

Diaceutics PLC Annual Report **2020**

Diaceutics

Better Testing, Better Treatment



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For the year ended 31 December 2020

Registered Number: NI055207

Diaceutics
Better Testing, Better Treatment

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Corporate Information

| | | |
|---------------------------------------|--|---|
| Directors | Ms D Davis Mr P Keeling Mr R Keeling Mr P White Mr C Hindson Mr M Wort | (Appointed 4 January 2021) |
| Company Secretary | Miss C Mullan Mrs S Craig | (Resigned 11 September 2020) (Appointed 11 September 2020) |
| Registered Number | NI055207 | |
| Registered Office | 55-59 Adelaide Street Belfast BT2 8FE | |
| Independent Auditor | PricewaterhouseCoopers LLP Waterfront Plaza 8 Laganbank Road Belfast BT1 3LR | |
| Bankers | Silicon Valley Bank Alphabeta 14-18 Finsbury Square London EC2A 1BR | |
| Solicitors | Arthur Cox Victoria House 15-17 Gloucester Street BT1 4LS | |
| Nominated Advisor & Broker | Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS | |

Strategic Reports



Summary Highlights

Diaceutics PLC (the "Company" or the "Group"), a diagnostic commercialisation company for precision testing, is pleased to report its audited results for the year-ended 31 December 2020.

The previous 12 months reflect a challenging year in light of the COVID-19 pandemic.

The Group continued on its mission to become the leading provider of precision testing data and commercialisation services for the global Pharma industry.

Financial Highlights

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

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

Operational Highlights

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

Peter Keeling,
Chief Executive Officer, commented:

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

As a result, we have seen an increased level of engagement from clients in the past quarter and our business development team continue to see positive steps towards a more predictable

pipeline position. The Group is well placed to respond to these opportunities, and feedback from our clients has been positive. That said, we recognise that we are not immune to ongoing challenges within the global market, particularly as we emerge from the COVID-19 pandemic.

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

"we have seen an increased level of engagement from clients in the past quarter"

Statement of the Chair

Introduction

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



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

Performance

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

Our Technology

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

DXRX has been purpose built to create a vibrant platform and marketplace where all stakeholders in Precision Medicine come to find trusted

partners for collaboration on Precision Medicine diagnostics in a secure, standardised way. We have a world-leading global flow of diagnostic testing data supported by a 2,500+ laboratory network. Within the platform, our lab-derived data is enhanced with diagnostic, claims and demographic data, building the complete picture of a patient's diagnostic journey.

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

Our People

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

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

Board Matters

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

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

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

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

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

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

Outlook

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

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

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

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

Ms Deborah Davis
Chair
13 March 2021

“...the business is in good financial health...”

Chief Executive Review

Overview

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

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

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

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

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



included a full external and internal review and reorganisation of our resources in support of our current and future business operations.

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

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

DXRX Launched October 2020

In October 2020, Diaceutics officially launched DXRX, its diagnostic network platform dedicated to Precision Medicine. The DXRX platform launch was a key milestone in the evolution of our business, which was needed to provide a fully integrated solution to our Pharma clients and other stakeholders working to address a broken diagnostic ecosystem denying patients access to Precision Medicines. This enables Diaceutics to serve Pharma's precision testing needs over the years ahead and as Precision Medicine becomes the predominant business model for the Pharmaceutical industry. In 2020, progress was therefore seen across all three strategic drivers of our business as described below.

“I am proud of how the team responded to the global disruption of COVID-19 significantly increasing touch points”

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

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

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

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

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

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

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

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

2. Right Data Insights to Support Better Testing

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

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

data sources and disease coverage in line with the needs of the Precision Medicine market.

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

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

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

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

“as many as 50% of patients are missing out on treatment as a result of the broken diagnostic ecosystem”

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

These additional platform offerings enable our end-to-end commercialisation offering to clients allowing us to encourage and

pursue more of the investment in removing test access hurdles to precision therapy and provide real value to our laboratory partners. Key features of DXRX at launch included:

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

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

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

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

Business Operations

Aside from our progress with the business model, data repository and DXRX platform

“in addition to the more than 150 Precision Medicines on the market today, there are over 450 progressing through to market.”

launch, we advanced our balance sheet and business operations in four important ways:

Fundraising Q2

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

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

Our Team

Our people are key to our business and as such we supported them through COVID-19 disruption via an employee assistance programme to support staff and their families and continue to do so. Transitioning to 100% homeworking was seamless as 70% worked virtually pre-COVID-19 and our years of investment in digital communications served to minimise the impact to our client work. Net of restructuring we increased our overall headcount by 15, gearing our operations towards our platform business model by the end of the year. This restructuring has allowed us to remove £1.9m annualised costs by further leveraging the efficiencies brought internally by DXRX.

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

We have continued to invest heavily in team training via our online Percipio platform and dedicated training staff. This facility allows us to remain highly agile as a business as our client

needs from precision testing rapidly evolve. By the year-end we had provided on average one week of training to every team member.

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

Partners and Stakeholders

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

Growth Drivers

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

Our strategy is to provide our clients with an end-to-end platform for the launch and commercialisation of precision drugs, in addition to selling more to our existing 39 clients and winning new clients. Within our client cohort multiple brand teams exist. We currently engage with 53 brands and we see a further 300 Precision Medicine brands moving to market in the next three years. DXRX provides a platform where we can offer additional modules enabling a deeper relationship with our clients. We continue to invest in platform business development account managers who are

committed to understanding the challenges facing each drug brand team and, in conjunction with our specialist scientists, providing a “5-mile-deep” understanding and solution matrix for our clients.

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

Key Challenges Ahead

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

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

Precision Testing Outlook Remains Strong

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

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

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

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

Outlook

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

“Recent Market data indicates that US Pharma commercial activity had returned to 95% of pre-COVID-19 levels by the end of December 2020.”

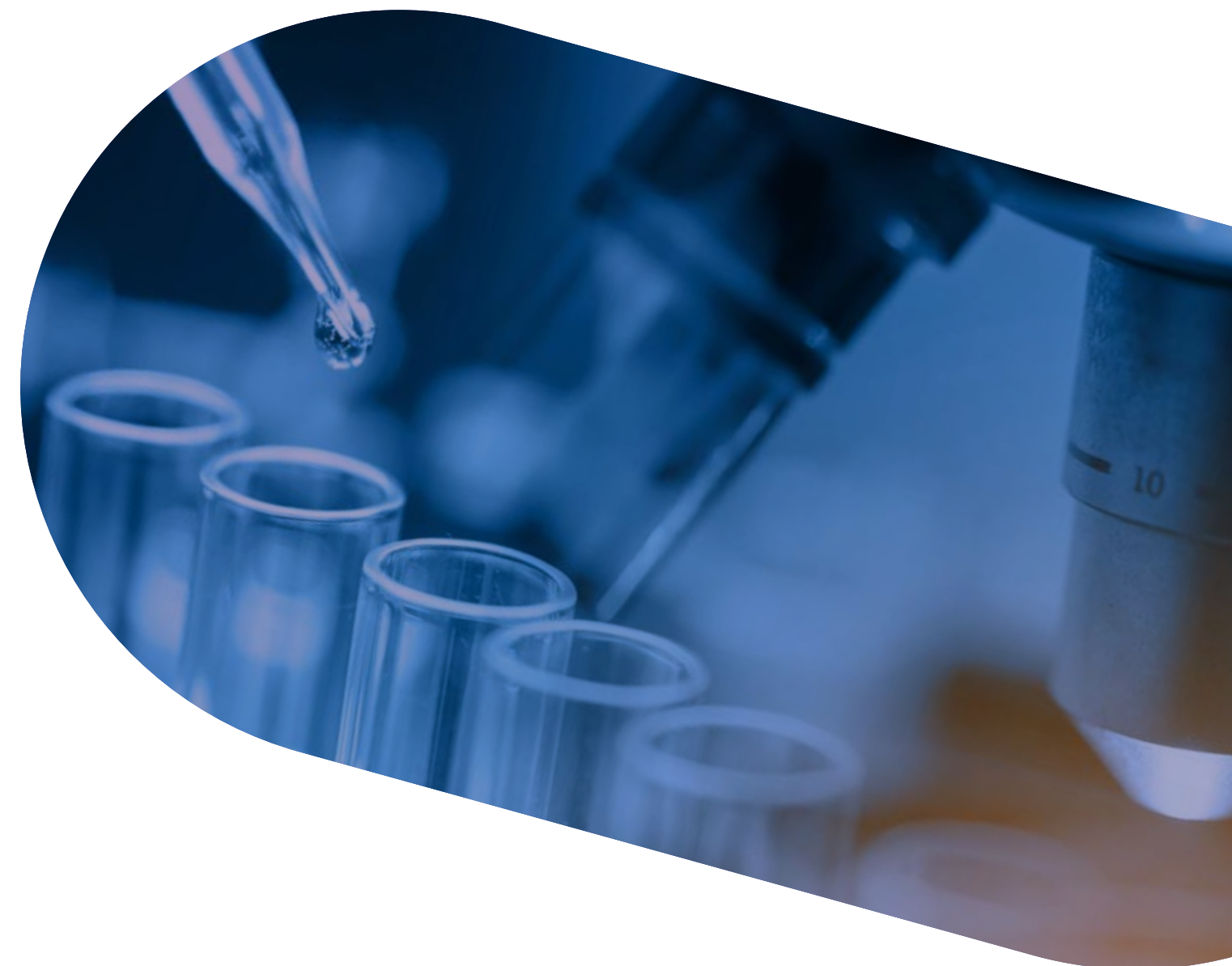
As a result, we have seen an increased level of engagement from clients in the past quarter and our business development team continue to see positive steps towards a more predictable pipeline position. The Company is well placed to respond to these opportunities, and feedback from our clients has been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



Mr Peter Keeling

Director

13 March 2021



Section 172 Statement

The directors are aware of their duty under section 172(1) of the Companies Act 2006, to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term
- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The desirability of the Company maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the Company.

Throughout the year, the directors have recognised their duty to promote the success of the Company and their responsibilities outlined above (the "Section 172 Considerations") and have had regard to these in their decision making, whilst also considering the impact of decisions on the Company's wider stakeholders.

The directors believe that the following groups are the Company's stakeholders and have set out below the key decisions made and Company engagements undertaken during the year with full consideration of the Company's stakeholders and the Section 172 Considerations, all of which have long term implications for the ultimate success of the Company.



Mr Peter Keeling
Director
13 March 2021

| Stakeholder and Section 172 Considerations | Who engaged | How we engaged | Outcomes |
|--|---|--|--|
| Employees | Board/EXCO | <p>The Executive Directors and EXCO attended key business meetings including weekly trading/sales meetings, monthly capex/working capital meetings and presentation of financial results.</p> <p>We launched an "Employee Assistance Programme" to promote employee wellbeing and work-life balance promoting flexibility within the workforce. Employee engagement surveys were also introduced, to proactively identify and respond to feedback.</p> <p>In response to the COVID-19 pandemic, a "COVID-Toolkit" was launched online which contained amongst other things, a set of resources for line managers to encourage support for sustaining remote working, home-schooling, virtual engagement and communication.</p> | <p>This enabled us to communicate regularly with employees on relevant updates pertaining to operational and strategic initiatives.</p> <p>Flexible working has enabled us to continuously adapt to new working environments, accelerated by the need for remote working as a result of COVID-19. We have set up subgroups to garner employee engagement feedback and proactively manage the wellbeing of our workforce.</p> |
| Customers, Suppliers and reputation | EXCO/ Business Development, Sales and Procurement teams | <p>We have continuous touchpoints with our customers and suppliers to ensure that our products serve their purpose in informing and solving the problems of the end user. During COVID-19, we recognised the need to maintain communication with our customers and suppliers, albeit virtually, for example we attended the virtual ASCO conference in Q3.</p> <p>In Q3 we launched our DXRX Platform. We have engaged with our customers and suppliers virtually to promote this product by delivering demos and facilitating Q&A sessions</p> | <p>We continue to adapt to ensure that we are working with our customers and suppliers to provide products to best solve their problems.</p> <p>Feedback allows us to improve our products and practices and to enhance customer satisfaction always seeking to provide the best service for our clients.</p> |
| Partners and Laboratories | EXCO/ Global Laboratories and Innovations teams | <p>On the launch of DXRX in Q3, we engaged with a number of our existing partners and laboratories to enrol them onto the platform. We created a demonstration plan and dedicated our DXRX relationship team to deliver demonstrations to those partners and laboratories.</p> <p>We entered into six partnerships in 2020 including with a number of external quality assurance organisations, test coverage and reimbursement experts and with test standardisation and laboratory training and support providers.</p> | <p>By 31 December 2020, we had enrolled 61 of our partners and laboratories on the DXRX platform.</p> <p>Increasing our partnerships in 2020 supported and enhanced our current and future product offering.</p> |
| Patients and the Community | EXCO | <p>We undertook several initiatives to support our ethos of support for patients and the community, these included:</p> <ul style="list-style-type: none"> • Investing in a partnership with the Union for International Cancer Control to contribute to their programmes on early and accurate diagnosis and on World Cancer Day. • Sponsorship of a small breast screening camp in India. The effort was supported by the Ministry of Public Health and Family Welfare, Government of Karnataka, Bangalore, Karnataka. | <p>Engaging in activities which support patients and community are consistent with our strategic purpose. Engaging in these activities helps to promote an awareness of these initiatives to the benefit of the patients and community as well as Diaceutics.</p> |

| Stakeholder and Section 172 Considerations | Who engaged | How we engaged | Outcomes |
|--|-----------------------------|---|---|
| Regulators and reputation | EXCO/ Legal Compliance team | We recruited a dedicated Data Compliance Officer. This individual was employed in order to further strengthen our policies and procedures regarding GDPR and HIPAA. | We continue to review and improve our Data Compliance policies and procedures to ensure that we are striving for best-in-class. |
| Investors/ Shareholders | CEO/CFO/ Board | <p>During the year, the CEO and the CFO regularly held one-to-one meetings, calls and roadshows with institutional investors. During 2020 we have engaged investors on a range of topics including:</p> <ul style="list-style-type: none"> • COVID-19 • Precision Medicines tipping point • The power of real-world healthcare data • The impact of a platform business model on a broken diagnostic ecosystem • Company performance (operational and financial) • Social and Governance matters <p>In addition, the Board received and responded to investors Q&A's via a number of channels which included:</p> <ul style="list-style-type: none"> • Corporate broker communication • Regular interaction with the Company's corporate analyst and brokers. | Formal and informal feedback was received from investors and welcomed by the Board in order to support future decision making for the benefit of all members. |



“Throughout the year, the directors have recognised their duty to promote the success of the Company and their responsibilities”

Financial Review

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

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

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

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

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

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

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

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

Revenue

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

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

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

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

Gross Margin

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

Administration Expenses

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

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

Exceptional Costs

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



Tax

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

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

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

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

EBITDA, Adjusted EBITDA & Loss Before Tax

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

EBITDA and Adjusted EBITDA

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



“During the 2020 financial year we invested £6.4m”

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

Balance Sheet

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

Intangibles

Investment in development continues to be significant to the Group. During the 2020 financial year we invested £6.4m (2019: £2.8m) in our intangible asset base which includes platform, data, patents and software.

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

Cash

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

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

Profit/(loss) Per Share

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

Dividends

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

Mr Philip White

Director

13 March 2021

Our Market Opportunity

Diaceutics is a diagnostic commercialisation platform company which serves the global Pharma industry. It has integrated a suite of real-world data-driven products and technology-enabled services into a subscription and tech-enabled services based platform. Its data and technology-enabled services are focused on removing the diagnostic testing hurdles for the biomarkers and companion tests that are required to guide selection of Precision Medicines. Diaceutics' services result in more effective patient diagnoses for treatments which in turn lead to better patient healthcare outcomes. This is manifested through faster testing, better turnaround times, quicker positive identification and a higher number of patients treated.

What is Precision Medicine?

Precision Medicine is the ability to treat individual patients with a common disease differently, depending on measurable biomarkers which either predicts a patient's response (or otherwise) to a drug or their susceptibility to treatment-limiting side effects. The use of these companion diagnostic tests, which can identify the right sub-population of patients for the right treatment, economically and early in their disease progression, defines Precision Medicine.

Precision Medicine also provides an essential means of alleviating the higher costs of treatment by reducing costly inefficiencies in medicine including false positives/negatives; unnecessary treatment; over and under medication and costly acute care admissions/readmissions resulting from medication errors. However, such Precision Medicine is not widely prevalent: the top 10 highest-grossing drugs in the U.S. are still effective in only 4% to 25% of those patients who take them.

