

14 September 2021

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

**Half Year Report**

Diaceutics PLC (AIM: DXRX), the diagnostic commercialisation company, announces its unaudited interim results for the six months ended 30 June 2021.

**Financial highlights**

	<b>H1 2021</b>	H1 2020
Revenue (£m)	<b>6.0</b>	5.3
Gross profit (£m)	<b>4.4</b>	3.8
Gross margin	<b>74%</b>	71%
EBITDA (£m)	<b>0.3</b>	0.3
(Loss)/profit before tax (£m)	<b>(0.5)</b>	0.03
Net cash (£m)	<b>23.7</b>	29.8
Earnings per share (pence)	<b>0.40</b>	1.52

- Positive first half performance despite the challenging COVID-19 headwinds, with growth in Revenue, Gross margin, and a positive EBITDA
- Revenue increased by 13% to £6.0m (H1 2020: £5.3m) or 24% on a constant currency basis
- The DXRX platform contributed 44% of total revenue in H1 2021, well ahead of the Board's target at the beginning of the year of 20% of full year revenue to be generated via the platform
- Reported Gross margin increased by 4% in comparison to the comparative period
- EBITDA, of £0.3m (H1 2020: £0.3m) net of investments during H1 in business development, sales commission, and legal and professional costs
- Loss before tax of £0.5m (H1 2020: Profit £0.03m) which is primarily driven by an expected increase in amortisation as a result of the DXRX platform launch on 28 October 2020
- Closing cash position of £23.7m (H1 2020: £29.8m)

**Operational highlights**

- 15 pharmaceutical clients now engaged on the DXRX platform
- DXRX's second phase launch on track for H2 2021 for four additional modules
- Contracts with 33 clients for H1 2021 (H1 2020: 29), and 48 brands (H1 2020: 42) with the addition of two new clients, one of which is our first diagnostic client
- High level of repeat business at 93% (H1 2020: 91%)
- Global pharmaceutical teams re-engaging at pre-COVID levels, led by the US which represents 63% of revenue in H1 2021 (H1 2020: 59%)
- Continued investment in R&D, with £2.7m invested in platform development and our 49 Diagnostic Deductive Pathways in conjunction with adding 44 million patient testing records to our current data repository

**Outlook**

The Group has made a good start to the 2021 financial year, despite the ongoing challenges presented by the COVID-19 pandemic, and currency headwinds. Our financial performance provides the early indicators of a more balanced first half, second half weighting compared to prior years.

Having successfully launched our DXRX platform in Q4 2020, the Group has built the initial foundations for platform adoption and improved our competitive position to service the unmet diagnostic commercialisation needs of the pharmaceutical industry. The engagement from our clients on the platform, which is ahead of the Board's expectations, and the progress made with our laboratory network during H1, sets us in good stead for H2.

**Peter Keeling, Diaceutics' Chief Executive, commented:**

*"Our focus for 2021 was on switching our clients over to the DXRX platform to gain more of our clients investment in diagnostic commercialisation as well as benefit from the internal efficiencies which accrue from a platform business model. I am pleased with our achievement against that goal with twice the predicted level of business flowing through DXRX. "*

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#### **About Diaceutics**

At Diaceutics we believe that every patient should have access to the right treatment at the right time. We provide the world's leading pharmaceutical companies with an end-to-end solution for the launch of precision medicine diagnostics enabled by DXRX - The Diagnostic Network®.

DXRX is the world's first diagnostic commercialisation platform for precision medicine, integrating multiple pipelines of real-world diagnostic testing data from a global network of laboratories.

## **CHIEF EXECUTIVE REVIEW**

### **Business and strategic overview**

I am pleased to report that, despite the ongoing challenge which the global pandemic presents and a weakening US Dollar for H1 2021, the Group has delivered a positive trading performance for H1 2021, with growth in pound sterling revenue of 13% (24% on a constant currency basis), growth in Gross margin, an expected Operating loss result which is driven by the increase in amortisation as a result of the commercialisation of the DXRX platform and a satisfactory EBITDA performance.

The growth of the precision medicine industry, and accompanying companion diagnostics requirements, presents us with a long-term significant opportunity which, through the launch of our ground-breaking DXRX platform in Q3 2020, we are increasingly well positioned to capture.

The DXRX platform gives us the ability to fundamentally change the diagnostics marketplace for the better. The platform enables an acceleration of the commercialisation of precision medicine through creating a more efficient diagnostics marketplace. Our platform reduces the diagnostic hurdles ensuring that laboratories globally are test ready for each new precision medicine at launch. In this way, we can significantly increase pharmaceutical companies' Return on Investment on developing new drugs. Ultimately, we help physicians deliver the right medicine to each individual patient in relation to their own personal pathology.

We have continued to add scale and operational efficiency to our DXRX platform with the shift of laboratories online in all the regions we currently operate.

A greater amount of client work in H1 was delivered via our platform, onboarding 15 pharmaceutical clients. DXRX is now delivering many of our data projects in minutes as opposed to weeks, enabling 22 of our data projects in H1 2021, and contributing to the 4% uptick in gross margin.

Our platform adoption strategy across 2021, has been to ensure key pharmaceutical clients and laboratories gain hands-on use and experience with the platform which we believe will help expand their engagement through 2022. Already two pharmaceutical clients have expanded to use our technology enabled services to effect change at a laboratory level therein removing barriers to testing.

We have continued to enhance our world-leading data repository to 409m patient testing records (an increase of 44m since 31 December 2020) and have increased our disease level insights. This has enabled us to continue the development of our 49 Diagnostic Deductive Pathways (DDPs) of which 19 are outside oncology.

It currently takes over three years for more than 70% of labs to be able to offer a new diagnostic, and we estimate that even after a precision medicine has been launched, up to 50% of eligible patients do not get access to the medicine, due to testing hurdles. The impact of this is that patients are not receiving the most effective medicines at the right time, and the pharmaceutical industry is losing potential revenues, which could be reinvested into the development of further medicines.

With the potential of 150 precision medicines scheduled for launch within the next 3 years, and each requiring a companion diagnostic, our opportunity has never been more significant. With our blue-chip client base, global laboratory network, world-leading data repository and strong balance sheet, we are confident we are well placed to capture this opportunity.

## **Operating overview**

Good progress has been made on key operational drivers in H1:

### *Platform uptake:*

The primary growth driver for the Group will be the transition of clients onto our DXRX platform. We anticipate that this will facilitate our ability to provide additional DXRX modules to those clients thereby, securing a greater proportion of the client spend per therapy.

15 clients engaged with our platform modules, which represented 44% of our revenues in H1, and is currently materially ahead of our stated target to deliver 20% of revenues in 2021 using the DXRX platform. Offering our client more modules enabled by the platform increases the value proposition to our clients and enhances the opportunity for us through client engagement and increased project pricing. I am pleased to report that we won our first platform enabled multi-module project worth more than £500k during H1 2021 across more than 9 countries. Client engagement via DXRX has enabled us to accelerate our revenues associated with Implementation Services.

