June 2023	£0.0002	204,424	-

9. Share based payments (continued)

LTIP:

Grant Date	Expiry Date	Exercise Price	Share options at 31 December 2020	Share options at 31 December 2019
April 2020	April 2023	£1.265	1,251,674	-

The weighted average remaining contractual life of options outstanding at the end of the year was 2.24 years. No options expired during the year.

Fair value of options granted:

The weighted average fair value at grant date of options granted during the year-ended 31 December 2020 was £0.72 per option. The fair value at grant date is independently determined using an adjusted Black-Scholes model which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, and the risk-free interest rate for the term of the options.

	ESOP		LTIP	
	2020	2019	**2020**	2019
Ex Price	**£0.0002**	£0.0002	**£1.265**	-
Grant date	**June**	June	**April**	-
Expiry Date	**June 2023**	June 2022	**April 2023**	-
Share price at Grant date	**£1.52**	£0.85	**£1.265**	-
Volatility	**57.88%**	57.88%	**57.88%**	-
Risk-free rate	**0.53%**	0.53%	**0.53%**	-
Fair Value	**£1.49**	£0.85	**£1.25**	-

The expected price volatility is based on the historical volatility & companies within similar industries.

10. Other operating income

	2020 £000's	*2019 £000's*
Government grants	**35**	8
Research and developments credits	**247**	157
	282	165

11. Exceptional items

	2020 £000's	*2019 £000's*
IPO related costs	**-**	1,348
Restructuring	**388**	-
	388	1,348

11. Exceptional Items (continued)

In December 2020, the Group carried out a restructure with the aim of reducing operating cost base and re-positioning staff to support the future operations as a platform business. Exceptional costs of £388,000 were reflected in the profit & loss account, with an associated provision recognised within current liabilities on the balance sheet of £360,000 which will be utilised by 31 March 2021. The exceptional costs relate to redundancy costs and professional fees which were wholly and exclusively attributable to the restructure event. In 2019 the Group incurred £2,597,000 of transaction costs and other IPO related costs as a result of the application made to the London Stock Exchange for all the issued and to be issued Ordinary share capital to be admitted to trading on AIM. £1,348,000 was included within operating profit and £1,044,000 was offset against the Share Premium account in accordance with IAS 32 'Financial Instruments'.

12. Finance income

	2020 £000's	*2019 £000's*
Bank interest received and receivable	**27**	3

13. Finance costs

	2020 £000's	*2019 £000's*
External loans	**-**	180
Revolving credit facilities	**41**	40
Change in fair value of embedded derivatives (convertible loan notes)	**10**	23
Directors' loans	**-**	3
	51	246

14. Income tax (credit)/expense

(a) Tax on (loss)/profit

	2020 £000's	*2019 £000's*
Current income tax:		
UK corporation tax on (loss)/profit for the year	**(1,427)**	-
Adjustments in respect of previous years	**(348)**	(161)
	(1,775)	(161)

Foreign tax:		
ROI corporation tax on profits for the year	**330**	234
US corporation tax on profits for the year	**467**	60
Adjustments in respect of previous years	**(88)**	(41)
	709	253
Total current tax	**(1,066)**	92
Deferred tax:		
Origination and reversal of temporary differences	**85**	(60)
Adjustments in respect of previous years	**66**	67
Impact of change in tax rates	**(30)**	-
Total deferred tax	**121**	7
Total tax (credit)/expense	**(945)**	99

(b) Factors affecting the tax charge for the year

The tax assessed for the year differs from (2019: differs from) the effective standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are reconciled below:

	2020 £000's	*2019 £000's*
(Loss)/Profit before tax	**(682)**	497
Tax using the UK corporation tax rate of 19.00% (2019: 19.00%).	**(130)**	94
Effects of:		
Tax rates in foreign jurisdictions	**(18)**	(5)
Non-deductible expenses	**46**	140
Share based payments	**47**	(12)
Foreign tax suffered	**12**	-
Impact of change in tax rates	**(30)**	42
Research and development	**(614)**	(27)
Deferred tax not recognised	**112**	2
Adjustments in respect of previous years	**(370)**	(135)
Total tax (credit)/expense	**(945)**	99