What Disease Areas is Precision Medicine Relevant to?

Precision therapies and tests are being developed in multiple disease areas, including HIV, Alzheimer's, Cystic Fibrosis, Irritable Bowel Disease; however, it is in oncology (cancer) where the greatest penetration of Precision Medicine has occurred to date. Almost all the new cancer therapies being launched today will have the need for a companion diagnostic. It is estimated that 42% of all therapies (73% oncology) in the pipeline are dependent upon precision testing.

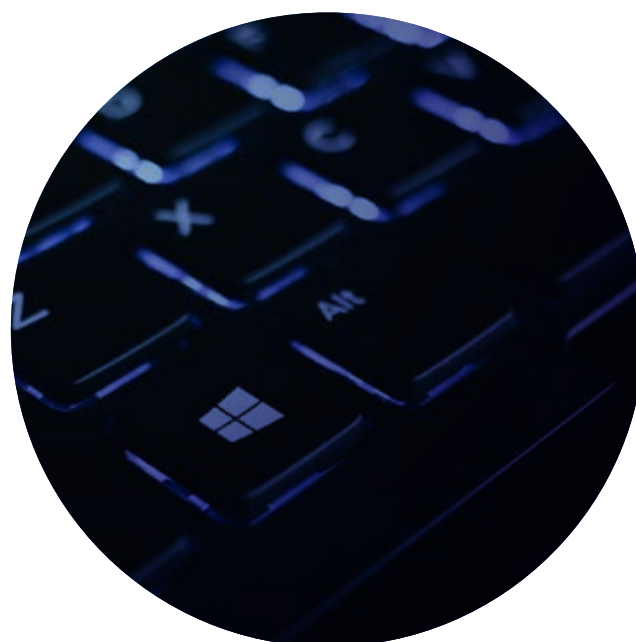
Why is Diagnostic Commercialisation Important in Precision Medicine?

When Pharma companies launch a new Precision Medicine drug, they require patients to be tested first to identify if they carry the specific genetic characteristics (biomarker) to determine if they will respond to that therapy. These companion tests are mandatory and are part of the licence granted by the FDA or other drug licencing authority. This test-first-then-treat interdependency is what is broadly known today as precision testing and precision treatment. As of the end of 2020 there were more than 150 Precision Medicines on the market. In 2020 the FDA's Center for Drug Evaluation and Research (CDER) gave fast-track designation to 32% (17 out of 53) of novel drugs, many of which were test dependant.

Companion diagnostics are typically based on specific biomarkers (genes, proteins etc.) which stratify those patients who will either benefit from a drug or who might otherwise experience adverse effects. In some circumstances, certain tests are mandated by regulatory authorities. For example, clinicians are required to test breast cancer patients for over amplification of the HER-2 biomarker before initiating treatment with the Precision Medicine Herceptin (Trastuzumab).

The need for diagnostic commercialisation services arises because, whilst Pharma companies are adept at launching new therapies, they are historically less familiar with the diagnostic commercial ecosystem which operates differently. To avoid delays to patients accessing the precision therapy, Pharma usually chooses to outsource core parts of the diagnostic commercialisation to companies more familiar with the complex challenges.

Included in the diagnostic commercialisation services Pharma often outsources, are laboratory education modules to drive adoption of the new test; development of new testing standards to ensure patients are receiving the same type of test regardless of where they live; and anonymised testing data to track and monitor physician test ordering behaviour and the number of patients who test positive or negative with a particular biomarker. Historically Pharma has typically spent on average \$1-\$2m per therapy brand to ensure the patients are tested at the right time to access their therapy. By 2025 we believe this investment



could increase to an average of \$8m-\$10m per therapy brand as Pharma companies seek to remove test access hurdles to high value therapies.

As the value of Precision Medicine to Pharma pipelines increases, so too does their willingness to invest further and faster in eliminating any access barriers caused by a complex diagnostic ecosystem denying patients treatment. We estimate that for every dollar Pharma invests in removing or lowering diagnostic barriers to treatment delivers 30 to 60 dollars back in treatment revenues otherwise lost.

For Pharma, the business case for Precision Medicine in cancer is now compelling. We see new Precision Medicines being the biggest contributor to revenue growth. AstraZeneca in their Q3 earnings call, made reference to new medicines adding \$2.6bn of additional year-to-date revenue, with Tagrisso, Imfinzi and Lynparza the biggest contributors. These are all test-dependant therapies. For such therapies the adoption of the drug and test is key to maintaining revenue growth. Clinical trials designed with patient selection criteria based on Pharmacogenomics/Pharmacogenetics (PGX) biomarkers are "smaller, quicker, and smarter" and "four times as likely" to yield positive outcomes, and those using biomarkers in another manner are three times as likely¹. The combination of faster clinical trials, higher success rates, and accelerated approvals results in lower drug development costs and superior outcomes for all stakeholders, especially patients. These factors have all worked to deliver billion-dollar brands in

oncology and rapid growth for companies who are increasingly harnessing Precision Medicine. Taken together, these factors have doubled the overall market return, measured in net present value, compared with one-size-fits-all therapies.

How Will the Increasing Complexity of Diagnostic Commercialisation Change the Opportunity?

It is important to understand how and where the precision testing market is increasing in complexity since this highlights the need for Pharma to work alongside a specialised organisation such as Diaceutics. Specifically, the broadening use of diagnostic testing and an increase in the variety of precision diagnostic tests is contributing to an already complex diagnostic environment of multiple and recurring tests. In particular Pharma is making increasing use of complementary and conduit testing to supplement the traditional companion diagnostic testing. The number of testing events on a typical patient journey is rising significantly. Against the backdrop of the introduction of panel testing we continue to see the introduction of 200-300 novel biomarkers and the evolving science as increasing the complexity and volume of novel tests. Our research shows that broader testing in conjunction with multiple therapy treatments is set to radically increase the number of testing events per patient. This increase is expected to be further amplified by greater testing for resistance and monitoring. As an example, the number of testing events per patient with NSCLC are set to increase exponentially:

Average number of testing events per NSCLC patient

| | 2010 | 2014 | 2018 | 2022E | 2026E |
|---|------|------|------|-------|-------|
| Average number of testing events per NSCLC patients | 0.6 | 0.8 | 1.2 | 4.0 | 17.0 |

Source: Diaceutics estimates

Diaceutics strategy has focused on collating large amounts of laboratory, patient (on an anonymised and aggregated basis), claims and payor data which it uses to direct and deliver, via a laboratory liaison team, improved testing with over 2,500 labs globally on behalf of leading Pharma companies.

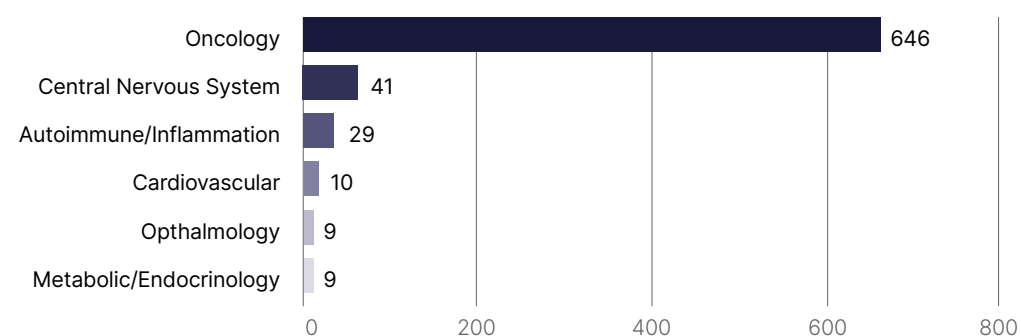
From the Pharma company's perspective, it is essential that from launch, it has optimised the practical process for testing of potential patients by labs to ensure the ability to serve the highest number of patients from the outset. On the Pharma company's side this leads to maximised impact through earlier take-up and reduced time to peak adoption. The Directors believe that the addressable market for their specific services today has been enhanced by the launch of the DXRX platform. The addressable market prior to launch was approximately \$0.23 bn. With expected market growth in the number of test dependent therapies to be 300 with revenue increasing per brand alongside increased investment by Pharma to remove testing hurdles to seamless treatment, Diaceutics forecast the overall market will increase to \$3 bn by 2023. As other therapies enter the precision testing market, we see potential growth in the subsequent five years growing to a potential \$25 bn market opportunity.

Total Available Market

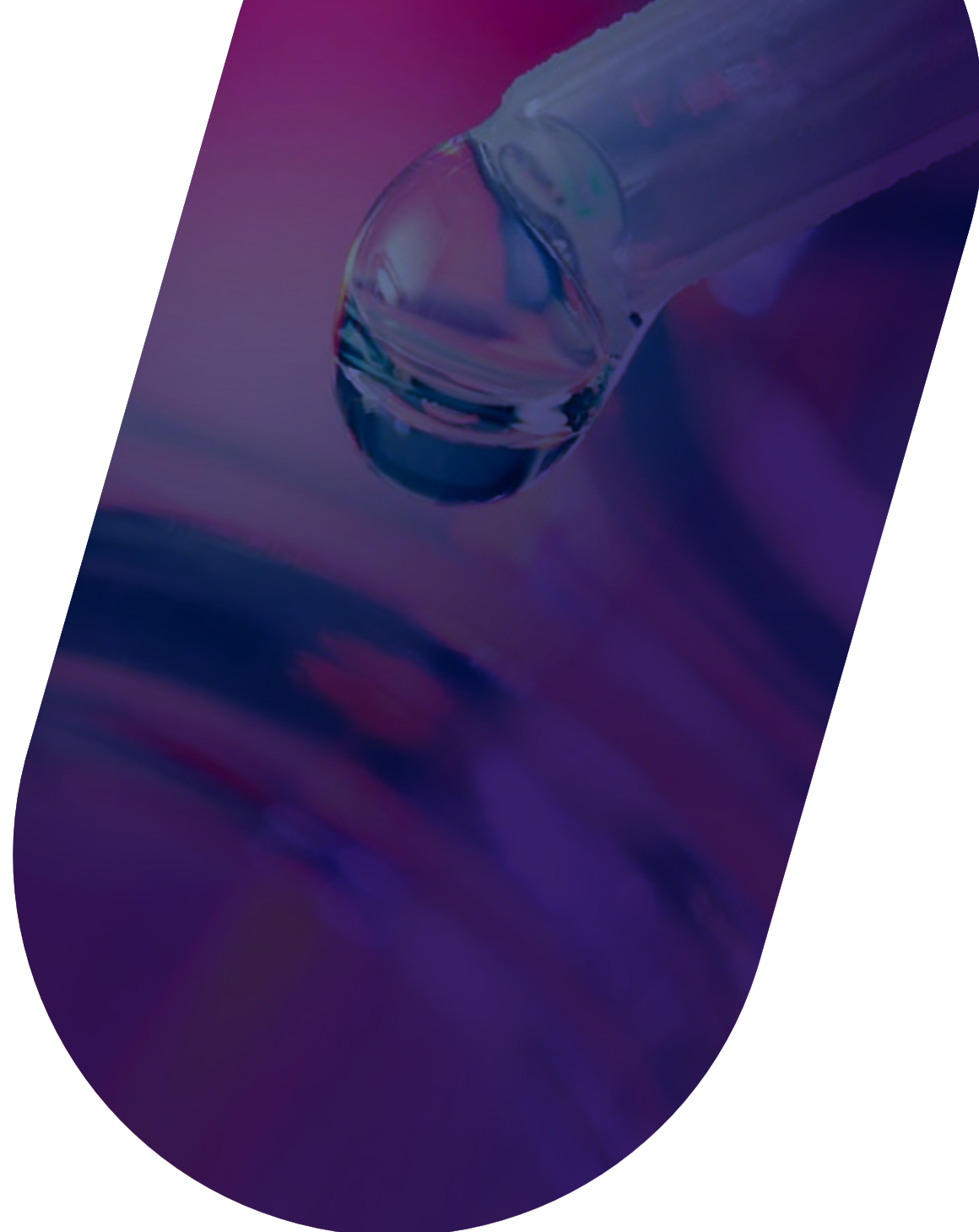
Our in-depth analysis of Pharma clinical trials indicates that there are currently over 450 therapies which fit the description of therapy brands likely to require a companion diagnostic if and when they come to market. This well-defined therapy brand list forms a key part of Diaceutics business development focus.

Global Precision Medicine Market Pipelines

Clinical Trials Pipeline by Therapeutic Area (assets requiring a Biomarker test only)



Source: Diaceutics analysis of Informa clinical trials database February 2021



Whilst today Precision Medicine is narrowly defined around the companion diagnostic concept as represented by the pipeline of therapy brands highlighted above, eventually we believe that all patient pathways to treatment will benefit from improving the patient's diagnostic journey and consequently the focus on improving diagnostic commercialisation will become an integrated part of the Pharma marketing model. Of our 49 DDPs, 43 are oncology related to support the current oncology-dominated pipeline of Precision Medicines coming to market. We can see evidence of this diagnostic pathway management for improved treatment happening in diseases outside oncology, for example Alzheimer's, non-Alcoholic Fatty Liver Disease (NASH) and Retinitis Pigmentosa. Our growing range of non-oncology DDPs will be further developed to support Pharma's commercialisation of non-oncology therapies as Precision Medicine becomes more prevalent in these therapeutic areas.

The Need for Scale

With the estimated 50 new global drug/test launches anticipated annually during the next five years, the need for a scalable solution to streamline diagnostic diffusion of tests on behalf of the Pharmaceutical industry post-launch is clear. To fully capture this rapidly evolving market opportunity Diaceutics introduced in October 2020 a subscription and tech-enabled services platform called DXRX, which for the first time allows the online integration of its global laboratory network, its significant patient testing data repository and the partnerships and collaborations necessary to redress the broken diagnostic ecosystem holding back Precision Medicine.

Platform business models are a way of enabling key stakeholders to collaborate more efficiently to address stakeholder needs. It is anticipated that as DXRX is solely dedicated to diagnostic commercialisation it will synchronise commercialisation of precision testing and treatment from launch onwards in order to ensure the right patients are given the right test in order to receive the right treatment.

The goals of DXRX are to ultimately reduce the hurdles for patient testing and accelerate the identification of the path to the appropriate precision treatment. DXRX is designed to manage multiple diagnostic commercialisation programmes in parallel, providing Diaceutics with the ability to accelerate patient access and scale in line with the market.

By the end of 2020 Diaceutics had over 130 requests for DXRX demonstrations from both Pharma clients and laboratories, having positioned it as the optimal way to fully manage and control their diagnostic dependency. Our focus for the next 24 months will be to embed DXRX as the right market-based platform to meet the needs of Pharma, labs and ultimately patients.

“The goals of DXRX are to ultimately reduce the hurdles for patient testing”

Our People

“120 employees, in 16 countries including US, EU, China and Japan.”



Stefan McDonald
Role: **Head of EU Labs**
Location: **UK**

As Head of our laboratory network in the EU, I am responsible for evolving DXRX into a bedrock for business growth and a key asset for Diaceutics which delivers best-in-class operational efficiencies for our stakeholders.

I lead a global laboratory team whose focus is to engage with labs on the DXRX platform. What is particularly rewarding in my role is seeing the real-world solutions we are delivering for our network of laboratories which is very much unprecedented in the Precision Medicine space. The global laboratory team are themselves experienced laboratory experts and pathologists who understand the challenges faced by labs every day. DXRX enables the delivery of digital and in-lab solutions via a global network of service providers in 51 countries, specialising in areas such as lab training, test standardisation and EQA support. DXRX places laboratories at the centre of a Precision Medicine network allowing them to collaborate with Pharma companies on a much deeper level than ever before.



Bethany Slifko
Role: **Senior Director, Knowledge & Implementation**
Location: **US**

I work with our specialised Knowledge & Insights team to extract, analyse and distil our data into actionable insights for our customers. As a team it is our role to ensure our customers can access best-in-class real-world data from our global laboratory network so that they have their pulse on what tests are being utilised and by which laboratories for their Precision Medicines. Through the recent integration of our global pipeline of diagnostic testing data into DXRX, we are now able to deliver our data insights with a level of acceleration, standardisation and sophistication for our customers which is hugely exciting.

My role demands an appetite for constant research and learning in my domain - from discovering new indications to understanding new technologies being developed and adopted in laboratories. Working with Diaceutics also consistently challenges you to think innovatively about creative solutions for each client based on the real-world data. As a creative at heart with almost a decade of hands on experience in the clinical laboratory setting, I get a huge amount of satisfaction from the specific focus of my role.