In respect of laboratory onboarding, we have moved 12.5% (312 labs) of our network onto the platform moving from an offline to an online relationship. The DXRX laboratory universe is a key part of our ecosystem as stakeholders engage in sponsored collaborations using the DXRX platform. During H1 2021, this laboratory network supported 11 collaboration programmes with External Quality Assessment (EQA) providers such as NEQAS ICC and Targos PDL1 Professional training.

### *Data*

Commercialisation of our data has also progressed to plan with data representing 69% of our H1 revenues (H1 2020: 90%). We have also introduced a new weekly data feed in the US (formerly monthly /quarterly) to several clients to support their field force, targeting specific physicians based on their real-world testing approaches.

### *Geographic scope:*

Regionally, US Pharmaceutical teams are engaging at pre covid levels, with US revenue representing 63% of our revenue delivered for H1 2021 (H1 2020: 59%). Our EU revenues recovered towards the end of the half year representing 25% of total revenue delivered for H1 2021 (H1 2020: 15%) and UK revenues, which is a smaller part of our business, representing 3% (H1 2020: 13%). Our investment in the APAC region is at an early stage and having now won business locally, we will continue to build on this during the remainder of the financial year.

### *Network effect:*

The Group's focus is on building and advertising the attractions of the DXRX network to build momentum for new laboratories and partners joining organically, with the target of reaching a tipping point where it attracts not only new laboratories and pharma clients but other stakeholders, thus supporting a more efficient diagnostic marketplace. We are pleased that seven solution providers have joined the platform. These solution providers underpin and enable our Tech Enabled Services on the platform by providing services to clients and supporting collaborations. Each of these solution providers allow Diaceutics to offer better testing solutions to our clients and include Porterhouse Medical and European Society of Pathology.

### *Additional indications*

Expanding the Group's operations beyond oncology, with additional datasets from testing in cardiovascular, central nervous system, autoimmune and infectious disease will present opportunities in these large therapeutic areas. In H1 we announced contracts with the value of £1m to brand teams working on IRD (Inherited Retinal Dystrophy). In addition, we provided our first data sets relating to COVID-19 to our clients which evidences our expansion of commercial relationships into new therapy areas.

During the period the Company won its first contract with a global diagnostic company supplying data and insights within the European region.

### *Operations:*

Across H1 we have invested in business development and marketing strategy. We recruited eight individuals to our business development team to help serve the anticipated increase in client numbers throughout the 2021 financial year. In March 2021, we announced our move in Belfast - to Kings Hall Life Sciences Park, that opened in August 2021. This relocation gives us a further opportunity to support our highly skilled and cost-effective operational team, advancing the corporate strategy of providing us access to leading university resources in AI and data science to pursue growth opportunities from H2 2021 and beyond.

We hosted our first Capital Markets Day in June of this year to showcase DXRX as well as to bring the views of an industry panel, including clients to our shareholders and underpin the value of the platform in addressing the needs of industry. The recording of this Capital Markets Day can be accessed via the Investor Relations section on our website, [www.diaceutics.com](http://www.diaceutics.com).

As we look towards the remainder of the financial year, we continue to focus on driving adoption of DXRX with our clients and unlocking the benefits this delivers internally in terms of efficiency and externally to our clients.

## **Market opportunity**

The treatment landscape continues to accelerate at pace from 'one size fits all' therapies towards personalised medicine, where patients are prescribed medicines based on their genetic or molecular factors ("Precision Medicine"). These include therapies for diseases such as HIV, Alzheimer's, Cystic Fibrosis, and Irritable Bowel Disease. However, it is in oncology (cancer) where the greatest penetration of Precision Medicine has occurred to date.

Despite some negative impacts on the biopharmaceutical research space because of COVID-19, this has resulted in an acceleration of the need for AI and technology-based solutions for drug commercialisation. Growth in the precision medicine market is evident, with major pharmaceutical companies such as AstraZeneca confirming that approximately 90% of their clinical development pipeline is currently driven by precision therapeutics. In 2020 it is estimated that the precision medicine industry was valued at \$58billion. It has been predicted that the precision medicine industry will grow by 9.2% CAGR by 2026 to over \$98billion. Leading pharmaceutical companies working in precision medicine include Novartis, Roche/Genentech, Astra Zeneca, Pfizer, BMS, Merck and Amgen, all of whom are our clients.

Despite the increasing importance of effective diagnostic testing, the testing market itself is currently highly fragmented and the pharmaceutical industry has varied insight into it. The addressable market for Diagnostics specific services today is approximately US\$0.25 billion annually based on our current forecast. We expect this to increase to \$0.45billion annually by 2026.

### Investment in R&D

Our commitment to research and development is critical to us as a business on our growth trajectory. As a business, we understand that having better diagnostic data than our competitors is not enough - we must strengthen our position by ensuring we have a comprehensive supply of this data and transform this to insights that are unique.

We continue to invest in our Diagnostic Deductive Pathways (DDPs) this year with work already underway for approximately half of the target number of DDP's as of 30 June. Each DDP represents a series of algorithms used to describe specific disease biomarker datapoint to track trends which are disease specific.

Our second DXRX product launch is scheduled for October 2021, with modules for Patient Journey, Lab Benchmark, Test Announcement and Test re-imburement adding to the twelve modules launched on 28 October 2020. For the first time, these new tools we are building are intended to permit DXRX users to explore patient level testing data, to understand how diseases are tested for, and the overall diagnostic journey of a patient with that disease. We believe our cutting-edge technology will further embed us with our clients and facilitate onward growth for the Group.

### People

The Group relies on the talent of our people to deliver innovative, high quality healthcare services.

The continued resilience of our people throughout the COVID-19 pandemic has contributed to the positive operational and financial performance of the Group during H1 2021.

On behalf of the board of directors (the "Board"), I would like to take this opportunity to thank all our people for their dedication, professionalism, and skilful contribution to our organisation as we closed H1 2021 and move towards the remainder of the financial year.

### Current trading and outlook

The Group has made a good start to the 2021 financial year, despite the ongoing challenges presented by the COVID-19 pandemic, and currency headwinds. Our financial performance provides the early indicators of a more balanced first half, second half weighting compared to prior years.

Having successfully launched our DXRX platform in Q4 2020, the Group has built the initial foundations for platform adoption and improved our competitive position to service the unmet diagnostic commercialisation needs of the pharmaceutical industry. The engagement from our clients on the platform, which is ahead of the Board's expectations, and the progress made with our laboratory network during H1, sets us in good stead for H2.

## FINANCIAL REVIEW

Diaceutics' underlying financial performance for H1 2021 was positive despite the continued challenges arising from the global pandemic.

