

22 March 2022

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

Final Results

Diaceutics PLC (the "Company" or the "Group"), the diagnostic commercialisation company for precision testing, is pleased to report its audited results for the year-ended 31 December 2021.

Financial Highlights

- Revenue increased 10% to £13.9m (2020: £12.7m) an 18% increase on a constant currency basis
- Gross profit increased by 13.4% to £10.7m (2020: £9.5m)
- Gross margin of 77% (2020: 75%) benefiting from the shift to platform revenues
- Adjusted EBITDA* of £2.3m (2020: £0.5m)
- Profit before tax £0.5m (2020: loss before tax £0.7m)
- Strong balance sheet with net cash of £19.7m (2020: £25.3m)

**Adjusted for exceptional costs of £0.4m during 2020 in relation to a restructuring event*

Operational Highlights

- Strong adoption of the DXRX platform in first full year since launch
 - 60% of total revenue generated by the platform in the period, significantly ahead of the 20% target for the period
 - significant shift towards platform-based data revenues, (53% of the total revenues) supporting the transition to a recurring revenue model
- Within the platform development programme we expanded our DDP pipeline from 49 to 77, with 78% focused on oncology and 22% non-oncology
- Expansion of the management team, including the appointments of a Vice President of Sales and Marketing, a Chief Growth Officer to support the expansion of products, and additional business development heads responsible for delivering growth in the sales pipeline
- Ongoing investment in the DXRX Platform resulting in the growth of product offering with the launch of four new platform-based products taking the total platform offering to 16
- Recruited 485 laboratories onto the DXRX platform taking the total to 546 in 33 countries, significantly increasing the DXRX platform global footprint and customer offering.
- Secured a five-year contract with a leading life sciences company for direct data feed from the DXRX platform, worth more than US\$1m over the contracted period
- Appointments post period end of Chief Financial Officer and Chief Operating Officer

Peter Keeling, Chief Executive Officer and founder of Diaceutics, commented:

"We are delighted with the significant progress we have made in 2021. Alongside a solid financial performance, we have successfully transitioned Diaceutics to supporting a recurring revenue model and have progressed both faster and further than we anticipated at the beginning of the year, laying the foundations for significant revenue growth.

"With the number of new Precision Medicine therapies increasing, the diagnostic commercialisation market is becoming a key part of the Pharma business model. Through the timely launch of our DXRX platform, we have advanced our first mover advantage to service this need, increasing both our breadth of offering and ability to meet the industry's need at scale.

"We are now focused on expanding our service offering, partner network and data repository, with the ambition to service our customers' entire diagnostic commercialisation needs in the key international markets, both within and outside of oncology. We believe the depth of our insights and the growing need for our digital solutions will further embed us with our customers and facilitate the onward growth for Diaceutics and look to the future with confidence. With the current business momentum, we see improved revenue growth in 2022. Alongside our investment in platform, product, data innovation and people we expect continued modest growth in our EBITDA."

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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.

Introduction

I am delighted to reflect on what has been a transformational year for Diaceutics in which we have delivered robust financial performance, while exceeding our operational goals set at the end of the previous financial year.

The impact of the COVID-19 pandemic on the timely diagnosis and access to treatment for patients around the world has brought our purpose, to ensure the right treatment is provided to patients at the right time, sharply into focus. I am proud of the passion and drive I see across Diaceutics as we strive to achieve our vision.

In October 2020, we launched DXRX, our diagnostic commercialisation platform, bringing together all stakeholders in Precision Medicine to improve efficiency across the diagnostics market. In 2021, our core strategic aim was to drive the adoption of our platform alongside increased partner engagement, providing the foundation for future growth acceleration. The strong adoption in this regard demonstrates the willingness of the diagnostic market and wider pharmaceutical industry to embrace a digital platform. We now count over 540 laboratories across multiple geographies signed up to DXRX and ready to participate in projects, and importantly, 60% of Group revenue in the year was delivered via the platform, considerably ahead of our initial 20% target. We also increased the total revenue from our top five Pharma customers from £5.7m (2020) to £7.4m (2021) and serviced the needs of these same top five customers in a total of 23 markets, both metrics are indicative of our increased relevance to our leading customers.

The team has been tireless in its commitment to innovation, as we are still very much just at the start of the evolution of the platform. As part of DXRX's second phase launch towards the end of the year, we established four new service offerings, adding further routes to increase platform revenue growth.

In the summer of 2021, we were delighted to establish our new company headquarters at Dataworks at Kings Hall Health and Wellbeing Park in Belfast, a new green building, with an "A" rated energy certificate. These offices position us in direct proximity to Belfast's major hospitals, universities, and innovative medical research facilities, and we are already seeing the benefits of the location as a thriving data hub enabling data analytics companies, medical professionals and patient centric groups to collaborate in this shared space.

Performance

The progress in widening the customer base, increasing our activity levels, and driving the adoption of the platform can be seen in the successful financial performance in the year, delivering 18% revenue growth on a constant currency basis, ahead of market expectations. While we are investing in the business, the board of directors (the "Board") is cognisant of the need to carefully manage resources, and we are pleased to have delivered Adjusted EBITDA of £2.3m and Profit before tax growth to £0.5m.

As the adoption of the platform accelerates, and our service portfolio grows, we anticipate larger customer contracting values and the continued migration to a recurring revenue model into 2022 and beyond.

Cash balances remain strong, providing the business with the funds to continue to execute on its growth strategy.

Our People

The COVID-19 pandemic continued to be the dominant external factor impacting the business, our staff, and customers, and I am incredibly proud of all of the team for persevering through another year characterised by such significant disruption and uncertainty. On behalf of the Board, I would like to extend my thanks and gratitude to all of the Diaceutics team for their vital contribution during the year.

Despite the challenges posed by the pandemic, our teams have responded with fortitude, embracing the transformation taking place at Diaceutics, while remaining passionate in our purpose. As part of our evolution to a platform business model, we have undertaken considerable organisational transformation during the period, which has seen the reorganisation of our executive committee and the expansion of our sales team to nine Key Account Managers. We entered 2021 with a well-established remote working culture, and we have ensured our teams remain supported and as connected as ever, despite social distancing and lockdown restrictions.

We are a global company with employees operating across 16 countries and, as a result, we recognise the immense value people from all cultures, religions and backgrounds can contribute to our success. We remain fully committed to supporting our colleagues and fostering a diverse and inclusive workplace.

As a responsible employer we communicate and engage with our employees regularly via Town Halls and monitor and support employees across multiple areas such as mental health and work life balance. As a result, 96% of employees surveyed responded that people are treated fairly and with respect, and 96% of employees surveyed have great confidence in the future of Diaceutics.

ESG Progress

Diaceutics is committed, through its culture, processes, and business activities, to ensuring that it has a positive impact on all of its stakeholders. These include our customers and customer partners, our shareholders, patients and communities, the environment, our employees and the wider Diaceutics network. To formalise our approach to these matters, in 2021 we wrote our first Diaceutics Environmental, Social and Governance ("ESG") Statement, which will be reviewed each year to measure progress and to scope further objectives and outcomes to improve our performance in these important areas. You can read more about our commitments, policies and progress within the ESG section of this report.

Board Changes

Post the year end, in January 2022, we were delighted to announce the appointment of Nick Roberts as Chief Financial Officer who took over duties from Philip White on 18 March 2022. Nick's wealth of experience derived from his time with AIM quoted healthcare and technology companies with global customer bases, will prove key as we progress to the next stage of our growth. We welcome Nick to Diaceutics and look forward to working with him.

On behalf of the Board, I would like to wholeheartedly thank Philip for his vital contribution to Diaceutics in the build-up and throughout the IPO and our first few years as a listed business and wish him the very best in his future role.

Outlook

We are seeing diagnostics growing in importance to the pharmaceutical industry, as an increasing number of precision medicines are brought to market, and we are confident that Diaceutics is positioned to maximise the advantage it has as the market-first digital diagnostics commercialisation platform.

With a blue-chip customer base, compelling and expanding offering, experienced management team and a clear strategy, the Board is confident in the Group's long-term prospects.

I would like to thank all our customers, partners, suppliers, investors, and employees for their ongoing support during the year.

Ms Deborah Davis

Chair

22 March 2022

Chief Executive Officer's Statement

Overview

The year to 31 December 2021 was one of significant positive progress for Diaceutics. Alongside a solid financial performance, we have successfully transitioned the Company to supporting a recurring revenue model, underpinned by repeat annual licence and subscription contracts, and have progressed both faster and further than we anticipated at the beginning of the year, laying the foundations for significant revenue growth.

With the number of new Precision Medicine therapies increasing strongly, the diagnostic commercialisation market segment is becoming a key part of the Pharma business model. Through the timely launch of our DXRX platform, we have advanced our first mover advantage to service this need, increasing both our breadth of offering and ability to meet the industry's needs at scale.