Dave Zack
Role: **Director of Engineering, DXRX**
Location: **UK**

I bring 35 years of tech-focused experience from Fortune 500 companies and early start-ups to my role as Director of Engineering at Diaceutics. My focus is leading the world-class software engineering team who just recently brought the DXRX platform to life. The most enjoyable challenge of my role since starting with the company in January 2020 has been the challenge of transforming Diaceutics from a traditional service provider to a “platform” business.

I am fascinated by the process of building and delivering software in a tech landscape which is rapidly changing. After what has been a challenging and rewarding year bringing the platform to market, I am hugely excited for the next steps in our DevOps, Continuous Integration and Continuous Delivery Pipeline.



Marianna Sciortino
Role: **Senior Director, Business Development**
Location: **Italy**

My role within the Business Development Team is focused on building long-term Pharma customer engagements through the continuous delivery of best-in-class commercialisation solutions. The challenge I most enjoy in my role is stepping into the shoes, hearts and minds of our customers to understand their specific needs and working with our cross-functional teams to find creative solutions to seamlessly integrate diagnostic testing for Precision Medicines. Prior to joining Diaceutics, I worked in an academic setting in the cancer research field, obtaining a PhD in Molecular Medicine with a focus on new biomarkers in solid tumour progression.

My core focus today lies in collaborating with our global teams of domain experts and partners to embed a global implementation model into our customer delivery using the DXRX platform. The most exciting development this enables for our customers is their ability to accelerate their global market share through access to a broad network of local partnership opportunities while staying agile and informed using intuitive digital dashboards.

Principal Risks and Uncertainties

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

Operational, Commercial and Financial Risks

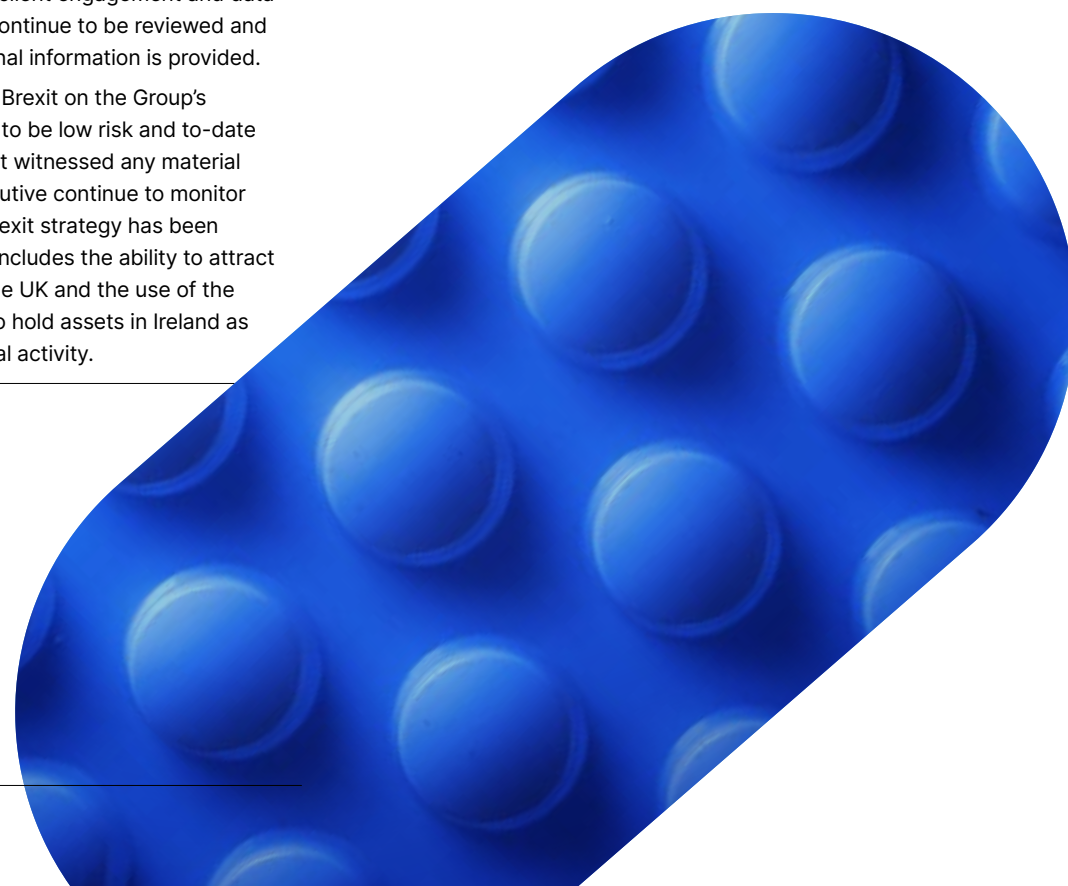
| Risk | Mitigation |
|--|---|
| <p>Certainty of contracts and pipeline</p> <p>Any cancellations, material amendments, delays in adoption of DXRX and uncertainty around the Group's Order Book could have an impact on the revenues of the Group.</p> | <p>The Group has visibility over a proportion of its revenues through signed up service agreements, contracted work, or high-probability tenders.</p> <p>The pipeline of the business is continually reviewed by senior management with both leading (proposal generation) and lagging (order intake) indicators. Using the CRM system, key account management team and client plans, this provides foresight and momentum for project closure and creates the ability to assess the products and capacity required going forward.</p> <p>We operate in a number of global Precision Medicine markets with the aim of increasing our access to market opportunity, and diversifying risk across a number of geographical territories.</p> |
| <p>Dependence on key executives and personnel</p> <p>The Directors believe that the future success of the Group will depend in part upon the expertise and continued service of key executives and technical personnel. The loss of the services of any of the key management personnel or the failure to retain key employees could adversely affect the Group's ability to maintain and/or improve its operating and financial performance.</p> | <p>The Executive continues to review the business structure to ensure it is appropriate to support the business model and strategic growth. Succession and retention planning are in place for senior management posts and OPCO has been put in place to add a management level below the EXCO team and provide a succession and mentoring platform for this management layer.</p> <p>The Group remains committed to the recruitment, engagement, retention, continuing development and reward of experienced management, and highly skilled scientific, marketing and sales personnel. Furthermore, it has implemented a number of remuneration schemes to incentivise and retain key personnel.</p> |

| Risk | Mitigation |
|--|--|
| <p>Loss of a major customer</p> <p>A small number of customers, with which the Group has a long-term historical relationship, contribute over 10% of annual revenue. The loss of any such major customer would have a direct impact on the earnings potential of the business. The relationship for a major contract usually takes time to establish and the responsibility to deliver a significant project is typically developed over a number of years.</p> | <p>The Group's customer base is well diversified due to the number of brand teams, both global and in-country, that we engage within each client, all having individual budget allocation and control. The number of brands supported by the growth has been maintained and there has been growth in the number of clients that the Group services, including contracting with new clients. The senior management team regularly review the revenue generated by key clients to ensure that the Group does not become reliant on a small number of key customers.</p> <p>The Group has a very good working relationship with all its major customers, and regularly seeks feedback to improve and maintain a high level of client service.</p> |
| <p>The Group has a significant dependency on its ongoing access to patient diagnostic data</p> <p>Diaceutics acquires data from multiple sources including government, laboratory collaborators, key bodies and public domain sources. The failure of a significant data supplier may be disruptive to the Group's operations, although is not expected to provide a long-term issue to the Group in relation to the supply of data.</p> | <p>Diaceutics has made a significant investment in our data lake over recent years and has 2,500+ global laboratories in our network. We have amalgamated over 365m real-world patient records from multiple sources and key precision testing markets into this data lake. We have laboratory liaison teams supporting "first launch" markets for the Pharma industry and, with an extensive network of data sources, the failure of any one data source would not have a lasting impact on operations.</p> |
| <p>The Group's growth strategy is subject to compliance with information security and data privacy laws and requirements</p> <p>The rules on data protection afforded to patient data in different countries varies widely and there can be no assurance that the Group will be able to secure such datasets or that the basis of acquisition will be commensurate with the agreements in place to date. Furthermore, data protection laws are highly heterogeneous around the world and subject to evolution as privacy issues come to the fore.</p> | <p>Patient data is held by the Group on an anonymised and aggregated basis.</p> <p>The Group's executive and legal counsel reviews the impact of changes to information security and data privacy regulations in countries that the Group operates in.</p> <p>Systems and processes are in place to ensure compliance with these regulations and protect against data loss. Strong IT measures have been implemented and are reviewed regularly to ensure adequate protection is in place.</p> <p>A Global Privacy and Compliance officer was hired in 2020 and staff are made aware of the potential impact of changing regulations and targeted training is provided.</p> |

| Risk | Mitigation |
|---|--|
| <p>The increasing instances and sophistication of cyber-attacks globally bring increased risk to operations, reputation, staff and finances</p> <p>The launch of DXRX and Software as a Service, brings increased stakeholder connectivity and an increased exposure to such risk.</p> | <p>A security framework is in place, combining prevention technology with continuous threat monitoring. Two-factor identification controls have been implemented and organisational-wide training on identification of threats has been implemented.</p> <p>An incident management and breach response plan is in place if security controls were to be bypassed. Mitigation has been improved with the adoption of industry best practice such as Security Guideline v 4.0 and OWASP 10 and the use of specialist software such as SonarCloud to eliminate bugs and vulnerabilities in the development process. Best-in-class penetration testing was undertaken prior to the launch of DXRX and remains a core component of our security strategy.</p> |
| <p>Market risks and economic conditions</p> <p>The Group may be affected by general market trends which are unrelated to the performance of the Group itself.</p> <p>Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's revenue, profit, growth and cash flow over a sustained period.</p> | <p>The Group's business model includes flexibility in both service offering and cost structure which can react to downturns in the market to lessen the immediate effect.</p> <p>Ongoing engagement with stakeholders, regular dialogue with customers, research and marketing activities and regular strategic reviews of the overall business assist in maintaining a sustainable business.</p> |
| <p>Events beyond the control of the Group may have adverse effects on the business</p> <p>The possible threat of natural disasters affecting the ability to trade.</p> <p>The Group faces risks in relation to the political and economic instability associated with the UK leaving the European Union, as well as potential changes to the legal framework applicable to its business.</p> <p>The possible threat of natural disasters affecting the ability to trade.</p> | <p>The Directors have considered the financial impact of the spread of COVID-19 globally. Based on current information, we believe the impact on proposals conversion, new client product launches and deferral of spend on client brands is temporary. A COVID-19 strategy has been implemented around client engagement and data ingestion which will continue to be reviewed and developed as additional information is provided.</p> <p>The overall impact of Brexit on the Group's business is expected to be low risk and to-date the Directors have not witnessed any material adverse impact. Executive continue to monitor the situation and a Brexit strategy has been implemented, which includes the ability to attract talent from outside the UK and the use of the corporate structure to hold assets in Ireland as part of the EU regional activity.</p> |

| Risk | Mitigation |
|---|--|
| <p>Foreign exchange rate fluctuations may adversely affect the Group's results</p> <p>The Group prepares its financial statements in pounds sterling, but a substantial proportion of the Group's income and costs are and will continue to be in foreign currencies. To the extent that the Group's foreign currency assets and liabilities are not matched or hedged, fluctuations in exchange rates between pounds sterling and other currencies may result in realised or unrealised exchange gains and losses on translation of the underlying currency into pounds sterling.</p> | <p>A working capital model and cash flow projections are used to plan for business transacted into different currencies so that exchange rate risk is minimised. The Group seeks to match foreign currency costs and flex cash flows to align with corresponding foreign currency receivables.</p> <p>The Group operates current bank accounts in multiple currencies. It aims to ensure that the receipts and payments in a particular currency are made through the bank account in that currency to reduce the amount of translation exposure.</p> <p>In addition, the Group maintains a revolving credit facility which can be drawn in US dollars, pounds sterling or euro.</p> |

“The overall impact of Brexit on the Group's business is expected to be low risk and to-date the Directors have not witnessed any material adverse impact.”





Corporate Governance

The Board of Directors

Deborah Davis (Age 57), Non-Executive Chair (Remuneration Committee, Audit Committee)

Deborah became Non-Executive Chair of the Company on 4 January 2021. She has extensive global experience in platform business models, software, fintech, telecoms and e-commerce businesses. After completing her undergraduate studies in Australia, Deborah spent 25 years in CEO and executive roles including 14 years in European and global senior leadership roles at internet platform businesses PayPal and eBay, and technology companies Symantec and Verizon.

She currently holds a number of Non-Executive Director and board committee positions, including at International Personal Finance plc, IDEX Biometrics ASA, Norway, The Institute of Directors UK and, until December 2020, Which? Ltd. Her previous board experience also includes private equity based ieDigital. Deborah is a trustee of the Southern African Conservation Trust.

Deborah is a Chartered Director and a Fellow of the Institute of Directors. She holds a Bachelor of Applied Science (Electronics) Honours degree from the University of Melbourne and a Sloan Masters in Science (Management) with distinction from London Business School.

Peter Keeling (age 60) Chief Executive Officer

Peter has over 33 years' experience as a leader, entrepreneur and strategist in the Pharma industry. He has led international companies and teams with a focus on novel business models and product launches, including therapies, diagnostics and FMCG products.

Peter started his career as distribution manager at American Monitor Corporation, where he oversaw the distribution of reagents and equipment globally. He subsequently spent a total of 11 years leading projects in both operational and strategic roles at the therapy division of the Wellcome Foundation, including as sales manager for the Pharma business in North and West Africa, commercial director for a joint venture with Wellcome Indonesia, and as brand director at global product level

for Wellcome's antiviral franchise. Wellcome was merged with Glaxo in 1995. Subsequently he founded and was chief executive officer of Diagnology Inc, a US/Irish based diagnostics company which specialised in the development and commercialisation of tests for sexually transmitted diseases. Peter has led Diaceutics from its inception in 2005 to become a leader in precision testing commercialisation which currently supports the principal market biomarker programmes for the world's largest Pharma companies.

Peter holds a degree in business administration from Queens University Belfast, a Master's degree in European Marketing from Buckingham University Business School and spent an academic year as a Visiting Fellow at MIT's Sloan business school in 1994 where he led a multi-corporation US think tank designed to look at disruptive models in future patient health for the Pharma industry. Peter has published several peer reviewed papers on Precision Medicine and is a respected speaker at Precision Medicine events around the world.

Ryan Keeling (age 38) Chief Innovation Officer

Ryan is an expert in the commercialisation of diagnostics and associated technology, with over 12 years' experience in the field.

Ryan has led the development and commercialisation of the Group's technology, including its proprietary data lake. Ryan has played a pivotal role in the Group's technological and strategic development, previously acting as its Chief Operating Officer until June 2018. As CIO, Ryan is responsible for driving the Company's product innovation, with a near term focus on the development of DXRX. Prior to joining Diaceutics in 2009, Ryan spent eight years as a software engineer for Aepona Limited, providing network infrastructure and related services to telecommunications operators.

Ryan holds a software engineering degree from Queens University Belfast. He is seen as a thought leader in the field of diagnostic commercialisation and data integration, speaking at Precision Medicine and healthcare data conferences globally.

Philip White FCA (age 46), Chief Financial Officer (Insider Committee)

Philip has over 16 years' commercial and technical experience in leading positions within export led growth companies and has been Chief Financial Officer of Diaceutics since 2011. He is a fellow member of the Institute of Chartered Accountants in Ireland having trained in audit and tax in both UK and Republic of Ireland companies. Philip gained a degree in Law and Accountancy and a diploma in accounting from Queens University Belfast, and has completed the Senior Executive programme at London Business School. Prior to joining Diaceutics, Philip was involved in developing Asian supply chains, export expansion into EU and growth by acquisition, successfully integrating two key corporate acquisitions. Philip has in the past been a long-term board member of a UK charity. He is responsible for the global financial architecture of the Group and has ongoing responsibility for all financial and risk management operations and works with the executive management team to develop and implement strategies across the organisation.

Charles Hindson (age 61) Non-Executive Director (Remuneration Committee (Chair), Audit Committee (Chair), Insider Committee)

Charles joined the board as a Non-Executive Director in March 2019 and chairs the audit and remuneration committees. He brings 16 years' experience of FTSE listed company board membership, having served in executive director roles with Filtronic plc, first as group finance director and subsequently chief executive, and then with e2v technologies plc as group finance director.

He has experience supporting business leaders to develop technology businesses internationally, through organic growth and successful acquisitions, which has been reflected in creating meaningful shareholder value with these listed companies.