A summary of the key financial indicators for the six months to 30 June 2021 is outlined in the table below:

	H1 2021	H1 2020
	Unaudited	Unaudited
	£000's	£000's
Revenue	5,966	5,301
Gross profit	4,386	3,756
Gross margin (%)	74%	71%
EBITDA	275	261
(Loss)/profit before tax	(537)	27

### Revenue

Revenue increased by 13% to £6.0m (H1 2020: £5.3m), or 24% growth based on a constant currency, which has been driven primarily by the impact of increased product volume sales with the introduction of products following the launch of DXRX. The US Dollar weakened against Pound Sterling over the period by 10% to an average rate of 1.39 (H1 2020: 1.26)

The launch of DXRX has enabled the Group the opportunity to service clients via the newly structured product offering whilst maintaining our existing consulting services in Data and Implementation services. With the launch of the platform, we continue to see a strong demand for our data services which represents 69% of total revenue delivered in H1 2021 (H1 2020: 90%), a return to pre-COVID-19 levels which has historically represented approximately two thirds of revenue generation in a period. Currently 44% of our revenue relates specifically to our newly launched DXRX product offering which is ahead of our budgeted expectations at this point in the financial year. DXRX currently represents more than 40% of our overall sales pipeline.

Our financial performance provides the early indicators of a more balanced first half, second half weighting compared to prior years. This shift in the trend of seasonality is reflected in revenue result reported for H1 2021 which represents 44% of the external revenue expectations for the 2021 financial year (H1 2020: 41% of total revenue for the 2020 financial year).

The Group's therapy brand engagement remains consistently strong with the Group generating revenue from 48 brands (H1 2020: 42) and 33 clients (H1 2020: 31) across 22 countries (H1 2020: 27). Our repeat revenues are continuing to perform strongly at 93% (H2 2020: 91%) with the largest proportion of revenue for H1 2021 generated from our 2020 and 2021 brand cohorts. On a net basis, we increased our client base by two (H1 2020: 5) during H1 2021.

On a regional basis, we saw positive traction in our US based revenue which increased to 63% of revenue, an increase of 4% from H1 2020. Our EU based revenue contributed a total of 25%, which is a 10% increase from the H1 2020 revenue contribution. Both the US and EU markets have demonstrated signs of growth when compared with H1 2020, and recovery as we emerge from COVID-19. Our investment in the Asia-Pacific region is beginning to show early signs of positivity and we look to build upon this during the remainder of the financial year.

### Gross Profit

Gross profit for H1 2021 was £4.4m which reflects a 17% increase in comparison to the reported gross profit for H1 2020 of £3.8m, with gross margin improved 4%. This increased efficiency is largely because of the benefits of delivering our products to client using our DXRX platform, and ongoing travel restrictions owing to COVID-19. This increased gross margin percentage is reported after charging £0.8m of amortisation (H1 2020: £0.2m) and platform related maintenance of £0.1m (H1 2020: £nil) associated with the launch of the DXRX platform on 28 October 2020. Excluding amortisation, our Gross margin increased by 15% when compared with H1 2020.

### Operating loss, and EBITDA

Operating loss for H1 2021 was £0.5m (H1 2020: Profit £0.03m) which is inclusive of a £0.1m loss associated with foreign exchange (H1 2020: gain £0.7m). In addition, there was a net increase in administration expenses of £0.4m when compared to H1 2020, which was a result of increases in building the business development team, including the introduction of their sales commission and other incentives and provision for holiday pay and legal and professional costs, depreciation, offset by savings in travel due to the ongoing restrictions in travel because of COVID-19. Overall, the Executive management team has remained focused on repositioning the Group's cost base to support growth and platform adoption.

During H1 2021, the Group incurred net foreign exchange losses of £0.1m (H1 2020: gain £0.7m). The Group mitigated transactional foreign exchange losses using derivative products to hedge its short-term exposure to fluctuations in foreign exchange rates (GBP:USD). The Group's hedging policy allows for forward contracts to be entered into up to a period of 12 months from the end of the next reporting period. Currently the additional costs of meeting the extensive documentation requirements of IFRS 9 to apply hedge accounting to these foreign exchange hedges is not justified and accordingly, the Group is not using hedge accounting for derivatives. Net movements on mark-to-market derivatives in respect of transactional currency exposures of the Group in future periods are recognised in the profit and loss account and amounted to a cost of £0.01m for the period.

<b>Reconciliation of operating profit to EBITDA</b>	<b>H1 2021</b>	<b>H1 2020</b>
	<b>£000's</b>	<b>£000's</b>
Operating profit	(531)	32
Depreciation & Amortisation	806	229
EBITDA	275	261

### Corporation Tax

The Group has taken advantage of the UK and Irish Research and Development Tax Credits regimes, in particular the RDEC and SME R&D tax credit regime. Total R&D tax credits of £0.45m in the UK and Ireland have been recognised.

A total current income tax credit of £0.2m has been recognised during the period. This credit includes the net effect of the aforementioned R&D tax credits, a current tax charge of £0.3m and a deferred tax credit of £0.17m.

The current tax charge is calculated after adjusting for non-deductible expenditure of £0.06m, difference in foreign tax rates of £0.06m and the impact of a change in tax rates £0.11m.

In the prior year the Group recognised UK and Irish Research & Development credits under the RDEC and SME R&D tax regimes of approximately £1m which included an adjustment for prior periods of £0.6m.

### Balance Sheet

The Group had a strong Balance Sheet as at 30 June 2021 reflecting net assets of £40.0m (30 June 2020: £41.1m).

The Group's closing cash balance as at 30 June 2021 was £23.7m (30 June 2020: £29.8m).

The Group's debt at 30 June 2021 was £0.1m (30 June 2020: £0.1m).

### Investment in Intangible Assets

Total intangible investment of £2.7m was incurred in the period (H1 2020: £2.9m). Investment in data amounted to £1.0m (H1 2020: £0.6m) supporting the depth of the data lake and adding approximately 44m patient test records (H1 2020: 53m). Capitalised development expenditure relating to the DXRX platform amounted to £1.7m (H1 2020: £2.0m). The continued investment in the DXRX platform is progressing as planned and in line with budget, and it is anticipated that the second phase products will be available to clients by Q4 2021.

DDPs are a series of algorithms used to manage specific disease biomarker data to track trends which are disease specific. These DDPs underpin the methodology on which we base our insights and professional services provided to our clients and underpin the pathway in which a patient will have their optimal diagnostic journey. These algorithms can be used on multiple projects which improves Diagnostics' efficiency in project delivery as well as building up datasets which have higher disease coverages and breadth of data per patient. Total investment during H1 2021 was £0.2m which is included within development expenditure within note 8.

## Net Cash

	As at 30 June 2021	As at 31 Dec 2020	As at 30 June 2020
Net Cash	<u>£23.7m</u>	<u>£25.3m</u>	<u>£29.8m</u>

The Group incurred £1.5m of a cash outflow during H1 2021 (H1 2020: Cash inflow of £17.9m - after cash generated from the Company's capital raise of £20.5m net of expenses). This cash outflow represents the net position after continued capital investment in the DXRX platform and data related purchases of £2.7m.

Net cash generated from operations was £1.3m (H1 2020: inflow £1.3m).

The Company continued its relationship with Silicon Valley Bank and currently has an unused working capital facility of £4.0m. This facility will remain in place subject to a minimum Quarterly Revenue test calculated on a trailing twelve-month basis and a minimum Adjusted Quick Ratio test as stipulated by the agreement. The capital facility is as described in the 2020 Annual Report.

