

Half-year Report

Released : Sep 27, 2022

RNS Number : 7100A
Diaceutics PLC
27 September 2022

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Diaceutics PLC

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

Half Year Report for the period ended 30 June 2022

Strong market momentum and DXRX platform adoption provides increased revenue visibility

Diaceutics PLC, (AIM: DXRX), a leading diagnostic commercialisation company which provides data, analytics and technology enabled services via its proprietary DXRX platform to the precision medicine market, announces the following unaudited half year report for the six months ended 30 June 2022.

Financial Highlights

	H1 2022	H1 2021	Change
Total Revenue	£7.5m	£6.0m	+25%
Revenue generated through the platform	76%	63%	+13 ppts
Gross Profit	£5.1m	£4.4m	+16%
Gross Profit Margin	68%	74%	-6 ppts
Gross Profit Margin excluding amortisation	84%	87%	-3 ppts
EBITDA	£0.3m	£0.3m	£-
Loss before tax	-£1.1m	-£0.5m	-£0.6m
Operating cash inflow	£3.3m	£1.3m	+£2.0m
Net cash	£20.4m	£23.7m	-£3.3m
Order book (versus December 2021)	£10.2m	£1.7m	+£8.5m

- Revenue for the six months to 30 June 2022 increased 25% to £7.5 million (H1 2021: £6.0 million), 18% on a constant currency basis
- 132% increase in Total Contract Value¹ ('TCV') signed in the period, to over \$20.4 million (H1 FY21: \$8.8 million) reflecting the increased breadth of product offerings and multi-year length of contracts
- Order book² at 30 June 2022 grew to £10.2 million, up from £1.7 million at December 2021, with £3.8 million of the order book expected to be realised in H2 2022
- DXRX platform implementation approaching peak adoption with 76% of revenues generated through the platform, a year ahead of expectations, with 37% of revenues now being derived from subscription-based contracts
- Early stage and lower margin contract deliverables within the recently established TES business line saw a short-term reduction in gross margin in the period which is expected to return above 70% for the full year

Operational Highlights

- Launch of new and enriched platform functionality, significantly enhancing the user experience and enabling the platform to be embedded within customers' own CRM platforms and commercial processes
- 16 pharma focused and tailored products developed and launched, 80% of which are now generating revenue. The six top performing products have contracted sales in excess of \$1.5 million in H1 2022
- Signal data products enhanced through approval from the US Centers for Medicare & Medicaid Services (CMS) to receive medical claims data at an increased frequency - 18,000 therapeutically actionable patients identified for pharma customers to date
- 42% increase in number of labs on the DXRX platform, taking the total to 777 across 38 countries, significantly increasing the DXRX global platform access to data and customer offerings
- Strengthening of the Diaceutics team with recruitment across the data analysis and customer support teams, in addition to the appointment of Julie Browne as COO and Nick Roberts as CFO

Outlook

- With a growing order book and substantially increased sales pipeline, the Board remains positive about the Group's outlook and expects to report full year results in line with expectations.

¹ Total Contract Value ('TCV') is the overall value of customer contracts signed and includes revenue recognised in the period and the value of future contracted revenue not yet recognised (Order book)

² Order book is the value of future contracted revenue not yet recognised

Peter Keeling, CEO and Founder of Diaceutics commented:

"I am pleased to report a strong performance in the first half of the year, with excellent revenue and order book growth providing positive momentum into H2 2022 and future years, and demonstrating the effectiveness of our platform business model as it scales.

Continued investment in our platform business alongside our dedication to both platform adoption and customer migration has enabled Diaceutics to progress faster and farther than anticipated, with our customer adoption timeline currently a year ahead of plan.

As Pharma's investment in precision medicine returns to pre pandemic levels, we are optimistic that Diaceutics is well positioned to outperform market growth rates as we grow our innovative product portfolio and build upon our leadership position."

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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.

Diaceutics' data capability is one of the three key value drivers it has integrated into its unique DXRX platform alongside its global Lab network and product suite tailored for Precision testing.

Chief Executive Review

Business and strategic overview

I am pleased to report that the Group has built on the momentum from the 2021 year, delivering a positive trading performance for H1 2022. The encouraging financial performance includes strong revenue growth of 25%, improved quality of revenues from our subscription services and a significantly increased order book; all of which serve as validation for our recent transition to a platform business.

Importantly, we are now a full year ahead of our original timeline for customer adoption of the DXRX platform, providing increased visibility on our growth trajectory.

We have continued to invest in the expansion of our three key value drivers: our data repository, product offering and partner network, to ensure we are well positioned to capitalise on the availability of additional therapy team wallet, further embedding Diaceutics in our customers diagnostic commercialisation strategies.

The result of this progress can be seen in our heightened customer engagement. In H1 2022 we worked with 34 pharma customers, seven of which were new, including the 10 biggest global pharma companies. Across these customers we have engaged across 41 brands and increased the value of lifetime spend within these brands.

