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Diaceutics PLC
17 April 2023

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

Final Results 2022

Strong trading performance with continued momentum driving strategic investment into 2023

Diaceutics PLC (AIM: DXRX), a leading technology and solutions provider to the pharmaceutical industry, is pleased to report its audited results for the year ended 31 December 2022.

Financial Highlights

- Revenue increased 40% to £19.5 million (2021: £13.9 million), a 26% increase on a constant currency basis and materially ahead of initial expectations
- Significant shift to platform-based subscription contracts in the year with 35% of revenue subscription based (2021: 3%)
- Improved visibility of future revenue with growth in the order book value at 31 December 2022 to £16.9 million (31 December 2021: £1.74 million), with £10.9 million of the order book expected to be realised in 2023
- Gross profit increased by 37% to £16.7 million (2021: £12.2 million) with gross margin of 86%, broadly consistent with the prior year (2021: 88%)
- EBITDA[1] of £3.6 million (2021: £2.3 million) with an EBITDA margin of 18%, slightly ahead of the prior year (2021: 17%)
- Profit before tax £0.6 million (2021: £0.5 million)
- Strong balance sheet with cash and cash equivalents of £19.8 million (2021: £19.7 million), no debt, and £0.1 million cash flow generative for the year (2021: outflow £5.3 million)

Operational Highlights

- Continued strong adoption of the DXRX platform in second full year since launch with:
    - 76% of revenue generated by the platform-based data 'Insight' and tech-enabled 'Engagement' solutions (2021: 60%), with 79% revenue growth in these areas
    - Launch of new and enriched platform functionality, significantly enhancing the user experience and enabling the platform to be embedded within customers' own CRM systems and commercial processes
    - 56 brands under management with 26 brands having lifetime Diaceutics spend to date over US$1 million (2021: 19 brands)
    - Recruitment of 290 laboratories onto the DXRX platform during 2022 taking the total to 851 in 38 countries, significantly increasing the DXRX platform global footprint and availability of 'Engagement' solution offerings
- Secured two enterprise-level, multi-disease data engagements, with two top 10 global pharmaceutical companies. Combined, the contracts will deliver a cumulative value of US$7.0 million over a two-year period
- Expansion of the sales and marketing, customer service and delivery and technology teams with a total increase in headcount from 129 at the end of December 2021 to 151 at the end of December 2022
- Strengthened leadership team with the appointment of Nick Roberts, Chief Financial Officer, and Julie Browne, Chief Operating Officer, during the year
- Strong trading performance in 2022 and continued momentum is driving the accelerated strategy investment announced in early 2023

[1] EBITDA is earnings before interest, tax, depreciation, amortisation and exceptional items, but after share-based payment costs.

Peter Keeling, Diaceutics' Chief Executive, commented:

"We have delivered another year of significant financial and operational progress, increasing revenues materially ahead of initial expectations, driven by the demand from our pharma customers for our expanded offering of platform solutions.

"The progress we have seen to date is transformational. It serves to validate our strategy and highlights the true scale of the opportunity available for Diaceutics as the precision medicine market continues to expand at pace. Accordingly, and as announced in January this year, we have accelerated our investments into our platform, data and partner network, which will allow us to capitalise on this momentum and seize the market opportunity.

"Our ongoing transition to a subscription model has significantly enhanced our order book visibility, while the strong balance sheet gives the Board great confidence that the Group is well positioned to pursue its accelerated investment strategy.

"While cognisant of the wider macroeconomic environment, we expect to maintain our positive momentum while continuing to achieve sustainable growth and value for shareholders.

"As Diaceutics continues to expand its platform offering and execute against its strategic goals, we look to the future with confidence as we work to become the primary partner for pharma or biotechs launching a precision medicine."

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About Diaceutics

At Diaceutics we believe that every patient should get the opportunity to receive the right test and the right therapy to positively impact their disease outcome. We provide the world's leading pharma and life science companies with solutions and technology for the commercialisation of their precision medicines, enabled by the proprietary DXRX platform.

DXRX is the world's first diagnostic commercialisation platform for precision medicine, utilising a global network of affiliate laboratories to deliver multiple pipelines of real-world healthcare data insights, advisory services and innovative platform enabled solutions.

Statement from the Chair

Introduction

I am pleased to report on what has been a transformational year for Diaceutics as we progress to become the primary commercialisation partner for pharma and biotech companies launching precision medicine.

The year has seen Diaceutics demonstrate its ability to deliver on its strategy and outperform against expectations. The team have brought their many years of experience to bear in creating a digital platform which, through the use of Artificial Intelligence ('AI'), can analyse millions of data points to identify where patients are not receiving the optimal treatment and then provide pharma and biotech organisations with the solutions to help address these opportunities. Ultimately, this will result in precision medicines achieving their patient treatment goals faster, and more patients receiving the right treatment at the right time for their illnesses.

During the year we delivered revenues materially ahead of expectations, expanded our customer base, increased our lab network, launched our first subscription data services into the US market, and accelerated our migration to a recurring revenue model. With our subscription data services having received significant uptake within the first year of launch, we are now accelerating our investment to build on this momentum, developing more subscription services and launching these across more markets.

Performance

Diaceutics has delivered a strong trading and operational performance in FY22 with revenues increasing 40% to £19.5 million (2021: £13.9 million), a 26% increase on a constant currency basis, demonstrating the strong underlying growth of the business. The successful transition of many customers to platform-based subscription contracts has considerably improved revenue quality, and visibility in the growth of the future order book.

The strong trading and operational performance during the period, evidenced by the growing pipeline of multi-year contracts, increasingly at an enterprise level, gives the Board great confidence that now is the time to capitalise on our success and capture the significant opportunity available. As announced in our January 2023 trading statement and strategy update, Diaceutics will accelerate investment in its data and products, platform capability and operating model. This is anticipated to increase the mid-term rate of revenue growth, accelerating the continued shift towards subscription-based revenues and improving the future scalability of the Group.
The strong cash reserves of the Group provide the business with the funds to continue executing on its growth strategy.

Purpose and People

Our purpose is to ensure that every patient gets the opportunity to receive the right test and the right therapy to positively impact their disease outcome, and this is deeply rooted throughout our organisation, and resonates strongly with our people. This was demonstrated in our employee engagement survey conducted in 2022, with an 87% participation rate and an overall employee engagement score of 82%, notably higher than the benchmark data from our industry.

93% of all participants agreed or strongly agreed that they are "proud to work for Diaceutics" and 85% felt that their work gives them a "feeling of personal accomplishment". These are positive results that contribute to the unique Diaceutics culture, something which we will work hard to nurture as a responsible employer through communication, engagement, and career progression opportunities as we strive to achieve our strategic goals.

As a global business with employees operating across 16 countries, Diaceutics recognises the immense value people from all cultures, religions and backgrounds can contribute to our success. As a Company we remain fully committed to supporting all colleagues and fostering a diverse and inclusive workplace.

ESG Progress

We recognise the importance with which ESG matters are viewed by investors and all stakeholders, and during 2022 began to embed ESG commitments into the core DNA of the business. ESG matters are an intrinsic part of Diaceutics' culture, processes, and business activities, and so, during the period we established an ESG working group to set objectives aimed at producing outcomes that can demonstrate our progress towards continued sustainability. As an example, we have started reporting on emissions produced through air travel and our Belfast building. Further details of our ESG progress and future objectives, will be detailed in our annual report.

Governance
Diaceutics is committed to operating at the highest possible standards of corporate governance. Vital to this effort is ensuring that, as a Group, we adhere to strict data governance protocols in order to fully protect our data repository. During the period we have further increased the standards with which we secure the de-identified patient records we hold through the integration of all data within a single quality management system, aligning our platform with Cloud Security Alliance (CSA) Security, Trust, Assurance and Risk (STAR) certification standards. We are also making progress towards implementing ISO 27001, an international standard to manage information security, which we anticipate will be completed in 2023.