Other financial liabilities, not included above, relate to convertible loan notes and the change in fair value of embedded derivatives. The convertible loan notes of £0.1m are exercisable by March 2022.

## Going concern

The Directors have performed a detailed assessment, including a review of the Group's budget and forecasts for the 2021 financial year and its long-term plans, including consideration of the principal risks faced by the Group, including uncertainties which remain in light of the global pandemic. In assessing these uncertainties, the Directors have applied downside sensitivities to the Group's cash flow projections. The Board have satisfied themselves that notwithstanding these downsides, the Group has adequate headroom with existing cash and banking facilities to continue to operate and meet its liabilities as they fall due to the foreseeable future, a period of which is at least 12 months from the date of signing these interim financial statements.

## Post balance sheet events

As at 30 June 2021, the Group had entered into an agreement for the lease of a new headquarters based in Belfast. Subsequent to 30 June 2021, control and access passed to the Group and the Group recognised a Right-of-use asset and lease liability in line with IFRS 16 - Leases. Details have been disclosed in note 14.

## Principal risks and uncertainties of the Group

The risk factors that are most significant to the Group's operations, and where applicable an explanation of how these are managed or mitigated, are outlined below. The risks described do not necessarily comprise all those associated with the Group and are not set out in any order of priority. Additional risks and uncertainties that are currently not known by the Directors, or that are currently deemed immaterial, may also have an adverse effect on the Group.

### Operational, commercial, and financial risks

#### RISK

#### MITIGATION

#### *Certainty of contracts and pipeline*

Any cancellations, material amendments, delays in adoption of DXRX and uncertainty around the Group's Order Book could have an impact on the revenues of the Group.

The Group has visibility over a proportion of its revenues through signed up service agreements, contracted work, or high-probability tenders.

The pipeline of the business is continually reviewed by senior management with both leading (proposal generation) and lagging (order intake) indicators. Using the Customer Relationship Management (CRM) system, key account management team and client plans, this provides foresight and momentum for project closure and creates the ability to assess the products and capacity required going forward.

We operate in several global precision medicine markets with the aim of increasing our access to market opportunity, and diversifying risk across a number of geographical territories.

***Dependence on key executives and personnel***

The Directors believe that the future success of the Group will depend in part upon the expertise and continued service of key executives and technical personnel. The loss of the services of any of the key management personnel or the failure to retain key employees could adversely affect the Group's ability to maintain and/or improve its operating and financial performance.

The Executive continues to review the business structure to ensure it is appropriate to support the business model and strategic growth. Succession and retention planning are in place for senior management posts and the Operational Management Committee (OPCO) has been put in place to add a management level below the Executive Management Committee (EXCO) team and provide a succession and mentoring platform for this management layer.

The Group remains committed to the recruitment, engagement, retention, continuing development, and reward of experienced management, and highly skilled scientific, marketing and sales personnel. Furthermore, it has implemented several remuneration schemes to incentivise and retain key personnel.

***Loss of a major client***

A small number of clients, with which the Group has a long-term historical relationship, contribute over 10% of annual revenue. The loss of any such major client would have a direct impact on the earnings potential of the business. The relationship for a major contract usually takes time to establish and the responsibility to deliver a significant project is typically developed over a number of years.

The Group's client base is well diversified due to the number of brand teams, both global and in-country, that we engage within each client, all having individual budget allocation and control. The number of brands supported by the growth has been maintained and there has been growth in the number of clients that the Group services, including contracting with new clients. The senior management team regularly review the revenue generated by key clients to ensure that the Group does not become reliant on a small number of key clients.

The Group has a very good working relationship with all its major clients, and regularly seeks feedback to improve and maintain a high level of client service.

***The Group has a significant dependency on its ongoing access to patient diagnostic data***

Diaceutics acquires data from multiple sources including government, laboratory collaborators, key bodies, and public domain sources. The failure of a significant data supplier may be disruptive to the Group's operations, although is not expected to provide a long-term issue to the Group in relation to the supply of data.

Diaceutics has made a significant investment in our data lake over recent years and has 2,500+ global laboratories in our network. We have amalgamated over 409m real-world patient records from multiple sources and key precision testing markets into this data lake. We have laboratory liaison teams supporting "first launch" markets for the pharmaceutical industry and, with an extensive network of data sources, the failure of any one data source would not have a lasting impact on operations.

***The Group's growth strategy is subject to compliance with information security and data privacy laws and requirements***

The rules on data protection afforded to patient data in different countries varies widely and there can be no assurance that the Group will be able to secure such datasets or that the basis of acquisition will be commensurate with the agreements in place to date. Furthermore, data protection laws are highly heterogeneous around the world and subject to evolution as privacy issues come to the fore.

Patient data is held by the Group on an anonymised and aggregated basis.

The Group's executive and legal counsel reviews the impact of changes to information security and data privacy regulations in countries that the Group operates in.

Systems and processes are in place to ensure compliance with these regulations and protect against data loss. Strong IT measures have been implemented and are reviewed regularly to ensure adequate protection is in place.

A Global Privacy and Compliance officer was hired in 2020 and staff are made aware of the potential impact of changing regulations and targeted training is provided.

***The increasing instances and sophistication of Cyber-Attacks globally bring increased risk to operations, reputation, staff and finances.***

The launch of DXRX and Software as a Service, brings increased stakeholder connectivity and an increased exposure to such risk.

A security framework is in place, combining prevention technology with continuous threat monitoring. Two-factor identification controls have been implemented and organisational-wide training on identification of threats has been implemented.

An incident management and breach response plan is in place if security controls were to be bypassed. Mitigation has been improved with the adoption of industry best practice such as Security Guideline v 4.0 and OWASP 10 and the use of specialist software such as SonarCloud to eliminate bugs and vulnerabilities in the development process. Best in class penetration testing was undertaken prior to the launch of DXRX and remains a core component of our security strategy.

***Market risks and economic conditions***

The Group may be affected by general market trends which are unrelated to the performance of the Group itself.

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's revenue, profit, growth and cash flow over a sustained period.

The Group's business model includes flexibility in both service offering and cost structure which can react to downturns in the market to lessen the immediate effect.

Ongoing engagement with stakeholders, regular dialogue with clients, research and marketing activities and regular strategic reviews of the overall business assist in maintaining a sustainable business.

***Events beyond the control of the Group may have adverse effects on the business***

The possible threat of natural disasters affecting the ability to trade.

The Group faces risks in relation to the political and economic instability associated with the UK leaving the European Union, as well as potential changes to the legal framework applicable to its business.

The possible threat of natural disasters affecting the ability to trade.

The Directors have considered the financial impact of the spread of COVID-19 globally. Based on current information, we believe the impact on proposals conversion, new client product launches and deferral of spend on client brands is temporary. A COVID-19 strategy has been implemented around client engagement and data ingestion which will continue to be reviewed and developed as additional information is provided.