DXRX is a unique diagnostics commercialisation platform tailored for Precision Medicine, whose technology enabled services and real-world data insights directly address the issues in the diagnostics ecosystem which result in patients missing access to treatment, such as the inconsistency of testing by laboratories or unavailability of diagnostics in certain geographies. DXRX repositions Diaceutics in the eyes of our customers, showing our ability to offer the most comprehensive product range available in the market, designed to service their total diagnostic commercialisation needs and ensure the right patients are tested at the right time. We are already seeing that this new and unique platform network is assisting us both in attracting new customers, but importantly increase our share of our existing customers' budget, supporting a wider range of their diagnostics commercialisation needs.

The market relevance for our platform is made clear by the activity generated on the platform from our partners directly feeding weekly, monthly or quarterly data into the platform.

Our Pharma customer base has been aided by the worldwide vaccine rollout at the beginning of H2 2021, resulting in pharmaceutical teams re-engaging at pre-COVID levels, led by North America which represented 61% of revenue in 2021, compared to 48% in 2020. We have engaged at a global level with 39 customers with an increase in number of customer therapy brands serviced to 56 in 2021.

At the end of 2020 and into 2021 we made the key organisational changes required to prepare the business to migrate to a platform-centric and scalable diagnostics commercialisation company, and in 2021 we made that transition.

We have delivered above expectations on this strategic transition in 2021 and these achievements are summarised below:

Strategic transition achievements	Impact
Commenced migrating existing and new customer agreements to the platform	60% of customer revenue is generated through the platform (2020: nil)
Increased platform product offerings	4 new products launched taking total to 16
Increased platform collaborations	30 new collaborations on the platform
Migrated laboratory partners onto the platform	546 laboratories migrated to the platform (21.8% of target network)
AS part of DXRX platform investment we have expanded data insights through Diagnostic Deductive Pathway ('DDP') development	DDP pipeline expanded from 49 to 77 with 17 now focused outside oncology
Expanded customer base	3 non-Pharma companies added including a top five diagnostic company
Expanded client engagement outside oncology	15% of revenue now emanated from outside of oncology projects
Reshaped and expanded sales and marketing team	Increased the Key account managers from 3 to 9 supported by 4 sales operations executives and new CRM system.
Reshaped and expanded the leadership team	By the end of period added two new executives to the EXCO team and four to the OPCO team

We are now focused on marketing our suite of products to our core Pharma customers and new companies investing in diagnostic commercialisation such as Biotech and Diagnostic companies. We will continue to expand our service offering, partner network and data repository, with the ambition to service our customers' entire diagnostic commercialisation needs in the key international markets, both within and outside oncology.

Financial Performance Demonstrates Transition of Diagnostics

The success of the launch of DXRX can be seen in its contribution to Group revenues, with 60% of total revenues derived from the platform in the first operational year.

We increased the total revenue from our top five customers by 31% from £5.7m to £7.4m in 2021 and serviced the needs of these same top five customers in a total of 23 markets, both metrics are indicative of our increased relevance to our leading customers.

Within the platform revenue is the successful conversion of 53% of our business to platform-based data revenue representing £7.4m of total Group revenue in 2021 (2020: nil). We anticipate this to be a precursor to further recurring revenue, improving the quality and visibility of future revenues.

Moving forward, we anticipate an evolution towards larger customer contracting value, multi technology enabled services proposals and multi brand enterprise licenses. We have a strong track record in expanding our customer engagements over time moving to additional therapy teams within each customer alongside expanding our geographic reach. The DXRX platform allows us to span geographies with customers in the US, Europe, and Asia Pacific, supporting the growth of the Company.

Delivering on our Strategy

We have developed a scalable, high margin business with a best-in-class product offering, tailored for Precision Medicine. This strategy is centred around the proprietary and market leading DXRX platform and our dedicated and highly skilled employees and has three distinct and vertically integrated value blocks, which form divisions within the business. These are:

- the right products to service total diagnostic commercialisation needs;
- a diverse partner network that spans numerous geographies; and
- an unrivalled depth of data that delivers impactful insights at the patient level.

Our strategy is focused on enhancing these three aspects of embedded value in order to increase our customer numbers and average contract size:

The right products to service total diagnostic commercialisation needs

In the post COVID-19 era of virtually augmented drug development and commercialisation, the DXRX platform provides a digital testing infrastructure which can meet the market's growing need for efficient patient testing.

Ongoing investment in the platform resulted in the growth of DXRX and the launch of four new products by the end of the year:

- Patient Journey - DXRX patient journey enables Pharma customers to complete a longitudinal analysis of biomarker testing journeys of individual patients which identifies opportunities for earlier testing and treatment;
- Lab Benchmark - DXRX lab benchmarking enables laboratories to gain competitive edge and compare key criteria to others in the industry providing metrics such as disease, testing and methodology, market share, turnaround time and laboratory leadership in these areas;

- Test Reimbursement - DXRX test reimbursement enables Pharma customers to rapidly engage with laboratories to fund the introduction of novel companion diagnostics, reducing the lag time in test adoption; and
- Test Signal - DXRX test signal delivers a real-time alert of a testing event that allows Pharma customers to identify therapeutically actionable patients in the previous weeks, as shown in the profile below.

Test Signal in profile

- The launch of our Test Signal product provides a perfect example of how DXRX is enabling an expansion of our data capabilities. The introduction of our Test Signal product in the US market now allows us to use the efficiencies of the DXRX platform network to identify patients who could benefit immediately from better treatment by zip code.
- Test Signal notifies a Pharma customer when a patient tests positive for a biomarker linked to the profile of a therapeutic linked to the pharmaceutical company. This information can now be supplied within days of the test result being recorded by laboratories linked to this new service.
- Test Signal allows the opportunity for real-time identification of patients eligible for treatment and follow up by the pharmaceutical company's marketing organisation. This will allow quicker and better support to biomarker testing, allowing treatment with the most appropriate drug treatment sooner.
- Our mantra is "Better Testing, Better Treatment" and this product gets us right to the fore of delivering on this as it is used by the front-line sales teams within the Pharma industry. After only one month on the market our Test Signal product had identified 1,971 patients who had the potential to be treated with a Precision Medicine and who may have otherwise been lost to treatment. This is significant for our customers as some of these treatments have annual revenue in excess of a billion dollars.
- Signal is one of the five specialist data products developed as a result of our ongoing investment in DDPs, since it depends upon automation integration, standardisation and expert labelling of large data sets weekly, to ensure our customers can act quickly.

Our increased product offering allows us to extend our services to customers in all of the key geographies, accessing larger budgets from Pharma per therapy brand. The launch of these products within DXRX has increased Total Contract Value ("TCV") and total revenue per customer, supporting continued growth in the future.

We can now offer 16 bespoke products across the spectrum of diagnostic commercialisation for the first time.

Diverse Partner Network

The DXRX platform vertically integrates a network of laboratory and service partners relevant to commercialising diagnostics. These best-in-class laboratory and service partners allow us to service the diversity of our customer needs including:

- Supporting physicians by ensuring all the key laboratories have the right test at the right time in step with prescribing demands;
- Supporting those same laboratories to optimise the quality of testing and identify more patients for treatment; and
- Supplying timely real-world data and insights to help target our customers' investments and benchmark laboratories in all the leading markets.

Laboratory Partners

The DXRX laboratory universe is a key part of our platform network and active participants in our customer sponsored collaborations (see below) using the DXRX platform. In respect of laboratory onboarding, in its first full year we have moved 21.8% (546 laboratories) of our target network onto the platform, transitioning from an offline to an online relationship and enabling automation of data supply and our first technology enabled services.

Service Partners

13 service partners have been announced as joining the platform since DXRX launch in October 2020. Examples include:

- UKNEQAS ICC & ISH;
- European Society of Pathology (ESP);
- Nordic Immunohistochemical Quality Control (NordiQC);
- European Molecular Genetics Quality Network (EMQN CIC);
- Canadian Pathology Quality Assurance - Assurance Qualité Canadienne en Pathologie (CPQA-AQCP);
- Targos and HistoCyte Laboratories; and
- LGC SeraCare Partnership

Armed with the platform partners above, our strategy uses expertly customised sponsored collaborations to integrate the needs of all the platform partners with the needs of our pharmaceutical and diagnostic customers and deliver faster change to testing at the front line. During 2021, this platform network supported 30 collaboration programmes.

Tech Enabled Services	Topic	Country	Disease	Number of Participating Labs
Test announcement	BRAF Testing in colorectal cancer	EU+Canada	CRC	22
Test announcement	Molecular pathology of breast cancer	Germany	Breast	15
Test	Her2 testing for breast	UK/EU	Breast	77

<i>announcement</i>	<i>cancer in clinical practice including current need to identify Her2 low tumours</i>			
<i>Test Quality Assessment</i>	<i>Global gastric cancer testing EQA Study</i>	<i>US- EU APAC</i>	<i>Gastric Cancer</i>	<i>30</i>
<i>Lab Standardisation</i>	<i>Breast cancer proficiency testing</i>	<i>US- EU APAC</i>	<i>Breast</i>	<i>65</i>

In total, our platform network allows us to leverage the capabilities of our, data, service partners and laboratories, in turn expanding the commercialisation products and features offered to our customers. As more partners join and the platform continues to scale, our strategy will be to consolidate our position, ultimately enabling an embedded solution for our customers.