14. Income tax (credit)/expense (continued)

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

Deferred tax balance

	2020 £000's	*2019 £000's*
Tax losses carried forward	**1,270**	578
Other temporary differences	**(597)**	(522)
Research & Development	**(738)**	-
	(65)	56

Group - deferred tax (liabilities)/assets	*Tax losses £000's*	*Other temporary differences £000's*	*Research & Development £000's*	*Total £000's*
At 1 January 2019	56	7	-	63
Credited/(charged) to the income statement	522	(529)	-	(7)
At 1 January 2020	578	(522)	-	56
Credited/(charged) to the income statement	692	(75)	(738)	(121)
At 31 December 2020	**1,270**	**(597)**	**(738)**	**(65)**

The deferred tax balance consists of a deferred tax asset amounting to £301,000 (2019: £371,000) and a deferred tax liability of £366,000 (2019: £315,000), netting to a Liability of £65,000 (2019: an asset of £56,000). The deferred tax asset is recognised on the basis that the Group has forecasted sufficient profits on which the deferred tax asset can be utilised.

The deferred tax asset includes amounts receivable after more than one year amounting to £Nil (2019: £Nil). Tax losses carried forward amount to £6,684,000 (2019: £3,400,000) within Diaceutics PLC. In addition, the Group has tax losses arising in subsidiary undertakings. Due to the uncertainty of the recoverability of the tax losses within these subsidiaries, a potential deferred tax asset of £186,000 (2019: £66,000) has not been recognised. Deferred tax assets and liabilities have otherwise been recognised as they arise.

15. Earnings per share

Basic earnings per share are calculated based on the (loss)/profit for the financial year attributable to equity holders divided by the weighted average number of shares in issue during the year. The weighted average number of shares for all periods presented has been adjusted for the reorganisation and bonus issue of shares undertaken on 13 March 2019 prior to the admission of the company to the AIM market of the London Stock Exchange.

Adjusted earnings per share are calculated based on the (loss)/profit for the financial year adjusted for exceptional items as disclosed in Note 11. Diluted earnings per share is calculated on the basic earnings per share adjusted to allow for the issue of ordinary shares on the assumed conversion of the convertible loan notes and employee share options.

Profit attributable to shareholders

	2020 £000's	*2019 £000's*
Profit for the financial year	**263**	398
Exceptional costs	**388**	1,348
Tax impact of exceptional costs	**(74)**	(171)
Adjusted profit for the financial year	**577**	1,575

Weighted average number of shares to shareholders

	Number	*Number*
Shares in issue at the end of the year	**84,068,923**	69,583,077
Weighted average number of shares in issue	**77,532,897**	64,069,906
Weighted average number of treasury shares	**-**	(49)
Weighted average number of shares for basic and adjusted earnings per share	**77,532,897**	64,069,857
Effect of dilution of Convertible Loan Notes	**754**	1,773
Effect of dilution of Share Options	**297,146**	97,650
Weighted average number of shares for diluted earnings per share	**77,830,797**	64,169,280

Earnings per share

	Pence	*Pence*
Basic	**0.34**	0.62
Diluted	**0.34**	0.62
Adjusted	**0.74**	2.46
Diluted adjusted	**0.74**	2.45

16. Intangible assets

	Patents and trademarks £000's	*Datasets £000's*	*Development expenditure* £000's*	*Platform £000's*	*Software £000's*	*Total £000's*
Cost						
At 1 January 2019	1,017	436	812	-	-	2,265
Foreign exchange translation	(52)	(1)	(26)	-	-	(79)
Additions	89	851	1,675	-	210	2,825
At 31 December 2019	1,054	1,286	2,461	-	210	5,011