The overall impact of Brexit on the Group's business is expected to be low risk and to-date the Directors have not witnessed any material adverse impact. Executives continue to monitor the situation and a Brexit strategy has been implemented, which includes the ability to attract talent from outside the UK and the use of the corporate structure to hold assets in Ireland as part of the EU regional activity.

***Foreign exchange rate fluctuations may adversely affect the Group's results***

The Group prepares its financial statements in pounds sterling, but a substantial proportion of the Group's income and costs are and will continue to be in foreign currencies. To the extent that the Group's foreign currency assets and liabilities are not matched or hedged, fluctuations in exchange rates between pounds sterling and other currencies may result in realised or unrealised exchange gains and losses on translation of the underlying currency into pounds sterling.

A working capital model and cash flow projections are used to plan for business transacted into different currencies so that exchange rate risk is minimised. The Group seeks to match foreign currency costs and flex cash flows to align with corresponding foreign currency receivables.

The Group operates current bank accounts in multiple currencies. It aims to ensure that the receipts and payments in a particular currency are made through the bank account in that currency to reduce the amount of translation exposure.

In addition, the Group maintains a revolving credit facility which can be drawn in US dollars, pounds sterling or euro.

The risks and uncertainties described above had no material adverse impact on the results presented for H1 2021. These risks and uncertainties are reviewed on an ongoing basis by the Board and are not expected to materially change for the remainder of the 2021 financial year.

## ESG

The Group has received a risk assessment of its impact on Environmental, Social and Governance (ESG) strategy.

Whilst the Group are not considered to be a significant contributor to carbon footprint, we recognise that pre COVID-19 we contributed to carbon emission through international travel. Senior management are working with its employees to identify opportunities to reduce Diaceutics PLC's carbon footprint and to standardise management of carbon emission data across the Group as we enter a period of post-covid norm. A detailed assessment will commence during H2 2021.

The Group are currently working with local academic institutions to identify opportunities to support intake of students to the business particularly considering the announcement of our new Headquarters in Belfast - The Dataworks. The Group would like to support undergraduates who are intending on taking internships and who are seeking employment following the completion of their studies. In addition, the Group are exploring sponsorship of scholarships for MSc students.

The Group continues to support diversity and inclusion on all levels with the aim of taking positive action which will ensure that our staff are aware of the requirement for inclusivity which aligns with our overall strategy. Senior Management are seeking to ensure that data is standardised and transparent across the business and seek to adopt a formal framework of reporting. In addition, continuous development of our current employees through internal training and development programs, our EFFECT leadership courses, and our mentoring program seek to ensure that we develop and invest in our workforce.

The Board are committed to continued improvement of the Group's ESG strategy and will continue to identify opportunities to evolve its strategy during the remainder of the 2021 financial year and beyond.

**Philip White**  
Chief Financial Officer

13 September 2021

## Statement of Directors' responsibilities

The Directors confirm that the condensed consolidated interim financial statements have been prepared in accordance with IAS 35 'Interim Financial Reporting' as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 3.2.8, namely:

- An indication of important events during the six-month period ended 30 June 2021 and their impact on the interim financial statements, and a description of the principal risks and uncertainties for the remainder of the financial year ended 31 December 2021; and
- Material related party transactions in the six-month period and any material changes in related party transactions described in the last annual report.

The Directors of Diaceutics PLC were listed in the 2020 Diaceutics PLC Annual report and financial statements. There have been no changes in respect of Director appointments in the period reported and up to the signing date of these interim financial statements.

On behalf of the Board:

**Peter Keeling**  
Chief Executive Officer  
13 September 2021

**Philip White**  
Chief Financial Officer  
13 September 2021

## Condensed Group Profit and Loss Account for the six months ended 30 June 2021

		<b>Six months to 30 June 2021 (Unaudited) £000's</b>	<b>Six months to 30 June 2020 (Unaudited) £000's</b>
	Notes		
<b>Revenue</b>	2	5,966	5,301
Cost of sales		(1,580)	(1,545)
<b>Gross profit</b>		4,386	3,756
Administrative expenses		(5,061)	(3,826)
Other operating income	3	144	102
<b>Operating (loss)/profit</b>		(531)	32
Finance costs	4	(6)	(5)
<b>(Loss)/profit before tax</b>		(537)	27
Income tax credit	5	202	1,050
<b>(Loss)/profit for the financial period</b>		(335)	1,077

All results relate to continuing operations.

### Condensed Group Statement of Comprehensive Income for the six months ended 30 June 2021

		<b>Six months to 30 June 2021 (Unaudited) £000's</b>	<b>Six months to 30 June 2020 (Unaudited) £000's</b>
<b>(Loss)/profit for the financial period</b>		(335)	1,077
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(205)	267
<b>Total comprehensive (loss)/profit for the period, net of tax</b>		(540)	1,344

### Earnings per share for the six months ended 30 June 2021

		<b>Six months to 30 June 2021 (Unaudited) Pence</b>	<b>Six months to 30 June 2020 (Unaudited) Pence</b>
Basic	7	(0.40)	1.52
Diluted	7	(0.40)	1.51

### Condensed Group Balance Sheet as at 30 June 2021

		<b>30 June 2021 (Unaudited) £000's</b>	<b>31 December 2020 (Audited) £000's</b>	<b>30 June 2020 (Unaudited) £000's</b>
<b>ASSETS</b>	Notes			
<b>Non-current assets</b>				
Intangible assets	8	11,205	9,361	6,540
Property, plant and equipment	9	483	238	234
Deferred tax asset	5	539	301	76
		12,227	9,900	6,850
<b>Current assets</b>				
Trade and other receivables	10	4,489	6,107	4,841
Income tax receivable		2,026	2,257	1,215
Cash at bank and in hand		23,745	25,255	29,766
		30,260	33,619	35,822
<b>TOTAL ASSETS</b>		42,487	43,519	42,672

**EQUITY AND LIABILITIES**

Equity share capital	13	168	168	168
Share premium		36,864	36,864	36,864
Translation reserve		(190)	15	287
Profit and loss account		3,149	3,191	3,798
<b>TOTAL EQUITY</b>		<b>39,991</b>	<b>40,238</b>	<b>41,117</b>

**Non-Current Liabilities**

Deferred tax liability	5	421	366	-
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**Current liabilities**

Trade and other payables	11	1,846	2,346	1,442
Financial liabilities	12	124	118	113
Income tax payable		105	451	-
		2,075	2,915	1,555

**TOTAL LIABILITIES**

		2,496	3,281	1,555
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**TOTAL EQUITY AND LIABILITIES**

		42,487	43,519	42,672
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## Condensed Group Statement of Changes in Equity for the six months ended 30 June 2021