Outlook
I would like to take this opportunity to extend the appreciation of the Board to all our dedicated and diligent team, without whom the progress made to achieve our core mission would not be possible.

Despite the challenges that the macro-economic headwinds have brought, we have continued to deliver against our strategic priorities and have established a strong purpose and foundation upon which to achieve sustainable growth and fully capitalise on the opportunities available in the market.

The opportunity available to Diaceutics is larger than ever and continuing to grow at pace. The successes of the year, and the significant momentum we have built, serve to validate the Group's strategy to date. As set out in the Strategy Update to the market in January, we will now be accelerating investment in our data, products, platform capability and operating model. The Board is confident that through this accelerated investment, over a two-year period, we can enhance our growth and seize the opportunity to become the primary commercialisation partner for pharma or biotech launching a precision medicine.

Deborah Davis
Chair

Chief Executive Officer review

Business and strategic overview
The 2022 year has been a significant period of strategic, operational and financial progress for Diaceutics. Alongside a strong trading performance, the Group has continued to leverage the DXRX platform to successfully accelerate its transition to a recurring revenue model with 35% of revenues now being subscription based, up from 3% in 2021. As a result, forward visibility of revenues has significantly improved with order book value at 31 December 2022 increasing to £16.9 million (FY21: £1.74 million), £10.9 million of which is expected to be realised in 2023.

Growth in the period has been driven by a number of factors, including the increasing demand for our recently launched platform driven Insight and Engagement subscription solutions. We have had a considered focus on securing an increasing number of multi-year subscription contracts with key pharma and biotech customers. This has resulted in a growing pipeline of enterprise level engagements, such as those announced in January 2023 with two top 10 global pharma companies, representing a combined value of US$7.0 million over two years.

At Diaceutics we believe every patient should get the right test and subsequently the right therapy to positively impact their disease outcome. We continue to embed this purpose into all aspects of our business and strategy, whether it be designing and launching new modules on the DXRX platform to accelerate the uptake of precision testing, working with our customers and lab partners to support them in ensuring patients access the right treatment, or ensuring the cultural DNA of the business is incorporated into all employee communications.

We are pleased with the progress made on the strategic milestones set out at the beginning of 2022, and these are summarised in the milestone tracker below:

Milestones set for 2022	**Progress and impact in 2022**
Accelerate revenue growth by leveraging the DXRX platform	Underlying top line growth increasing to near historic levels of 26% (FY21: 18%) on a constant currency basis
Continue the transition of larger customers onto the DXRX platform and increase platform-based subscription contracts	35% of revenue was subscription based (2021: 3%)
Securing our first multi-therapy brand enterprise engagements opportunities with this community	Secured 2 multi-brand enterprise engagements (FY21: nil)
Continue to grow our Lab network and engagement	We expanded our network to include 851 laboratories across 38 countries globally (FY21: 561 across 33 countries)
Expanded customer engagement outside oncology	17.2% of revenue now emanated from outside of oncology projects
Expand the number of therapy brands under management	We worked with 56 brands during the year

Financial performance demonstrating strategic success
Trading has been strong and materially ahead of our initial expectations, with Group revenues increasing 40% to £19.5 million (2021: £13.9 million) and underlying top line growth increasing to near historic levels of 26% (FY21: 18%) on a constant currency basis.

EBITDA has increased to £3.6 million (FY21: £2.3 million), at a margin of 18% (2021: 17%) and is marginally ahead of expectations. EBITDA margin has increased whilst transitioning a significant proportion of customers to multi-year subscription contracts, and in spite of global inflationary cost pressures. All this whilst also maintaining an accelerated investment in the business to service the subscription model and future growth.

The growth during the year was driven by multiple factors:

1. Expanding our customer base: The pharma industry is dedicating increased funding and focus towards improving patient testing for their precision medicines. The return on investment relies on increasing the number of patients being able to gain access to their targeted treatments. As a result of this, we worked with a total of 43 customers during the year, adding 15 new pharma brands in 2022. We have increased our average revenue per brand to £0.35 million (2021: £0.25 million) and we continue to increase the value of addressable lifetime therapy brand spend.

2. Expanding our product offering: Since its launch in October 2020, we have continued to introduce key solutions to our customers via the DXRX platform. These solutions identify the gaps in patient testing and where we can engage with our growing lab network to get more patients appropriately tested. As a result of this, we generated revenue of £2.2 million (2021: £0.9 million) from more than 8 customer engagements utilising the DXRX network directly through our 'Engagement' solutions.

3. Met the urgent market need for digital commercialisation of therapies: pharma and biotech commercial teams continue to accelerate the digital transformation of their commercial model, learning from the challenges of COVID-19 in getting sales representatives in direct contact with prescribers. As a result, our DXRX platform solutions have been increasingly integrated into the critical path for new therapy product launches. Customer feedback is that Diaceutics provides a unique and timely suite of digital solutions to meet their needs. The success of this is evidenced by revenue with our top 10 customers increasing to £12.0 million (2021: £9.7 million) and with 17 of our 30 Signal products now integrated into our pharma customer CRMs.

Delivering on our strategy - shift to subscription
In pursuit of our strategy, five of the eight core insight and engagement platform solutions are available on the platform with two now only available as a subscription service. A further three are planned to convert to subscription in H1 2023, and all eight solutions are planned be available as subscriptions by the end of 2023. Ultimately, 70% of our business will be subscription only and platform enabled by 2025, with peak adoption expected to reach 80% two years later.

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

DXRX data
Diaceutics' competitive advantage continues to be reinforced through its unrivalled depth of data. We expanded our data capabilities in a number of ways during the period. Of particular note is the expansion in the number of patient records now in our global patient testing reservoir which has increased to over 600 million, covering the top pharma markets. As the number of patient records on our DXRX platform increases, so too does the application of machine learning and AI. As a result, we have grown our Diagnostic Deductive Pathways (DDPs), integrated within our DXRX platform, from 74 to 96, and improving the insights we can sell to our customers. Our customers' increasing demand for these insight solutions is best evidenced by the increasing revenue generated which grew by 71% during 2022.

We have made significant strides in improving the frequency of many of our US data insights, moving them from monthly to weekly data feeds to our customers. This "weekly" frequency demonstrates our data leadership within the market and enables us to connect DXRX directly with our customers' sales operations to support their prescriber outreach in real time.

DXRX products
We continue to invest in our proprietary DXRX products and platform as we further integrate with our customers' commercialisation activities and capitalise on the available opportunity by enhancing Diaceutics' share of customer budget. We have accelerated our progression towards becoming a recurring revenue business during the year which is evidenced by the fact that over 76% of all of our revenue in 2022 was DXRX enabled and 35% of our 2022 revenue was subscription based.

DXRX platform
Investment in the DXRX platform has improved our productivity with the team enabling us to deliver 119 platform enabled projects during 2022 (FY21: 92), an increase of 29%. The technology stack underpinning DXRX is extremely agile and has allowed us to customise the user interface for key customers, proving to be a key benefit when embedding within our customers' commercial systems. An additional strategic advantage of the DXRX platform is that it allows us to scale in line with increasing market demand and meet the current and future demands of our customers.

DXRX Partner Network
Better empowered and informed labs are able to create rapid change to the patient diagnostic and treatment journey. The size and reach of our partner lab network allows us to provide a range of multi-year lab engagement modules back to our pharma and biotech customers to improve patient diagnostic and treatment journeys.

Although our lab engagement modules are the newest part of our DXRX platform, during 2022 we worked on 8 customer engagements generating revenue for the year of £2.2 million, and contributing an additional £2.2 million in revenue to the forward orderbook.