We anticipate significant further opportunity as further customers migrate to annual and multi-year subscription contracts, allowing the Group to leverage the platform to scale revenues and profits.

Growing market opportunity

We address a substantial and growing market opportunity. The Precision Medicine landscape has continued to accelerate, with clinical communication to physicians by pharmaceutical companies returning to pre pandemic levels and major pharmaceutical companies such as AstraZeneca and Bristol Myers Squibb confirming that their clinical development pipeline is growing beyond oncology, driven by precision therapeutics.

Personalised medicines have now accounted for more than a third of new drug approvals for four of the last five years, a trend the Company feels will continue, and in turn, driving the need for a well-functioning associated diagnostics industry.

An example of the importance and advances taking place in precision medicine came at the American Society of Clinical Oncology ('ASCO') conference in June 2022, at which AstraZeneca and Daiichi Sankyo, two of the leaders in oncology precision medicine, presented landmark data that could transform the treatment of breast cancer, through the use of Enhertu, their jointly owned medicine. Analysts predict that Enhertu could be a game-changer in breast cancer treatment, reaching \$4.6 billion sales in HER2-low patients alone by 2030, and representing a significant precision medicine commercialisation opportunity.

Through the DXRX platform, we provide the world's leading pharmaceutical companies with an end-to-end solution for the launch of precision medicine diagnostics, meaning we are well placed to address the commercialisation hurdles currently prevalent in the market and help ensure medicines reach the patients who need it. A demonstration of the value our customers derive from the platform can be seen in the increase we have seen in lifetime spend levels across the top therapy brands we support, with our top five brands having now spent between \$3.8 million - \$7.8 million with Diaceutics over the lifecycle of the therapies.

Operating overview

Growing licensing and subscription contracts continues to be the primary goal for the Group as we focus on transitioning clients onto our proprietary DXRX platform.

Transition onto the DXRX platform is approaching peak adoption with 76% of revenues now being generated through the platform. This marks a notable success for the Group as adoption rates have been achieved a year ahead of expectations, with 37% of all revenues now being derived from subscription-based contracts.

Platform data services continue to deliver strong sales growth with 13 multi-year subscription contracts signed with leading global pharmaceutical and life science companies to date.

Investing in our value drivers

We are pleased to report that strong progress has been made across the Group's key value drivers in H1 2022: DXRX data, DXRX products and DXRX partner network.

DXRX data:

Diagnostics' competitive position is reinforced through its depth of data, and we have continued to enhance this proposition in H1 2022. During the period, 110 million patient records have been added taking the total record database to 600 million, with CMS approval given in March 2022 to receive US medical claims data at an increased frequency. This approval enhances the unique weekly aggregated lab data we are able to distribute to clients, helping them to better understand the evolving testing landscape in near real-time and empowering strategies to drive faster access to the right treatment.

With respect to our data services, we were pleased to announce key contract wins with top five global pharma companies, delivering customised data insights via our platform and contributing to revenue over the next five years. We expect our growing depth of data and data products to continue to facilitate a healthy pipeline of contracts with pharma clients looking for real world data and insights to support their therapy commercialisation.

DXRX products:

We continue to invest in our proprietary DXRX products and platform. As a result, we have now developed and launched 16 pharma focused and tailored products, 80% of which are now generating revenue. The six top performing products have contracted sales in excess of \$1.5 million in H1 2022, including a second significant Technology Enabled Services ('TES') contract win in excess of \$3 million, the revenues of which will be recognised over a two-year period.

The reach and utility of our DXRX platform has progressed significantly in H1. Key improvements made to the platform during the period include:

- Deploying elastic data processing and machine learning in the platform to enable efficient and resilient data cycle times;
- Introducing a customisable dashboard for users, increasing the integration of our data insights into our customers internal communications;
- Working with our customer CRM systems to directly transfer data without human intervention - DXRX Signal product now feeds directly into all customer CRM platforms;
- Identifying in excess of 18,000 therapeutically actionable patients for our customers over 19 therapy brands which may otherwise have been missed; and
- Enabling direct access to 24 'Lab talks' and webinars representing highly innovative content and proactive lab-to-physician communication which directly support treatment decisions for the most important therapy brands.

DXRX partner network:

During the period we added a further 231 labs to the network bringing the total network labs to 777 and this continues to grow weekly towards our mid-term goal of having 2,000 laboratories on the network. We continue to support active testing laboratory engagement via our unique platform collaborations and have launched 18 collaborations since the inception of the platform, five during the six-month period to 30 June 2022. Each of these are supporting our technology enabled services and provide new levels of exhaust data back into our data repository.