Unrivalled depth of Data that delivers Impactful Insights at the Patient Level

Our investment in the platform has further strengthened our position as the world's richest repository of real-world diagnostic testing data. We have an unparalleled depth of data, which combined with our unique data mining tools and algorithms, provide rich real-world testing data insights at disease level. This repository unlocks unrivalled access to deep analysis of the world's richest source of de-identified patient testing with an expansion of disease specific testing pathways (Diagnostic Deductive Pathways - DDPs), allowing us to generate recurring data revenue across more cancer and non-cancer diseases.

With each new platform partner that engages and every collaboration we form, the wealth of exhaust data grows and the service we deliver becomes more useful and valuable.

Our Diagnostic Deductive Pathway - DDP Pipeline

DDPs which forms part of our platform development, are a series of AI enabled algorithms that map the patient journey in a particular disease area. The DDPs, transform the raw data into product insights in real time via the platform, thus generating recurring revenue streams and scalability for the business. As we ended the year, we had expanded our DDP pipeline from 49 to 77, with 78% focused on oncology and 22% non-oncology. The development of each DDP is complex with the need to integrate and standardise raw data, then expertly label it to allow machine learning proprietary algorithms to automate the analysis and insights across patients' diagnostic journeys in a specific disease. Often the DDP can represent up to eight years of patient level insight and we slice through each DDP to provide our unique data insights/products for our customers. Our DDPs support our existing data products as well as aiding future product development by allowing us insight for example into previous patients' diagnostics journeys, project likely future diagnostics issues, identify therapeutically actionable patients and guide at what point a new drug is best introduced into the diagnostic journey.

As we serve multiple customers and multiple therapies by reusing DDPs across a number of years, the lifetime revenue of each DDP accumulates. For example, the accumulated multiyear revenue enabled by our top five DDPs ranges from US\$4.3 - US\$16.9m. An example of how DDPs work is represented by the Test Signal product.

Customer and Disease Area Expansion

In addition to increasing the speed of data delivery to our Pharma customers, we have expanded our customer base and provided data licenses to three non-Pharma companies, including a top five diagnostic company. Our goal is the expansion beyond our traditional Pharma customer leveraging our data insights which support diagnostic commercialisation regardless of sponsor.

Year on year we are witnessing the expansion of Precision Medicine outside oncology, where diagnostic commercialisation needs are varied and complex. Here too we have remained in step with the needs of our Pharma customers and have worked on diagnostic commercialisation relevant to Inherited Retinopathy Disease, Alzheimer's, Tuberculosis, COVID-19 and Dengue amongst others across the year. As we ended the year, 15% of our revenue emanated from projects outside oncology versus 9% in 2020. This has been enabled by the development of new non-oncology DDPs, 22% of which are now non-oncology.

Our goal outside oncology will be to remain in step with the needs of our customers as they develop precision therapies dependent upon unique and complex patient testing needs.

Market opportunity

Experts forecast that the future Pharma focus will be predominantly Precision Medicine and Pharma teams launching drugs in more prevalent diseases outside cancer where a different mix of diagnostic hurdles will be faced as the annual volumes of patients needing to be tested are in their millions, versus 200k to 500k as they are in cancer.

Despite the increasing importance of effective diagnostic testing across cancer and other diseases, the testing market itself remains highly fragmented and the pharmaceutical industry has varied insight into it. Today the current addressable market for Diagnostics' specific services is approximately US\$0.25 billion annually based on our current forecast and visibility of Pharma pipelines. As the diagnostic interdependency of Precision Medicine becomes more complex and as other diseases outside cancer follow the success of precision cancer therapy, we expect this to increase to \$0.45 billion annually by 2026.

Our Team

I would like to take this opportunity to personally thank our people across the Group for their continued hard work, determination, and commitment through what has been a challenging time for many of them and their families. It is thanks to them we have been able to continue the growth of the DXRX platform and make vital steps towards fundamentally changing the diagnostics marketplace for the better by helping physicians deliver the right medicine to each individual patient in relation to their own personal pathology.

Our people are essential to our business, and as such, we supported them through the COVID-19 disruption. The transition to homeworking during the pandemic was seamless, as 73% worked virtually pre-COVID-19 and our years of investment in digital communications served to minimise the impact to our customer work.

During the year we have invested significantly in our people. We have transformed the skillset within the business so that we are in a better position to take advantage of the market opportunity and scale the high growth DXRX platform. In doing so, we delivered almost 6,500 hours of internal training and reskilling to transition to a platform business model more efficiently. We started the year with three business development salespeople and have grown this team to nine full time employees, with three expected to be added in early 2022, alongside our newly appointed Vice President of Sales and Marketing. By the end of period, we had expanded the executive committee (EXCO) team to six executives through the appointment of a new Chief Growth Officer to support the expansion of products, and since the year end, the appointment of a new Chief Operating Officer has brought the total EXCO team to seven. The EXCO team has also been reorganised around our key product suites of data, tech enabled services and professional services.

On behalf of the Group, I would like to wholeheartedly thank Philip White who stepped down as Chief Financial Officer on 18 March 2022. Philip has had an incredible influence on Diaceutics, having led us through a successful IPO and playing a key role in the first few years as a public company. We would like to thank him for all his hard work and look forward to continuing to benefit from his counsel until April 2022.

I am also delighted to welcome Nick Roberts to Diaceutics as Chief Financial Officer and director of the Board. Nick is a highly experienced senior finance professional with a background working with high-growth, platform-oriented businesses across tech and Pharma makes him an excellent fit, and his experience leading finance functions to accommodate significant year-on-year revenue growth will serve as a real asset to us. Welcome Nick to the team as we look to take Diaceutics to its next level of growth and accelerate the transformation of our business model.

In 2005 when Diaceutics was formed, there were only six drugs on the market recognised by Pharma as precision drugs, namely drugs which the FDA had mandated that patients had to be tested in advance of the treatment being offered. Furthermore, the market which we now call "Precision Testing commercialisation" was not recognised as a segment and Pharma commercial teams in particular were highly resistant to being involved in a diagnostic business model they believed was functioning normally.

In the absence of a clear 'business role model', or qualified business segment, Diaceutics acted as a category former and developed its business model through innovative prototyping and fail-fast approaches, ultimately resulting in the transformation of its business onto the DXRX platform. On the assumption that patient testing for all therapies will be fully re-integrated into the Pharma business model in the next five to ten years, the system-level changes across Pharma's investment in Precision Medicine will require significant diagnostic commercialisation scale. Diaceutics focused on this opportunity and with the success of DXRX, now has the scale required to meet the ongoing evolution of Precision Medicine.

Outlook

Our mission is to ensure that every patient has access to the right treatment at the right time by leveraging our best-in-class data, global experts, laboratory relationships, experience and technical excellence to provide services that reduce barriers to prescribing life changing therapies. With the current business momentum, we see improved revenue growth in 2022. Alongside our investment in platform, product, data innovation and people we expect continued modest growth in our EBITDA.

We are seeing diagnostics growing in importance to the pharmaceutical industry, as an increasing number of Precision Medicines are brought to market, and we are confident that Diaceutics is positioned to maximise the advantage it has in DXRX as the market-first digital diagnostics commercialisation platform.

I join our Chair and the rest of the EXCO team in thanking all our staff, platform partners and customers around the world for their support throughout 2021 and we look forward to enabling more patients' access to the right therapy through better testing in 2022.

Mr Peter Keeling

CEO

22 March 2022

Financial Review

2021 has been a pivotal year and one whereby the business has built solid foundations to support future growth. At the top line, revenue increased 10% to £13.9m (18% on a constant currency basis) and profitability grew as the gross margin improved to 77% (£10.7m) and Adjusted EBITDA increased to £2.3m.

The performance was driven by solid growth in both the first and second halves of the year and was particularly pleasing when set against the continued challenges of the COVID-19 pandemic. The adoption of the DXRX platform post roll-out exceeded our expectations with 60% of revenue now generated through the platform, demonstrating the value of the data insights and value-add service offerings to our customers.

The restructuring effected in late December 2020 removed £1.4m of legacy operational consulting costs and replaced this cost with operational expenditure supportive of our platform business model. This has resulted in added operational leverage to our business and the additional business development hires have allowed for more focus on developing customer relationships. The combined business development expansion and successful launch of four additional products into the platform during Q4 2021 supported larger total contract values as we combine higher value products together and transition towards a subscription led revenue model.

We closed the year with a strong balance sheet and a net cash position of £19.7m, providing the business with sufficient funds to execute on its growth strategy.