Capitalising on a growing market opportunity
Despite the progress being made in precision testing, we estimate that pharma is still losing up to US$3 billion[1] of lifetime precision medicine revenues due to inadequate testing. As a consequence of this, and pharma's potential diagnostic commercialisation budget of US$10-15 million per brand[1], the market opportunity available for Diaceutics is larger than ever and continuing to grow at pace. Investments made in our expanded suite of platform solutions and enhanced data insights have increased our competitive advantage and consolidated our position as a trusted partner to pharma and biotech in the field of precision medicine commercialisation.

With this in mind, the Board is confident that we have the right solutions in the right place to fully capitalise on the growing customer demand.

[1] The US$3 billion of lifetime precision medicine revenues lost and US$10-15 million commercialisation budget for pharma are estimates based on in-house data.

Accelerating investment to unlock greater value

As announced in January 2023, the Board has decided to accelerate the Company's investment in its data and products, platform capability and operating model over a two-year period in order to bring additional data offerings to market more quickly and fully capitalise on the opportunity available within the market.

The investment will be made primarily into data acquisition, greater platform functionality and AI capabilities, our innovation, laboratory network and sales and marketing teams. This will enable the strategy acceleration in the following ways:

- **Enrich data and platform products** - through investments in key geographical data sources and enhanced patient healthcare journey data, we will secure and elevate the market leadership position of our platform enabled insight and engagement solutions, further embedding our offering in customers' commercialisation activities, and boost Diaceutics' share of customer budgets;

- **Accelerate growth and engagement of the laboratory network and platform-based community** - through investments in our laboratory network team and community content engagement we will drive laboratory network growth and augment our platform-based engagement solution and data insight offerings to pharma;

- **Invest in platform scale and capability** - through investments in the innovation team we will accelerate development of the platform capability and functionality at scale (automation and AI), facilitating better customer functionality and service, ultimately growing revenue and pushing towards best-in-class profitability;

- **Transform our customer experience and service** - through investments in Diaceutics' customer success programme, which is aimed at accelerating our precision medicine market leadership in target geographies, we will support the transformation of our sales, marketing, customer service and support teams across all customer accounts, enriching the customer experience and driving sustainable growth.

Customer consultation informing our forward strategy

In order to position Diaceutics to most effectively capture more of the estimated US$10-15 million[1] per therapy brand commercialisation spend available, we carried out an audit through internal review and using third-party agencies to ascertain our customers near term and future needs from Diaceutics' products and the DXRX platform. The results of this audit, in conjunction with our own and independent sector analysis, identified that in order to realise the available opportunity, we needed to enhance investment in the platform, data and lab network, alongside investment in our sales, marketing and customer service capabilities.

By continuing to align DXRX development with the fast pace of customer transition to precision medicine we will be able to meet our customers' constantly evolving needs and consolidate our position as a leading partner for the diagnostic commercialisation phase of their precision medicine therapy launches. Listening and reacting to market requirements is helping us shape our business to meet the scale required of the pharma industry from its most valued partners.

Our team

Diaceutics is a people and purpose-oriented business, both in our drive to ensure that every patient receives the right test and the right therapy and in how we work to achieve this goal. The successes over the past year are a result of the dedication and hard work of our global team and I would like to take this opportunity to extend my sincere appreciation for their commitment and efforts.

Since January 2020 the Group's workforce has increased from 111 to 151 at the end of December 2022, which represents a 36% increase during this three-year period. Investment in our people has been made to strengthen our sales team as we target larger multi-year enterprise level contracts. We were delighted to welcome Julie Browne to the team as Chief Operating Officer in March 2022, and Nick Roberts as Chief Financial Officer and director of the Board also in March 2022. Julie and Nick's contributions are evident in our achievements this year and in their guidance of our strategy to accelerate investments in our business model and improve the scalability of the business.

Key objectives for 2023 and current trading

To date, Diaceutics has made a positive start to 2023, trading in line with expectations and capitalising on its well-established competitive advantage within the sector and position as a trusted partner to pharma and biotech as they launch precision medicines.

The Group has a strong pipeline of opportunities from which it has already seen notable successes with the announcement of enterprise-level, multi-disease data engagements with two top 10 global pharmaceutical companies in January 2023. The success of these contracts and the strength of the Group's pipeline serve to validate its strategy and management are confident in achieving further multi-year engagements during the period.

The Group's successful transition to a platform business model has greatly improved future revenue visibility and the order book value has increased significantly to £16.9 million, with £10.9 million of the order book expected to be realised in 2023. As Diaceutics achieves additional multi-year enterprise engagements we anticipate improving this visibility further.

Diaceutics has implemented efficiencies to its operating structure with the inclusion of an expert Vice President ('VP') management layer to support the executive team. The creation of the VP layer will further bolster Diaceutics' wealth of industry expertise, facilitating a sharper emphasis on operational success as the Group continues to deliver against its growth strategy.

Investment in product expansion has continued at pace with the roll out of our new dynamic data dashboards in March 2023. This allows customers to access real world diagnostic testing data visualisations and intuitive digital dashboards from a global network of laboratories tracking 52 key success metrics for multiple brands.

Outlook

Our business is driven by our purpose and the belief that every patient should get the opportunity to receive the right test and the right therapy to positively impact the outcome of their disease. The progress made in 2022 has brought us closer to achieving this goal and as demand from pharma and biotech customers for our full suite of commercialisation solutions and advisory services continues to increase, we are confident in the Group's outlook.

At the beginning of 2022 we set out to evidence the impact of DXRX on our business model and demonstrate how the transition to a subscription revenue model would enable future scalability, improve quality of revenues, and deliver a simpler digital solution to a complex problem impeding patient access to the right treatment and causing significant loss of revenue to the pharma industry.

I am satisfied that across 2022 we have not only delivered that evidence in our clinical impact and revenue growth but have highlighted the true opportunity available to us within the sector. The strong financial and operational progress made during the year has served to validate our strategy. With strong foundations already set, we are committed to accelerating investment in our platform, data and partner network in order to expedite our growth and seize this opportunity. As we continue to develop and scale to meet the needs of our customers, we will look to establish our position as the primary commercialisation partner for pharma or biotech launching precision medicine.

Peter Keeling
Chief Executive Officer

Chief Financial Officer review

Diaceutics delivered a strong financial performance in 2022, exceeding revenue expectations and delivering an improved EBITDA despite macro-economic inflationary pressures. With its strong cash reserves of £19.8 million at the year end (2021: £19.7 million), 2022 has firmly positioned the business to deliver on its accelerated strategy investment and support its future revenue and profitability growth potential as the Company aspires to become the primary precision medicine commercialisation partner to the global pharma and biotech industries.

KPIs and Alternative Performance Measures

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

	2022 £000's	2021 £000's
Revenue	**19,504**	13,943
Revenue growth constant currency basis*	**26%**	18%
Subscription % revenue*	**35%**	3%
Order book	**16,928**	1,750
Gross Profit	**16,741**	12,232
Gross Profit Margin (%)	**86%**	88%
EBITDA*	**3,583**	2,349
EBITDA margin*	**18%**	17%
Profit before tax	**564**	462
Cash and cash equivalents	**19,841**	19,675

* Alternative Performance Measures

Alternative Performance Measures ('APMs')

In measuring and reporting financial information, management reviews Alternative Performance Measures such as EBITDA, adjusted EBITDA, revenue growth on a constant currency basis and subscription percent of revenue, all of which are not defined measures under financial reporting standards. Management believes that these measures, when considered in conjunction with defined financial reporting measures, provide management and stakeholders with a broader understanding of the performance of the business.

Operating profit is the financial reporting measure under IFRS most comparable to EBITDA and adjusted EBITDA. EBITDA is earnings before interest, tax, depreciation, amortisation and exceptional items, but after share-based payment costs. The Directors may make certain adjustments to EBITDA, for nonrecurring or noncash items, to derive adjusted EBITDA, both measures of which they consider more reflective of the Group's underlying trading performance, enabling better comparisons to be made with prior periods and industry peers. A reconciliation of operating profit to EBITDA is included later in this report.