Investment in People

We are committed to building for future growth through continued investment in our people during the period. In H1 2022 we recruited over 20 new employees, primarily in data analysis and customer support (a net increase of 9 people since December 2021), including two additions to our executive management team, with Nick Roberts joining as Chief Financial Officer and Julie Browne as Chief Operating Officer, both in March.

As we build our organisational readiness for growth at scale, we have continued to invest in staff development, increasing the number of learning hours completed by our team, with a total of 5,686 hours achieved in H1 2022 (already 88% of the total learning hours achieved in the 12 months to 31 December 2021), and now standing at an average of 5.5 days per person. To help nurture the talents and skills of our people we are pleased to see that 85 of our employees were taking advantage of internal learning and development opportunities at the end of July 2022.

These development initiatives have broadened and deepened our skillsets across the Group and supported our transition

to a platform-based business model.

Throughout the first half of the year, we have continued investing in marketing and business development across the Group. This led to the significant expansion of our sales and marketing capability at the end of Q1 2022, which has already delivered significant growth in our sales pipeline. In June this year, 22 key Diaceutics sales and operational staff attended the American Society of Clinical Oncology ('ASCO') conference, which was held in-person for the first time in three years. The event was a great success for Diaceutics and has resulted in a significant uplift in sales pipeline opportunities.

ESG

At a Group-wide level, we remain dedicated to operating in an ethical, sustainable, and well governed manner, and in a way which benefits all stakeholders and wider society.

As a global company with employees operating across 16 countries, we recognise the immense value people from all backgrounds can contribute to our success. Reflecting this, we now have 13 culture ambassadors from across the Group working to nurture and support our focus on the business mission.

Additionally, as part of our commitment to ensuring a positive impact on all our stakeholders and the communities in which we operate, we have established a charity working group, with the aim of supporting local and global charities and providing a structured means for the Group to support two charitable causes, one for Children's Cancer, and Médecins Sans Frontières, both closely linked to the Diaceutics mission.

We look forward to reporting further ESG initiatives and progress in our 2022 annual report.

Outlook

I am pleased to report we enter the second half in a strong position, with the healthy trading momentum continuing. In H2 2022, we will continue to focus on enhancing our three key value drivers: our platform data, our products and our partner network. Alongside this, we will continue to invest across the business to further fuel our long-term growth.

With a growing order book and substantially increased sales pipeline, the Board remains positive about the Group's outlook and expects to report full year results in line with expectations.

Finance Review

Revenue

Revenue for the six months to 30 June 2022 grew 25% to £7.5 million (H1 2021: £6.0 million) and 18% on a constant currency basis. This organic growth has been driven through the expanded sales and marketing team and the launch of a comprehensive suite of end-to-end data product and service offerings, designed to overcome the precision diagnostic commercialisation challenges facing pharmaceutical companies.

Revenue growth has been strong with the Data and Technology Enabled Service ('TES') platform-based products and services, growing 52% to £5.7 million. Platform based products and services now represent 76% of all revenues (versus 63% for the comparative period), a level management consider to be approaching peak adoption, which has been achieved in less than two years, a year ahead of expectations. Professional service consultancy revenues were £1.8 million in the period, down slightly on the comparative period as a result of the reorganisation of the business service lines, but remaining a fundamental part of the end-to-end client precision medicine commercialisation offering.

The total value of contracts secured in the first six months of 2022 were \$20.4 million, more than double the value of contracts secured at the same point last year (H1 2021: \$8.8 million), and just short of the \$20.6 million sold for the full 12 months of the prior year. The significant step up in the value of contracts secured is testament to the Group's dedication to platform adoption and the success in migrating pharmaceutical customers to multi-year recurring revenue contracts. This has also enriched the quality of the earnings, with 37% of all revenues now being derived from subscription-based contracts.

The culmination of the expanded sales and marketing team, launch of innovative products and services, and migration of customers to multi-year recurring revenue contracts, has resulted in a meaningful future order book for the first time. The order book at 30 June 2022 grew to £10.2 million, up from £1.7 million at December 2021. £3.8 million of the order book is expected to be realised in H2 2022, £4.1 million in 2023 and £2.3 million in 2024 and future years, greatly increasing

revenue quality and visibility.

In addition, the Group's therapy brand engagement remains consistently strong with the Group generating revenue from 41 brands (H1 2021: 48) across 34 clients (H1 2021: 33) during the period, with an increase in the value of addressable lifetime therapy brand spend secured.

Gross Profit and Margin

The gross profit for the first six months of 2022 increased 16% to £5.1 million (H1 2021: £4.4 million). The gross margin for H1 2022 was 68%, down six percentage points from the gross margin in H1 2021 of 74%. The reduction in margin was the result of early stage and lower margin contract deliverables within the recently established TES business line. The gross margin excluding this early-stage contract was consistent with the prior year at 73% and is expected to return to levels above 70% for the full year.

The gross margin levels excluding amortisation remain strong at 84% (2021: 87%) with Professional Service and Data margins staying relatively consistent with the comparative period at around 69% and 90% respectively.