Foreign exchange translation	**42**	**7**	**(20)**	**-**	**-**	**29**
Transfer from Development expenditure to Platform	**-**	**-**	**(6,577)**	**6,577**	**-**	**-**
Additions	**94**	**1,462**	**4,558**	**-**	**275**	**6,389**
At 31 December 2020	**1,190**	**2,755**	**422**	**6,577**	**485**	**11,429**
Amortisation:						
At 1 January 2019	975	80	-	-	-	1,055
Foreign exchange translation	(52)	-	-	-	-	(52)
Charge for the year	53	113	78	-	3	247
At 31 December 2019	976	193	78	-	3	1,250
Foreign exchange	**43**	**(1)**	**-**	**-**	**-**	**42**
Transfer from Development expenditure to Datasets	**-**	**78**	**(78)**	**-**	**-**	**-**
Charge for the year	**57**	**605**	**-**	**40**	**74**	**776**
At 31 December 2020	**1,076**	**875**	**-**	**40**	**77**	**2,068**
Net book value						
At 31 December 2020	**114**	**1,880**	**422**	**6,537**	**408**	**9,361**
At 31 December 2019	78	1,093	2,383	-	207	3,761

*Development expenditure relates to an asset under construction and as such no amortisation has been charged.

Intangible assets relate to patents, trademarks, software and datasets which are recorded at cost and amortised over their useful economic life which has been assessed as two to five years.

16. Intangible Assets (Continued)

On 1 December 2020 the Group's platform - DXRX was commissioned and brought into use. On this date £6,577,000 was transferred out of development expenditure and into platform.

The Group assesses the useful life of all assets on an annual basis. On reviewing the useful life of the data sets it was determined that based on latest information on commercial and technical use, four years represented the best estimate of the useful life of such assets.

The Group has determined that the useful life of data and the useful life of platform is a significant area of estimation.

The platform has been assessed to have a useful life of 10 years based on information on the estimated technical obsolescence of such assets. However, the actual asset useful life may be shorter or longer than 10 years depending on technical innovations and other external factors. If the useful life were eight years, the carrying amount of the asset would reduce by £10,000 to £6,527,000. If the useful life of the asset were 12 years, the carrying amount of the asset would increase by £7,000 to £6,544,000.

Data sets have been assessed to have a useful life of four years based on information on the estimated commercial and technical use of such assets. However, the actual asset useful life may be shorter or longer than 4 years depending on technical innovations and other external factors. If the useful life were 3 years, the carrying amount of the asset would reduce by £26,000 to £1,854,000. If the useful life of the asset were 5 years, the carrying amount of the asset would increase by £15,000 to £1,895,000. The change in estimated useful life from two years to four years has resulted in £64,000 less in amortisation charges in 2020.

The recoverable value of intangible assets is measured using discounted cash flow forecasts and the valuation model at 31 December 2020 indicated no impairment on these assets. Whilst there is no indication of impairment, the discounted cash flow model uses prospective information on revenues which is subject to estimation. Within the model, sensitivity analysis shows a 7% reduction in the compound annual growth rate of revenues over the term would still leave sufficient headroom with no indication of impairment.

Amortisation in respect of Patents and trademarks and Software is expensed to the Profit and Loss Account as Administrative expenses. Platform and Datasets amortisation is included within Cost of sales.

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17. Property, plant and equipment

	Office equipment £000's
Cost	
At 1 January 2019	**161**
Foreign exchange translation	**(3)**
Additions	**99**
At 31 December 2019	**257**
Foreign exchange translation	**1**
Additions	**137**
At 31 December 2020	**395**
Depreciation	
At 1 January 2019	**87**
Foreign exchange translation	**(1)**
Charge for the year	**38**
At 31 December 2019	**124**
Charge for the year	**33**
At 31 December 2020	**157**
Net book value	
At 31 December 2020	**238**
At 31 December 2019	133

18. Investments

Group undertakings

The following were subsidiaries of the Company at 31 December 2020:

	Country of incorporation	*Percentage of shares held*
Diaceutics Ireland Limited	Republic of Ireland	100%
Labceutics Limited	Northern Ireland	100%
Diaceutics Inc	USA	100%
Diaceutics Pte Limited	Singapore	100%
Diaceutics Precision Medicine Technology (Guangzhou) Limited*	China	100%

18. Investments (Continued)

The principal business of all the subsidiary undertakings is data and implementation services. All entities were incorporated before 1 January 2020 with the exception of Diaceutics Precision Medicine Technology (Guangzhou) limited which was incorporated during the year ended 31 December 2020.