His early career was with 3i and PwC, and then in HQ and international divisional finance

roles with British Gas plc and British Telecom plc before becoming finance director with Eutelsat SA, based in Paris, France. He also serves as a trustee and chair of the audit committee of Trinity College London, the international exam board for performing arts and English language qualifications. He is also a trustee of UCO, a specialist higher education provider in osteopathy.

Mike Wort (age 70), Non-Executive Director (Remuneration Committee, Audit Committee, Insider Committee)

Having trained as a microbiologist, Mike brings over 40 years' experience working with life science companies across the healthcare sector. Initially working with three of the top ten global Pharma companies in a variety of sales, marketing and research positions, he was appointed investor relations manager of Wellcome Plc and was actively involved in the global communications programme for the £2.4 bn secondary offering of Wellcome Plc shares by the Wellcome Trust, which enabled him to develop working relationships with key figures in the life sciences industry. After leaving Wellcome, Mike was a founding partner in the first specialist communications agency in the UK, for the emerging biotechnology industry. Apart from a period when he was involved as CEO during the privatisation of the Bulgarian Pharma industry, his career has been devoted to working with start-up and growing SMEs to maximise their potential for growth.

Corporate Governance Report

Chair's Introduction

I am pleased to introduce the Corporate Governance Report for the year ended 31 December 2020.

As an AIM quoted company, we recognise the importance of sound corporate governance principles in supporting and delivering the strategy of the Company and its subsidiaries (the "Group") and embedding these within, and as an integral part of, the operations of the Group. The board of directors (the "Board") adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") on the Company's IPO in March 2019. This has been reviewed and the Corporate Governance Statement, as updated on 26 February 2021, is available to view on the Company's website at www.diaceutics.com.

The Board has responsibility for ensuring that appropriate corporate governance principles are in place and that these requirements are followed and applied across the Group. The corporate governance arrangements are designed, inter-alia, to protect and respect the interests of all stakeholders, to ensure that the Company is managed for the long-term benefit of the Group's shareholders and other stakeholders and to provide shareholders and other stakeholders the opportunity to express their views and expectations for the Group in a manner that encourages open and ongoing dialogue with the Board.

COVID-19 has impacted on the means of communication with the Group's stakeholders but wherever possible communication which would otherwise have taken place face-to-face has been undertaken virtually.

This section of the Report from pages 40 to 49 sets out our approach to governance, provides further information on the operation of the Board and its committees and how the Group seeks to comply with the ten principles of the QCA Code.



Ms Deborah Davis
Chair

13 March 2021

Principle 1

Establish a strategy and business model which promote long-term value for shareholders

The Group has established a strategy and business model which aims to promote long-term shareholder value. The Group's strategy is reviewed each year.

Business Overview

Diaceutics is a diagnostic commercialisation company which serves the global Pharma industry. It has combined a suite of real-world data-driven products and laboratory implementation services into a business model. Its data-enabled products, model and services are focused on removing the diagnostic testing hurdles for the biomarkers and companion tests required to guide the selection of Precision Medicines. The Company provides services to 39 Pharma clients and their precision therapy brands in 29 markets. Diaceutics has amassed a suite of proprietary intellectual property that provides long-term value to shareholders and stakeholders.

Diaceutics has established a global network of testing laboratories that contribute data to the Group. The Group has developed a series of sophisticated and proprietary data-mining tools to make sense of that raw data and present it to Pharma companies in a meaningful way. In addition, the Company has a team of disease experts that overlay their scientific knowledge onto the data to create insights and patient outcome analysis that informs our Pharmaceutical clients. Further, the Company has established a proprietary therapeutic launch-playbook to derive from its experience on over 500 projects. The Company has established over eight years of proprietary data which informs the clinical pathway and creates a deep disease-level understanding which the Company describes as a DDP. Through this, Diaceutics' key value to Pharma companies is in providing products and services which enable insight into where, when and how the necessary precision testing procedures take place. The data generated by Diaceutics enables Pharma companies to identify the patients suitable for their therapeutic, allowing them to reach peak sales sooner than would otherwise be possible.

Diaceutics provides an end-to-end solution for the development and commercialisation of Precision Medicine diagnostics, from biomarker discovery to in-market test availability. With the launch of DXRX, the Company has a scalable, efficient platform as its core delivery mechanism, allowing Diaceutics to operate effectively across markets to meet client demand. The Company can maintain efficiency and create better quality of forward earnings via a product suite underpinned with data subscription, tech-enabled services and platform fees.

Diaceutics' services result in more effective patient diagnoses for treatments which, in turn, lead to better patient healthcare outcomes. This is manifested through faster testing, better turnaround times, quicker positive identification and higher numbers of patients treated. The social impact of better testing is of importance to global healthcare systems. If patients can receive the right treatment at the right time, it allows for efficient use of time and resources and leads to better patient outcomes.

Diaceutics' strategy has focused on collating large amounts of real-world laboratory data, patient data (on an anonymised and aggregated basis), claims and payor data which it uses to direct and deliver, via its laboratory liaison team, improved testing with over 2,500 labs globally on behalf of leading Pharma companies.

Business Strategy

The Group seeks to have a balanced business model with revenues derived from three areas:

- **Data Provision** - applying its extensive dataset and analysis of real-world evidence supplemented with proprietary algorithms, to provide new insights which fully align precision testing with the corresponding Precision Medicines;
- **Implementation Services** - providing test commercialisation services centred on the "Diaceutics Method" and leveraging its global laboratory database and laboratory liaison team to implement rapid improvements to clinical testing with laboratory partners in key Pharma markets; and
- **DXRX Tools** - using transformative technology developed inhouse to provide data and tools via our proprietary platform DXRX, Diaceutics rapidly ingests global flows of diagnostic testing data and provides a digital platform for collaboration and service delivery. DXRX will accelerate the uptake of the Group's services and make Diaceutics the partner of choice for Pharma companies seeking access to precision testing in the global Pharma markets.

The Group has identified multiple growth drivers over the years ahead. In the near term, the Group intends to continue with the organic growth within its core data analytics and implementation services business by offering end-to-end projects and selling an ever-wider range of services to its clients. The Group won its first end-to-end, fully outsourced diagnostic commercialisation solution project in June 2020 with a leading Pharma client. The Group expects to derive growth from the greater number of Precision Medicines progressing through clinical development as well as expanding its addressable market through the following areas:

- **Additional Indications:** Most of the Group's operations are presently focussed on oncology, but additional datasets from testing in cardiovascular, central nervous system, autoimmune and infectious disease will open companion diagnostic opportunities in these large therapeutic areas. Diaceutics has 49 DDPs, six are now in non-oncology diseases.
- **Geographic Scope:** In 2019 the Group expanded its geographic reach, initially by extending its footprint in China, Japan and South Korea. 2020 saw the addition of five new clients in Asia and an increase in the number of brands serviced to 18 (from 10 in 2019). These developing markets continue to represent key new growth opportunities for Pharma companies which have hereto depended on western markets for the bulk of their business, but now see these regions as one of the principal sources of volume growth going forward. The increased global connectivity possible through DXRX will be an enabler in reaching and servicing these markets.
- **Subscription and Value Sharing:** The Group is expected to derive additional value as DXRX becomes more embedded with our Pharma clients and other stakeholders including gradually transitioning clients to a subscriptions and value-sharing business model. This is driven by the Group's ability to provide an end-to-end outsourced diagnostic commercialisation service to its clients whereby it can be rewarded for the delivery of key milestones, allowing us to support brands over a longer period and delivering a predictable and recurring revenue stream.

Principle 2

Seek to understand and meet shareholder needs and expectations

The Board is committed to maintaining good communications and constructive dialogue with both its institutional and private investors and the interests of shareholders are considered paramount to the decision-making process and strategic direction of the Group.

The Board actively seeks dialogue with its shareholders via investor roadshows, capital market days, one-to-one meetings and regular reporting. The Board believes that appropriate open communication with investors and the Company's analysts is the best way to ensure that shareholders understand the Group's business, strategy and performance and, in turn, what is expected of the Group to enable its business to be driven forward.

The COVID-19 pandemic has largely prevented face-to-face communication during 2020 but throughout the year the Chief Executive Officer and Chief Financial Officer have held virtual meetings with those shareholders who hold the majority of institution-held shares.

They regularly present at conferences attended by many potential and current retail investors and meet with specialist private client fund managers. The Board is provided with feedback from all meetings and communications with shareholders.

The Company communicates with shareholders through the Annual Report and financial statements, the announcement of its full-year and half-year results, the Annual General Meeting ("AGM") and the release of news via the London Stock Exchange Regulatory News Service ("RNS"). The COVID-19 pandemic unfortunately prevented shareholders from attending the AGM in 2020 in person. Ordinarily all shareholders have an opportunity to ask questions or represent their views formally to the Board during the AGM, or with directors after the meeting. The Company releases the voting results for the AGM and other General Meetings by RNS.

Corporate information, including Company announcements and presentations, are available to shareholders, investors and the public on the Group's website www.diaceutics.com.

The Company's contact details, email and correspondence address are listed on the website and the website offers a facility to sign up for email alert notifications of the Company's news and regulatory announcements.

The Company has in place a process for answering communications made to the Board in a timely manner.

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group has strong regard for the importance of its shareholders, customers and suppliers, partners and laboratories, patients, the community and employees, many of whom are also shareholders.

Employees

The Group recognises that central to its success is the recruitment, retention, development and motivation of its workforce. The Group operates multiple human resources projects to recruit and retain talented individuals to support its strategic goals. These include a global healthcare and benefits programme, a multi-faceted recruitment process, a residential onboarding programme to integrate new employees, which in 2020 has been conducted virtually, and a robust Group-wide Performance Management Framework ("PMF") linking each employee's daily activity to overall corporate goals. These initiatives are enhanced by bespoke developmental opportunities such as our internal mentoring programme and the accredited Diaceutics EFFECTive Leaders programme. This is in addition to overall training and development plans that promote and support personalised career development, leadership skills and learning.

The Group strives to achieve a supportive and inclusive work environment which promotes well-being and welfare, equality, respect and human rights together with engagement with the Group's performance, its strategic directions and goals. The Group has several engagement initiatives to support its workforce including quarterly Town Hall presentations and updates from the Executive Directors and other key senior management. The Chief Executive Officer regularly publishes podcasts and news articles aimed at keeping staff up to date with the direction of the Group.

Employee engagement surveys are undertaken periodically and actions taken to address key themes via sub-groups.

During 2020, Diaceutics launched an "Employee Assistance Programme" to foster employee wellbeing and work-life balance promoting flexibility within the workplace.

In response to the COVID-19 pandemic, Diaceutics launched an online "COVID-Toolkit" which included resources for line managers to assist staff to sustain remote working, home-schooling, virtual engagement and communication. Diaceutics' "Culture" programme provided a platform for employees to interact with colleagues in online gym classes, indoor cycling events and online quiz evenings, whilst also providing ongoing wellness support if needed.

In the year to 31 December 2020, the Remuneration Committee of the Board recommended the introduction of a Share Incentive Plan ("SIP") in which all Group employees are entitled to participate. To allow all Group employees to participate two SIPs were recommended, a UK SIP which is HMRC approved to provide the optimum tax treatment for UK employees, and a Global SIP. In each case, the SIP enables employees to purchase shares in the Company which are initially matched on a two for one basis for the first year and thereafter on a one for one basis. The SIP will be launched on 1 April 2021.

Customers and Suppliers

The Group's customer base consists of Pharma companies across several geographical markets including the UK and Ireland, Europe, Asia, and the US who require our products to help with the planning, commercialising and implementation of Precision Medicine. We regularly liaise with our customers to ensure that our products serve their purpose in informing and solving the problems of the end user. Diaceutics launched its DXRX platform in October 2020 and will transition its business model through 2023. This will be transformative for the Precision Medicine market and will provide our customers with access to real-time data, analytics and enhanced educational services and support which will further support our customers in achieving their end goal. Customer feedback is gathered across the Group and collated by project managers to ensure consideration of customers' expectations and project delivery to the highest quality.

Throughout the year, the Board was appraised of major contract negotiations and relations with key suppliers. Diaceutics aims to balance the requirement for strong business relationships with suppliers with the need to maintain value for money for our investors.

Partners and Laboratories

The Group has engaged with a range of partners and laboratories over several years and the recent launch of DXRX will support and enhance these relationships. DXRX has been purpose built to solve the real-world challenges faced by laboratories. It provides a secure online platform within which laboratories can enhance and promote their services, showcase their abilities, gain accreditation and access benchmarking and analytics and support services. Our Partners gain access to the laboratory, diagnostic and Pharmaceutical industry participants on a global level. Our partnerships are designed to foster business growth and strong, long lasting collaborations. We partner with organisations specialising in Precision Medicine diagnostics including areas such as test access and reimbursement, pathology training, health economics, reference standards and External Quality Assessment (EQA).

Patients

The Group's mantra is "Better Testing, Better Treatment". The Group has demonstrated its commitment to patients by establishing a formal 501(c)(6), non-profit organisation called the Precision Medicine Connective ("The Connective"). The Connective's mission is to increase awareness about testing so that every patient is empowered to make the best possible decisions in their treatment journey. It has partnered with international patient advocacy groups such as Inspire to Live, the European Cancer Patient Coalition ("ECP"), Myeloma Patients Europe and Lungevity to disseminate valuable information about diagnostic testing to patients.

A formal partnership with the Union for International Cancer Control ("UICC") and sponsorship of World Cancer Day has also provided a significant platform to elevate awareness of early detection and diagnosis of cancer, which is directly related to the Group's mantra.

Charities and Communities

In 2020, the Diaceutics' #JUnity programme encouraged all colleagues to participate in using a £50 Company donation to perform an individual act of kindness or goodwill gesture for a local community initiative, and sharing this with the rest

of the workforce. Participation took many forms, from donations or assistance to neighbourhood individuals and families, COVID-19 related causes or organisations and broader charities including the disability assistance dogs charity Support Dogs, the children's mental health charity, Young Minds and a support charity in South Africa, the Sports Academy George RSA. The Company sponsored a small breast screening camp in India, which was supported by the Ministry of Public Health and Family Welfare, Government of Karnataka, Bangalore.

Regulators

Diaceutics produces many of its products using data obtained from various channels and is committed to the security, protection and lawful treatment of personal data. We acknowledge that protecting the confidentiality and integrity of personal data is a critical responsibility that we must always take seriously.

Diaceutics has a data protection regime in place, which ensures that all personnel are sufficiently trained to handle any personal data in accordance with internal policies and standard operating procedures. This regime continues to evolve to keep abreast of regulatory developments across the globe.

Diaceutics' Legal and Compliance department plays a key role in administering the data protection regime and ensuring Diaceutics' activities (including its data lake) are fully compliant with relevant regulatory requirements across the globe, including GDPR in the UK and HIPAA in the US.

Principle 4 Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk and to provide reasonable assurance with regard to the safeguarding of the Group's assets, operations, people and reputation. The Board is responsible for reviewing and approving overall Group strategy and determining the financial structure of the Group including treasury, tax and dividend policies.

There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and for forecasting expected performance over the financial year. These cover profits, cash flows, capital expenditure and the balance sheet.

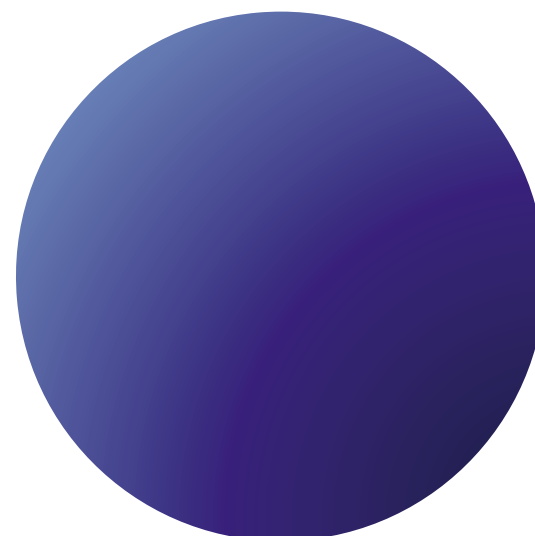
The principal business and financial risks have been identified and control procedures implemented. These are monitored using a structured approach in the format of a Board-Corporate risk register which is colour-coded to prioritise the most significant risks for ongoing Board attention. The risk management approach has been designed to identify the major risks identified within operational activity as well as Group-wide risks and those risks of a corporate nature covering strategy, markets and financial performance.