Operating loss and EBITDA

The operating loss for H1 2022 increased to £1.1 million (H1 2021: loss £0.5 million).

The additional gross profit generated in the period (£0.7 million) was offset by £1.2 million of expanded administrative expenses. The increased administrative expenses were primarily a result of the continued investment in people (net increase of nine heads to 138 at 30 June 2022) and additional travel costs as a result of the easing of COVID-19 restrictions and restart of precision medicine and oncology in-person conferences, including, for the first time in three years, the American Society of Clinical Oncology ('ASCO') conference in Chicago, USA.

Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') is calculated as the operating loss plus the add back of amortisation and depreciation for the period.

<i>£ million</i>	<i>Six months to 30 June 2022</i>	<i>Six months to 30 June 2021</i>
Operating loss	(1.1)	(0.5)
Add back:		
<i>Depreciation and amortisation</i>	<u>1.4</u>	<u>0.8</u>
EBITDA	<u>0.3</u>	<u>0.3</u>

EBITDA profitability has remained consistent with the comparative period at £0.3 million (H1 2021: £0.3 million) while the Company has continuing to invest in people and operating overheads. The realisable future benefits of this investment, along with the investment in the proprietary technology and products, can be clearly seen in the growth of the order book and total value of contracts signed.

Investment in Data and Technology assets

The business continues to invest in Data and Technology assets with a total investment in intangibles of £2.2 million in the period (H1 2021: £2.7 million).

The investment in data amounted to £0.9 million, broadly in line with the £1.0 million spent in the same period last year. The Company has been able to maintain a similar level of direct data spend whilst still enhancing its proprietary data repository as a result of the Company's expanding laboratory network and exhaust data generated via this. Approximately 110 million patient test records were added in the period (H1 2021: 44 million) taking the total to 600 million, and the laboratory network, which is directly engaged through the proprietary DXRX platform, grew from 546 at December 2021 to 777 at June 2022.

Capitalised development expenditure relating to the continued investment in the DXRX platform amounted to £1.4 million (H1 2021: £1.7 million). The investment intensity in the platform continues to decrease as the platform matures. The DXRX platform investment in H1 2022 primarily related to data processing and machine

learning capabilities within the platform, the launch of customisable dashboards for users, enabling direct data transfers from the platform to CRM systems without human intervention and enabling access to highly innovative content.

Cash flow and cash held

The operating cash inflows for the period to 30 June 2022 were £3.3 million (2021: £1.3 million inflow) and was enhanced by R&D tax credits relating to prior periods of £1.5 million (2021: £nil) which were received in quarter one of 2022.

After investing and financing activities, the largest out flow of cash was the £2.4 million (2021: £2.8 million) investment in data, technology and equipment assets, with the overall cash and short-term investments balance increasing to £20.4 million, up from £19.7 million at the end of December 2021 (£23.7 million at 30 June 2021).

The Company has an unused revolving credit facility with its primary bank for £4 million, continues to be debt free and is well funded to achieve its strong organic grow forecasts.

Condensed Profit and Loss Account for the six months ended 30 June 2022

		<i>Six months to</i>	<i>Six months to</i>	<i>Year ended</i>
		<i>30 June 2022</i>	<i>30 June 2021</i>	<i>31 December</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>2021</i>
				<i>(audited)</i>
	<i>Notes</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
Revenue	2	7,528	5,966	13,943
Cost of sales		(2,414)	(1,580)	(3,211)
Gross profit		5,114	4,386	10,732
Administrative expenses		(6,273)	(5,061)	(10,377)
Other operating income	3	96	144	195
Operating (loss)/profit		(1,063)	(531)	550
Finance costs		(68)	(6)	(88)
(Loss)/profit before tax		(1,131)	(537)	462
Income tax credit	4	364	202	99
(Loss)/profit for the financial period		(767)	(335)	561

All activities in the current and prior periods relate to continuing operations.

Condensed Statement of Comprehensive Income For the the six months ended 30 June 2022

<i>Six months to</i>	<i>Six months to</i>	<i>Year ended</i>
<i>30 June 2022</i>	<i>30 June 2021</i>	<i>31 December</i>

	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>2021 (audited)</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
<i>(Loss)/profit for the financial period</i>	<i>(767)</i>	<i>(335)</i>	<i>561</i>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations	<i>639</i>	<i>(205)</i>	<i>(317)</i>
<i>Total comprehensive (loss)/profit for the period, net of tax</i>	<i>(128)</i>	<i>(540)</i>	<i>244</i>

All activities in the current and prior periods relate to continuing operations.