*The holding in Diaceutics Precision Medicine Technology (Guangzhou) Limited is held indirectly through the subsidiary of Diaceutics PLC, Diaceutics PTE Ltd.

19. Trade and other receivables

	2020 £000's	*2019 £000's*
Trade receivables	**5,343**	6,134
Other receivables	**177**	171
Prepayments	**587**	330
	6,107	6,635

Trade receivables are non-interest bearing, are generally on 90-day terms and are shown net of a provision for impairment. The amount of the provision netted against the trade receivables balance was £20,000 (2019: £20,000). The default percentage used in the expected credit loss calculation was 0.16% (2019: 0.16%) for debt up to 30 days old; 0.20% (2019:0.20%) for debt between 31 and 60 days old; 0.31% (2019:0.31%) for debt between 61 and 90 days old; 0.84% (2019:0.84%) for debt between 91 and 180 days old and 8.09% (2019: 8.09%) for debt over 180 days old. Bad debts amounting to £Nil (2019: £Nil) were realised.

Other receivables are considered to have low credit risk and the loss allowance recognised during the year was therefore limited to 12 months expected credit losses. The amounts were not material. The age profile of the trade receivables are as follows:

	Total £000's	*0-30 days £000's*	*31-60 days £000's*	*61-90 days £000's*	*>90 days £000's*
2020	**5,343**	**3,116**	**1,500**	**449**	**278**
2019	6,134	4,143	1,179	614	198

Included within trade receivables are contract assets of £1,265,000 (2019: £796,000). The Group's contracts with customers are typically less than one year in duration and any contract assets as at the balance sheet date would be expected to be invoiced and received in the following year. The increase in value of contract assets from £796,000 to £1,265,000 is driven by an increase in the average value of contracts with customers.

19. Trade and other receivables (continued)

The following table shows the movement in contract assets:

	2020 £000's	*2019 £000's*
Contract assets recognised at start of the year	**796**	289
Revenue recognised in prior year that was invoiced in the current year	**(796)**	(289)
Amounts recognised in revenue in the current year that will be invoiced in future years	**1,265**	796
Balance at the end of the year	**1,265**	796

The carrying amount of trade and other receivables are denominated in the following currencies:

	2020 £000's	*2019 £000's*
UK sterling	**770**	496
Euro	**625**	476
US dollar	**4,708**	5,307
Swiss Franc	**-**	356
Singapore dollars	**4**	-
	6,107	6,635

The maximum exposure to credit risk is the carrying value of each class of receivables. The Group does not hold any collateral as security.

20. Trade and other payables

	2020 £000's	*2019 £000's*
***Creditors**: falling due within one year*		
Trade payables	**466**	291
Accruals	**1,259**	1,266
Other tax and social security	**318**	187
Contract liabilities	**303**	387
	2,346	2,131

Contract liabilities of £303,000 (2019: £387,000) which arise in respect of amounts invoiced during the year for which revenue recognition criteria have not been met by the year-end. The Group's contracts with customers are typically less than one year in duration and any contract liabilities would be expected to be recognised as revenue in the following year.

20. Trade and other payables (continued)

The following table shows the movement in contract liabilities:

	2020 £000's	*2019 £000's*
Contract liabilities recognised at start of the year	**387**	220
Amounts invoiced in prior year recognised as revenue in the current year	**(387)**	(220)
Amounts invoiced in the current year which will be recognised as revenue in the later years	**303**	387
Balance at the end of the year	**303**	387

The Group and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

21. Financial liabilities

	2020 £000's	2019 £000's
***Creditors**: falling due within one year*		
Convertible loan notes	**118**	108
	118	108

22. Interest bearing loans and borrowings

	2020 £000's	2019 £000's
Convertible loan notes (b)	**118**	108
	118	108

The fair value of the Group's loans and borrowings is £118,000 (2019: £108,000). The fair value of current borrowings equals their carrying amounts as the impact of discounting is not significant.