The Group's Key Financial Performance indicators are summarised below:

2021

2020

	£000's	£000's
Revenue	13,943	12,696
Gross Profit	10,732	9,463
Gross Profit Margin (%)	77%	75%
EBITDA	2,349	151
Adjusted EBITDA*	2,349	539
Profit/(Loss) before tax	462	(682)
Net cash	19,675	25,255

* After exceptional costs of £0.4m relating to a restructuring event during 2020.

Revenue

The table below sets out the revenue stream between the recently launched DXRX Platform revenue and Professional Services.

	2021	2020
	£000's	£000's
Revenue - DXRX platform	8,298	-
▶ <i>Data revenue</i>	7,411	-
▶ <i>Tech Enabled Services</i>	887	-
Revenue - Professional Services	5,645	12,696
Total revenue	13,943	12,696

Group revenue increased by 10% in 2021 to 13.9m (2020: £12.7m) and by 18% on a constant currency basis. The currency headwind is a direct result of 83% of revenue being contracted with our customers in US dollars. The growth in revenue is underpinned by an increase in customer brand engagement to 56 (2020: 53) and an increase in the volume of contracts. The launch of our additional four products in Q4 2021 and successful uptake of existing products during the year, resulted in an increase in total contract value secured during November and December 2021 of 22% compared with November and December 2020.

As noted in our half year results and seen in the table above, we have continued to see a material shift in revenue from Professional Services to DXRX platform revenue. DXRX platform revenue now represents £8.3m (60% of revenue) (2020: Nil) with Professional Services revenue representing £5.6m or 40% of revenue (2020: £12.7m and 100% of revenue).

The transition of customers to the DXRX platform and contract terms supports the continued introduction of additional products in the future, higher quality and higher value revenue and represents a 2022 renewal contract opportunity.

During 2021, we engaged with seven new customers (2020: 7) and, although total customers engaged remained at 39 (2020: 39), we increased our offering within our larger customer cohort increasing our revenue by 31% within this group. We expected and experienced some customer churn within the smaller cohort, typically smaller Biotechs, which was largely due to acquisitions by large Pharma and changes in their drug launch timetable.

In spite of this, the number of brands supported increased from 53 to 56, demonstrating increased engagement with customers, and the proportion of revenue attributable to repeat business increased to 94% (2020: 92%). During the year we added three diagnostic Pharma customers, meaning 8% of customers are classified as non-Pharma, representing a new revenue stream and addressable market for the Group.

Our sales strategy continues to strive to embed Diagnostics further within our customers diagnostic commercialisation strategy, and during the first year since the launch of DXRX, we have secured more than £2.5m of revenue from a single customer in a year. We supported this customer across 17 countries integrating their systems with the DXRX platform such that key protocols are aligned for future engagements. Prior to this the largest annual revenue secured from a single customer was £1.5m.

While the growth in revenue from this customer increased our customer concentration to 19% of total revenue for the year, that customer revenue is diversified through multiple customer brand teams and a recurring reliance on data. We anticipate customer concentration decreasing in future years as we continue to increase our customer engagements across wider addressable markets.

The Group continued to support customers in 26 key global markets (2020: 29). The largest being North America where regional sales increased by 40% to £8.5m (2020: £6m). North America remains the largest healthcare market for both Diagnostics and the pharmaceutical industry globally. Revenues in Europe (including UK) and Asia and Rest of World decreased 13% and 30% respectively, however, despite the reduction in revenue in Europe we supported 24 customers through 2021, highlighting future opportunities in this region which we see recovering during 2022. We continue to support customer global drug brands in Asia and the profiling of patient data in that region is something we are building towards in 2023. We have no client contractual exposure in Russia or Ukraine.

Gross Margin

As noted in our half year report, gross profit margin improved to 77% (2020: 75%) due to the migration of business to the DXRX platform, which leverages a more efficient use of labour resources in delivering on customer contracts and generating revenue. Cost of sales, excluding amortisation, reduced from 19% of revenue in 2020 to 11% of revenue in 2021, resulting in a gross margin excluding amortisation of 89% (2020: 81%).

Gross Margin and Gross Margin excluding Amortisation

	2021	2020
	£000's	£000's

Revenue	13,943	12,696
Cost of sales inc. Amortisation	(3,211)	(3,233)
Gross profit inc. Amortisation	10,732	9,463
Gross margin	77%	75%
Amortisation	1,665	776
Gross profit exc. Amortisation	12,397	10,239
Gross margin exc. Amortisation	89%	81%

Administration Expenses

Administration expenses, which consists of operational support, marketing and sales expenses and administration expenses including non-platform and share-based payment charges, totalled £10.4m (2020: £10.0m). As a result of the COVID-19 pandemic and the resulting rationalisation of the business in 2020, the Group entered 2021 better organised to grow the platform and business and with a streamlined cost base. Through 2021, progress with the rollout of DXRX provided us with the confidence to further invest in platform aligned support costs in the areas of business development, sales operations and commission structure and legal and professional expertise, with a focus on UK based talent.

Total cost growth for the year was 3% against revenue growth of 10%, resulting in an operating profit before exceptional items of £0.55m (2020: loss £0.3m). The increase in margin reflects the constraints placed on operations of the business due to the pandemic, but also the additional costs associated with building operational leverage to support future growth.

Whilst the Group's presentational currency is pounds sterling, the Group operates in several global territories and, as such, is subject to fluctuation in foreign exchange. The Group has a policy of hedging downside foreign exchange risk and, at the year end, reported a gain on foreign exchange of £0.03m (2020: £0.06m).

Tax

The Group operates over four key regions; US, Europe, UK and Asia, with the majority of intellectual property registered in UK. Corporate income tax charges are calculated after R&D tax incentives, which are available, and have been claimed in the UK and Republic of Ireland.

The Group's corporate income tax credit for the year was £0.4m (2020: £1.1m) which represents the net provision for corporate income tax credits in the UK of £0.5m and corporate income tax charges of £0.1m in the Republic of Ireland and the US.

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

Deferred tax assets and liabilities have been recognised as they arise, and for assets, to the extent at which they can be utilised in the future. Deferred tax has been recognised at the rate at which it is expected to unwind, which, for the UK, is predominantly expected to be at the enacted rate of 25%.

The Group estimates that tax losses of £6.9m will be available for utilisation against future taxable profits in the UK and has resulted in a deferred tax asset of £1.7m (2020: £1.3m). A deferred tax liability of £0.4m (2020: £0.7m) arises due to the capitalising of certain R&D costs, and £1.8m (2020: £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 & Profit before Tax

The Group generated an EBITDA of £2.3m (2020: £0.2m) and adjusted EBITDA of £2.3m (2020: £0.5m). There were no exceptional costs in 2021 (2020: £0.4m in relation to restructuring costs incurred at the end of 2020).

The Group had an EBIT of £0.6m (2020: Loss £0.7m) and the move back into a profitable position reflected in a 17% EBITDA position and a strong balance sheet, provides a stable base for continued investment and expansion of the market growth opportunity.

EBITDA and Adjusted EBITDA

	2021	2020
	£000's	£000's
Operating profit/(loss)	550	(658)
Depreciation & Amortisation	1,799	809
EBITDA	2,349	151
Exceptional Items	-	388
Adjusted EBITDA	2,349	539

The Group had a Profit before tax of £462k (2020: Loss £682k).

Balance Sheet

At 31 December 2021, the Group reported a strong net asset position of £40.6m (2020: £40.2m), with net cash of £19.7m (2020: £25.3m). Some of the key items have been noted within the sections below.

Intangibles

During the financial year ended 31 December 2021 we invested £5.2m (2020: £6.4m) in our intangible asset base which includes platform, data, patents and software.

The Group's investment in the DXRX platform continued through 2021. Capitalised development costs reduced to £3.2m in total (2020: £4.6m) and resulted in the launch of four key products in Q4 2021 and development expenditure in relation to 77 DDPs. Within the total investment of £3.2m, £3m has moved from development expenditure to commercialisation, triggering amortisation and £0.2m remains in development.

Data accounted for £2.1m of total intangible investment for the 2021 financial year (2020: £1.5m) as we continued to expand the depth and more timely receipt of data.

Cash

The cash position as at 31 December 2021 decreased to £19.7m (2020: £25.3m) due to ongoing investment activities in the year and working capital timing differences. Other than a convertible loan note of £0.1m (2020: £0.1m) the Group had no debt as at 31 December 2021.

Cashflow

Operating cash inflows for 31 December 2021 remained broadly in line at £0.6m (2020: £0.3m) Post year end in January 2022, an R&D tax receipt relating to the 2020 year of £1.6m was received.

Investment activities amounted to £6m for the year. £5.0m related to investment in intangible asset, primarily in the development costs relating to DXRX (2020: £6.2m) and £0.6m of tangible asset spend relating to the fit out of the new office (2020: £0.1m).

The equity free cash flow for the year (net increase in cash and equivalents less proceeds from the issue of shares) continue to improve with an outflow of £5.3m in the year (2020: outflow £6.0m).