Earnings and Adjusted Earnings per share for the six months ended 30 June 2022

		<i>Six months to</i>	<i>Six months to</i>	<i>Year ended</i>
	<i>Note</i>	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>31 December</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>2021 (audited)</i>
		<i>Pence</i>	<i>Pence</i>	<i>Pence</i>
Basic	6	<i>(0.91)</i>	<i>(0.40)</i>	<i>0.67</i>
Diluted	6	<i>(0.89)</i>	<i>(0.40)</i>	<i>0.66</i>

Condensed Balance Sheet as at 30 June 2022

		<i>30 June 2022</i>	<i>30 June 2021</i>	<i>31 December</i>
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>2021</i>
		<i>£000's</i>	<i>£000's</i>	<i>(Audited)</i>
		<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
ASSETS				
<i>Non-current assets</i>				
Intangible assets	7	<i>14,189</i>	<i>11,205</i>	<i>12,821</i>
Right of use assets		<i>1,339</i>	<i>-</i>	<i>1,411</i>
Property, plant and equipment	8	<i>704</i>	<i>483</i>	<i>718</i>
Deferred tax asset		<i>99</i>	<i>539</i>	<i>1</i>
		<i>16,331</i>	<i>12,227</i>	<i>14,951</i>
<i>Current assets</i>				
Trade and other receivables	9	<i>7,290</i>	<i>4,489</i>	<i>7,615</i>
Income tax receivable		<i>1,519</i>	<i>2,026</i>	<i>2,772</i>
Cash and cash equivalents		<i>20,388</i>	<i>23,745</i>	<i>19,675</i>
		<i>29,197</i>	<i>30,260</i>	<i>30,062</i>
TOTAL ASSETS		<i>45,528</i>	<i>42,487</i>	<i>45,013</i>
EQUITY AND LIABILITIES				
<i>Equity</i>				
Equity share capital	13	<i>169</i>	<i>168</i>	<i>168</i>
Share premium		<i>37,125</i>	<i>36,864</i>	<i>36,864</i>
Treasury shares		<i>(255)</i>	<i>-</i>	<i>(165)</i>
Translation reserve		<i>337</i>	<i>(190)</i>	<i>(302)</i>
Profit and loss account		<i>3,574</i>	<i>3,149</i>	<i>4,084</i>
TOTAL EQUITY		<i>40,950</i>	<i>39,991</i>	<i>40,649</i>

Non-Current Liabilities

Leasehold Liability		1,284	-	1,285
Deferred tax liability		424	421	445
		1,708	421	1,730

Current liabilities

Trade and other payables	10	2,740	1,846	2,358
Leasehold Liability		130	-	146
Financial liabilities	12	-	124	130
Income tax payable		-	105	-
		2,870	2,075	2,634

TOTAL LIABILITIES		4,578	2,496	4,364
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TOTAL EQUITY AND LIABILITIES		45,528	42,487	45,013
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Condensed Statement of Changes in Equity for the six months ended 30 June 2022

	Equity share capital £000's	Share premium £000's	Treasury shares £000's	Translation reserve £000's
At 1 January 2021	168	36,864	-	15
Loss for the period	-	-	-	-
Other comprehensive loss	-	-	-	(205)
Total comprehensive loss for the period	-	-	-	(205)
<i>Transactions with owners recorded directly in equity</i>				
Share based payment	-	-	-	-
Total transactions with owners	-	-	-	-
At 30 June 2021 (unaudited)	168	36,864	-	(190)
Profit for the period	-	-	-	-
Other comprehensive loss	-	-	-	(112)
Total comprehensive profit for the period	-	-	-	(112)
<i>Transactions with owners recorded directly in equity</i>				
Share based payments	-	-	-	-
Treasury Shares	-	-	(165)	-
Total transactions with owners	-	-	(165)	-

	Equity share capital £000's	Share premium £000's	Treasury shares £000's	Translation reserve £000's
At 31 December 2021 (audited)	168	36,864	(165)	(302)
	Equity share capital £000's	Share premium £000's	Treasury shares £000's	Translation reserve £000's
At 1 January 2022	168	36,864	(165)	(302)
Loss for the period	-	-	-	-
Other comprehensive profit	-	-	-	639
Total comprehensive profit/(loss) for the period	-	-	-	639
<i>Transactions with owners recorded directly in equity</i>				
Share based payment	-	-	-	-
Treasury shares	-	-	(90)	-
Conversion of convertible loan notes	-	133	-	-
Exercise of warrants	1	128	-	-
Total transactions with owners	1	261	(90)	-
At 30 June 2022 (unaudited)	169	37,125	(255)	337