Subscription percentage of revenue is calculated as the value of revenue generated from subscription contracts as a percent of total revenue and is a new APM introduced during the 2022 financial year. The Directors consider this metric to be a key measure of the strength and visibility of the Group's revenue in the period, and of the Group's progress towards realising its near-term strategy of transitioning to a platform-based recurring revenue model.

The Directors consider and report revenue and revenue growth in the current reporting period on a constant currency basis. This is because a majority of the Group's customer contracts are written in US Dollars and this can result in significant changes in the Group's performance, relative to the comparative period, based on the prevailing exchange rate in the year. Reporting the current period revenue on a constant currency basis allows stakeholders to better understand the underlying growth in the Group's activities, before the influence of foreign currency exchange rates.

'Order book' is defined under financial reporting standards as the aggregate amount of the revenue transaction price allocated to customer contracts that are partially or fully unsatisfied as at the year end and are not considered an APM. Order book is disclosed in note 4 of the Group financial statements.

We continue to evolve our KPIs and APMs to highlight and evidence the financial and operational performance of the Group and its progress against strategy.

Revenue growth momentum and future visibility

Revenue for the year grew 40% to £19.5 million (2021: £13.9 million), a 26% increase on a constant currency basis. The underlying organic growth has been driven through the expanded sales and marketing team and the launch of a comprehensive suite of end-to-end data insight and engagement solutions, designed to overcome the precision medicine commercialisation requirements of pharma and biotech companies.

Revenue growth has been especially strong within the insight (formerly 'Data') and engagement (formerly 'TES') platform-based solutions, growing 79% to £14.9 million. Platform based solutions now represent 76% of all revenues (versus 60% for the comparative period) which has been achieved in the two years since the platform launch, and roughly a year ahead of expectations. Advisory service revenues were £4.6 million in the year, down slightly on the comparative period as a result of the reorganisation of the business service lines but remaining a fundamental part of the business and its end-to-end customer precision medicine commercialisation offering.

The Total Contract Value ('TCV') secured in the year was £34.3 million, more than double the value of contracts secured in the prior year (2021: £16.5 million). This significant step up in TCV is testament to the Group's dedication to platform adoption and the success in migrating pharma customers to multi-year subscription-based contracts. The move has also enriched the quality of the earnings, with 35% of all revenues now being derived from subscription-based contracts (2021: 3%).

The culmination of the expanded sales and marketing team, the launch of innovative platform-based solutions, 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 31 December 2022 grew to £16.9 million, up from £1.74 million at December 2021, with £10.9 million of the order book expected to be realised in 2023, greatly increasing revenue quality and visibility.

The Group's customer base is heavily weighted towards blue chip pharma companies, with 74% of revenue generated by customers based in the USA (2021: 61%). The Group worked with a total of 43 customers during the year (2021: 39) across 56 therapies (2021: 56). Diaceutics has increased its average revenue per brand to £0.35 million, up from £0.25 million in 2021, and continues to increase the value of addressable lifetime therapy brand spend secured with 26 brands with lifetime brand spend over $1 million (2021: 19) and the largest two customer brand team lifetime spends increasing to $7.9 million and $6.6 million.

The Group continues to see a higher weighting of revenue, and therefore profitability, in the second half of the financial year. In 2022 the revenue weighting first vs. second half of the year was 38:62 compared to 43:57 in 2021. This weighting has historically been driven by the pharma industries propensity to spend more of its budget in the second half of the year, particularly quarter four, as it reaches the end of its own budget and financial years. Although we see this second half revenue weighting reducing in future years as a result of the Group's shift to multi-year subscription-based contracts, the strong growth rates experienced by the Company and 'accumulation' effect of subscription contracts sold in first half of the year means that this second half revenue weighting will continue throughout the period of transition to recurring revenue.

The table below sets out the revenue split between the key solution offerings:

	2022 ***£000's***	*2021* *£000's*
DXRX platform	**14,880**	**8,298**
• *Insight Solutions (Data)*	*12,653*	*7,411*
• *Engagement Solutions (Technology enabled services)*	*2,227*	*887*
Advisory Services (Professional services)	**4,624**	**5,645**
Total revenue	**19,504**	13,943

Gross Margin and change in accounting presentation

At the year of the current reporting period the Directors have decided to voluntarily change the accounting presentation of amortisation on the face of the income statement. The change was implemented to better align Diaceutics' income statement presentation with peers in the pharma tech industry, allowing investors and analysts to benchmark our results more readily.

The change resulted in amortisation costs being 'restated' as an operating cost in the comparative year, rather than a cost of sale, and the gross profit and gross margin have increased in 2021 from £10.7 million and 77% (as previously reported) to £12.2 million and 88% in the current financial statements. There is a corresponding increase in administrative expenses by £1.5 million. All other areas of the Profit and loss account remain unchanged.

The below table reconciles the change of amortisation presentation in the current year financial statements:

	2022 **£000's**	2021 £000's
Revenue	**19,504**	13,943
Cost of sales excluding amortisation	**(2,763)**	(1,711)
Gross profit *(as stated in 2022 financial statements)*	**16,741**	12,232
Gross margin *(as stated in 2022 financial statements)*	**86%**	88%
Amortisation	*2,704*	*1,665*
- *presented under Cost of sales in 2021*		*1,500*
- *presented under Administrative expenses in 2021*		*165*
Gross profit as previously stated (including amortisation)		*10,732*
Gross margin as previously stated (including amortisation)		*77%*

Gross profit margins remain strong at 86% (versus 88% in 2021), but as noted in our half year report, the margins have reduced slightly as a result of pass-through costs in relation to one significant engagement solution contract. All other direct cost of sales remains similar to prior years.

Further details regarding this change can be found in note 14 of the financial statements included in this results announcement.

EBITDA and profit before tax performance
The Group generated an EBITDA of £3.6 million, ahead of the prior year at £2.3 million, but at a consistent margin (18% versus 17% in 2021). The EBITDA margin has been maintained whilst transitioning a significant proportion of customer revenue to multi-year subscription contracts. This transition results in point in time revenue being substituted for subscription revenue recognised over a longer period of time, a key goal in the strategy, but detrimental to revenue growth in the short-term.

The other primary drivers of costs during the year were the macro-economic inflationary cost pressures, predominately in the salary costs of the business, and the additional investment undertaken by the business in people which saw the headcount increase from 129 at December 2021 to 151 at the end of December 2022. This investment in people is critical at this stage to service the subscription model, release the business growth opportunity and build scale through technology deployment. The increase in headcount saw incremental increases in people across sales and marketing, customer service and delivery and technology teams of 18 and additional annualised salary costs of around £1.1 million per year.

In addition, in recognition of the significant role our people have played in the Group's success in 2022 and the increase in living costs, discretionary performance related bonuses will be awarded to employees for last year's results and employees (excluding executive directors) were provided a one-off £1,000 cost of living payment in December 2022.

Profit before tax increased slightly from £0.5 million in 2021 to £0.6 million. The potential increase in profit before tax as a result of increased EBITDA profitability neutralised by the increase in amortisation costs which rose from £1.7 million in 2021 to £2.7 million in the current year.

The increasing amortisation costs are a result of the continued investment and capitalisation of internal development costs (£2.4 million in 2022 versus £3.0 million in 2021) and purchased and capitalised data (£2.2 million in 2022 versus £2.1 million in 2021).

The intensity of development costs being capitalised will continue to curtail over the coming years, instead being expensed to the income statement as the business matures. Data acquisition costs are likely to increase as additional opportunities are identified to acquire data through our lab network and existing data supply chain and accelerate the depth and breadth of our data lake. Increasing the total data acquisition spend in future years is a key strategic goal and driver of both growth and value, and as a result, the total level of amortisation will continue to rise in relation to this capitalised spend.