Outlook

2021 was a transformative year for Diaceutics, one that saw the business embrace the transition from an advisory services business to a market-first digital diagnostics commercialisation platform. I am delighted to be joining the Company at such an exciting time in its growth journey and would like to thank Philip White for the significant contribution he has made to Diaceutics and wish him the best for the future.

Mr Nick Roberts

CFO

22 March 2022

Group Profit and Loss Account for the year ended 31 December 2021

	Note	2021 £000's	2020 £000's
Revenue	4	13,943	12,696
Cost of sales	5	(3,211)	(3,233)
Gross profit		10,732	9,463
Administrative expenses	5	(10,377)	(10,015)
Other operating income	10	195	282
<i>Operating profit / (loss) before exceptional items</i>		550	(270)
Exceptional items	11	-	(388)
Operating profit / (loss)	5	550	(658)
Finance income	12	-	27
Finance costs	13	(88)	(51)
Profit / (loss) before tax		462	(682)
Income tax credit	14	99	945
Profit for the financial year		561	263

Group Statement of Comprehensive Income for the year-ended 31 December 2021

	2021 £000's	2020 £000's
Profit for the financial year	561	263
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(317)	(5)
Total comprehensive income for the year, net of tax	244	258

Earnings per share for the year-ended 31 December 2021

		2021	2020
		<i>Pence</i>	<i>Pence</i>
Basic	15	0.67	0.34
Diluted	15	0.66	0.34
Basic adjusted	15	0.67	0.74
Diluted adjusted	15	0.66	0.74

Group Statement of Financial Position as at 31 December 2021

	<i>Note</i>	2021	2020
		£000's	£000's
ASSETS			
Non-current assets			
Intangible assets	16	12,821	9,361
Property, plant and equipment	17	718	238
Right of use asset	18	1,411	-
Deferred tax asset	14	1	301
		<u>14,951</u>	<u>9,900</u>
Current assets			
Cash and cash equivalents		19,675	25,255
Trade and other receivables	20	7,615	6,107
Income tax receivable	14	2,772	2,257
		<u>30,062</u>	<u>33,619</u>
TOTAL ASSETS		<u>45,013</u>	<u>43,519</u>
EQUITY AND LIABILITIES			
Equity share capital	25	168	168
Share premium		36,864	36,864
Treasury Shares	25	(165)	-
Translation reserve		(302)	15
Profit and loss account		4,084	3,191
TOTAL EQUITY		<u>40,649</u>	<u>40,238</u>
Non-Current liabilities			
Deferred tax liability	14	445	366
Leasehold Liability	22	1,285	-
		<u>1,730</u>	<u>366</u>
Current liabilities			
Trade and other payables	21	2,358	2,346
Leasehold Liability	22	146	-
Financial liabilities	23	130	118
Income tax payable	14	-	451
		<u>2,634</u>	<u>2,915</u>
TOTAL LIABILITIES		<u>4,364</u>	<u>3,281</u>
TOTAL EQUITY AND LIABILITIES		<u>45,013</u>	<u>43,519</u>

Group Statement of Changes in Equity for the year ended 31 December 2021

Equity share capital	Share premium	Treasury shares	Translation reserve	Profit and loss account	Total equity
£000's	£000's	£000's	£000's	£000's	£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 income for the year	-	-	-	(5)	263	258
<i>Transactions with owners, recorded directly in equity</i>						
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
At 1 January 2021	168	36,864	-	15	3,191	40,238

	Equity share capital £000's	Share premium £000's	Treasury shares £000'	Translation reserve £000's	Profit and loss account £000's	Total equity £000's
Profit for the year	-	-	-	-	561	561
Other comprehensive expense	-	-	-	(317)	-	(317)
Total comprehensive income for the year	-	-	-	(317)	561	244
<i>Transactions with owners, recorded directly in equity</i>						
Share based payment	-	-	-	-	332	332
Treasury shares	-	-	(165)	-	-	(165)
Total transactions with owners	-	-	(165)	-	332	167
At 31 December 2021	168	36,864	(165)	(302)	4,084	40,649

Group Statement of Cash Flows for the year ended 31 December 2021

	Note	2021 £000's	2020 £000's
Operating activities			
Profit / (Loss) before tax		462	(682)
<i>Adjustments to reconcile Profit / (Loss) before tax to net cash flows from operating activities</i>			
Net finance costs		88	24
Amortisation of intangible assets	16	1,665	776
Depreciation of right to use asset	18	49	-
Depreciation of property, plant and equipment	17	85	33
Research and development tax credits		(169)	(247)
(Increase) / Decrease in trade and other receivables		(1,499)	549
Decrease in trade and other payables		(159)	(63)
Share based payments		373	290
		895	
Cash received in operations		680	680
Tax paid		(325)	(427)
Net cash inflow from operating activities		570	253
Investing activities			
Purchase of intangible assets		(5,036)	(6,157)
Purchase of property, plant and equipment		(565)	(137)
Net cash outflow from investing activities		(5,601)	(6,294)
Financing activities			
Borrowing Costs		(56)	-
Leasehold repayments		(49)	-
Purchase of treasury shares		(165)	-
Issue of shares		-	19,614
Net cash (outflow) / inflow from financing activities		(270)	19,614
Net (decrease) / increase in cash and cash equivalents		(5,301)	13,573
Net foreign exchange losses		(279)	(38)
Cash and cash equivalents at 1 January		25,255	11,720
Cash and cash equivalents at 31 December		19,675	25,255

Notes to the Group Financial Statements for the year-ended 31 December 2021

1. General information

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 First Floor, Building Two, Dataworks at King's Hall Life Sciences Park, Belfast, County Antrim, Northern Ireland, BT9 6GW.

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 customers 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 UK adopted international accounting standards. These financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies.

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 2021 along with a range of scenario plans to 31 December 2023 has been considered, applying different sensitivities to revenue and gross profit margin. 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 2023. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least 12 months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

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.

The Company considers all relevant facts and circumstances in assessing whether or not it has 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 IFRS Standards that are effective for the current year

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2021:

- Interest rate benchmark phase 2 reform (Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021- (Amendment to IFRS 16)

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

There has been no material impact on our financial statements as a result of these changes.

Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021-Amendment to IFRS 16

There has been no material impact on our financial statements as a result of these changes.

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 UK and are not mandatory for 31 December 2021 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 IFRS 10 and IAS 28)
- Reference to the Conceptual Framework (IFRS 3)
- Proceeds before Intended Use (IAS 16)
- Onerous Contracts (IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 (IFRS1, IFRS9, IFRS16 and IFRS41)
- Amendments to IFRS 4 - extension of the Temporary Exemption from Applying IFRS 9
- Amendments to IAS 1 and IFRS Practice Statement 2 - disclosure of accounting policies
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 - Definition of accounting estimates

We are still assessing the implications of the new standards and interpretations however it is not expected to have a material impact on the Group.

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 three revenue streams, DXRX platform data revenue, DXRX platform technology enabled services revenue and Professional services revenue. The Group's performance obligations for these revenue streams are deemed to either be the provision of specific deliverables to the customer or a subscription-based service. 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 when it transfers control of a deliverable to a customer as follows:

The platform data revenue and the platform technology enabled services revenue are recognised at a point in time when milestone based or overtime when subscription based. The professional services revenue is recognised over time based on the number of input hours. With all other professional services recognised at a point in time where milestones are specified within client contract, otherwise input hours recognition applies.

Contract assets arise on contracts with customers that would be expected to be invoiced and received in the following year. The Group's contracts with customers are typically less than one year in duration.

Contract liabilities 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.

Segment reporting

The Group currently has one operating segment. This is consistent with the internal organisational and management structure and the internal reporting information provided to the Chief Operating Decision Maker, the Board, who is responsible for allocating resources and assessing performance of the 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:

- 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 one class 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. The company's share based payments are classified as equity settled share based payments as the employees will receive the shares after the required service period. 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.

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 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:

- | | |
|--------------------------|---|
| • 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) |
| • Platform algorithms | 6 years (16.7% 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.

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 property, plant and equipment. The estimated useful lives are as follows:

- | | |
|--------------------------|------------------------------|
| ▪ Office equipment | 5 years (20% straight line) |
| ▪ Leasehold Improvements | 10 years (10% 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.

Leases

During the year, the Group entered into a new lease for its Belfast Headquarters building at Building two, Dataworks at King's Hall Life Sciences Park, Belfast, Antrim, BT9 6GW.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). 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.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the Group incremental borrowing rate.

Lease payments included in the measurement of the lease liability only consist of fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

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 expected credit losses.

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

(c) Expected Credit Losses

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 and Other 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. Such estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation. It should be noted that the impact of variation in some assumptions and estimates can have a particularly material impact on the reported results.