Condensed Statement of Cash Flows for the six months ended 30 June 2022

Notes	Six months to 30 June 2022 (Unaudited) £000's	Six months to 30 June 2021 (Unaudited) £000's	Year ended 31 December 2021 (audited) £000's
Operating activities			
(Loss)/profit before tax	(1,131)	(537)	462
<i>Adjustments to reconcile profit before tax to net cash flows from operating activities</i>			
Net finance costs	68	6	88
Amortisation of intangible assets	7	1,193	1,665
Depreciation of right to use asset	73	-	49
Depreciation of property, plant and equipment	8	70	85
Research and development tax credits	(75)	(123)	(169)
Decrease/(increase) in trade and other receivables	778	1,559	(1,499)
Increase/(decrease) in trade and other payables	293	(731)	(159)
Unrealised currency translation gain	193	(7)	-
Share based payments	257	293	373
Cash generated from operations	1,719	1,266	895
Tax received/(paid)	1,545	26	(325)

Net cash inflow from operating activities	3,264	1,292	570
Investing activities			
Purchase of intangible assets	(2,324)	(2,481)	(5,036)
Purchase of property, plant and equipment	(56)	(277)	(565)
Net cash outflow from investing activities	(2,380)	(2,758)	(5,601)
Financing activities			
Borrowing costs	(35)	-	(56)
Leasehold repayments	(49)	-	(49)
Purchase of Treasury shares	13 (90)	-	(165)
Issue of shares on exercise of a warrant	13 129	-	-
Net cash outflow from financing activities	(45)	-	(270)
Net increase/(decrease) in cash and cash equivalents	839	(1,466)	(5,301)
Net foreign exchange movements	(126)	(44)	(279)
Opening cash and cash equivalents	19,675	25,255	25,255
Closing cash and cash equivalents	20,388	23,745	19,675

Notes to the Condensed Financial Statements for the six months ended to 30 June 2022

1. Summary of significant accounting policies

Basis of preparation

The interim financial statements have been prepared in accordance with the recognition and measurement requirements of UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2021. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The condensed financial statements have been prepared under the historical cost convention, except for the fair value of certain financial instruments which are further detailed in note 11.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2021.

These condensed financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

Critical accounting judgements and key sources of estimation uncertainty

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

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

Sources of estimation uncertainty

Source of estimation uncertainty	Description
Useful economic life (U E L) of intangible assets	The assessment of UEL 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. The platform has been assessed to have a UEL of 10 years, platform algorithms six years and Data four years.
Impairment of assets	The assessment of the recoverable amount of property plant and equipment, intangible assets and right-of-use assets is made in accordance with IAS 36 Impairment of Assets. The Group performs 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. The Group's policy is to test non-financial assets for impairment annually, or if events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The Group has considered whether there have been any indicators of impairment during the six month period to 30 June 2022 which would require an impairment review to be performed. Based upon this review, the Group has concluded that there are no such indicators of impairment as 30 June 2022.
Discount rate	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.
Attrition 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.

Critical accounting judgements

Accounting policy	Description of critical judgement
Revenue	With respect to revenue recognition, 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.
Deferred tax	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.
Intangible assets	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.

Going Concern

The financial performance and balance sheet position at 30 June 2022 along with a range of scenario plans to 31 December 2024 has been considered, applying different sensitives to revenue. Across these scenarios,

including at the lower end of the range, there remains significant headroom in the minimum cash balance over the period to 31 December 2023 and therefore the Directors have satisfied themselves that the Group has adequate funds in place to continue to meet its obligations as they fall due.

2. Revenue and segmental analysis

For all periods reported the Group operated under one reporting segment but revenue is analysed under three separate products and service lines.

a) Revenue by major product/service line

	<i>Six months to 30 June 2022</i>	<i>Six months to 30 June 2021</i>	<i>Year ended 31 December 2021</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
Platform - Data	4,798	3,479	7,411
Platform - Technology Enabled Service	910	277	887
Professional Services	1,820	2,210	5,645
	<u>7,528</u>	<u>5,966</u>	<u>13,943</u>

b) Revenue by geographical area

	<i>Six months to 30 June 2022</i>	<i>Six months to 30 June 2021</i>	<i>Year ended 31 December 2021</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
USA	5,424	3,767	8,457
UK	222	212	555
Europe	1,348	1,472	3,623
Asia	534	515	1,308
	<u>7,528</u>	<u>5,966</u>	<u>13,943</u>

The receivables, contract assets and liabilities in relation to contracts with customers are as follows:

	<i>Six months to 30 June 2022</i>	<i>Six months to 30 June 2021</i>	<i>Year ended 31 December 2021</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
Contract assets			
Trade receivables	3,331	3,545	5,999
Accrued revenue	3,109	-	1,003
Contract liabilities			
Deferred revenue	379	151	208

Order book

The aggregate amount of the transaction price allocated to product and service contracts that are partially or fully unsatisfied as at the year end ('order book') are as follows:

	2022	2023	2024+	Total
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
Platform based products and services	2,870	2,798	2,329	7,997
Professional services	959	1,274	-	2,233
	<u>3,829</u>	<u>4,072</u>	<u>2,329</u>	<u>10,230</u>

3. Other operating income

	<i>Six months to 30 June 2022</i>	<i>Six months to 30 June 2021</i>	<i>Year ended 31 December 2021</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
Government grants	19	21	26
Research and developments credits	77	123	169
	<u>96</u>	<u>144</u>	<u>195</u>

4. Income tax

Income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2022 was 28.9% (twelve months ended 31 December 2021: 21.4%).