Reconciliation of operating profit to EBITDA

	2022 £000's	*2021 £000's*
Operating profit	**575**	550
Depreciation & Amortisation	**3,008**	1,799
EBITDA	**3,583**	2,349
EBITDA margin	**18%**	17%

Financial strength

At 31 December 2022, the Group reported a strong net asset position of £42.4 million (2021: £40.6 million), with cash and cash equivalents of £19.8 million (2021: £19.7 million) and no debt.

During the year, the Group continued to invest in the development of its platform technology, with £2.6 million of a total platform development spend, of which £2.4 million was capitalised in the year (2021: £3.3 million of a total platform development spend of which £3.0 million was capitalised). The intensity of platform development costs has reduced compared with comparative periods, a trend that is planned to reverse over the coming two years as the business looks to accelerate investment in the platform products, capability and scale, although the proportion of development costs which are capitalised is likely to decrease as the platform reaches maturity. Data expenditure was £2.2 million compared with £2.1 million in 2021. Data expenditure, which is capitalised and amortised over four years, is planned to double over the coming years, in line with the strategy acceleration and as a result of identified opportunities with our lab network and existing data supply chain to procure richer data over a wider geographical spread.

The financial strength of the Group is underpinned by its move to overall cash flow generation in 2022, unlocking its confidence in accelerating investment into 2023 and 2024.

Cash received from operations for the year were £3.7 million (2021: £0.9 million). The free cash flow (Net cash inflow from operating activities less capital expenditure less the payment of lease liabilities) for the year was £0.1 million, significantly ahead of the comparative period which was an outflow of £5.1 million, as a result of the improved trading in the year and aided by a multi-year R&D tax credit receipt of £1.5 million in early 2022. Future R&D tax credits are expected to be less at between £0.5 and £1.0 million.

The Group maintains an undrawn multi-currency Revolving Credit Facility for £4.0 million with its primary bank, SVB UK, which is due to expire in July 2023. Negotiations are progressing with multiple providers to renew the facility in July and this could provide the Group with the extra short-term flexibility it will require to execute its strategy on any acquisition prospects.

Change of auditor

In November 2022, the Group was pleased to announce the appointment of EY as auditor for the 2022 financial year. The appointment was made after a formal tender process, led by the audit committee, where three audit firms participated, including PricewaterhouseCoopers ('PWC') as incumbent auditor. On behalf of the Board I would like to thank PWC for the years of audit services provided pre and post IPO and look forward to working with EY going forwards.

Outlook

2022 was an exciting year for the whole Diaceutics team as the business started the year embarking on another transformative 'big lift', finished the year realising its top line growth potential, and announced its intention at the start of 2023 to step up its strategy investment and accelerate its potential further.

The strategy acceleration marks a pivotal moment in the Group's journey, which will position it to: invest in enriching its data and platform products; accelerate the growth and engagement of its lab network; invest in platform capability and scale; and transform its customer experience and service. Achieving these goals will allow Diaceutics to become the primary commercialisation partner for pharma or biotech launching a precision medicine and be a true disruptor to the established drug commercialisation models.

Nick Roberts
Chief Financial Officer

Group Profit and Loss Account

for the year ended 31 December 2022

	Note	2022 £000's	*As restated* 2021* £000's
Revenue	4	19,504	13,943
Cost of sales	5	(2,763)	(1,711)
Gross profit		**16,741**	**12,232**
Administrative expenses	5	(16,280)	(11,877)
Other operating income		114	195
Operating profit	5	**575**	**550**
Finance income		111	-
Finance costs		(122)	(88)
Profit before tax		**564**	**462**
Income tax credit		160	99
Profit for the financial year		**724**	**561**

***The Group has restated the classification of amortisation of Intangible assets for the year ended 31 December 2021 to conform with the current year presentation. Further details of this reclassification are detailed in note 6 to these financial statements

Group Statement of Comprehensive Income

for the year ended 31 December 2022

	2022 £000's	2021 £000's
Profit for the financial year	724	561
Items that may be reclassified subsequently to profit or loss:		

Exchange differences on translation of foreign operations		440	(317)
Total comprehensive income for the year, net of tax		**1,164**	**244**

Earnings per share
for the year ended 31 December 2022

		2022	2021
		Pence	Pence
Basic	6	0.86	0.67
Diluted	6	0.84	0.66

Group Statement of Financial Position
as at 31 December 2022

	Note	2022	2021
ASSETS		£000's	£000's
Non-current assets			
Intangible assets	7	15,222	12,821
Right of use assets		1,333	1,411
Property, plant and equipment		759	718
Deferred tax asset		46	1
		17,360	**14,951**
Current assets			
Trade and other receivables	8	9,209	7,615
Income tax receivable		1,846	2,772
Cash and cash equivalents	10	19,841	19,675
		30,896	**30,062**
TOTAL ASSETS		**48,256**	**45,013**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	12	169	168
Share premium		37,126	36,864
Treasury shares	12	(263)	(165)
Translation reserve		138	(302)
Profit and loss account		5,344	4,084
TOTAL EQUITY		**42,514**	**40,649**
Non-Current Liabilities			
Lease Liability		1,205	1,285
Provision for dilapidations		79	-
Deferred tax liability		706	445
		1,990	**1,730**
Current liabilities			
Trade and other payables	9	3,628	2,358
Lease Liability		124	146
Financial liabilities	11	-	130
		3,752	**2,634**
TOTAL LIABILITIES		**5,742**	**4,364**
TOTAL EQUITY AND LIABILITIES		**48,256**	**45,013**

Group Statement of Changes in Equity
for the year ended 31 December 2022

	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 2021	**168**	**36,864**	**-**	**15**	**3,191**	**40,238**
Profit for the year	-	-	-	-	561	561

Other comprehensive expense	-	-	-	(317)	-	(317)
Total comprehensive income for the year	**-**	**-**	**-**	**(317)**	**561**	**244**
Transactions with owners, recorded directly in equity						
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**

	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 2022	**168**	**36,864**	**(165)**	**(302)**	**4,084**	**40,649**
Profit for the year	-	-	-	-	724	724
Other comprehensive income	-	-	-	440	-	440
Total comprehensive income for the year	**-**	**-**	**-**	**440**	**724**	**1,164**
Transactions with owners, recorded directly in equity						
Conversion of loan notes	1	133	-	-	-	134
Exercise of warrants	-	129	-	-	-	129
Share based payment	-	-	-	-	536	536
Treasury shares	-	-	(98)	-	-	(98)
Total transactions with owners	**1**	**262**	**(98)**	**-**	**536**	**701**
At 31 December 2022	**169**	**37,126**	**(263)**	**138**	**5,344**	**42,514**

Group Statement of Cash Flows

for the year ended 31 December 2022

	Note	**2022**	**2021**
		£000's	£000's
Operating activities			
Profit before tax		564	462
Adjustments to reconcile Profit / (Loss) before tax to net cash flows from operating activities			
Net finance costs		11	88
Amortisation of intangible assets	7	2,704	1,665
Depreciation of right to use asset		157	49
Depreciation of property, plant and equipment		147	85
Research and development tax credits		(86)	(169)
Share based payments		536	373
Increase in trade and other receivables		(1,594)	(1,499)
Decrease in trade and other payables		1,266	(159)
Cash received from operations		**3,705**	**895**
Tax received/(paid)		1,391	(325)
Net cash inflow from operating activities		**5,096**	**570**

Investing activities

Purchase of intangible assets		(4,684)	(5,036)
Purchase of property, plant and equipment		(186)	(565)
Finance income interest received		111	-
Net cash outflow from investing activities		**(4,759)**	**(5,601)**
Financing activities			
Interest paid		(59)	(56)
Leasehold repayments		(163)	(49)
Purchase of treasury shares	12	(98)	(165)
Issue of shares on exercise of a warrant		129	-
Net cash outflow from financing activities		**(191)**	**(270)**
Net decrease in cash and cash equivalents		**146**	**(5,301)**
Net foreign exchange gain		20	(279)
Cash and cash equivalents at 1 January		19,675	25,255
Cash and cash equivalents at 31 December		**19,841**	**19,675**

Notes to the Group Financial Statements
for the year ended 31 December 2022

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 Health & Wellbeing 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 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 UK adopted international accounting standards 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.