The key judgements in applying the accounting policies include:

- The Group capitalises costs associated with the development of the DXRX platform and data lake. These costs are assessed against IAS 38 Intangible Assets to ensure they meet the criteria for capitalisation.
- In assessing the requirement to recognise a deferred tax asset, management carried out a forecasting exercise in order to assess whether the Group will have sufficient future profits on which the deferred tax asset can be utilised. This forecast required management's judgment as to the future performance of the Group.
- 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 total budgeted hours to completion for comparison with the actual hours spent.

Key sources of estimation uncertainty are as follows:

- The Group's estimation of the useful economic lives of intangible assets. The assessment of useful life of data purchases and platform require estimation over the period in which these assets will be utilised and is based on information on the estimated technical obsolescence of such assets and latest information on commercial and technical use. Further details on the estimation uncertainty have been disclosed in note 16.
- Assessment of the recoverable amount, being the higher of value in use and the fair value less cost to sell, of property plant and equipment, intangible assets and right-of-use assets in accordance with IAS 36 Impairment of Assets. The Group carry's out an annual review in respect of indicators of impairment, and if any such indication exists, the Group is required to estimate the recoverable amount of the asset. Following this assessment, no impairment indicators were present at 31 December 2021. Further details are disclosed in note 16 intangibles.
- With respect to the impairment considerations of an intangible asset, significant estimates are considered within the value in use calculation. The most significant estimate would be the revenue growth rate. Refer to note 16 - Intangible assets for details of the impairment review and sensitivity analysis.
- Application of IFRS 16 requires the Group to make significant estimates in assessing the rate used to discount the lease payments in order to calculate the lease liability. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including the Group commercial borrowing rate.
- In the calculation of Share Based Payments and related costs charge an assessment of expected employee attrition is used based on expected employee attrition and where possible actual employee turnover from the inception of the share option plan.

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. Changes in accounting estimates may be necessary if there are changes in the circumstances or experiences on which the estimate was based or as a result of new information.

4. Revenue

Operating Segments

The Group currently operates under one reporting segment, but revenue is analysed under three 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 DXRX platform data revenue, DXRX technology enabled services revenue and professional services revenue. Revenue is disaggregated by primary geographic market and by principal activities and products. Geography is primary basis on which management reviews the business.

The following tables present revenue of the Group for the years ended 31 December 2021 and 2020.

Revenue stream

	2021 £000's	2020 £000's
Platform - data	7,411	-
Platform - TES	887	-
Professional services	5,645	12,696
	<u>13,943</u>	<u>12,696</u>
Total revenue	<u>13,943</u>	<u>12,696</u>

	2021 £000's	2020 £000's
Point in time revenue recognition	6,994	-
Over time and input method revenue recognition	6,949	12,696
	<u>13,943</u>	<u>12,696</u>

	2021 £000's	2020 £000's
North America	8,457	6,035
UK	555	543
Europe	3,623	4,243
Asia and Rest of World	1,308	1,875
	<u>13,943</u>	<u>12,696</u>

In 2021 three customers each had sales which exceeded 10% of total revenue with the largest customer accounting for £2,647,000 (19%) the second accounting for £1,768,000 (13%) of revenue and the third accounting for £1,439,000 (10%) of revenue.

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.

5. Operating profit/(loss)

	2021 £000's	2020 £000's
Employee benefit costs		
- wages and salaries	9,258	9,794
- social security costs	1,167	1,236
- pension costs	362	366
- benefits	136	285
- share based payments and related costs	372	290
- capitalised development costs	(2,645)	(3,388)
	<u>8,650</u>	<u>8,583</u>
Amortisation of intangible fixed assets	1,665	776
Depreciation of tangible fixed assets	85	33
Right of use depreciation	49	-
Subcontractor costs	318	546
Travel costs	80	205
Legal and professional	1,190	1,465
Gain on foreign exchanges	(42)	(58)
Other expenses	1,593	1,698
	<u>4,938</u>	<u>4,665</u>
Total cost of sales and administrative expenses	<u>13,588</u>	<u>13,248</u>

(Excluding exceptional items which are disclosed in note 11)

6. Auditors' remuneration

	2021	2020
	£000's	£000's
Included within administrative expenses (legal and professional):		
Audit of parent and subsidiary financial information	136	92
Other assurance related and other services	19	11
Included within exceptional items:		
Fees relating to other services	-	65
	<u>155</u>	<u>168</u>

7. Staff numbers

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

	2021	2020
	Number	Number
Administration	30	30
Technical	80	81
Business development	13	9
Finance	10	8
	<u>133</u>	<u>128</u>

8. Directors' emoluments

Directors

	2021	2020
	£000's	£000's
Aggregate emoluments	825	802
Pension contributions	41	40
	<u>866</u>	<u>842</u>

Pension contributions were made for three Directors during the period

Highest paid director

The highest paid director did not exercise any share options and received the following emoluments:

	2021	2020
	£000's	£000's
Aggregate emoluments	252	248
Pension contributions	24	25
	<u>276</u>	<u>273</u>

Key senior management

Key senior management received total compensation as follows:

	2021	2020
	£000's	£000's
Aggregate emoluments	1,241	1,207
Pension contributions	85	84
Share based payments and related costs	173	102
	<u>1,499</u>	<u>1,393</u>

9. Share based payments

The Company currently has an Employee share Option Plans ("ESOP") for employees, a Long-Term Incentive Plan ("LTIP") for key management and a Share Incentive Plan ("SIP") open to all employees (apart from those in China).

The ESOP and LTIP plans 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. The SIP plan is designed to encourage employee participation in the ownership of the Company and as a means to promote staff retention. Under these schemes, employees are granted options which only vest if certain performance standards are met. For the ESOP options, that are outstanding as at 31 December 2021, the only performance obligations attached are continued employment to date of vesting, with no more than two unsatisfactory performance reviews. These same conditions apply to the LTIP options issued in 2020. The 2021 LTIP options are underpinned by a Total Shareholder Return (TSR) target, with the percentage of shares vesting increasing from nil at a TSR of less than £1.1885 rising to 100% at a TSR of £1.9105. TSR is measured by the aggregate of dividends declared and paid, and average share price over the applicable period. SIP options are issued to employees on a 2-for-1 matching basis for the first year of the plan with the only performance obligation attached being continued employment to date of vesting. The total expense recognised in the year in relation to share based payment charges and related costs is £428,000 (£372,000 share based payments and £56,000 social security) (2020: £290,000 (£254,000 share based payments and £36,000 social security)).

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

ESOP:

	2021		2020	
	Weighted average exercise price per share option	Number of options	Weighted average exercise price per share option	Number of options
As at 1 January	£0.002	355,664	£0.002	151,240
Granted during the year	£0.002	155,400	£0.002	231,000
Exercised during the year	£0.002	8,447	-	-
Forfeited during the year	£0.002	82,617	£0.002	26,576
As at 31 December	£0.002	420,000	£0.002	355,664

LTIP:

	2021		2020	
	Weighted average exercise price per share option	Number of options	Weighted average exercise price per share option	Number of options
As at 1 January	£1.265	1,251,674	-	-
Granted during the year	£0.002	891,969	£1.265	1,430,244
Exercised during the year	-	-	-	-
Forfeited during the year	£0.735	393,524	£1.265	178,570
As at 31 December	£0.741	1,750,119	£1.265	1,251,674

SIP:

	2021		2020	
	Weighted average exercise price per share option	Number of options	Weighted average exercise price per share option	Number of options
As at 1 January	-	-	-	-
Granted during the year	£0.002	115,392	-	-
Exercised during the year	£0.002	-	-	-
Forfeited during the year	£0.002	10,120	-	-
As at 31 December	£0.002	105,272	-	-

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 2021	Share options at 31 December 2020
June 2019	June 2022	£0.002	117,600	151,240
June 2020	June 2023	£0.002	163,800	204,424
June 2021	June 2024	£0.002	138,600	-

LTIP:

Grant Date	Expiry Date	Exercise Price	Share options at 31 December 2021	Share options at 31 December 2020
April 2020	April 2023	£1.265	1,023,433	1,251,674
April 2021	April 2024	£0.002	726,686	-

SIP:

Grant Date	Expiry Date	Exercise Price	Share options at 31 December 2021	Share options at 31 December 2020
May 2021	May 2024	£0.002	6,848	-
June 2021	June 2024	£0.002	9,148	-
July 2021	July 2024	£0.002	14,808	-
August 2021	August 2024	£0.002	14,554	-
September 2021	September 2024	£0.002	14,518	-
October 2021	October 2024	£0.002	14,488	-
November 2021	November 2024	£0.002	15,172	-
December 2021	December 2024	£0.002	15,736	-

The weighted average remaining contractual life of options outstanding at the end of the year was 1.73 years (2020: 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 2021 was £0.776 per option. The fair value at grant date is independently determined using an adjusted Black-Scholes model for ESOP and SIP options and a Monte-Carlo model for LTIP options. These models take 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	£0.002	£0.002	£0.002	£1.265	£0.002	-
Grant date	June	June	April	April	May-Dec	-
Expiry Date	June 2024	June 2023	April 2024	April 2023	May-Dec 2024	-
Share price at Grant date	£1.26	£1.52	£1.03	£1.265	£1.26*	-
Volatility	97%	58%	70%	58%	97%*	-
Risk-free rate	0.51%	0.53%	0.41%	0.53%	0.81%*	-
Fair Value	£1.26	£1.49	£0.65	£1.25	£1.11*	-

*Average share-price, volatility, risk-free rate and fair value for options issued monthly during 2021.