The Audit Committee of the Board ensures the maintenance of internal controls. It assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business and operational and financial controls, including the review of results of work performed by the Group controls function.

Further to the Board, the Company has an executive committee (EXCO) comprising Peter Keeling, Ryan Keeling, Philip White, Dr Jordan Clark (Chief Technical Officer), Damian Thornton (Chief Operating Officer) and Susanne Munksted (Chief Precision Officer). EXCO has a weekly operations call and monthly strategy call to review the financial position of Group and current risks, alongside future strategy for the business. A reporting pack is provided in advance of the meetings and is used to direct discussions on performance, position, cash flow and prospects of the business. An operations leadership team (OPCO) comprising members of senior management, was implemented in 2020 to add an additional layer of control over the day to day business operations.

The Company employs a General Counsel to assist and advise on all legal aspects of the business. The legal department provides legal support, has developed and promotes a risk and audit programme, aimed at protecting the interests of Diaceutics from a compliance, contractual risk and intellectual property perspective. The department takes an active role in ensuring that compliance is at the core of all aspects of the business.

The effectiveness of the established framework of business and internal financial controls is regularly



reviewed by the executive management, the Audit Committee and the Board. Previously this review identified that the Group would benefit from a new ERP system. This was commissioned with further modules implemented in 2020 to bring enhanced operational and control benefits to the business. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

Principle 5 Maintain the board as a well-functioning, balanced team led by the Chair

Composition, Roles and Responsibilities

The Board is responsible for the long-term success of the Company.

Deborah Davis was appointed Chair on 4 January 2021, following the departure of Julie Goonewardene on 31 December 2020.

The Board currently comprises the Chair, Deborah Davis, two Non-Executive Directors, Charles Hindson and Mike Wort and three Executive Directors, Peter Keeling (Chief Executive Officer), Ryan Keeling (Chief Innovation Officer) and Philip White (Chief Financial Officer).

The Directors' biographies, together with their respective Board Committee memberships, are set out on pages 38 to 39.

The Chair is responsible, inter-alia, for the proper functioning of the Board and the Chief Executive Officer has executive responsibility for running the Group's business and the development and implementation of the Group's strategy. The Chief Innovation Officer is responsible for the development and commercialisation of the Group's technology, including DXRX and the Group's proprietary data lake. The Chief Financial Officer is responsible for all of the Group's financial and risk management operations and developing the global financial architecture that underpins Group strategy.

The Board considers that the Non-Executive Directors are independent notwithstanding the varying lengths of service. The Non-Executive Directors have a particular responsibility for bringing objective challenge, judgement and scrutiny to all matters of the Board. They

critically challenge proposed strategies and current operational performance.

The Board considers that it has an appropriate balance between independence, knowledge of the Company's technology, sector experience and professional standing to allow it to discharge its duties and responsibilities; pursue the Company's strategic goals and address anticipated issues in the foreseeable future. However, the composition of the Board remains constantly under review and consideration will be given to any potential additions to the Board, to further broaden the experience and effectiveness of the Board as the Group develops. At this stage in the Company's development the Board does not support the nomination of a senior Non-Executive Director, but this will also remain under review.

Board Operation

There is a formal schedule of matters reserved for the Board, which may only be amended by the Board. These include approval of overall Group strategy, budgets, major contracts and investments, legal and regulatory compliance and key policy implementation, operational and management performance, risk and control processes, corporate and shareholder matters including corporate capital structure, annual reports and financial statements and dividends. The Board holds monthly meetings supplemented by additional meetings where required for the proper management of the business. In addition, the Board holds at least one strategy meeting each year to formulate, evaluate and interrogate the Group's near and long-term strategy. All directors of the Company (the "Directors") are provided with regular and timely information regarding the Group's operational and financial performance with a monthly reporting pack being received, as a minimum.

Relevant information is circulated to the Directors in advance of meetings to allow adequate time for discussion or consideration.

The Board met 22 times during the financial year ended 31 December 2020.

The following table shows the Directors' attendance at Board and Committee meetings during the year ended 31 December 2020:

| | Board | Audit | Remuneration | Insider |
|---|-------|-------|--------------|---------|
| Julie Goonewardene (Resigned 31 December 2020) | 22/22 | 2/2 | 4/5 | n/a |
| Peter Keeling | 22/22 | n/a | n/a | n/a |
| Ryan Keeling | 21/22 | n/a | n/a | n/a |
| Philip White | 20/22 | n/a | n/a | 1/1 |
| Charles Hindson | 22/22 | 2/2 | 5/5 | 1/1 |
| Mike Wort | 22/22 | 2/2 | 5/5 | 1/1 |

Each of the Executive Directors are required to commit at least five days per week to their roles. The Non-Executive Directors are required to provide such time as is required to fully and diligently perform their duties. All Board members are expected to attend all meetings of the Board and the committees on which they sit, wherever possible.

All Directors are encouraged to debate and use independent judgement, based on their respective knowledge and experience, to challenge all matters affecting the business, whether strategic or operational.

All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the Group's expense.

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

Board Rotation

The Company's Articles of Association (the "Articles") require that one-third of the Directors must stand for re-election by shareholders annually in rotation and that any new directors appointed during the year must stand for re-election at the AGM immediately following their appointment. In accordance with the Articles, Deborah Davis will

stand for re-election at the AGM to be held in 2021 and Ryan Keeling will retire by rotation and stand for re-election at the AGM. Directors are required to seek re-election at least once every three years.

Principle 6

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The biographies of the Board are set out on pages 38 to 39. The Board retains a range of industry, technology and finance experience and there is a good balance of skills, independence, diversity and knowledge of both the Group and the arena in which it operates including Pharma, platform technology, innovation, marketing, finance and public markets. The Non-Executive Directors have been appointed on merit and for their specific areas of expertise and knowledge. This enables them to bring independence of judgement on issues of strategy and performance and to debate matters constructively.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills, knowledge, experience and time committed to enable it to deliver the strategy of the Group, it is nevertheless mindful of the need to continually review the needs of the business to ensure that this remains true.

Directors receive regular and timely information on the Group's operational and financial performance with information being circulated to the directors in

advance of meetings. The business reports monthly on its performance against its agreed budget. Operational skills are maintained through an active day to day involvement with leading global experts from the laboratory, diagnostic and Pharma industries. Peter Keeling is a member of the COVID-19 Testing Industry Consortium group which is a group of 19 leading healthcare companies which aims to inform, improve, innovate and accelerate aspects of COVID-19 testing and highlight the wider effects of COVID-19.

The Group gains important insight and support through its DXRX Network Advisory Panel, an external advisory panel comprising a recruited group of scientific advisors, typically in the field of oncology and pathology who are key industry opinion leaders well recognised in their fields. They support the Company's collaborations with industry bodies, assist with abstract submissions for the likes of ASCO, and client engagement. The panel meets monthly and is led by Ryan Keeling.

Board members may attend such courses or training, as they feel appropriate, to keep up to date. Involvement with a variety of other boards allows the members to witness alternative approaches to similar business issues and to benefit from the advice of more than just the Group's advisors.

During 2020, external advice was sought on the following occasions. The Board formed a subcommittee to appoint a new Chair, with its members being the Chief Executive Officer, Peter Keeling and the two Non-Executive Directors, Charles Hindson and Mike Wort. The subcommittee appointed an experienced recruitment adviser and ran a selection process resulting in the appointment of the new Chair being announced on 22 December 2020. Legal advice was sought in connection with the preparation for and implementation of, the restructure event and repositioning of the business undertaken in the second half of the year.

All Directors may take independent professional advice in the furtherance of their duties, if necessary, at the Group's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

The Chair, together with the Company Secretary, ensure that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board.

Principle 7

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Since the Company's IPO in March 2019, the Board has sought to improve the ways in which it interacts and the manner in which information is presented to it. The processes that have been put in place allow for a consistent approach to reporting, thus aiding analysis by the Board of all matters at hand.

A formal Board effectiveness review was undertaken following the first year of establishment of the current Board and will be repeated in the year-ending 31 December 2021. This review was in the form of a structured questionnaire circulated to all Directors, asking them to rate the Board's performance in several strategically important areas and provide a rationale for their view. Results and outcomes were analysed by the Company Secretary and any key themes were reported and discussed with the Board, with appropriate recommendations arising from this review being implemented by the Board.

In addition to the formal appraisal process for Board members, the Chair and Chief Executive Officer regularly discuss the performance of the Board and the information provided by the executive team.

Diaceutics succession planning module was developed to focus on the individual employee and their development, as well as the longer-term strategy of the Company. It uses a Performance Management platform which allows us to nurture via a structured employee engagement a talent pool in a manner which is aligned with Diaceutics' immediate and future business strategy. The process is driven by creating an individual development plan for each employee taking account of their future aspirations in collaboration with senior management thus identifying individuals who would like to progress within the Company. This operates for all employees apart from EXCO, where succession planning is managed by the Chief Executive Officer with the support of the Board.



Principle 8

Promote a corporate culture that is based on ethical values and behaviours

The Board believes that an organisation is defined by its people. In 2018, the Group established a formal working group, known as "The Culture Club" to formulate Diaceutics' values.

These values continue to provide the core structure of our culture and are based on the key values of **Empowerment, Foresight, Fun, Entrepreneurship, Communication and Trust**, together known as the Diaceutics **EFFECT** values. Diaceutics has a dedicated senior manager, its 'Culture Ninja', who ensures that the corporate culture which was embedded in our policy and processes remains at the forefront of leadership thinking within EXCO and OPCO, Diaceutics' principal executive operational committees.

The EFFECT values are core to both our recruitment and annual Performance Management Framework. It is also the cornerstone on which our mandatory onboarding programme is based. Examples of how this culture was evident in 2020 include our #JUnity programme where all colleagues participated in using a £50 company donation to perform an act of kindness or goodwill gesture for a local community initiative, hosting a virtual All Company Meeting to replace our annual in-person version which was cancelled due to the COVID-19 lockdown and also through the hosting of regular, virtual water-cooler chats and online COVID-19 chat channels to encourage ongoing collaboration and support channels for colleagues.

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies. Key examples of such standards include the Equality, Diversity and Inclusion policy, the Anti-Bribery and Anti-Corruption Policy and the Whistleblowing policy. 2020 saw the introduction of additional policies such as a Human Rights policy and Anti-Slavery and Human Trafficking Statement. Further, we have drafted our vendor assessment policy to ensure that alignment of culture with our core suppliers has become part of our policy.

Principle 9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Group's governance structures have been reviewed in the light of the QCA Code. The Board believes them to be in accordance with best practice as adapted to best comply with the Group's circumstances and stage of development.

The Board has overall responsibility for implementing the Group's strategy and promoting the long-term success of the Group. The Executive Directors have overall responsibility for managing the day-to-day operational, commercial and financial activities. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions.

The Board seeks to meet regularly, but in any event to hold no fewer than 12 board meetings in each year, which are scheduled prior to the commencement of each financial year. These meetings are scheduled to coincide with the announcement of the Company's annual and half yearly results and throughout the remainder of the year at regular monthly intervals. These are supplemented with additional meetings and informal discussions between members of the Board, the Executive Directors and senior operational managers of the Company, in relation to strategic business development and other topics which are key to the Company's progress.

The Board is supported by the Audit Committee, Remuneration committee and Insider Committee, all of which have formally delegated duties and responsibilities and written terms of reference. The terms of reference of each committee are available from the Group's website at www.diaceutics.com

The Audit Committee is chaired by Charles Hindson and the other members of the Committee are Deborah Davis and Mike Wort. It meets at least twice a year at appropriate times in the reporting and audit cycle and otherwise as required.

The Committee's responsibilities are set out in its terms of reference and include amongst other things, reviewing the adequacy of the Group's accounting and operating controls, reviewing the proposed financial statements of the Group prior to

publication and recommending the appointment of the auditor and review of the scope and results of its audit. It is also responsible for ensuring that an effective system of internal control is maintained.

The Remuneration Committee is chaired by Charles Hindson and the other members of the Committee are Deborah Davis and Mike Wort. It also meets at least twice a year at appropriate times in the accounting cycle and otherwise as required. The Committee's responsibilities include amongst other things, responsibility for determining the remuneration for the Group's Executive Directors and senior management and reviewing the design of share incentive plans and setting of performance related pay schemes and total annual performance related payments. The Insider Committee comprises Philip White, Charles Hindson and Michael Wort. It is responsible for assisting and informing the decisions of the Board concerning the identification of inside information and/or price sensitive information and to make recommendations about how and when the Company should disclose that information in accordance with the Company's disclosure manual, the Disclosure Guidance and Transparency Rules, the AIM Rules and the Market Abuse Regulations ("MAR"). It meets on an *ad hoc* basis as required.

In 2020, the Board formed a subcommittee to appoint a new Chair, with its members being the Chief Executive Officer, Peter Keeling and the two Non-Executive Directors, Charles Hindson and Mike Wort. The subcommittee appointed an experienced recruitment adviser and ran a selection process resulting in the appointment of the new Chair being announced on 22 December 2020.

The Board and its committees are provided with information ahead of meetings to give time for review and analysis. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable each committee to discharge its duties. For each Board meeting an agenda is prepared and approved by the Chair and followed.

The Board is confident that its governance structures and processes are consistent with its current size and complexity of the business. The appropriateness of the Group's governance structures will be reviewed annually to take account of further developments of accepted best practice and the development of the Company.

Principle 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company communicates with shareholders through the Annual Report and financial statements, the announcement of its full-year and half-year results, the AGM and the release of news via RNS channels and by regular one-to-one meetings with large existing or potential new shareholders and by open events with private shareholders.

The Group encourages two-way communication with both its institutional and private investors and responds promptly to all queries received. The Chief Executive Officer talks regularly with the Group's major shareholders and ensures that their views are communicated fully to the Board. Investor roadshows are held following the release of half and full-year results; and the Chief Executive Officer and Chief Finance Officer attend several investor and sector specific conferences which give smaller investors the opportunity to speak with the executive.

Corporate information, including Group announcements, financial reports and presentations, are also available to shareholders, investors and the public on the Group's corporate website www.diaceutics.com

The Group's workforce are regularly updated as appropriate, with the development of the Group and its performance. A group intranet system, Jostle, is frequently updated for news on Group developments and events, industry related press releases, internal discussions and a regular update from the CEO. An all-company Town Hall webinar is held quarterly during the year updating staff and consultants on past performance and future plans for the Group along with employee related matters.

The Company aims to hold an annual four-day Group meeting, to which all employees are invited, in order to communicate, disseminate and discuss the Group's plans and goals. This aims to engage and align the entire workforce with the culture and strategic goals of the Group in an environment which is effective and conducive to their attainment. In 2020 this meeting was held virtually and in a condensed format due to COVID-19. Additional Town Hall meetings were held in 2020 to compensate.

Remuneration Committee Report

On behalf of the Board, I am pleased to present the Remuneration Committee Report for the year-ended 31 December 2020.

Remuneration Committee

During the year-ended 31 December 2020, the Committee consisted of three Non-Executive Directors: me (as Chairman), Julie Goonewardene (who resigned on 31 December 2020) and Mike Wort. Deborah Davis was appointed as Non-Executive Chair on 4 January 2021 and joined the Committee in place of Julie Goonewardene with effect from that date. The Remuneration Committee met five times during the year-ended 31 December 2020.

Role of the Remuneration Committee

The Remuneration Committee has responsibility for determining and agreeing with the Board the Company's broad remuneration policy, for the Chair and the executive directors, including pension rights and compensation payments, together with recommending the level and structure of remuneration for senior management. The Remuneration Committee also has responsibility for determining (within the terms of the agreed policy) the total individual remuneration package of the Chair, the executive directors, the Company Secretary, and senior executives including bonuses, incentive payments, and share options. The Committee is responsible for the design, setting of targets and approval of total annual payments under the Company's performance related pay schemes together with the design of all share incentive plans and annual awards thereunder. In performing its duties, the Remuneration Committee takes consideration of the pay and employment conditions across the Group, in determining salary increases. The Board is responsible for the remuneration of the Non-Executive Directors.

Policy on Executive Directors and Senior Management Remuneration

Diaceutics prioritises recruiting and retaining highly skilled and experienced staff to support the success of the Group. The remuneration policy seeks to deliver a fair and balanced remuneration package for each of the Executive Directors and Senior Management team, reflecting experience

and role. The remuneration policy takes into consideration the Group's appetite for risk and is aligned to the long-term strategic goals of the Group. In remunerating the Executive Directors' and Senior Management, a proportion of the remuneration is structured to link rewards to corporate and individual performance to drive long-term success for the Group.