The principal accounting policies have been consistently applied to all the years presented, unless otherwise stated. The classification of amortisation on the face of the profit and loss for the year ended 2021 has been changed in the current reporting period resulting in the 2021 year being 'restated'. Further details of this reclassification are detailed in note 14 to these financial statements. The operating profit, EBITDA and profit before and after tax for the 2021 year, as reported in March 2022, have not changed.

Going concern

The financial performance and statement of financial position at 31 December 2022 along with a range of scenario plans to 31 December 2025 has been considered, applying different sensitives 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 2025 and therefore the Directors have satisfied themselves that the Group has adequate funds in place to continue in operational existence 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 returns 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 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 2022:

- Reference to the Conceptual Framework - amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before intended Use - Amendments to IAS 16
- Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37
- AIP IFRS 1 First -Time Adoption of International Finance Reporting standards - Subsidiary as a first-time adopter
- AIP IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities
- AIP IAS 41 Agriculture - Taxation in fair value measurements

There has been no material impact on our financial statements as a result of any 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 2022 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:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Definition of Accounting Estimates (amendments to IAS 8)
- Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- IFRS 17 Insurance Contracts
- Amendments to IFRS 17
- Initial Application of IFRS 17 and IFRS 9 - Comparative Information
- Amendments to IAS 1 Presentation of Financial Statements
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)

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 separate products and service lines: Insight Solutions (Data); Engagement Solutions (Tech-enabled services); Advisory services (Professional services).

The Group's performance obligations for these revenue streams are deemed to either be the provision of specific deliverables to the customer, at or over a period of time, or subscription-based deliverables.

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:

Insight Solutions (Data)

Insight Solutions (formerly referred to as Data) comprise access to the DXRX platform diagnostic testing data repository to utilise licensed data insight products, typically: lab segmentation, physician segmentation, testing rates tracker and physician signal.

The contract with the customer defines the nature, quantity and price of the data license to be provided. Licenses provided under each contract are split into the identifiable and distinct performance obligations which are satisfied at or over time, depending on whether the data license deliverable has retrospective or prospective components, and if there are any data consultancy service components included. In determining the performance obligations for the data consultancy service component of the customer contract, judgment may be required in interpreting the contract wording and customer expectation of the data consultancy as a separately identifiable and distinct service, if the contract is not explicit.

The transaction price associated with the performance obligation components is determined by reference to the contract and change orders. Where the contract does not determine the transaction price for performance obligations, judgement may be required to determine the transaction price. These judgements include allocating transaction prices to data consultancy services based on an adjusted market assessment approach with the residual transaction price allocated to the retrospective and prospective data license performance obligations pro-rated depending on the data license period of coverage.

Where a contract confers the customer with the right to benefit from existing data insight IP as at a specific date, as is the case for a retrospective data license, that is treated as a right to use licence and the revenue recognised at a point in time when delivered or access is enabled to the data. Where a contract confers the customer with the right to benefit from future data insight IP developments
as they occur, as is the case for a prospective data license, that is treated as a right to access licence and revenue recognised on a subscription basis over the period of time that the customer has access to the data and the right to future IP developments. Revenue for data consulting services is recognised as the performance obligation milestones are satisfied.

Insight Solution services are invoiced based on predetermined activities or milestones. Where there is a timing difference between the recognition of revenue and invoicing under a contract, a contract asset (accrued revenue) or liability (deferred revenue) is recognised.

Advisory services (Professional services) and Engagement Solutions (Tech-enabled services)

Advisory services (formerly referred to as Professional services) comprise a range of services developed to help improve patient care by accelerating the development, delivery and uptake of precision medicine, typically: Consulting, Strategy and Planning, Insights, Education and Content production, Impact Assessments and Market Access studies.

Engagement Solutions (formerly referred to as Tech-enabled services) are comprised of a suite of services designed to solve the challenges affecting precision medicine commercialisation success at a regional and global level, such as: Lab alerts, Lab training, Lab engagement and Physician engagement.

The contract with the customer defines the nature, quantity and price of the various services to be provided. Services provided (included those provided by a third party and reimbursed by the customer) under each contract are split into the identifiable and distinct performance obligations which are satisfied over time. The Group is the contract principal in respect of both direct services and, in the case of Engagement Solutions, the use of third parties that support the service. The transaction price is determined by reference to the contract and change orders, including any pass-through or reimbursable expenses, adjusted to reflect the amount the Group expects to be entitled to in exchange for transferring promised goods or services to a customer.

Revenue for the identifiable and distinct services is recognised as the contract performance obligations are satisfied. The progress towards completion of Advisory Services and Engagement Solution performance obligations are measured at a point in time: where milestones specified within client contract are satisfied based on an input measure of Percentage of Completion (POC) being project total actual hours incurred to date as a proportion of total budgeted hours at each reporting period, depending on the nature of the service obligation.

The service fees for Advisory Services and Engagement Solutions are invoiced based on predetermined activities or milestones. Third party costs are invoiced to customers as they are incurred. Where there is a timing difference between the recognition of revenue and invoicing under a contract, a contract asset (accrued revenue) or liability (deferred revenue) is recognised. Significant accrued and deferred revenue can arise for the Advisory Services or Engagement Solutions as a result of these timing differences.

Contract assets and liabilities

The Group recognises contract assets in the form of accrued revenue when the value of satisfied or part-satisfied performance obligations is in excess of the payment due to the Group, and deferred revenue when the amount of unconditional consideration is in excess of the value of satisfied or part satisfied performance obligations. Once a right to receive consideration is unconditional, that amount is presented as a trade receivable.

Changes in contract balances typically arise due to:

- adjustments arising from a change in the estimate of the cost to complete the project, which results in a cumulative catch-up adjustment to revenue that affects the corresponding contract asset or liability;
- the recognition of revenue arising from deferred revenue; and
- the reclassification of amounts to receivables when a right to consideration becomes unconditional.

Cost to obtain and fulfil contracts

Contract fulfilment costs in respect of the service line contracts are expensed as incurred.

The Group expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded.

Intangible assets

Research and development

Expenditure on research activities and patents is recognised in the profit and loss account as an expense has 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. Capitalised development expenditure that is not available for use is tested for impairment annually.

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.

Impairment

Intangible assets, property, plant & equipment and right of use assets are tested for impairment at the reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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

The preparation of the Group and Company financial statements requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The Group has considered the impact of climate change on the consolidated financial statements but have concluded that it does not have a material impact in the carrying value of assets, the useful life of assets and provisions as at 31 December 2022.