The difference to the corporation tax rate of 19% reflects a combination of UK and Irish Research & Development credits under the RDEC and SME R&D tax regimes of £197,000, disallowable expenses of £41,000, £51,000 deferred tax movement reflected in the FX reserve within equity, £36,000 of higher rate taxes and a credit of £66,000 arising as a result of the impact of the change in the future UK tax rate on the Group's deferred tax assets.

UK corporation tax is calculated at 19% (2021: 19%) of the taxable profit or loss for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%. In the March 2021 budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the group's future tax charge.

The group is preparing an R&D Tax Credit claim for the accounting period ended 31 December 2021. The total tax benefit from the claim is estimated at £956,000 which after offsets is expected to provide a cash tax refund of £679,000. The Group has a deferred tax asset of £99,000 (H1 2021: £539,000) and a deferred tax liability of £424,000 (H1 2021: £421,000) which nets to deferred tax liability of £325,000 (H1 2021 asset: £118,000). The deferred tax asset is recognised on the basis that the Group has forecasted sufficient profits on which the deferred tax asset will be utilised in future periods.

Tax losses carried forward amount to £1,998,000 (H1 2021: £2,008,000) within Diaceutics PLC. The Group has tax losses carried forward arising in subsidiary undertakings. Due to the uncertainty of the recoverability of the tax losses within these subsidiaries, a potential deferred tax asset of £277,000 (H1 2021: £262,000) has not been recognised. All other deferred tax assets and liabilities have otherwise been recognised as they arise.

5. EBITDA

	<i>Six months to 30 June 2022 £000's</i>	<i>Six months to 30 June 2021 £000's</i>	<i>Year ended 31 December 2021 £000's</i>
Operating (loss)/profit:	(1,063)	(531)	550
<i>Adjustment for:</i>			
Depreciation and amortisation	1,336	806	1,799
EBITDA	273	275	2,349

6. Earnings per share

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

Earnings attributable to shareholders

	<i>Six months to 30 June 2022 £000's</i>	<i>Six months to 30 June 2021 £000's</i>	<i>Year ended 31 December 2021 £000's</i>
Earnings for the purposes of basic and diluted earnings per share being net (loss)/profit attributable to owners of the Company	(767)	(335)	561
<i>Adjustments to earnings:</i>			
Exceptional Costs	-	-	-
Adjusted earnings for the purposes of basic and diluted earnings per share	(767)	(335)	561

Number of shares

	<i>Six months to 30 June 2022</i>	<i>Six months to 30 June 2021</i>	<i>Year ended 31 December 2021 Number</i>
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	<i>Number</i>	<i>Number</i>	
Ordinary Shares in issue at the end of the period	84,472,431	84,068,923	84,068,923
Weighted average number of shares in issue	84,242,344	84,068,923	84,068,923
Less Treasury Shares	(133,000)	-	(133,000)
Weighted average number of shares for basic and adjusted earnings per share	84,109,344	84,068,923	83,935,923
Effect of dilution of Convertible Loan Notes	503	754	754
Effect of dilution of share options and warrants granted	1,766,949	257,584	1,005,478
Weighted average number of shares for diluted earnings per share	85,876,796	84,327,261	84,942,155
<i>Earnings and Adjusted Earnings per share</i>			
			<i>Year ended</i>
	<i>Six months to</i>	<i>Six months to</i>	<i>31 December</i>
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>2021</i>
	<i>Pence</i>	<i>Pence</i>	<i>Pence</i>
Basic	(0.91)	(0.40)	0.67
Diluted	(0.89)	(0.40)	0.66

7. Intangible assets

	<i>Patents and trademarks</i>	<i>Datasets</i>	<i>Development expenditure</i>	<i>Platform</i>	<i>Software</i>	<i>Total</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
Cost						
At 1 January 2021	1,190	2,755	422	6,577	485	11,429
Foreign exchange	(38)	(17)	(3)	(79)	-	(137)
Transfer from Development expenditure to Platform	-	-	(9)	9	-	-
Additions	5	982	1,691	-	35	2,713
At 30 June 2021	1,157	3,720	2,101	6,507	520	14,005
Foreign exchange	(17)	14	(1)	35	-	31
Transfer from Development expenditure to Platform	-	-	(3,178)	3,178	-	-
Additions	4	1,115	1,294	7	42	2,462
At 31 December 2021	1,144	4,849	216	9,727	562	16,498
Foreign exchange	32	163	3	222	1	421
Transfer from Development expenditure to Platform	-	-	(959)	959	-	-
Additions	-	853	1,387	-	-	2,240
At 30 June 2022	1,176	5,865	647	10,908	563	19,159