Basic Salary

The basic salaries of the Executive Directors are reflective of competitive rates, taking into consideration the level of experience and skills which the individual has relevant to the sector and the level of compensation within comparable AIM Companies. All Executive Director's salaries are reviewed annually by the Committee. Executive Director pay rises are considered annually, in line with employees. Changes in basic salaries are considered in the light of changes in responsibilities, roles, and external changes such as inflation.

Pension

All employees in UK and Ireland can participate in the Group pension scheme within which the employer makes pension contributions of between 2 and 5% for employees. Enhanced rates can be agreed for a number of senior management on an individual basis. For all other employees, the senior management team are currently reviewing the pension benefits available.

The pension arrangements in place for the Executive Directors are that the Company contributes 10% of salary for Peter Keeling, 3% of salary for Philip White and 4% for Ryan Keeling. These arrangements were reviewed in 2019 and were considered within the range of the Company's pension contribution for other staff, reflecting the individual Directors' salary levels.

Private Healthcare

All employees including the Executive Directors are offered private healthcare.

Bonus and Equity

All Executive Directors and Senior and Middle Management are eligible for discretionary

annual bonuses. Annual cash bonuses are paid upon the achievement of pre-set strategic objectives which relate to both Group and individual performance targets. The Committee, in conjunction with the Board reviews these targets and sets the objectives at the commencement of each financial year. No bonuses were paid in relation to the 2020 financial year.

In addition to cash bonuses, equity-based awards are made to Executive Directors and Senior and Middle Management. This scheme is intended to provide a long-term incentive plan for eligible employees and the first grant was made in June 2020, in the form of market value share option awards. The second grant within the plan is scheduled for April 2021 and will be by way of a Performance share plan with performance based on absolute shareholder return.

Activity During the Year

Share Incentive Plan

In the year to 31 December 2020, the Remuneration Committee supported the introduction of a Share Incentive Plan ("SIP") in which all Group employees are entitled to participate. The UK employees participate through an HRMC approved share matching scheme and non-UK employees through a share option structure. The SIP enables employees to purchase shares up to a value of £1,600 in the Company which are initially matched by the Company on a two for one basis for the first year and thereafter on a one for one basis. The SIP will be launched on 1 April 2021.

Sales Commission Incentive Plan

In the year to 31 December 2020, the Remuneration Committee approved the introduction of a Sales Commission Incentive Plan for all sales employees. The commission structure has been designed to incentivise sales staff to focus on client relationships and to support the organisation's targets for sales growth and reducing revenue seasonality, with a commission received based on achievement of their individual sales targets. The Sales Commission Incentive Plan commenced on 1 January 2021.

Directors' Remuneration

The remuneration of the Board of Directors of Diaceutics PLC for the year-ended 31 December 2020 is set out below:

| | Basic Salary £ | Bonus £ | Taxable Benefits £ | Pension £ | 2020 Total £ | 2019 Total £ |
|----------------------|----------------------|------------|--------------------------|---------------|--------------------|--------------------|
| Executive | | | | | | |
| Peter Keeling | 246,876 | - | 1,527 | 24,900 | 273,303 | 283,941 |
| Ryan Keeling | 215,375 | - | 1,332 | 8,610 | 225,317 | 235,813 |
| Philip White | 215,375 | - | 1,332 | 6,416 | 223,123 | 261,164 |
| | 677,626 | - | 4,191 | 39,926 | 721,743 | 780,918 |
| Non-Executive | | | | | | |
| Julie Goonewardene | 55,000 | - | - | - | 55,000 | 41,250 |
| Mike Wort | 30,000 | - | - | - | 30,000 | 22,500 |
| Charles Hindson | 35,000 | - | - | - | 35,000 | 26,250 |
| | 120,000 | - | - | - | 120,000 | 90,000 |
| Total | 797,626 | - | 4,191 | 39,926 | 841,743 | 870,918 |

Taxable benefits consist of life insurance and group income protection.

Remuneration is fixed except for bonus of Nil (2019: £161,000).

Julie Goonewardene's remuneration reflects all payments made up until her resignation in December 2020.

Directors' interests in share options for the year-ended 31 December 2020

As at 31 December 2020, the following directors held the following share awards over ordinary shares of £0.002 per share under the Company's long-term incentive plan (LTIP) award scheme. For details of the share option schemes see Note 9.

| | Type of Award | Award Date | Number of shares at 31 December 2020 | Exercise Price £ | Vesting Date | Number of shares at 31 December 2019 |
|-------------------------|------------------|--------------------|---|------------------------|--------------------|---|
| Executive | | | | | | |
| Peter Keeling | LTIP | 17th April 2020 | 180,000 | 1.265 | 17th April 2023 | - |
| Ryan Keeling | LTIP | 17th April 2020 | 180,000 | 1.265 | 17th April 2023 | - |
| Philip White | LTIP | 17th April 2020 | 180,000 | 1.265 | 17th April 2023 | - |
| Non-Executive | | | | | | |
| Julie Goonewardene * | - | - | - | - | - | - |
| Charles Hindson | - | - | - | - | - | - |
| Mike Wort | - | - | - | - | - | - |

* Resigned 31 December 2020

Additional information with respect to the share options is disclosed in note 9 share based payments.

Directors' interests in shares for the year-ended 31 December 2020

The Directors who held office at 31 December 2020 had the following interests in the ordinary shares of £0.002 in the capital of the Company

| | Number of share options held at 31 December 2020 | Number of Ordinary Shares held at 31 December 2020 | Ordinary Shares as a % of issued share capital | Number of Ordinary Shares held at 31 December 2019 |
|------------------------|--|--|--|--|
| Executive | | | | |
| Peter Keeling | 180,000 | 17,502,049 * | 20.82% | 17,526,049 |
| Ryan Keeling | 180,000 | 2,890,643 | 3.44% | 2,890,643 |
| Philip White | 180,000 | 3,026,330 ** | 3.60% | 3,026,330 |
| Non-Executive | | | | |
| Julie Goonewardene *** | - | 1,614,127 | 1.92% | 1,614,127 |
| Charles Hindson | - | 43,500 | 0.05% | 43,500 |
| Mike Wort | - | 144,737 | 0.17% | 144,737 |
| Total | 540,000 | 25,221,386 | 30.00% | 25,245,386 |

* includes 8,861,975 shares held by Delia Keeling, Peter's wife

** includes 1,009,800 shares held by the Philip White Tyres Pension Trust 81810

*** Resigned 31 December 2020

There were no changes in the shareholdings of the directors between 31 December 2020 and the date of this report.

Service Contracts and Non-Executive Directors' Letters of Appointment

The executive directors have rolling contracts that are terminable on 12 months' notice. The Chair and each of the Non-Executive Directors have entered into a letter of appointment which is terminable on three months' notice.

Committee Performance and Evaluation

During the year the Committee has supported the introduction of the all employee share matching plan, the arrangements to move to a PSP for the second year of the LTIP scheme, the annual pay review and the setting of performance targets for 2021's bonus scheme.

The Committee intends to undertake a formal performance evaluation procedure during the coming year.

Shareholder Approval of the Directors' Remuneration Report

Shareholders are asked to approve this directors' Remuneration Report (excluding the directors' Remuneration Policy) for the year-ended 31 December 2020 at the forthcoming Annual General Meeting. This resolution is advisory in nature.



Mr Charles Hindson
Remuneration Committee Chairman
13 March 2021

“Diaceutics’ services result in more effective patient diagnoses for treatments, which in turn lead to better patient healthcare outcomes.”

Audit Committee Report

On behalf of the Board, I am pleased to present the Audit Committee Report for the year-ended 31 December 2020.

Audit Committee

During the year, the Committee consisted of three Non-Executive Directors: me (as Chairman), Julie Goonewardene and Mike Wort. Deborah Davis was appointed as Non-Executive Chair on 4 January 2021 and joined the Committee in place of Julie Goonewardene with effect from that date.

The Audit Committee is convened as required and met two times during the year (March 2020 and September 2020) to discharge its responsibilities *inter alia* in connection with the Group's Financial Statements for the year-ended 31 December 2019 and the Interim Financial Statements for the six months ended 30 June 2020. A further planning meeting took place with the external auditor in December 2020.

Role of the Audit Committee

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and reviewed, and its role includes monitoring the integrity of the financial statements of the Group (including annual and interim financial statements and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors, reviewing findings of an audit with the auditors, meeting regularly with the auditors and advising on the appointment of external auditors.

The Chief Financial Officer, Group Financial Controller and the external auditor normally attend Committee meetings. The Committee met with the external auditor without management present during the year. The board is satisfied that I, as the Chairman of the Committee, have recent and relevant financial experience, being a Chartered Accountant with prior executive director experience over 16 years with two FTSE listed international technology companies, as chief executive officer and chief financial officer. Whilst the Board as a whole has a duty to act in the best interests of the Company, the Committee

has a particular role, acting independently of management, to ensure that the interests of shareholders are properly protected in relation to financial reporting and the effectiveness of the Group's systems of financial internal controls.

The key responsibilities of the Committee are to:

- Monitor the integrity of the Group's financial statements and other statements and announcements relating to its financial performance, reviewing and challenging the methodology and assumptions used where necessary
- Consider the Group's accounting policies and practices along with its application of accounting standards and significant judgements
- Review the effectiveness of the Group's system of internal controls, including financial reporting and controls and risk management systems
- Review the adequacy and security of the Group's procedures and controls for whistleblowing; the detection of fraud and the prevention of bribery
- Consider and make recommendations to the board on the appointment, reappointment, removal or resignation and remuneration of the external auditor
- Oversee the relationship with the Group's external auditor including consideration of the objectivity and independence of the external audit process. The full terms of reference for the Committee can be found on the Company's website at www.diaceutics.com

External Auditor

PricewaterhouseCoopers LLP was appointed by the board as the Company's external auditor on 19 May 2020 for the 2020 reporting year and it is their intention to put themselves forward at the AGM to stand as auditors for the next financial year. There are no contractual obligations that restrict the Committee's choice of external auditor.

The Group paid £92,000 to PwC for audit services in 2020, relating to the statutory audit of the Group and Company financial statements, the audit of Group subsidiaries. In addition, the Group paid PwC £11,000 in relation to non-audit related assurance services for the interim review.

“The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and reviewed.”

In addition to audit and interim fees disclosed above, the Group paid £65,000 to PwC in relation to other non-audit related services.

Committee performance and effectiveness

During the year, the Committee:

- Reviewed the changes in application of the accounting policies for the introduction of the DRDX platform
- Provided support for the preparation of the trading update made in September 2020
- Supported recruitment of one senior finance manager during the year
- Reviewed the status of the systems of internal control, and approved establishing the approach for Internal Audit for the current year
- Liaised with the external auditors, including on their reappointment, and considered their non-audit work to support the Group's reorganisation
- Reviewed the exceptional costs and their associated accounting treatment, in relation to the Group's reorganisation

The Committee intends to undertake a formal performance evaluation procedure during the coming year.

This Audit Committee Report was reviewed and approved by the board on 12 March 2021.



Mr Charles Hindson
Audit Committee Chairman
13 March 2021

Directors' Report

The Directors present their annual report and the audited Group financial statements for the year-ended 31 December 2020. These will be laid before the shareholders of the Company at the next Annual General Meeting (AGM).

Diaceutics PLC is incorporated in Northern Ireland, registration number NI055207, and its registered office is 55-59 Adelaide Street, Belfast, BT2 8FE. The Company is listed on the Alternative Investment Market of the London Stock Exchange (AIM: DXRX).

Principal Activity

The principal activity of the Group during the year continued to be data, data analytics and implementation services. The Group has established a core suite of products and outsourced advisory services which help its Pharma clients to optimise and deliver their marketing and implementation strategies for companion diagnostics. Their mission is to design, create and implement innovative solutions that enhance speed to market and increase the effectiveness of all the stakeholders in the personalised medicine industry. The Group engage in research and development activities in the area of drug development science, testing data and software platform development.

Results and Dividends

The profit for the year, after taxation, amounted to £0.3m (2019: £0.4m).

No dividends were paid during the year. The Directors do not recommend the payment of a dividend.

Going Concern

The financial statements have been prepared on the going concern basis which assumes that the Group will be able to continue in operational existence for the foreseeable future and to meet its liabilities as they fall due. In preparing the financial statements, the directors have taken into account the Group's future trading and cash flows and believe that it is appropriate to prepare the financial statements on the going concern basis.

The financial performance and balance sheet position at 31 December 2020 along with a range of scenario plans to 31 December 2022 has been considered, applying different sensitives to revenue. Across these scenarios, including at the lower end of the range, there remains significant headroom in the minimum cash balance over the period to 31

December 2022 and therefore the Directors have satisfied themselves that the Group has adequate funds in place to continue in operational existence for the foreseeable future.

Research & Development and Future Developments

Management intends to further develop the DXRX platform to meet future market demand as outlined in the Market Opportunity section of this report (pages 26 to 29).

Outlook & Financial Risk

Details of market outlook are disclosed in our market opportunity section on page 26, and financial risks are outlined within principal risks and uncertainties on page 32.

Directors

The Directors who served during the year, and up to the date the financial statements were signed, were:

- Ms J Goonewardene (resigned 31 December 2020)
- Ms D Davis (appointed 4 January 2021),
- Mr C Hindson,
- Mr M Wort,
- Mr P Keeling,
- Mr R Keeling,
- Mr P White

Directors' Interests and Indemnity Arrangements

The Directors' interests in the shares of the Company are disclosed in the Remuneration Report on pages 50 to 54. The Directors and officers of the Group have the benefit of a Directors' and Officers' liability insurance.

No Director had, during or at the end of the year, a material interest in any contract which was significant in relation to the Group's business except in respect of service agreements and share options and as disclosed in the Directors' Remuneration Report.

Share Capital

Details of the Company's issued share capital are shown in Note 24 to the consolidated financial statements.

The share capital of the Company comprises one class of ordinary shares and these are listed on AIM. At 31 December 2020 there were in issue 84,068,923 fully paid ordinary shares. All shares are freely transferable and rank pari passu for voting and dividend rights.

Substantial shareholdings

At 31 December 2020, shareholders holding more than 3% of the share capital in Diaceutics PLC were:

| | Ordinary Shares | Percentage of that Class |
|--|-----------------|--------------------------|
| Mr Peter Keeling* | 17,502,049 | 20.82% |
| Gresham House Asset Management Limited | 9,443,000 | 11.23% |
| Canaccord Genuity Group Inc | 7,808,750 | 9.29% |
| Elizabeth Considine | 5,512,169 | 6.86% |
| Berenberg Bank | 5,069,500 | 6.03% |
| Philip White** | 3,026,330 | 3.60% |
| Herald Investment Management | 3,011,000 | 3.58% |
| Ryan Keeling | 2,890,643 | 3.44% |

* includes 9,585,659 shares held by Delia Keeling, Peter's wife prior to admission, and 8,837,975 following admission

** includes 1,009,800 shares held by the Philip White Tyres Pension Trust 81810

Save as referred to above, the Directors are not aware of any persons as at 31 December 2020 who were interested in 3% or more of the voting rights of the Company or could directly or indirectly, jointly or severally, exercise control over the Company.

Political Donations

The Group has not made any political donations during the year (2019: £Nil).

Financial Instruments

Information on the Groups' financial instruments, together with the Groups' assessment on financial risk is disclosed in note 23 and is included in this report by cross reference.

Corporate Governance

The Board has responsibility for ensuring that appropriate corporate governance principles are in place and that these requirements are followed and applied across the Group. Details of the Groups' adherence to these principles are disclosed on pages 40 to 49 and are included in this report by cross reference.

Disclosure of Information to Auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Mr Philip White
Director
13 March 2021

Statement of Directors’ Responsibilities in relation to the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company’s transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

“The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.”

Group Financial Statements



Independent auditors' Report to the members of Diaceutics PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Diaceutics PLC's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Group and Company Balance Sheets as at 31 December 2020; the Group Profit and Loss Account and Group Statement of Comprehensive Income, the Group Statement of Cash Flows and the Group and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the group financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting

standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- We focused our work over the Group's reporting packs for the key trading entities
- We performed procedures over four Group companies, including Diaceutics Plc (the parent company of the Group), and the consolidation adjustments
- The components where we performed our audit work, together with procedures over the consolidation adjustments, accounted for 100% of Group revenue and 99% of profit before tax and exceptional costs.