The following table shows the changes in liabilities arising from financing activities:

	2020 £000's	2019 £000's
Balance at 1 January	**108**	3,747
Repayment of borrowings	-	(3,451)
Draw down of funds	-	106
Issuance of convertible loan notes	-	850
Conversion of convertible loan notes	-	(1,225)
Interest on convertible loan notes	**10**	(23)
Foreign exchange losses	-	104
Balance at 31 December	**118**	108

22. Interest bearing loans and borrowings (continued)

The interest on convertible loan notes and foreign exchange losses are non-cash items, all other items are cash related movements.

The following table shows the net debt:

	Bank loans £000's	*Directors' loans £000's*	*Convertible loan notes £000's*	*Subtotal £000's*	*Cash £000's*	*Total £000's*
Net debt at 1 January 2018	(1,616)	(493)	-	(2,109)	3,069	960
Cashflows	(1,345)	143	(398)	(1,600)	(1,014)	(2,614)
Other Changes	(12)	5	(65)	(72)	19	(53)
Net debt as at 31 December 2018	(2,973)	(345)	(463)	(3,781)	2,074	(1,707)
Cashflows	3,010	335	(850)	2,495	9,724	12,219
Other changes	(37)	10	1,205	1,178	(78)	1,100
Net debt as at 31 December 2019	-	-	(108)	(108)	11,720	11,612
Cashflows	-	-	-	-	13,475	13,475
Other changes	-	-	(10)	(10)	60	50
Net debt as at 31 December 2020	-	-	**(118)**	**(118)**	**25,255**	**25,137**

(a) Revolving credit facility

In July 2020 the Group entered into a revolving credit facility with Silicon Valley Bank who provided a credit facility for £4,000,000. This facility is available to be drawn in US dollars, Sterling or Euro and was unused at 31 December 2020. The Maturity Date of the facility is 16 July 2023.

(b) Convertible loan notes

On 15 October 2018, the Company issued £454,000 of unsecured convertible loan notes ("Loan Notes") and on 15 February 2019, the Company issued a further £850,000 of Loan Notes. £1,204,000 of the Loan Notes were converted into Ordinary Shares in the Company immediately prior to Admission.

£100,000 of the Loan Notes issued on 15 February 2019 remain in place (10% interest rate payable annually from 1 April 2019). These loan notes can be converted into Ordinary Shares in the Company on or after 31 March 2022.

In line with IFRS 9, Financial Instruments, the total finance cost of the convertible loan notes was spread over the maturity period using an effective interest rate. Consequently, an interest charge of £10,000 (2019: £23,000) has been recognised in the profit and loss account using an effective rate of 10%.

23. Financial instruments

Classification of financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises are trade receivables, cash and cash equivalents and trade and other payables, loans, the revolving credit facility and convertible loan notes. The impact of the discounting of financial instruments is not material.

The Group's financial instruments are classified as follows:

	Measured at amortised cost	
	2020	*2019*
	£000's	£000's
Assets		
Trade receivables	**5,343**	6,134
Other receivables	**177**	171
Cash at bank and in hand	**25,255**	11,720

	Other financial liabilities at amortised cost	
	2020	*2019*
	£000's	*£000's*
Liabilities		
Trade payables	**466**	291
Accruals	**1,259**	1,266
Convertible loan notes	**118**	108

Credit risk

Credit risk is the risk that the counterparty fails to discharge their obligation in respect of the instrument. The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an on-going basis with the result that exposure to bad debts is normally not significant. As the Group trades only with recognised third parties there is no requirement for collateral.

Other financial assets comprise of cash and cash equivalents which are therefore subject to minimal credit risk.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

Group policy is that funding is reviewed in line with operational cash flow requirements and investment strategy. Repayment terms and conditions are approved by the Board in advance of acceptance of any facility. At each board meeting, and at the reporting date, the cash flow projections are considered by the Board to confirm that the Group has sufficient funds and available funding facilities to meet its obligations as they fall due.

The Group had a revolving credit facility for up to £4,000,000.

23. Financial Instruments (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group seeks to transact the majority of its business in its reporting currency (£Sterling). However, many customers and suppliers are outside the UK and a proportion of these transact with the company in US dollars and euro. For this reason, the Group operates current bank accounts in US dollars and euro as well as in its reporting currency and has a revolving credit facility available which can be drawn in US dollars, pounds sterling or euro.