7. Intangible assets (continued)

	Patents and trademarks	Datasets	Development expenditure	Platform	Software	Total
Amortisation	£000's	£000's	£000's	£000's	£000's	£000's
At 1 January 2021	1,076	875	-	40	77	2,068
Foreign exchange	(38)	(5)	-	-	-	(43)
Charge for the period	40	360	-	326	49	775
At 30 June 2021	1,078	1,230	-	366	126	2,800
Foreign exchange	(17)	4	-	-	-	(13)
Charge for the period	24	458	-	355	53	890
At 31 December 2021	1,085	1,692	-	721	179	3,677
Foreign Exchange	32	47	-	21	-	100
Charge for the period	20	605	-	513	55	1,193
At 30 June 2022	1,137	2,344	-	1,255	234	4,970
Net book value						
At 30 June 2022	39	3,521	647	9,653	329	14,189
At 31 December 2021	59	3,157	216	9,006	383	12,821
At 30 June 2021	79	2,490	2,101	6,141	394	11,205

8. Property, plant and equipment

	Office equipment £000's	Leasehold improvements £000's	Total £000's
Cost			
At 1 July 2021	379	292	671
Additions	103	186	289
At 31 December 2021	482	478	960
Foreign exchange translation	2	-	2
Additions	56	-	56
At 30 June 2022	540	478	1,018
Depreciation			
At 1 July 2021	188	-	188
Charge for the period	38	16	54
At 31 December 2021	226	16	242
Foreign exchange translation	2	-	2
Charge for the period	46	24	70

At 30 June 2022	274	40	314
Net book value			
At 30 June 2022	266	438	704
At 31 December 2021	256	462	718
At 30 June 2021	191	292	483

9. Trade and other receivables

	30 June 2022	30 June 2021	31 Dec 2021
	£000's	£000's	£000's
Trade receivables	3,331	3,545	5,999
Contract assets	3,109	-	1,003
Other receivables	132	419	146
Prepayments	718	525	430
Derivative asset - Foreign currency forward contract	-	-	37
	7,290	4,489	7,615

10. Trade and other payables

	30 June 2022	30 June 2021	31 Dec 2021
	£000's	£000's	£000's
<i>Creditors: falling due within one year</i>			
Trade payables	239	193	513
Accruals	1,629	1,489	1,310
Other tax and social security	337	3	327
Contract liabilities	379	151	208
Derivative liability - Foreign currency forward contract	156	10	-
	2,740	1,846	2,358

11. Financial instruments

	30 June 2022	30 June 2021	31 Dec 2021
	£000's	£000's	£000's
Financial assets at cost			
Trade receivables	3,331	3,545	5,999
Other receivables	132	419	146
Cash at bank and in hand	20,388	23,745	19,675
Financial liabilities at cost			
Trade payables	(239)	(193)	(513)
Accruals	(1,629)	(1,489)	(1,310)
Convertible loan note (note 12)	-	(124)	(130)
Leasehold liability	(1,414)	-	(1,431)
Financial (liabilities)/assets at fair value			
Derivative financial instrument - Foreign currency forward contract	(156)	(10)	37

Derivative financial instrument - Foreign currency forward contract

The group has entered into a number of foreign currency derivative contracts during the period. The nominal value of the Group's forward contracts is £1,896,000 (2021: £2,158,000) principally to sell US Dollars.

The foreign currency forward contracts are categorised as level 2 within the fair value hierarchy.

The Group's foreign currency forward contracts are not traded in active markets. These contracts have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

Fair value measurement on these derivatives as at the period end are £2,052,000 (30 June 2021: £2,168,104).

12. Financial liabilities

Convertible loan notes

On 8 April 2022, a holder of £100,000 convertible loan notes (originally issued by Diaceutics on 15 October 2018) elected to convert the loan note principal plus interest accrued over the period into 233,508 ordinary shares of £0.002 each, at a 25% discount to the Company's IPO price in accordance with the instrument's terms, being a price of £0.57 per Ordinary Share. Following this conversion, the Company has no outstanding convertible loan notes.

13. Share capital

	30 June 2022 £000's	30 June 2021 £000's	31 Dec 2021 £000's
Allotted, called up and fully paid			
84,472,431 (June 2021 and Dec 2021: 84,068,923) Ordinary shares of £0.002 each	<u>169</u>	<u>168</u>	<u>168</u>

During the period the Company received notification for the exercise of a warrant over 170,000 ordinary shares in the Company at an exercise price of £0.76 per share. The exercise was completed on 13 May 2022, providing the Company with proceeds of £129,200.

Treasury shares are shares in Diaceutics PLC that are held by the Diaceutics Employee Benefit Trust for the purpose of issuing shares under relevant employee share options plans.



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