Key Audit Matters

- Accounting for capitalised development costs (group and parent)
- Recoverability of intangible assets (group and parent)
- Accounting for revenue recognition including accrued and deferred income (group and parent)
- Impact of COVID-19 (group and parent)

Materiality

- Overall group materiality: £53,655 (2019: £92,247) based on 5% of average profit before tax and exceptional costs for the past 3 years.
- Overall company materiality: £48,289 (2019: £86,865) based on 5% of average profit before tax and exceptional costs for the past 3 years.
- Performance materiality: £40,241 (group) and £35,408 (company).

The scope of our Audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the Audit in Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting for estimates including estimates relating to revenue recognition and estimates for

capitalised development costs. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of the effectiveness of management's controls designed to prevent and detect irregularities;
- Identification and testing of significant manual journal entries; and
- Testing of assumptions and judgements made by management in making significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Recoverability of intangible assets and impact of COVID-19 are new key audit matters this year. Otherwise, the key audit matters below are consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <p>Accounting for capitalised development costs (group and parent)</p> <p>The Group and the Company capitalises costs associated with the development of DXRX, a Software as a Service (SaaS) platform which has been developed internally. The costs associated with the time spent on this development project are capitalised onto the balance sheet at the year end and represent the hours spent on this project by the dedicated team who work on the data collection or the development of the software platform.</p> | <p>To test the capitalised development costs:</p> <ul style="list-style-type: none"> • We obtained the workings for the capitalisation of the internal labour costs and tested the inputs to this schedule and tested the mathematical accuracy of the workings; • We agreed a sample of employees' base salaries to the payroll records; • We reperformed the calculation for the estimate of the cost of employers' tax and benefits that are capitalised; • We agreed a sample of the individuals hours charged to the timesheets for those individuals; • We obtained independent confirmations from a sample of employees on the time charged to the project as detailed in the schedule provided to us; • We held a number of discussions with non-finance related employees and project managers who work on the project to corroborate the status of the project outside the finance function; and • We have also assessed management's assessment of the economic benefits and ensured the capitalised costs met the criteria of IAS 38. <p>Based on the audit procedures performed, we noted no material issues arising from our audit work.</p> |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Recoverability of intangible assets (group and parent)</p> <p>The Group and Company have intangible assets held at a NBV of £9.4m (2019: £3.8m) and £6.2m (2019: £1.9m) respectively at the year end. The carrying value of intangible assets are dependent on estimates of future cash flows of the Group and there is a risk that if management does not achieve these cash flow estimates it could give rise to an impairment charge. This risk increases in periods when the Group's trading performance and projections do not meet expectations. The impairment review performed by management include a number of significant judgements and estimates and changes in these assumptions can result in an impairment charge or a material difference in available headroom.</p> | <p>To test the recoverability of the intangible assets:</p> <ul style="list-style-type: none"> • We obtained the discounted cash flow model and tested the mathematical accuracy of the model; • We tested and challenged the various assumptions and inputs to the model such as revenue growth rates by comparing this to historic growth rates and assessing if it reflected the impact of COVID-19; • We obtained a listing of current projects in place and also pipeline projects to verify the revenue projections; • We obtained the CAPEX budget approved by the board and assessed whether it was aligned to what was shown in the model; • We obtained the detailed workings on the discount rate and confirmed the mathematical accuracy; • We verified the discount rate detailed workings to relevant sources and performed an independent recalculation of it; • We performed our own independent sensitivity analyses on the model including sensitising the revenue growth rate, discount rate and assessing what would be the relative breakeven point in the model; and • We held a number of discussions with management, we challenged assumptions in the model and we carried out a walkthrough of the DxRx platform. <p>Based on the audit procedures performed, we noted no material issues arising from our audit work.</p> |

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p>Accounting for revenue recognition including accrued and deferred income (group and parent)</p> <p>The Group and the Company recognises project revenue over time, based on the stage at which a particular project is in terms of completion. This is measured by comparing the actual hours to budget on any given project. The Project Manager is responsible for updating the budget based on actual hours charged and comparing this to estimated cost to completion.</p> | <p>To test the revenue recognition:</p> <ul style="list-style-type: none"> We updated our understanding around revenue streams and respective recognition policies across the group, specifically for those that were live around the year end; Our approach to testing revenue recognition involved identifying the substance of the contracts, identifying the performance obligations included, determining the transaction price of the contract and subsequently identifying the allocation of the transactional price against the performance obligation milestones; We obtained evidence of final deliverables provided to the customer for projects that were completed during the year; We obtained budgets for a sample of projects ongoing at year end and assessed the reasonableness of the percentage of completion calculation at the year end based on forecast hours to actual hours recorded on timesheets; We reviewed completed contracts post year end to confirm that they were delivered within the budgeted hours; We held discussions with project managers to ensure that the percentage of completion at the year end based on hours charged to date was a fair representation of the stage of the project; We performed look back procedures on open projects at the previous year end to assess if the budgeting of project hours in FY19 when compared to actual hours was reasonable and whether or not we could rely on management's ability to budget in FY20; and We traced any adjustments to deferred and accrued revenue to the financial statements, to ensure that this accurately reflected the timing difference. <p>Based on the audit procedures performed, we noted no material issues arising from our audit work.</p> |

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Impact of COVID-19 (group and parent)</p> <p>The ongoing COVID-19 pandemic is having a significant impact on both the UK economy and the global economy in which the Group and Company operates. There is significant uncertainty as to the duration of the pandemic and what its lasting impact will be on the global economy. The Directors have considered the impact to the Group and Company of the ongoing COVID-19 pandemic across the business. As a diagnostic commercialisation business for precision testing to the global healthcare market, the results for the year ended 31 December 2020 reflected the impact of COVID-19. In relation to the going concern assessment, the Directors have prepared cash flow forecasts with a range of scenarios to 31 December 2022 considered and different sensitivities applied to revenue. These forecasts reflect the expected future impact of the COVID-19 pandemic on the Group and Company. These forecasts indicate that the Group and Company will have sufficient cash resources to continue in operation for a period of at least 12 months from the date these financial statements were approved. The Group had cash of £25.3m as at 31 December 2020 and has no external debt other than convertible loan notes of £0.1m.</p> | <p>In assessing management's consideration of the impact of COVID-19 on the Group and Company, we have undertaken the following audit procedures:</p> <ul style="list-style-type: none"> We obtained the latest cash flow forecasts that support the Director's assessment and conclusions in relation to the going concern basis of preparation of the financial statements; We challenged the appropriateness of the underlying assumptions in the forecasts, including the different scenarios presented; We obtained the latest management accounts for the financial year to date and checked they were consistent with the forecasts; and We reviewed the disclosures within the financial statements and consider them to be reasonable. <p>Based on the audit procedures performed, we noted no material issues arising from our audit work and our conclusion in respect of going concern is included in the "Conclusions relating to going concern" section below.</p> |

How we Tailored the Audit Scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We performed full scope audits in respect of all entities within the group excluding the newly incorporated subsidiary, Diaceutics Precision Medicine Technology (Guangzhou) Limited. This ensured that sufficient and appropriate audit procedures were performed to achieve sufficient coverage over the financial statement line items. We performed analytical procedures over the out of scope component, Diaceutics Precision Medicine Technology (Guangzhou) Limited, to confirm there were no significant risks of material misstatement.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Financial statements - group | Financial statements - company |
|---------------------------------|--|--|
| Overall materiality | £53,655 (2019: £92,247). | £48,289 (2019: £86,865). |
| How we determined it | 5% of average profit before tax and exceptional costs for the past 3 years | 5% of average profit before tax and exceptional costs for the past 3 years |
| Rationale for benchmark applied | Average profit before tax and exceptional costs for the past 3 years is the primary measure used by the Board and the shareholders in evaluating the performance of the Group and is a generally accepted auditing benchmark. This measure excludes exceptional costs which are non-recurring due to their nature. | Average profit before tax and exceptional costs for the past 3 years is the primary measure used by the Board and the shareholders in evaluating the performance of the Company and is a generally accepted auditing benchmark. This measure excludes exceptional costs which are non-recurring due to their nature. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £1,226 to £48,289. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £40,241 for the group financial statements and £36,217 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £2,683 (group audit) (2019: £4,612) and £2,414 (company audit) (2019: £4,343) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions Relating to Going Concern

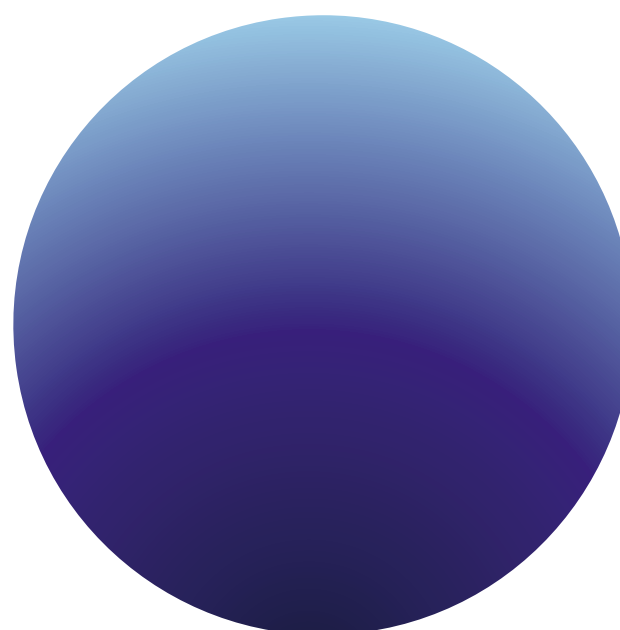
Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained cash flow forecasts and financial projections for the Group that included a base case and severe but plausible downside scenario that could arise.
- We assessed the assumptions used by management and compared the forecasts against historical performance, factoring in knowledge of the entity's plans and the impact of COVID-19, as well as our knowledge of the entity and the sector in which it operates.
- We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.



Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities in relation to the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk

characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected. A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of This Report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Companies Act 2006 Exception Reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Remuneration Committee Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Kevin MacAllister (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast

13 March 2021

Group Profit and Loss Account

for the year ended 31 December 2020

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

All results relate to continuing operations.

Group Statement of Comprehensive Income

for the year ended 31 December 2020

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

Earnings per Share

for the year ended 31 December 2020

| | Note | 2020 (Pence) | 2019 (Pence) |
|------------------|------|-----------------|-----------------|
| Basic | 15 | 0.34 | 0.62 |
| Diluted | 15 | 0.34 | 0.62 |
| Basic adjusted | 15 | 0.74 | 2.46 |
| Diluted adjusted | 15 | 0.74 | 2.45 |

Group Balance Sheet

as at 31 December 2020

| Assets | Note | 2020 £000's | 2019 £000's |
|-------------------------------------|------|----------------|----------------|
| Non-current assets | | | |
| Intangible assets | 16 | 9,361 | 3,761 |
| Property, plant and equipment | 17 | 238 | 133 |
| Deferred tax asset | 14 | 301 | 56 |
| | | 9,900 | 3,950 |
| Current assets | | | |
| Trade and other receivables | 19 | 6,107 | 6,635 |
| Cash and cash equivalents | | 25,255 | 11,720 |
| Income tax receivable | 14 | 2,257 | 66 |
| | | 33,619 | 18,421 |
| Total Assets | | 43,519 | 22,371 |
| Equity And Liabilities | | | |
| Equity share capital | 24 | 168 | 139 |
| Share premium | | 36,864 | 17,335 |
| Translation reserve | | 15 | 20 |
| Profit and loss account | | 3,191 | 2,638 |
| Total Equity | | 40,238 | 20,132 |
| Non-Current liabilities | | | |
| Deferred tax liability | 14 | 366 | - |
| Current liabilities | | | |
| Trade and other payables | 20 | 2,346 | 2,131 |
| Financial liabilities | 21 | 118 | 108 |
| Income tax payable | 14 | 451 | - |
| | | 2,915 | 2,239 |
| Total Liabilities | | 3,281 | 2,239 |
| Total Equity and Liabilities | | 43,519 | 22,371 |

The Group financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 March 2021. The notes on pages 75 to 101 form an integral part of the Group financial statements.



Mr Philip White
Director
13 March 2021

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

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

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

| | Equity share capital £000's | Share premium £000's | Translation reserve £000's | Profit and loss account £000's | Total equity £000's |
|--|--------------------------------------|----------------------------|----------------------------------|---|---------------------------|
| At 1 January 2020 | 139 | 17,335 | 20 | 2,638 | 20,132 |
| Profit for the year | - | - | - | 263 | 263 |
| Other comprehensive expense | - | - | (5) | - | (5) |
| Total comprehensive (expenses)/ income for the year | - | - | (5) | 263 | 258 |
| Transactions with owners, recorded directly in equity | | | | | |
| Exercise of warrant | 1 | 264 | - | - | 265 |
| Share based payment | - | - | - | 290 | 290 |
| Issue of shares on Placing | 28 | 19,265 | - | - | 19,293 |
| Total transactions with owners | 29 | 19,529 | - | 290 | 19,848 |
| At 31 December 2020 | 168 | 36,864 | 15 | 3,191 | 40,238 |

Group Statement of Cash Flows

for the year ended 31 December 2019

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

Notes to the Group Financial Statements

for the year ended 31 December 2020

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 55-59 Adelaide Street, Belfast, BT2 8FE.

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

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

The financial statements are presented in pound sterling.

Basis of Accounting

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Judgements in applying accounting policies and key sources of estimates and uncertainty are disclosed in the notes.

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

Going Concern

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

Basis of Consolidation

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

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

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

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

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

2. Accounting Policies

New and Amended Accounting Standards Adopted by the Group

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

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

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

New Accounting Standards and Interpretations not yet Adopted by the Group

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

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

Revenue Recognition

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

The Group has two revenue streams, Implementation services and Data. The Group's performance obligations for both revenue streams are deemed to be the provision of specific deliverables to the customer. Revenue billed to the customer is allocated to the various performance obligations, based on the relative fair value of those obligations, and is then recognised as follows:

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

Segment Reporting

The Group currently has one operating segment.

Government Grants

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

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

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(c) Group companies

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

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

Exceptional Items

The Group presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation on the face of the profit and loss account in order to allow shareholders to

understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in the financial performance.

Employee Benefits

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

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

Share Based Payments

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax

liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity of different taxable entities where there is an intention to settle the balances on a net basis

Intangible Assets

Research and Development

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

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

Other Intangible Assets

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

Amortisation

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

- 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)

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

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

Property, Plant & Equipment

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

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

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

- Office equipment - 5 years (20% straight line)

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

Lease Liabilities

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

Financial Assets

(a) Classification

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

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

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

(b) Recognition and Measurement

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

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

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

(c) Impairment

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

Financial Liabilities

Financial liabilities comprise trade and other payables and borrowings due within one year and after one year, which are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

Cash and Cash Equivalents

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

Equity

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

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

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

Distributions to Equity Holders

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

These amounts are recognised in the statement of changes in equity.