To the maximum extent possible receipts and payments in a particular currency are made through the bank account in that currency to reduce the amount of funds translated to or from the reporting currency.

Cash flow projections are used to plan for those occasion when funds will need to be translated into different currencies so that exchange rate risk is minimised. In addition, the Group has entered into a revolving credit facility which can be drawn in US dollars, pounds sterling or euro.

If the exchange rate between sterling and the US dollar had been 10% higher/lower at the reporting date, the effect on profit would have been approximately (£35,000)/£4,000 respectively (2019:(£120,000)/147,000). If the exchange rate between sterling and euro had been 10% higher/lower at the reporting date the effect on profit would have been approximately (£27,000)/£15,000 respectively (2019: (£195,000)/£239,000). If the exchange rate between sterling and the US dollar had been 10% higher/lower at the reporting date, the effect on equity would have been approximately (£268,000)/£327,000 respectively (2019: (£374,000)/£457,000). If the exchange rate between sterling and euro had been 10% higher/lower at the reporting date the effect on equity would have been approximately (£434,000)/£531,000 respectively (2019: (£195,000)/£238,000).

Interest rate risk

Cash flow interest risk arises from the Group's external loans and revolving credit facilities, which carry interest based on underlying base rates in the UK, US and the EU. These loans were fully repaid in 2019 from the funds raised from the Company's listing on the London Stock Exchange. The revolving credit facility remains unused at 31 December 2020.

23. Financial Instruments (continued)

Maturity

The Group's financial liabilities measured as a contractual undiscounted cash flow mature as follows:

As at 31 December 2020

	Less than one year £000s	*Between one and two years £000s*	*Between two and five years £000s*
Trade payables and other payables	1,725	-	-
	1,725	-	-

As at 31 December 2019

	Less than one year £000s	*Between one and two years £000s*	*Between two and five years £000s*
Trade payables and other payables	1,557	-	-
	1,557	-	-

At each year-end there are no financial liabilities due after five years.

24. Equity Share capital

	2020 £000s	*2019 £000s*
Allotted, called up and fully paid		
84,068,923 (2019: 69,583,077) Ordinary shares of £0.002 each	**168**	139
	168	139

On 11 June 2020, the Company undertook a Placing of 14,137,931 new ordinary shares to raise, in aggregate £20.5m (before expenses of £0.9m). On 12 June 2020 the Company issued 347,915 Ordinary Shares pursuant to the exercise of warrants at an exercise price of 76p per Ordinary Share. The issued share capital of the Company immediately following completion of the Placing and the exercise of warrants and at 31 December 2020, was 84,068,923 Ordinary Shares of £0.002 each (December 2019: 69,583,077 Ordinary Shares of £0.002 each).

All Ordinary Shares rank *pari passu* in all respects including voting rights and the right to receive all dividends and other distributions, if any, declared or made or paid in respect of Ordinary Shares.

Reserves

Share premium account: This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve: This reserve records the nominal value of shares repurchased by the Company.

25. Commitments and contingencies

There are no material capital commitments, financial commitments or contingent liabilities at the balance sheet date not provided for in these financial statements.

26. Related parties

At 31 December 2020 amounts owed to/from related parties was £Nil (2019: £Nil) by the Group. The remuneration of key management and personnel and details of directors' emoluments are shown in note 8.

No related party transactions occurred during the year.

27. Ultimate controlling party

The Company is controlled by its shareholders. There is no one party which is the ultimate controlling party of the Group and Company.

28. Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt/net funds divided by total equity.

Net debt is calculated as total borrowings (current and non-current) as shown in the group balance sheet less cash and cash equivalents.

The gearing ratios at 31 December were as follows:

	Note	**2020 £000's**	2019 £000's
Total borrowings	22	**118**	108
Less: cash and cash equivalents		**(25,255)**	(11,720)
Net debt/(funds)		**(25,137)**	(11,612)
Total equity		**40,238**	20,132
Gearing ratio		**0.00**	0.00

END

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