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 (UEL) of intangible assets *(Group and Company)*	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. Further details are disclosed in note 7 intangibles. Further details are disclosed in note 7 intangibles.
Impairment of assets *(Group and Company)*	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 and Company are required to estimate the recoverable amount of the asset. Following this assessment, no impairment indicators were present at 31 December 20222. 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 and Company have considered whether there have been any indicators of impairment during the year to 31 December 2022 which would require an impairment review to be performed. Based upon this review, the Group and Company have concluded that there are no such indicators of impairment at 31 December 2022. Further details are disclosed in note 7 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 7 - Intangible assets for details of the impairment review and sensitivity analysis.
Discount rate *(Group and Company)*	Application of IFRS 16 requires the Group and Company 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 of 4.3% (2021: 4.3%)
Attrition rate *(Group and Company)*	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. The attrition rate varies depending on the nature of the award, rising to a maximum 3-year rate of 37.6% (2021: 23%)

Critical accounting judgements

Accounting policy	**Description of critical judgement**
Revenue *(Group and Company)*	In determining the performance obligations for the data consultancy service component of Insight Solutions, judgment may be required in interpreting the contract wording and customer expectation of the data consultancy as a separately identifiable and distinct service, if the contract is not explicit. The transaction price associated with the performance obligation components of

	Insight Solution services is determined by reference to the contract and change orders. Where the contract does not determine the transaction price for performance obligations, judgement may be required to determine the transaction price. These judgements include allocating transaction prices to data consultancy services based on an adjusted market assessment approach with the residual transaction price allocated to the retrospective and prospective data license performance obligations pro-rated depending on the data license period of coverage. Where the input method is used to determine the value of revenue recognition for Advisory Service and Engagement Solution services over a period of time, a key source of estimation will be the total budgeted hours to completion for comparison with the actual hours spent.
Deferred tax *(Group and Company)*	In assessing the requirement to recognise a deferred tax asset, management carried out a forecasting exercise in order to assess whether the Group and Company will have sufficient future taxable profits on which the deferred tax asset can be utilised. This forecast required management's judgment as to the future performance of the Group and Company.
Intangible assets *(Group and Company)*	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.

4. Revenue and segmental analysis

Operating Segments

The Group currently operates under one reporting segment, there are no individual groups of assets generating distinct and separately identifiable cashflows. 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 the DXRX platform Insight Solution and Engagement Solution lines, and Advisory Service line. Revenue is disaggregated by primary geographic market, timing of recognition and by product/service line. Timing of revenue recognition and product/service line are the primary basis on which management reviews the business.

Revenue

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

The following tables present the disaggregated Group revenue for the current and prior financial years.

a. *Major product/service line*

	2022	2021
	£000's	£000's
Platform - Insight Solutions (Data)	12,653	7,411
Platform - Engagement Solutions (Tech-enabled services)	2,227	887
Advisory services (Professional services)	4,624	5,645
	19,504	**13,943**

b. *Timing of recognition*

	2022	2021
	£000's	£000's
Point in time revenue recognition	9,370	6,994
Over time and input method revenue recognition	10,134	6,949
	19,504	**13,943**

c. *Geographical market by customer location*

	2022	2021
	£000's	£000's
North America	14,454	8,457
UK	561	555
Europe	2,696	3,623
Asia and Rest of World	1,793	1,308
	19,504	**13,943**

In 2022 there were no customers who had sales which exceeded 10% of total revenue. 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.

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

	2022	2021
	£000's	£000's
Contract assets		
Trade receivables	5,792	5,999
Accrued revenue	2,582	1,003
Contract liabilities		

Deferred revenue	411	208

Accrued revenue primarily relates to consideration for work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

Deferred revenue primarily relates to the advance consideration received from customers. There are no significant financing components associated with deferred revenue.

There were no significant amounts of revenue recognised in the current or prior year arising from performance obligations satisfied in previous periods.

The carrying value of trade receivables and accrued revenue approximates to their fair value at the reporting date. Information about the Group's exposure to credit risks and expected credit losses for trade receivables and accrued revenue is included in note 8.

Order book

The aggregate amount of the transaction price allocated to product and service contracts that are partially or fully unsatisfied as at the 2022 year-end ('order book') are as follows:

	2023	**2024**	**2025+**	**Total**
	£000's	£000's	£000's	£000's
Platform based products and services	10,621	4,108	1,922	16,651
Advisory services	277	-	-	277
	10,898	**4,108**	**1,922**	**16,928**

Order book as at the 2021 year-end:

	2022	**2023**	**2024+**	**Total**
	£000's	£000's	£000's	£000's
Platform based products and services	1,276	225	-	1,501
Advisory services	242	-	-	242
	1,518	225	-	1,743

The order book as at 31 December 2022 includes future contracted revenue beyond 2023 which, although subject to annual customer break clauses, the Group expects will not be exercised by customers, and the revenue and performance obligations deliverable under these contracts will be realised.

5. Operating profit

	2022	**2021**
	£000's	£000's
Employee benefit costs:		
• wages and salaries	11,045	9,258
• social security costs	1,446	1,167
• pension costs	317	362
• benefits	130	136
• share based payments and related costs	536	372
• capitalised development costs	(1,895)	(2,645)
	11,579	**8,650**
Amortisation of intangible fixed assets *(change in accounting presentation on face of the Profit and loss) **	2,704	1,665
Depreciation of tangible fixed assets	147	85
Right of use depreciation	157	49
Subcontractor costs	779	318
Platform transaction value	907	-
Travel costs	352	80
Legal and professional	1,202	1,190
Gain on foreign exchanges	(130)	(42)
Other expenses	1,346	1,593
	7,464	**4,938**
Total cost of sales and administrative expenses	**19,043**	**13,588**

* The classification of the 'Amortisation of intangible fixed assets' on the face of the profit and loss for the year ended 2021 has been changed in the current reporting period. Amortisation has been reclassified from 'Cost of sales' to 'Administrative expenses'. This has resulted in the 2021 gross profit and gross margin increasing. Operating profit, EBITDA and profit before and after tax for the 2021 year, as reported in March 2022, have not changed.

See note 14 for further details.

6. Earnings per share

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

Diluted earnings per share is calculated on the basic earnings per share adjusted to allow for the issue of ordinary shares on the 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

	2022	2021
	£000's	£000's
Profit for the financial year	**724**	**561**

Weighted average number of shares to shareholders

	2022	2021
	Number	Number
Shares in issue at the end of the year	**84,472,431**	**84,068,923**
Weighted average number of shares in issue	84,357,387	84,068,923
Less treasury shares	(207,791)	(133,000)
Weighted average number of shares for basic and adjusted earnings per share	**84,149,596**	**83,935,923**
Effect of dilution of Convertible Loan Notes	-	754
Effect of dilution of Share Options	1,939,925	1,005,478
Weighted average number of shares for diluted earnings per share	**86,089,521**	**84,942,155**

Earnings per share

	2022	2021
	Pence	Pence
Basic	0.86	0.67
Diluted	0.84	0.66

7. Intangible assets

	Patents and trademarks	*Datasets*	*Development expenditure**	*Platform*	*Software*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Cost						
At 1 January 2021	1,190	2,755	422	6,577	485	11,429
Transfer between categories	-	-	(3,187)	3,187	-	-
Foreign exchange translation	(55)	(3)	(4)	(44)	-	(106)
Additions	9	2,097	2,985	7	77	5,175
At 31 December 2021	1,144	4,849	216	9,727	562	16,498
Foreign exchange translation	59	228	4	301	1	593
Transfer between categories	-	-	(2,401)	2,401	-	-
Additions	1	2,196	2,359	-	155	4,684
At 31 December 2022	**1,204**	**7,246**	**178**	**12,429**	**718**	**21,775**

	Patents and trademarks	*Datasets*	*Development expenditure**	*Platform*	*Software*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Amortisation						
At 1 January 2021	1,076	875	-	40	77	2,068
Foreign exchange translation	(55)	(1)	-	-	-	(56)
Charge for the year	64	818	-	681	102	1,665
At 31 December 2021	1,085	1,692	-	721	179	3,677
Foreign exchange translation	59	77	-	35	1	172
Charge for the year	41	1,313	-	1,112	238	2,704
At 31 December 2022	**1,185**	**3,082**	**-**	**1,868**	**418**	**6,553**
Net book value						
At 31 December 2022	**19**	**4,164**	**178**	**10,561**	**300**	**15,222**
At 31 December 2021	59	3,157	216	9,006	383	12,821

*Development expenditure relates to an asset under construction and as such no amortisation has been charged. This expenditure is subject to the same annual impairment review as the other intangible assets.