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

10. Other operating income

	2021	2020
	£000's	£000's
Government grants	26	35
Research and developments credits	169	247

<u>195</u>	<u>282</u>
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11. Exceptional items

	<i>2021</i> £000's	<i>2020</i> £000's
Restructuring	-	<u>388</u>
	-	<u>388</u>

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 was utilised by 31 March 2021. The exceptional costs related to redundancy costs and professional fees which were wholly and exclusively attributable to the restructure event.

12. Finance income

	<i>2021</i> £000's	<i>2020</i> £000's
Bank interest received and receivable	-	<u>27</u>
	-	<u>27</u>

13. Finance costs

	<i>2021</i> £000's	<i>2020</i> £000's
Revolving credit facilities	56	41
Interest on convertible loan notes	12	10
Lease interest	<u>20</u>	-
	<u>88</u>	<u>51</u>

14. Income tax credit

(a) Tax on profit / (loss)

	<i>2021</i> £000's	<i>2020</i> £000's
<i>Current income tax:</i>		
UK corporation tax on profit/(loss) for the year	(530)	(1,427)
Adjustments in respect of previous years	<u>(5)</u>	<u>(348)</u>
	<u>(535)</u>	<u>(1,775)</u>
<i>Foreign tax:</i>		
ROI corporation tax on profits for the year	47	330
US corporation tax on profits for the year	78	467
Adjustments in respect of previous years	<u>(42)</u>	<u>(88)</u>
	<u>83</u>	<u>709</u>
Total current tax	<u>(452)</u>	<u>(1,066)</u>
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	342	85
Adjustments in respect of previous years	(10)	66
Impact of change in tax rates	<u>21</u>	<u>(30)</u>
Total deferred tax	<u>353</u>	<u>121</u>
Total tax credit	<u>(99)</u>	<u>(945)</u>

(b) Factors affecting the tax credit for the year

The tax assessed for the year differs from the effective standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are reconciled below:

	2021	2020
	£000's	£000's
Profit / (loss) before tax	<u>462</u>	<u>(682)</u>
Tax using the UK corporation tax rate of 19.00% (2020: 19.00%).	88	(130)
<i>Effects of:</i>		
Tax rates in foreign jurisdictions	(22)	(18)
Non-deductible expenses	92	46
Share based payments	9	47
Foreign tax suffered	1	12
Impact of change in tax rates	21	(30)
Research and development	(453)	(614)
Research and development rate difference	152	-
Deferred tax not recognised	70	112
Adjustments in respect of previous years	<u>(57)</u>	<u>(370)</u>
Total tax credit	<u>(99)</u>	<u>(945)</u>

Non-deductible expenses are made up of various non-deductible expenses including legal and professional fees, convertible loan note interest expense and depreciation on non-qualifying asset.

(c) Deferred tax

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

Deferred tax balance

	2021	2020
	£000's	£000's
Tax losses carried forward	1,722	1,270
Other temporary differences	26	(597)
Property, plant and equipment	(1,839)	-
Transitional Adjustment	1	-
Share based payment	26	-
Research & Development	<u>(380)</u>	<u>(738)</u>
	<u>(444)</u>	<u>(65)</u>

The amount of the deferred tax balance expected to be used within one year is £236,000 (2020: £232,000)

The deferred tax balance consists of a deferred tax asset amounting to £1,000 (2020: £301,000) and a deferred tax liability of £445,000 (2020: £366,000), netting to a liability of £444,000 (2020: a liability of £65,000). 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.

Tax losses carried forward amount to £6,888,000 (2020: £6,684,000) 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 £288,000 (2020: £186,000) 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 profit/(loss) 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 profit/(loss) 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. In the current year there are no exceptional items and therefore there is no adjustment required to basic earnings per share or to diluted earnings per share.

Profit attributable to shareholders

	2021	2020
	£000's	£000's
Profit for the financial year	561	263
Exceptional costs	-	388
Tax impact of exceptional costs	-	(74)
Adjusted profit for the financial year	<u>561</u>	<u>577</u>

Weighted average number of shares to shareholders

	2021	2020
	Number	Number
Shares in issue at the end of the year	<u>84,068,923</u>	<u>84,068,923</u>
Weighted average number of shares in issue	84,068,923	77,532,897
Less treasury shares	(133,000)	-
Weighted average number of shares for basic and adjusted earnings per share	83,935,923	77,532,897
Effect of dilution of Convertible Loan Notes	754	754
Effect of dilution of Share Options	1,005,478	297,146
Weighted average number of shares for diluted earnings per share	<u>84,942,155</u>	<u>77,830,797</u>

Earnings per share

	2021	2020
	Pence	Pence
Basic	<u>0.67</u>	<u>0.34</u>
Diluted	<u>0.66</u>	<u>0.34</u>
Adjusted	<u>0.67</u>	<u>0.74</u>
Diluted adjusted	<u>0.66</u>	<u>0.74</u>

16. Intangible assets

	<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
Cost						
At 1 January 2020	1,054	1,286	2,461	-	210	5,011
Transfer from Development expenditure to Platform	-	-	(6,577)	6,577	-	-
Foreign exchange translation	42	7	(20)	-	-	29
Additions	94	1,462	4,558	-	275	6,389
At 31 December 2020	1,190	2,755	422	6,577	485	11,429
Foreign exchange translation	(55)	(3)	(4)	(44)	-	(106)
Transfer from Development expenditure to Platform	-	-	(3,187)	3,187	-	-
Additions	9	2,097	2,985	7	77	5,175
At 31 December 2021	1,144	4,849	216	9,727	562	16,498

	<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
At 1 January 2020	976	193	78	-	3	1,250
Foreign exchange translation	43	(1)	-	-	-	42

Transfer from Development expenditure to Datasets Charge for the year	-	78	(78)	-	-	-
At 31 December 2020	57	605	-	40	74	776
Foreign exchange Charge for the year	(55)	(1)	-	-	-	(56)
At 31 December 2021	64	818	-	681	102	1,665
Net book value At 31 December 2021	59	3,157	216	9,006	383	12,821
At 31 December 2020	114	1,851	422	6,537	408	9,361

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

Intangible assets relate to patents, trademarks, software, DXRX platform and datasets which are recorded at cost and amortised over their useful economic life which has been assessed as four to ten 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. In 2021 an additional £3,187,000 was transferred to platform intangible asset.

The Group assesses the useful life of all assets on an annual basis.

The Group has determined that the useful life of data and 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 reduced by 2 years, the carrying amount of the asset at 31 December 2021 would reduce by £166,000 to £8,840,000. If the useful life of the asset were increased by 2 years, the carrying amount of the asset at 31 December 2021 would increase by £120,000 to £9,126,000.

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 as this reflects the period over which this data can provide meaningful insights to support client projects. However, the actual asset useful life may be shorter or longer than four years depending on technical innovations and other external factors. If the useful life were three years, the carrying amount of the asset at 31 December 2021 would reduce by £106,000 to £3,051,000. If the useful life of the asset were five years, the carrying amount of the asset at 31 December 2021 would increase by £64,000 to £3,221,000.

These are all definite life intangible assets. There were no impairment indicators identified at 31 December 2021 and therefore no impairment.

The combined recoverable value of intangible assets is determined based on a value-in-use calculation which incorporates cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated long-term growth rate.

The key assumptions used in the impairment review are as follows, and were determined with consideration to past performance and management's expectations of future development:

- The rate of forecast revenue growth which is on average 25%;
- Average gross margin assumption of c74%;
- Long term growth rate of 2%;
- An applied pre-tax discount rate of 9%;

- No operational cost reduction; and
- Average annual capital expenditure is unchanged.

Management has determined the values assigned to each of the above key assumptions as follows:

<u>Assumption</u>	<u>Approach to determining values</u>
Revenue Growth	Average annual growth rate over the five-year forecast period; based on pre-Covid performance and management's expectations of market development.
Gross Margin	Based on past performance and management's expectation for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	Reflects specific risks relating to the Group and the countries in which we operate.
Operational cost	For the purpose of this review, a reduction in administrative expenses was not considered.
Average capital	For the purpose of this review, a reduction in capital expenditure was not considered.

Our modelling shows that forecast revenue can fall short by approximately 6.5% in each year before an impairment would be required. Should forecast revenue drop by 7% in each year an impairment of £7m would be required.

In a separate scenario, our modelling shows that forecast gross margins can drop by approximately 17% before an impairment would be required. Should forecast gross margins reduce by 20% an impairment of £15m would be required.