	Called up share capital £000's	Share premium* £000's	Translation reserve £000's	Profit and loss account £000's	Total equity £000's
<b>At 1 January 2020</b>	<b>139</b>	<b>17,335</b>	<b>20</b>	<b>2,638</b>	<b>20,132</b>
Profit for the period	-	-	-	1,077	1,077
Other comprehensive income	-	-	267	-	267
Total comprehensive income for the period	-	-	267	1,077	1,344
<i>Transactions with owners, recorded directly in equity</i>					
Exercise of warrant	1	264	-	-	265
Share based payment	-	-	-	83	83
Issue of shares on Placing	28	19,265	-	-	19,293
Total transactions with owners	29	19,529	-	83	19,641
<b>At 30 June 2020 (unaudited)</b>	<b>168</b>	<b>36,864</b>	<b>287</b>	<b>3,798</b>	<b>41,117</b>
Loss for the period	-	-	-	(813)	(813)
Other comprehensive expenses	-	-	(272)	-	(272)
Total comprehensive expenses for the period	-	-	(272)	(813)	(1,085)
<i>Transactions with owners, recorded directly in equity</i>					
Share based payments	-	-	-	206	206
Total transactions with owners	-	-	-	206	206
<b>At 31 December 2020 (audited)</b>	<b>168</b>	<b>36,864</b>	<b>15</b>	<b>3,191</b>	<b>40,238</b>

\* Costs of £1.2m directly related to the secondary fund raise were offset against the share premium account

	Called up share capital £000's	Share premium £000's	Translation reserve £000's	Profit and loss account £000's	Total equity £000's
<b>At 1 January 2021</b>	<b>168</b>	<b>36,864</b>	<b>15</b>	<b>3,191</b>	<b>40,238</b>
Loss for the period	-	-	-	(335)	(335)

Other comprehensive expenses	-	-	(205)	-	(205)
Total comprehensive expenses for the period	-	-	(205)	(335)	(540)
<i>Transactions with owners, recorded directly in equity</i>					
Share based payment	-	-	-	293	293
Total transactions with owners	-	-	-	293	293
<b>At 30 June 2021 (unaudited)</b>	<b>168</b>	<b>36,864</b>	<b>(190)</b>	<b>3,149</b>	<b>39,991</b>

## Condensed Group Statement of Cash Flows for the six months ended 30 June 2021

	Notes	Six months to 30 June 2021 (Unaudited) £000's	Six months to 30 June 2020 (Unaudited) £000's
<b>Operating activities</b>			
(Loss)/profit before tax		(537)	27
<i>Adjustments to reconcile (loss) / profit before tax to net cash flows from operating activities</i>			
Net finance costs	4	6	5
Amortisation of intangible assets	8	775	226
Depreciation of property, plant and equipment	9	31	3
Research and development tax credits	5	(123)	(75)
Decrease in trade and other receivables	10	1,559	2,029
Increase in trade and other payables	11	(731)	(763)
Effect of translation on intergroup balances		(7)	(186)
Share based payments		293	83
<b>Cash generated in operations</b>		1,266	1,349
Tax received/(paid)		26	(45)
<b>Net cash inflow from operating activities</b>		1,292	1,304
<b>Investing activities</b>			
Purchase of intangible assets		(2,481)	(2,879)
Purchase of property, plant and equipment		(277)	(102)
<b>Net cash outflow from investing activities</b>		(2,758)	(2,981)
<b>Financing activities</b>			
Issue of shares		-	19,614
<b>Net cash inflow from financing activities</b>		-	19,614
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,466)	17,937
Net foreign exchange movements		(44)	109
Opening cash and cash equivalents		25,255	11,720
<b>Closing cash and cash equivalents</b>		23,745	29,766

## Notes to the Condensed Group Financial Statements for the six months ended 30 June 2021

### 1. Summary of significant accounting policies

#### **Basis of preparation**

These condensed financial statements for the six months to 30 June 2021 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2020 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to

Regulation (EC) No 1606/2002 as it applies in the European Union and in conformity with the requirements of the Companies Act 2006. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The financial information for the year ended 31 December 2020 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2020 have been filed with the Registrar of Companies and can be found on the Group's website. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

The accounting policies, presentation and methods of computation applied by the Group in these condensed financial statements are the same as those applied in the Group's latest audited annual consolidated financial statements for the year ended 31 December 2020. No newly introduced standard or amendments to standards had a material impact on the condensed financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements and are disclosed in the notes to these interim financial statements.

#### **Going Concern**

The financial performance and balance sheet position at 30 June 2021 along with a range of scenario plans to 31 December 2023 has been considered, applying different sensitivities to the Group's budgets and forecasts. Across these scenarios, including at the lower end of the range, there remains significant headroom, and therefore the Directors have satisfied themselves that the Group has adequate funds in place to continue to meet its obligations as they fall due to the foreseeable future, a period of which is at least 12 months from the date of signing these interim financial statements.

## **2. Segmental analysis**

For all periods reported the Group operated under one reporting segment but revenue is analysed under three (H1 2020: 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, Data and Network access.

The following tables present revenue of the Group for the six months ended 30 June 2021 and 30 June 2020.

### **a) Revenue stream**

	<i>Six months to 30 June 2021</i>	<i>Six months to 30 June 2020</i>
	<b>£000's</b>	<b>£000's</b>
Implementation services	1,820	530
Data	4,101	4,771
Network access	45	-
	<u>5,966</u>	<u>5,301</u>

### **b) Geographical area**

	<i>Six months to 30 June 2021</i>	<i>Six months to 30 June 2020</i>
	<b>£000's</b>	<b>£000's</b>
USA	3,767	3,138
UK	212	679
Europe	1,472	806
Asia	515	678
	<u>5,966</u>	<u>5,301</u>

## **3. Other operating income**

	<i>Six months to 30 June 2021</i>	<i>Six months to 30 June 2020</i>
	<b>£000's</b>	<b>£000's</b>
Government grants	21	27
Research and developments credits	123	75
	<u>144</u>	<u>102</u>

## **4. Finance costs**

	<i>Six months to 30 June 2021</i>	<i>Six months to 30 June 2020</i>
	<b>£000's</b>	<b>£000's</b>
External loans	<u>6</u>	<u>5</u>

## 5. Income tax

UK corporation tax is calculated at 19% (2020: 19%) of the taxable profit or loss for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was enacted in Finance Act 2016. A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. The impact of this change was £112,414.

The group is preparing an R&D Tax Credit claim for the accounting period ended 31 December 2020. The total tax benefit from the claim is estimated at £1,674,584 which after offsets is expected to provide a cash tax refund of £1,546,667.

The Group has a deferred tax asset of £539,185 (H1 2020: £422,647) and a deferred tax liability of £421,288 (H1 2020: £347,215) which nets to deferred tax asset of £117,897 (H1 2020: £75,432).. The deferred tax asset is recognised on the basis that the Group has forecasted sufficient profits on which the deferred tax asset will be utilised in future periods. Tax losses carried forward amount to £2,008,020 (H1 2020: £901,274) within Diaceutics PLC.

The Group has tax losses carried arising in subsidiary undertakings. Due to the uncertainty of the recoverability of the tax losses within these subsidiaries, a potential deferred tax asset of £262,419 (H1 2020: £76,336) has not been recognised.

All other deferred tax assets and liabilities have otherwise been recognised as they arise.