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.

8. Trade and other receivables

	2022	2021
	£000's	£000's
Trade receivables	5,792	5,999
Contract Assets	2,582	1,003
Other receivables	207	146
Prepayments	628	430
Derivative financial instruments	-	37
	9,209	**7,615**

Other receivables primarily consist of recoverable taxes and as such are considered to have low credit risk. Derivative financial instruments consist primarily foreign currency forward contracts and are considered to have low credit risk. The maturity period of these assets were less than 12 months, and given their nature, and that there were no forward contracts in place at the end of the year, the expected credit loss allowance recognised during in the period against these assets were £nil.

Trade receivables are non-interest bearing, are generally on 90-day terms and are shown net of a provision for impairment. Management's assessment was that the trade receivables are fully recoverable and the amount of the provision netted against the trade receivables balance was £nil (2021: £20,000).

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:

	Total	*0-30 days*	*31-60 days*	*61-90 days*	*>90 days*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*
2022	**8,374**	**6,568**	**1,354**	**319**	**133**
2021	7,002	3,623	2,278	709	392

The Group's contract assets as at the statement of financial position date are expected to be invoiced and received in the following year. The maturity period of these assets were less than 12 months, and given their nature, the expected credit loss allowance recognised during in the period against these assets were £nil.

The following table shows the movement in contract assets:

	2022	2021
	£000's	£000's
Contract assets recognised at start of the year	1,003	1,265
Revenue recognised in prior year that was invoiced in the current year	(1,003)	(1,265)
Amounts recognised in revenue in the current year that will be invoiced in future years	2,582	1,003
Balance at the end of the year	**2,582**	**1,003**

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

	2022	2021
	£000's	£000's
UK sterling	881	402
Euro	504	562
US dollar	7,737	6,622
Canadian Dollars	31	12
Singapore dollars	56	17
	9,209	**7,615**

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

9. Trade and other payables

	2022	2021
	£000's	£000's
***Creditors**: falling due within one year*		
Trade payables	759	513
Accruals	1,996	1,310
Other payables	39	-

Other tax and social security	423	327
Contract liabilities	411	208
	3,628	**2,358**

Contract liabilities of £411,000 (2021: £208,000) 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:

	2022	**2021**
	£000's	£000's
Contract liabilities recognised at start of the year	208	303
Amounts invoiced in prior year recognised as revenue in the current year	(208)	(303)
Amounts invoiced in the current year which will be recognised as revenue in the later years	411	208
Balance at the end of the year	**411**	**208**

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

	2022	**2021**
	£000's	£000's
UK sterling	3,079	1,532
Euro	203	275
US dollar	326	480
Singapore dollars	16	59
Other	4	12
	3,628	**2,358**

10. Financial Instruments - cash and cash equivalents

The carrying amount of cash and cash equivalents held across different financial institutions, along with those institution credit ratings, are as follows:

	Credit ratings as at 31 December 2022			**2022**	**2021**
	Standard & Poor's	Moody's	Fitch	£000's	£000's
SVB UK	BBB+ Stable	Aa3 Stable	-	17,235	18,416
SVB US	BBB+ Stable	Aa3 Stable	-	2,157	485
HSBC	A+ Stable	A1 Stable	AA- Stable	375	279
Other				74	495
				19,841	**19,675**

11. Interest bearing loans and borrowings

	2022	**2021**
	£000's	£000's
Convertible loan notes	-	130
	-	**130**

£100,000 of the Loan Notes issued on 15 February 2019 remained in place at 31 December 2021 (10% interest rate payable annually from 1 April 2019). These loan notes were convertible into Ordinary Shares in the Company on or after 31 March 2022. The convertible loan notes were converted to ordinary shares in April 2022.

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

	2022	**2021**
	£000's	£000's
Balance at 1 January	130	118
Interest on convertible loan notes	3	12
Convertible loan note conversion to equity	(133)	-
Balance at 31 December	-	**130**

12. Equity Share capital

	2022	**2021**
	£000's	£000's
Allotted, called up and fully paid		
84,472,431 (2021: 84,068,923) Ordinary shares of £0.002 each	169	168
	169	**168**

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. Shares issued to employees are recognised on a first in, first out basis.

Details	**Number of shares**		***£000's***	
	2022	**2021**	**2022**	**2021**
Acquisition of shares by the Trust	74,791	133,000	98	165
Closing Balance	**207,791**	**133,000**	**263**	**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.

Translation reserve: This reserve records foreign exchange differences on translation of foreign operations.

13. Post balance sheet events

On 10 March 2023, the Federal Deposit Insurance Corporation ('FDIC') was appointed as receiver of Silicon Valley Bank US ('SVB US'). Under the arrangements of the receivership the FDIC and Federal Reserve guaranteed to fully protect all depositors cash, both insured and uninsured, and placed SVB US under the control of a bridge bank. All of the Group's cash and cash equivalent balances with SVB US were fully protected and accessible from 13 March 2023.

On 13 March 2023, the BoE took the decision to sell SVB UK, the UK subsidiary of SVB US, to HSBC Group PLC ('HSBC'). The BoE confirmed that all depositors' money with SVB UK would be safe and secure as a result of this transaction. The SVB UK business continued to be operated normally by SVB UK and all services continued to operate as normal. All of the Group's cash and cash equivalent balances with SVB UK were fully protected and accessible from 13 March 2023.

The Group has agreed new temporary Revolving Credit Facility terms relaxing the cash holding requirements with SVB UK, set up additional banking facilities with two additional banking partners and has transferred funds to ensure the diversification of its concentrated banking credit risk at the year end. The Group is working towards implementing a comprehensive treasury policy to ensure adequate controls are in place to mitigate risks including credit, liquidity, capital, interest, and currency, among others.

14. Change in accounting policy

During the year the Directors have voluntarily changed the accounting policy in respect of presentation of amortisation of Intangible assets on the face of the Group Profit and Loss account. The Group has made a decision to disclose the amortisation of intangible assets in administrative expenses instead of Cost of sales.

The change was implemented to better align Diaceutics' Group Profit and Loss account presentation with peers in the pharma tech industry, allowing investors and analysts to benchmark the Group's results more readily.

This has resulted in the 2021 gross profit and gross margin increasing. Operating profit and profit before and after tax for the 2021 year have not changed. Accordingly, the prior year comparatives have been restated to reflect this change in accounting policy.

The following table summarises the impact of change in accounting policy on the Group's Profit and Loss account as at 31 December 2021 for each of the financial statement lines affected. Please note that there is no impact on the Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Cash Flow and as at 31 December 2021.

The classification of the 'Amortisation of intangible fixed assets' on the face of the profit and loss for the year ended 2021 has been changed in the current reporting period. Amortisation has been reclassified from 'Cost of sales' to 'Administrative expenses'. This has resulted in the 2021 gross profit and gross margin increasing. Operating profit, EBITDA and profit before and after tax for the 2021 year, as reported in March 2022, have not changed.

	As Reported 31 December 2021 £000's	**Adjustment** £000's	**As restated 31 December 2021** £000's
Revenue	13,943	-	13,943
Cost of sales	(3,211)	1,500	(1,711)
Gross profit	**10,732**	**1,500**	**12,232**
Administrative expenses	(10,377)	(1,500)	(11,877)
Other operating income	195	-	195
Operating profit	**550**	**-**	**550**
Finance income	-	-	-
Finance costs	(88)	-	(88)
Profit before tax	**462**	**-**	**462**
Income tax credit	99	-	99
Profit for the financial year	**561**	**-**	**561**

There is no other impact on the other financial statement line item other than those presented in the table. There is no impact at the beginning of the earliest prior period presented.

Further details regarding the background to this change and uplift in reported gross profit margin can be found in the Financial Review section of the Strategic Report in the Annual Report.

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