The directors believe that the carrying value of their remaining investments are supported by their underlying net 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.

17. Property, plant and equipment

	<i>Leasehold Improvements £000's</i>	<i>Office equipment £000's</i>	<i>Total £000's</i>
Cost			
At 1 January 2020	-	257	257
Foreign exchange translation	-	1	1
Additions	-	137	137
At 31 December 2020	-	395	395
Reclassification	59	(59)	-
Additions	419	146	565
At 31 December 2021	478	482	960
Accumulated Depreciation			
At 1 January 2020	-	124	124
Charge for the year	-	33	33
At 31 December 2020	-	157	157
Charge for the year	16	69	85
At 31 December 2021	16	226	242
Net book value			
At 31 December 2021	462	256	718
At 31 December 2020	-	238	238

18. Right of Use assets

	Buildings
	£000's
Cost	
Additions	<u>1,460</u>
At 31 December 2021	<u>1,460</u>

Accumulated depreciation	
Charge for the year	<u>49</u>
At 31 December 2021	<u>49</u>

	Buildings
	£000's
Carrying amount	
At 31 December 2021	<u>1,411</u>

During the year, the group entered into a new lease for its property at Dataworks, Kings Hall Life Sciences Park, Belfast, BT9 6GW for a term of 10 years. The average lease term is 10 years.

This resulted in additions to right-of-use assets of £1,460K in 2021.

The Group's obligations are secured by the lessors' title to the leased assets for such leases.

The maturity analysis of lease liabilities is presented in note 22.

	2021	2020
	£000's	£000's
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	49	-
Interest expense on lease liabilities	20	-

19. Investments

Group undertakings

The following were subsidiaries of the Company at 31 December 2021:

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

The principal business of all the subsidiary undertakings is data and implementation services. All entities were incorporated before 1 January 2021.

*The holding in Diaceutics Precision Medicine Technology (Guangzhou) Limited is held indirectly through Diaceutics Pte Ltd.

20. Trade and other receivables

	2021	2020
	£000's	£000's
Trade receivables	5,999	4,078
Contract Assets	1,003	1,265
Other receivables	146	177

Prepayments	430	587
Derivative financial instruments (note 24)	37	-
	<u>7,615</u>	<u>6,107</u>

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 (2020: £20,000). The default percentage used in the expected credit loss calculation was 0.002% (2020: 0.16%) for debt up to 30 days old; 0.002% (2020:0.20%) for debt between 31 and 60 days old; 0.004% (2020:0.31%) for debt between 61 and 90 days old; 0.01% (2020:0.84%) for debt between 91 and 180 days old and 5.71% (2020: 8.09%) for debt over 180 days old. Bad debts amounting to £Nil (2020: £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. Most of our customers are large-Pharma, we do not foresee any credit difficulties within our customer base and the markets they operate in are recovering well from the impact of the COVID pandemic. The age profile of the trade receivables and contract assets are as follows:

	<i>Total</i>	<i>0-30</i>	<i>31-60 days</i>	<i>61-90 days</i>	<i>>90 days</i>
	<i>£000's</i>	<i>days</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
2021	7,002		3,623	2,278	709
2020	5,343		3,116	1,500	449

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 following table shows the movement in contract assets:

	2021	2020
	£000's	£000's
Contract assets recognised at start of the year	1,265	796
Revenue recognised in prior year that was invoiced in the current year	(1,265)	(796)
Amounts recognised in revenue in the current year that will be invoiced in future years	<u>1,003</u>	<u>1,265</u>
Balance at the end of the year	<u>1,003</u>	<u>1,265</u>

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

	2021	2020
	£000's	£000's
UK sterling	402	770
Euro	562	625
US dollar	6,622	4,708
Canadian Dollars	12	-
Singapore dollars	<u>17</u>	<u>4</u>
	<u>7,615</u>	<u>6,107</u>

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

21. Trade and other payables

	2021	2020
	£000's	£000's
Creditors: falling due within one year		
Trade payables	513	466
Accruals	1,310	1,259
Other tax and social security	327	318
Contract liabilities	208	303
	<u>2,358</u>	<u>2,346</u>

Contract liabilities of £208,000 (2020: £303,000) 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.

The following table shows the movement in contract liabilities:

	2021 £000's	2020 £000's
Contract liabilities recognised at start of the year	303	387
Amounts invoiced in prior year recognised as revenue in the current year	(303)	(387)
Amounts invoiced in the current year which will be recognised as revenue in the later years	<u>208</u>	<u>303</u>
Balance at the end of the year	<u>208</u>	<u>303</u>

The Group and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

22. Leasehold Liability

	2021 Discounted £000's	2021 Undiscounted £000's
Maturity analysis:		
Year 1	146	146
Year 2-5	436	585
+5 Year	<u>849</u>	<u>1,040</u>
	<u>1,431</u>	<u>1,771</u>
Analysed as:		
Non-current	1,285	1,625
Current	146	146
	<u>1,431</u>	<u>1,771</u>

23. Financial liabilities

	2021 £000's	2020 £000's
<i>Creditors: falling due within one year</i>		
Convertible loan notes	<u>130</u>	<u>118</u>
	<u>130</u>	<u>118</u>

Interest bearing loans and borrowings

	2021 £000's	2020 £000's
Convertible loan notes (b)	<u>130</u>	<u>118</u>
	<u>130</u>	<u>118</u>

The fair value of the Group's loans and borrowings is £130,000 (2020: £118,000). 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:

	2021 £000's	2020 £000's
Balance at 1 January	118	108
Interest on convertible loan notes	<u>12</u>	<u>10</u>
Balance at 31 December	<u>130</u>	<u>118</u>

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) funds:

	Convertible loan notes £000's	Leasehold liability £000's	Subtotal £000's	Cash £000's	Total £000's
Net debt as at 1 January 2020	(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
Cashflows				(5,438)	(5,438)
Other changes	(12)	(1,431)	(1,443)	(142)	(1,585)
Net funds as at 31 December 2021	(130)	(1,431)	(1,561)	19,675	18,114

(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 2021. The Maturity Date of the facility is 16 July 2023.

(b) 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 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 £12,000 (2020: £10,000) has been recognised in the profit and loss account using an effective rate of 10%.

24. Financial instruments

Classification of financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises are trade and other receivables (excluding contract assets which are not yet invoiced), 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:

	2021	2020
	£000's	£000's
Assets		
Measured at amortised cost		
Trade receivables	5,999	4,078
Other receivables	146	177
Cash at bank and in hand	19,675	25,255
Measured at fair value		
Derivative financial instrument	37	-

	2021	2020
	£000's	£000's
Liabilities		
Trade payables	513	466
Accruals	1,310	1,259
Convertible loan notes	130	118
Leasehold liability	1,431	-

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 after 22st 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 £3,735,525 (2020: £nil) principally to sell US Dollars.

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. The Group operates bank accounts domiciled in the UK, Ireland, Denmark, Turkey, USA, China and Singapore.

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.

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.

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 (£15,000)/£18,000 respectively (2020:(£35,000)/4,000). 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 (£26,000)/£32,000 respectively (2020: (£27,000)/£15,000). 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 (£235,000)/£288,000 respectively (2020:(£268,000)/£327,000). 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 (£423,000)/£512,000 respectively (2020: (£434,000)/£531,000).

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. The revolving credit facility remains unused at 31 December 2021.

25. Equity Share capital

	2021 £000s	2020 £000s
Allotted, called up and fully paid		
84,068,923 (2020: 84,068,923) Ordinary shares of £0.002 each	<u>168</u>	<u>168</u>
	<u>168</u>	<u>168</u>

Treasury shares

Treasury shares are shares in Diaceutics Plc that are held by the Diaceutics Employee Share Trust for the purpose of issuing shares under the Diaceutics Plc SIP scheme (see note 9 for further information). Shares issued to employees are recognised on a first in, first out basis. There were no treasury shares in place at 31 December 2020.

Details	Number of shares	£000's
Acquisition of shares by the Trust	133,000	165
Balance 31 December 2021	133,000	165

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.

26. 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.

27. Related parties

The remuneration of key management and personnel and details of directors' emoluments are shown in note 8.

During the year the Group entered into a 10-year lease for its new Belfast offices at a commercial business rate. The lessor is O'Connor & McCann Ltd, a private limited company in which Peter Keeling is a director and Ryan Keeling is a shareholder. A £49,000 lease payment was made in the year (2020: £nil). The balance owed to O'Connor & McCann Ltd at 31 December 2021 is £24,500 (2020: £nil).

28. 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.

29. 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.

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

The gearing ratio is calculated as total borrowings divided by total equity. The gearing ratios at 31 December were as follows:

	Note	2021 £000's	2020 £000's
Total borrowings	23	1,561	118
Less: cash and cash equivalents		(19,675)	(25,255)
Net funds		(18,114)	(25,137)
Total equity		40,649	40,238
Gearing ratio		3.8%	0.3%

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