## 6. Share Based Payments

The Group currently has an Employee share Option Plan ("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 30 June 2021, the only performance obligations attached are continued employment to date of vesting, with no more than two unsatisfactory performance reviews.

On 1 April 2021, Diaceutics launched a Share Incentive Plan ("SIP Scheme") for all eligible UK and International employees. For UK employees, the SIP Scheme is formed of Partnership Shares and Matching Shares. Employees are offered the opportunity to purchase ordinary shares in the Company on a monthly basis (up to a maximum of £1,800 per person per tax year or 10% of an employee's pay if this is lower), which will be held in an independent SIP trust ("Partnership Shares"). The Company will match these with the allocation of two extra shares for every one share purchased, up to and including April 2022. After which time, the allocation from the Company will be one extra share per Partnership Share purchased ("Matching Shares"). Matching Shares must ordinarily be retained in the SIP Trust for a minimum of three years.

## 6. Share Based Payments (continued)

The plan for international employees is drafted to mirror the UK plan as far as possible but may not provide the same personal tax advantages as the UK plan.

The total expense recognised in the six-month period in relation to share based payment charges is £293,000 (H1 2020: £83,000).

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

### ESOP:

	2021		2020	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 July	£0.0002	168,000	£0.0002	197,400
Granted during the year	£0.0002	218,400	£0.0002	-
Exercised during the year	-	-	-	-
Forfeited during the year	£0.0002	92,400	£0.0002	29,400
As at 30 June	£0.0002	294,000	£0.0002	168,000

### LTIP:

	2021		2020	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 July	£1.265	1,395,961	-	-
Granted during the year	£0.002	891,971	£1.265	1,430,244
Exercised during the year	-	-	-	-

Forfeited during the year	<b>£1.038</b>	<b>430,983</b>	£1.265	34,283
As at 30 June	<b>£0.711</b>	<b>1,856,949</b>	£1.265	1,395,961

## 6. Share Based Payments (continued)

*SIP:*

	2021		2020	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 July	-	-	-	-
Granted during the year	<b>£0.002</b>	<b>17,984</b>	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	<b>£0.002</b>	<b>706</b>	-	-
As at 30 June	<b>£0.002</b>	<b>17,278</b>	-	-

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 30 June 2021	Share options at 30 June 2020
June 2019	June 2022	£0.0002	<b>121,800</b>	168,000
June 2020	June 2023	£0.0002	<b>172,200</b>	-

*LTIP:*

Grant Date	Expiry Date	Exercise Price	Share options at 30 June 2021	Share options at 30 June 2020
April 2020	April 2023	£1.265	<b>1,042,349</b>	1,395,961
April 2021	April 2024	£0.002	<b>814,600</b>	-

*SIP:*

Grant Date	Expiry Date	Exercise Price	Share options at 30 June 2021	Share options at 30 June 2020
May 2021	May 2024	£0.002	<b>7,214</b>	-
June 2021	June 2024	£0.002	<b>10,064</b>	-

The weighted average remaining contractual life of options outstanding at the end of the year was 2.11 years. No options expired during the year.

## 6. Share Based Payments (continued)

### Fair value of options granted:

The weighted average fair value at grant date of options granted during the period-ended 30 June 2021 was £0.002 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		SIP	
	2021	2020	2021	2020	2021	2020
Ex Price	<b>£0.0002</b>	£0.0002	<b>£0.002</b>	£1.265	<b>£0.002</b>	-
Grant date	<b>June</b>	June	<b>April</b>	April	<b>May June</b>	-
Expiry date	<b>June 2023</b>	June 2022	<b>April 2024</b>	April 2023	<b>May 2024 June 2024</b>	-
Share price	<b>£1.52</b>	£0.85	<b>£1.26</b>	£1.265	<b>£1.289</b>	-

at Grant date					<b>£1.3</b>	
Volatility	<b>57.88%</b>	57.88%	<b>92.00%</b>	57.88%	<b>92.00%</b>	-
Risk-free rate	<b>0.53%</b>	0.53%	<b>0.41%</b>	0.53%	<b>0.41%</b>	-
Fair-value	£1.49	£0.85	<b>£0.002</b>	£1.25	<b>£0.002</b>	-

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

## 7. 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 impact of the secondary fund raise in June 2020.

Adjusted earnings per share are calculated based on the (loss)/profit for the financial year adjusted for exceptional items £nil (June 2020 £nil). 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 share options granted under the employee share option plan.

## 7. Earnings per share (continued)

### Profit attributable to shareholders

	<i>Six months to 30 June 2021 £000's</i>	<i>Six months to 30 June 2020 £000's</i>
(Loss)/profit for the financial period	<u>(335)</u>	<u>1,077</u>
	<b>(335)</b>	<b>1,077</b>

### Weighted average number of shares to shareholders

	<i>Six months to 30 June 2021 Number</i>	<i>Six months to 30 June 2020 Number</i>
Ordinary Shares in issue at the end of the period	<u>84,068,923</u>	<u>84,068,923</u>
Weighted average number of shares in issue	<b>84,068,923</b>	70,996,870
Weighted average number of shares for basic and adjusted earnings per share	<b>84,068,923</b>	70,996,870
Effect of dilution of Convertible Loan Notes	754	754
Effect of dilution of share options granted	257,584	175,721
Weighted average number of shares for diluted earnings per share	<u><b>84,327,261</b></u>	<u>71,173,345</u>

### Earnings per share

	<i>Six months to 30 June 2021 Pence</i>	<i>Six months to 30 June 2020 Pence</i>
Basic	<u>(0.40)</u>	<u>1.52</u>
Diluted	<u><b>(0.40)</b></u>	<u>1.51</u>

## 8. Intangible assets

	<i>Patents and trademarks £000's</i>	<i>Datasets £000's</i>	<i>Development expenditure £000's</i>	<i>Platform £000's</i>	<i>Software £000's</i>	<i>Total £000's</i>
Cost						

At 1 January 2020	1,054	1,286	2,461	-	210	5,011
Foreign exchange	64	2	122	-	-	188
Additions	57	649	2,023	-	150	2,879
			4,606	-		
At 30 June 2020	1,175	1,937			360	8,078
Foreign exchange	(22)	5	(142)	-	-	(159)
Transfer from Development expenditure to Platform	-	-	(6,577)	6,577	-	-
Additions	37	813	2,535	-	125	3,510
At 31 December 2020	1,190	2,755	422	6,577	485	11,429
Foreign exchange	(38)	(17)	(3)	(79)	-	(137)
Transfer from Development expenditure to Platform	-	-	(9)	9	-	-
Additions	5	982	1,691	-	35	2,713
<b>At 30 June 2021</b>	<b>1,157</b>	<b>3,720</b>	<b>2,101</b>	<b>6,507</b>	<b>520</b>	<b>14,005</b>

## 8. Intangible assets (continued)

Amortisation	<i>Patents and trademarks</i> £000's	<i>Datasets</i> £000's	<i>Development expenditure</i> £000's	<i>Platform</i> £000's	<i>Software</i> £000's	<i>Total</i> £000's
<b>At 1 January 2020</b>	<b>976</b>	<b>193</b>	<b>78</b>	-	<b>3</b>	<b>1,250</b>
Foreign exchange	60	1	-	-	-	61
Charge for the period	31	126	41	-	28	226
At 30 June 2020	1,067	320	119	-	31	1,537
Foreign exchange	(17)	(2)	(1)	-	-	(20)
Transfer from Development expenditure to Datasets	-	78	(78)	-	-	-
Transfer from Development expenditure to Platform	-	-	(40)	40	-	-
Charge for the period	26	479	-	-	46	551
At 31 December 2020	1,076	875	-	40	77	2,068

Foreign exchange Charge for the period	(38)	(5)	-	-	-	(43)
	<u>40</u>	<u>360</u>	<u>-</u>	<u>326</u>	<u>49</u>	<u>775</u>
<b>At 30 June 2021</b>	<b><u>1,078</u></b>	<b><u>1,230</u></b>	<b><u>-</u></b>	<b><u>366</u></b>	<b><u>126</u></b>	<b><u>2,800</u></b>
<b>Net book value</b>						
<b>At 30 June 2021</b>	<b><u>79</u></b>	<b><u>2,490</u></b>	<b><u>2,101</u></b>	<b><u>6,141</u></b>	<b><u>394</u></b>	<b><u>11,205</u></b>
At 31 December 2020	<u>114</u>	<u>1,880</u>	<u>422</u>	<u>6,537</u>	<u>408</u>	<u>9,361</u>
At 30 June 2020	<u>107</u>	<u>1,617</u>	<u>4,487</u>	<u>-</u>	<u>328</u>	<u>6,540</u>

## 8. Intangible assets (continued)

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.

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. A further £9,000 has been transferred in the 6 months to 30 June 2021.

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 £30,000 to £6,111,000. If the useful life of the asset were 12 years, the carrying amount of the asset would increase by £20,000 to £6,161,000.

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 £22,000 to £2,468,000. If the useful life of the asset were 5 years, the carrying amount of the asset would increase by £15,000 to £2,505,000.

The recoverable value of intangible assets is measured using discounted cash flow forecasts and the valuation model at 30 June 2021 indicated no impairment on these assets.

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.

## 9. Property, plant and equipment

	<i>Office equipment</i>	<i>Leasehold Improvements</i>	<i>Total</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
<b>Cost</b>			
At 1 January 2020	257	-	257
Foreign exchange translation	3	-	3
Additions	103	-	103
At 30 June 2020	363	-	363
Foreign exchange translation	(2)	-	(2)
Additions	<u>34</u>	<u>-</u>	<u>34</u>
At 31 December 2020	<u>395</u>	<u>-</u>	<u>395</u>
Foreign exchange translation	(1)	-	(1)
Reclassification	(59)	59	-
Additions	<u>44</u>	<u>233</u>	<u>277</u>
At 30 June 2021	<b><u>379</u></b>	<b><u>292</u></b>	<b><u>671</u></b>
<b>Depreciation</b>			
At 1 January 2020	124	-	124
Foreign exchange translation	1	-	1
Charge for the period	3	-	3
At 30 June 2020	128	-	128
Foreign exchange translation	(1)	-	(1)
Charge for the period	<u>30</u>	<u>-</u>	<u>30</u>

At 31 December 2020	157	-	157
Foreign exchange translation	-	-	-
Charge for the period	31	-	31
At 30 June 2021	<u>188</u>	-	<u>188</u>
<b>Net book value</b>			
At 30 June 2021	<u>191</u>	<u>292</u>	<u>483</u>
At 31 December 2020	<u>238</u>	-	<u>238</u>
At 30 June 2020	<u>234</u>	-	<u>234</u>

#### 10. Trade and other receivables

	30 June 2021 £000's	31 Dec 2020 £000's	30 June 2020 £000's
Trade receivables	3,545	5,343	4,194
Other receivables	419	177	132
Prepayments	525	587	515
	<u>4,489</u>	<u>6,107</u>	<u>4,841</u>

#### 11. Trade and other payables

	30 June 2021 £000's	31 Dec 2020 £000's	30 June 2020 £000's
<i>Creditors: falling due within one year</i>			
Trade payables	193	466	319
Accruals	1,489	1,259	772
Other tax and social security	3	318	219
Contract liabilities	151	303	132
Derivative financial instruments (note 13)	10	-	-
	<u>1,846</u>	<u>2,346</u>	<u>1,442</u>

Contract liabilities of £151,000 (H1 2020: £132,000) which arise in respect of amounts invoiced during the period for which revenue recognition criteria have not been met by the period end. The Group's contracts with clients are typically less than one year in duration and any contract liabilities would be expected to be recognised as revenue in the following period.

#### 12. Financial instruments

	30 June 2021 £000's	31 Dec 2020 £000's	30 June 2020 £000's
<b>Financial assets at cost</b>			
Trade receivables	3,545	5,343	4,194
Other receivables	419	177	132
Cash at bank and in hand	23,745	25,255	29,766
<b>Financial liabilities at cost</b>			
Trade payables	(193)	(466)	(319)
Accruals	(1,489)	(1,259)	(771)
Convertible loan note	(124)	(118)	(113)
<b>Financial liabilities at fair value</b>			
Derivative financial instruments	(10)	-	-

#### 12. Financial instruments (continued)

##### Convertible loan notes

£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 before 31 March 2022.

##### Derivative financial instruments - forward contracts and options

The group has entered into a number of foreign currency derivative contracts during the year. The nominal value of the Group's forward contracts is £2,158,000 (30 June 2020: £nil) principally to sell US Dollars.

#### 13. Share capital

	<b>30 June 2021 £000's</b>	<i>31 Dec 2020</i> £000's	<i>30 June 2020 £000's</i>
<b>Allotted, called up and fully paid</b>			
84,068,923 (June 2020 and Dec 2020: 84,068,923) Ordinary shares of £0.002 each	<u>168,138</u>	<u>168,138</u>	<u>168,138</u>

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.

#### 14. Commitments and contingencies

Diaceutics PLC has signed an agreement to lease a 10,000 square foot Grade A building for a ten year period called the "Dataworks" at Kings Hall Life Sciences Park, with an annual rent of £195,000. Under IFRS16 The Group will recognise the Right of Use Asset and Lease Liability of £1,548,000 from commencement of the lease September 2021. We have capitalised £292,000 for the building fitout as at 30 June 2021.

#### 15. Related Parties

The ownership of the "Dataworks" lease lies within the landlord company, O'Connor & McCann Limited ("OCMCL"). Peter Keeling is a director of OCMCL, his wife and two children have a 13% interest in OCMCL in aggregate, and Ryan Keeling, Chief Innovation Officer of the Company holds a 2.5% interest in OCMCL.

With the exception of Ryan and Peter Keeling as related parties to the transaction, the Company's independent directors consider, having consulted with its nominated adviser at the time, that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

There were no related party transactions during the six-month period to 30 June 2020.

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