Related Party Transactions

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

3. Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

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

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

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

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

4. Revenue

Operating Segments

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

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

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

Revenue stream

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

Geographical Area

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

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

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

5. Operating (loss)/Profit:

| | 2020 £000's | 2019 £000's |
|---|----------------|----------------|
| Employee benefit costs | | |
| Wages and salaries | 9,794 | 7,908 |
| Social security costs | 1,236 | 744 |
| Pension costs | 366 | 248 |
| Benefits | 285 | 165 |
| Share based payments | 290 | 24 |
| Capitalised development costs | (3,388) | (2,160) |
| | 8,583 | 6,929 |
| Amortisation of intangible fixed assets | 776 | 246 |
| Depreciation of tangible fixed assets | 33 | 38 |
| Subcontractor costs | 546 | 684 |
| Travel costs | 205 | 1,159 |
| Legal and professional | 1,465 | 815 |
| Loss/(profit) on foreign exchanges | (58) | 198 |
| Other expenses | 1,698 | 1,451 |
| | 4,665 | 4,591 |
| Total cost of sales and administrative expenses (excluding exceptional items which are disclosed in note 11) | 13,248 | 11,520 |

6. Auditor's Remuneration

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

7. Staff Numbers

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

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

8. Directors Emoluments

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

Highest paid director

The highest paid director received the following emoluments:

| | | |
|-----------------------|------------|-----|
| Aggregate emoluments | 248 | 265 |
| Pension contributions | 25 | 19 |
| | 273 | 284 |

Key senior management

Key senior management received total compensation as follows:

| | | |
|-----------------------|--------------|-------|
| Aggregate emoluments | 1,207 | 1,346 |
| Pension contributions | 84 | 64 |
| Share based payments | 102 | 1 |
| | 1,393 | 1,411 |

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

9. Share Based Payments

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

The ESOP and LTIP are designed to provide long term incentives for senior management and above, and certain employees (including executive directors) to deliver long-term shareholder returns and promote staff retention. Under these

schemes, employees are granted options which only vest if certain performance standards are met. For the ESOP and LTIP options that are outstanding as at 31 December 2020, the only performance obligations attached are continued employment to date of vesting, with no more than two unsatisfactory performance reviews. The total expense recognised in the year in relation to share based payment charges is £290,000 (2019: 24,000). Set out below are summaries of options granted under the plans:

ESOP:

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

LTIP:

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

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

ESOP:

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

LTIP:

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

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

Fair value of options granted:

The weighted average fair value at grant date of options granted during the year-ended 31

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

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

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

10. Other Operating Income

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

11. Exceptional Items

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

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

12. Finance Income

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

13. Finance Costs

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

14. Income Tax Expense

(a) Tax on (loss)/profit

| | 2020 £000's | 2019 £000's |
|---|----------------|----------------|
| Current income tax: | | |
| UK corporation tax on (loss)/profit for the year | (1,427) | - |
| Adjustments in respect of previous years | (348) | (161) |
| | (1,775) | (161) |
| Foreign tax: | | |
| ROI corporation tax on profits for the year | 330 | 234 |
| US corporation tax on profits for the year | 467 | 60 |
| Adjustments in respect of previous years | (88) | (41) |
| | 709 | 253 |
| Total current tax | (1,066) | 92 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 85 | (60) |
| Adjustments in respect of previous years | 66 | 67 |
| Impact of change in tax rates | (30) | - |
| Total deferred tax | 121 | 7 |
| Total tax (credit)/expense | (945) | 99 |

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

(b) Factors Affecting the Tax Charge for the Year

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

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

(c) Deferred Tax

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

Deferred Tax Balance

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

Group - Deferred Tax (liabilities)/Assets

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

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

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

15. Earnings Per Share

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

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

| | 2020 £000's | 2019 £000's |
|---|----------------|----------------|
| Profit attributable to shareholders | | |
| Profit for the financial year | 263 | 398 |
| Exceptional costs | 388 | 1,348 |
| Tax impact of exceptional costs | (74) | (171) |
| Adjusted profit for the financial year | 577 | 1,575 |
| Weighted average number of shares to shareholders | Number | Number |
| Shares in issue at the end of the year | 84,068,923 | 69,583,077 |
| Weighted average number of shares in issue | 77,532,897 | 64,069,906 |
| Weighted average number of treasury shares | - | (49) |
| Weighted average number of shares for basic and adjusted earnings per share | 77,532,897 | 64,069,857 |
| Effect of dilution of Convertible Loan Notes | 754 | 1,773 |
| Effect of dilution of Share Options | 297,146 | 97,650 |
| Weighted average number of shares for diluted earnings per share | 77,830,797 | 64,169,280 |
| Earnings per share | Pence | Pence |
| Basic | 0.34 | 0.62 |
| Diluted | 0.34 | 0.62 |
| Adjusted | 0.74 | 2.46 |
| Diluted adjusted | 0.74 | 2.45 |

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

16. Intangible Assets

| | Patents and trademarks £000's | Datasets £000's | Development expenditure* £000's | Platform £000's | Software £000's | Total £000's |
|--|-------------------------------------|--------------------|---------------------------------------|--------------------|--------------------|-----------------|
| Cost | | | | | | |
| At 1 January 2019 | 1,017 | 436 | 812 | - | - | 2,265 |
| Foreign exchange translation | (52) | (1) | (26) | - | - | (79) |
| Additions | 89 | 851 | 1,675 | - | 210 | 2,825 |
| At 31 December 2019 | 1,054 | 1,286 | 2,461 | - | 210 | 5,011 |
| Foreign exchange translation | 42 | 7 | (20) | - | - | 29 |
| Transfer from Development expenditure to Platform | - | - | (6,577) | 6,577 | - | - |
| Additions | 94 | 1,462 | 4,558 | - | 275 | 6,389 |
| At 31 December 2020 | 1,190 | 2,755 | 422 | 6,577 | 485 | 11,429 |
| Amortisation: | | | | | | |
| At 1 January 2019 | 975 | 80 | - | - | - | 1,055 |
| Foreign exchange translation | (52) | - | - | - | - | (52) |
| Charge for the year | 53 | 113 | 78 | - | 3 | 247 |
| At 31 December 2019 | 976 | 193 | 78 | - | 3 | 1,250 |
| Foreign exchange | 43 | (1) | - | - | - | 42 |
| Transfer from Development expenditure to Datasets | - | 78 | (78) | - | - | - |
| Charge for the year | 57 | 605 | - | 40 | 74 | 776 |
| At 31 December 2020 | 1,076 | 875 | - | 40 | 77 | 2,068 |
| Net book value | | | | | | |
| At 31 December 2020 | 114 | 1,880 | 422 | 6,537 | 408 | 9,361 |
| At 31 December 2019 | 78 | 1,093 | 2,383 | - | 207 | 3,761 |

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

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

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

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

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

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

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

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

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

17. Property, plant and equipment

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

18. Investments

Group Undertakings

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

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

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

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

19. Trade and Other Receivables

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

Trade receivables are non-interest bearing, are generally on 90-day terms and are shown net of a provision for impairment. The amount of the provision netted against the trade receivables balance was £20,000 (2019: £20,000). The default percentage used in the expected credit loss calculation was 0.16% (2019: 0.16%) for debt up to 30 days old; 0.20% (2019:0.20%) for debt between 31 and 60 days old; 0.31% (2019:0.31%) for debt between 61 and 90 days old; 0.84% (2019:0.84%) for debt between 91 and 180 days old and 8.09% (2019: 8.09%) for debt over 180 days old. Bad debts amounting to £Nil (2019: £Nil) were realised. Other receivables are considered to have low credit risk and the loss allowance recognised during the year was therefore limited to 12 months expected credit losses. The amounts were not material. The age profile of the trade receivables are as follows:

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

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

The following table shows the movement in contract assets:

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

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

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

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

20. Trade and Other Payables

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

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

The following table shows the movement in contract liabilities:

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

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

21. Financial Liabilities

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

22. Interest Bearing Loans and Borrowings

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

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

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

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

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

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

(a) Revolving Credit Facility

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

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

(b) Convertible Loan Notes

On 15 October 2018, the Company issued £454,000 of unsecured convertible loan notes ("Loan Notes") and on 15 February 2019, the Company issued a further £850,000 of Loan Notes. £1,204,000 of the Loan Notes were converted into Ordinary Shares in the Company immediately prior to Admission. £100,000 of the Loan Notes issued on 15 February 2019 remain in place (10% interest rate payable annually from 1 April 2019). These loan notes can be converted into Ordinary Shares in the Company on or after 31 March 2022.

23. Financial Instruments

Classification of financial instruments

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

The Group's financial instruments are classified as follows:

| Measured at amortised cost | 2020 £000's | 2019 £000's |
|--|----------------|----------------|
| Assets | | |
| Trade receivables | 5,343 | 6,134 |
| Other receivables | 177 | 171 |
| Cash at bank and in hand | 25,255 | 11,720 |
| Other financial liabilities at amortised cost | | |
| Liabilities | | |
| Trade payables | 466 | 291 |
| Accruals | 1,259 | 1,266 |
| Convertible loan notes | 118 | 108 |

Credit Risk

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

to meet its obligations as they fall due.

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

Liquidity Risk

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

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

Foreign Currency Risk

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

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

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

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

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

been 10% higher/lower at the reporting date the effect on equity would have been approximately (£434,000)/£531,000 respectively (2019: (£195,000)/£238,000).

Interest Rate Risk

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

Maturity

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

| | Less than one year £000's | Between one and two years £000's | Between two and five years £000's |
|-----------------------------------|------------------------------|-------------------------------------|--------------------------------------|
| As at 31 December 2020 | | | |
| Trade payables and other payables | 1,725 | - | - |
| | 1,725 | - | - |
| As at 31 December 2019 | | | |
| Trade payables and other payables | 1,557 | - | - |
| | 1,557 | - | - |

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

24. Equity Share Capital

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

Notes to the Group Financial Statements (continued)

for the year ended 31 December 2020

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

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

Reserves

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

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

25. Commitments and Contingencies

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

26. Related Parties

At 31 December 2020 amounts owed to/from related parties was £Nil (2019: £Nil) by the

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

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

No related party transactions occurred during the year.

27. Ultimate Controlling Party

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

28. Capital Risk Management

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

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

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

The gearing ratios at 31 December were as follows:

Company Financial Statements



Company Balance Sheet

as at 31 December 2020

| Assets | Note | 2020 £000's | 2019 £000's |
|---|------|----------------|----------------|
| Fixed assets | | | |
| Intangible assets | 6 | 6,229 | 1,903 |
| Property, plant and equipment | 7 | 217 | 117 |
| Deferred tax asset | 8 | 296 | 347 |
| Investments | 9 | 125 | 58 |
| | | 6,867 | 2,425 |
| Current assets | | | |
| Trade and other receivables | 10 | 4,670 | 6,528 |
| Income tax receivable | 11 | 2,215 | 293 |
| Cash at bank and in hand | | 22,764 | 9,706 |
| | | 29,649 | 16,527 |
| Total assets | | 36,516 | 18,952 |
| Equity and liabilities | | | |
| Equity share capital | 15 | 168 | 139 |
| Share premium account | | 36,864 | 17,335 |
| Profit and loss account | | | |
| - including loss for the year of (£3,315,000) (2019: £1,160,000) | | (3,019) | 6 |
| Total equity | | 34,013 | 17,480 |
| Current liabilities | | | |
| Trade and other payables | 12 | 2,385 | 1,365 |
| Financial liabilities | 13 | 118 | 107 |
| | | 2,503 | 1,472 |
| Total liabilities | | 2,503 | 1,472 |
| Total equity and liabilities | | 36,516 | 18,952 |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 March 2021. The notes on pages 112 to 124 form an integral part of these financial statements.



Mr Philip White
Director
13 March 2021

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

| | Called up share capital £000's | Share premium account £000's | Capital redemption reserve £000's | Profit and loss account £000's | Total equity £000's |
|--|--------------------------------------|---------------------------------------|--|---|------------------------|
| At 1 January 2019 | - | 100 | 109 | 1,141 | 1,350 |
| Loss for the year | - | - | - | (1,160) | (1,160) |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive expense for the year | - | - | - | (1,160) | (1,160) |
| Transactions with owners, recorded directly in equity | | | | | |
| Reorganisation of shares | 2 | (2) | - | - | - |
| Bonus issue of shares | 88 | (88) | - | - | - |
| Conversion of loan notes | 4 | 1,225 | - | - | 1,229 |
| Share based payments | - | - | - | 25 | 25 |
| Issue of shares on Placing | 45 | 16,100 | (109) | - | 16,036 |
| Total transactions with owners | 139 | 17,235 | (109) | 25 | 17,290 |
| At 31 December 2019 | 139 | 17,335 | - | 6 | 17,480 |

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

| | Called up share capital £000's | Share premium account £000's | Profit and loss account £000's | Total equity £000's |
|--|--------------------------------------|------------------------------------|--------------------------------------|------------------------|
| At 1 January 2020 | 139 | 17,335 | 6 | 17,480 |
| Loss for the year | - | - | (3,315) | (3,315) |
| Total comprehensive expense for the year | - | - | (3,315) | (3,315) |
| Transactions with owners, recorded directly in equity | | | | |
| Exercise of warrant | 1 | 264 | - | 265 |
| Share based payment | - | - | 290 | 290 |
| Issue of shares on Placing | 28 | 19,265 | - | 19,293 |
| Total transactions with owners | 29 | 19,529 | 290 | 19,848 |
| At 31 December 2020 | 168 | 36,864 | (3,019) | 34,013 |

Notes to the Company Financial Statements

for the year ended 31 December 2020

1. General Information

Diaceutics PLC is incorporated and domiciled in Northern Ireland. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Company's financial statements are presented in Sterling.

Parent Company Profit and Loss Account

The directors' have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented an income statement for the company alone.

The results of Diaceutics PLC are included in the consolidated financial statements of Diaceutics PLC which are available from 55-59 Adelaide Street, Belfast.

Basis of Accounting

These financial statements have been prepared on a going concern basis. The financial statements are prepared under the historical cost convention, in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and in accordance with The Companies Act 2006 as applicable to companies using FRS 101.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year-ended 31 December 2020. The accounting policies have been applied consistently to all the years presented, unless otherwise stated. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share Based Payments;
- the requirements of paragraphs 10(d), 10(f), 16, 38(a)-(d), 39(c), 40(a)-(d), 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and

- the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Going Concern

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

New and Amended Accounting Standards Adopted by the Company

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

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

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

New Accounting Standards and Interpretations not yet Adopted by the Company

The following new accounting standards, amendments and/or interpretations have been published but not yet endorsed by the EU and are not mandatory for 31 December 2020 reporting year. They have not been early adopted by the company and these standards are not expected to have a material impact

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

on the entity in the current or future reporting periods and on foreseeable future transactions:

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

2. Accounting Policies

Revenue Recognition

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

The Company has two revenue streams, Implementation services and Data. The Company's performance obligations for both revenue streams are deemed to be the provision of specific deliverables to the customer. Revenue billed to the customer is allocated to the various performance obligations, based on the relative fair value of those obligations, and is then recognised as follows:

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

Government Grants

Grants, which include research and development tax credits where the recovery of those credits is not restricted, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Grants relating to costs are deferred and recognised in the profit and loss account over the period necessary to match them with the costs that

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

Foreign Currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Investments

Investments in subsidiaries are held at historical cost less any provisions for impairment in value. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible Assets

Research and development

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

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company 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

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

the cost of materials and direct labour. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost until it is brought into use.

Other Intangible Assets

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

Amortisation

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

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

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Property, Plant & Equipment

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

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

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

- Office equipment - 5 years (20% straight line)

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

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either, the taxable entity of different taxable entities where there is an intention to settle the balances on a net basis.

Employee Benefits

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

Share Based Payments

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

Financial Assets

(a) Classification

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

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

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

(b) Recognition and measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent measurement of financial assets depends on the Company's business model for managing those financial assets and the cash flow characteristics of those financial assets. The Company only has financial assets classified at amortised cost. These assets are those held for contractual collection of cash flows, where those cash flows represent solely payments of principal and interest and are held at amortised cost. Any gains or losses arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line in the profit and loss account.

(c) Impairment

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

Financial Liabilities

Financial liabilities comprise trade and other payables and borrowings due within one year-end after one year, which are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. The Company does not use derivative financial instruments or hedge account for any transactions. Trade payables represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

The Company had issued convertible loan notes to employees, which include a conversion feature on change of control or IPO. This conversion feature is treated as an equity settled share-based payment that vest immediately as there are no future service conditions, with the fair value being assessed on the date the convertible loan notes are issued. The underlying loan

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

proceeds were recognised initially at fair value and subsequently carried at amortised cost.

Cash and Cash Equivalents

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

Equity

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

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

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

Distributions to Equity Holders

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

3. Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Company's only assets/liabilities that are significantly impacted by key sources of estimation uncertainty are the Company's intangible assets. The assessment of useful life of data purchases required estimation over

the period in which that data will be utilised. Further information has been provided in note 6. Impairment of intangibles and key sources of estimation uncertainty are reviewed annually using the discount cash flow method. Further details are disclosed in note 6 intangibles.

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

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

4. Employee Costs

| | 2020 £000's | 2019 £000's |
|-----------------------|----------------|----------------|
| Wages and salaries | 4,359 | 3,113 |
| Social Security costs | 796 | 489 |
| Other Pension costs | 242 | 133 |
| | 5,397 | 3,735 |

5. Staff numbers

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

| | 2020 Number | 2019 Number |
|----------------------|----------------|----------------|
| Administration | 23 | 18 |
| Technical | 49 | 33 |
| Business development | 2 | 1 |
| Finance | 8 | 5 |
| | 82 | 57 |

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

6. Intangible Assets

| | Patents and trademarks £000's | Datasets £000's | Development expenditure* £000's | Platform £000's | Software £000's | Total £000's |
|---|-------------------------------------|--------------------|---------------------------------------|--------------------|--------------------|-----------------|
| Cost | | | | | | |
| At 1 January 2019 | 84 | 436 | 218 | - | - | 738 |
| Additions | 27 | 520 | 731 | - | 210 | 1,488 |
| At 31 December 2019 | 111 | 956 | 949 | - | 210 | 2,226 |
| Transfer from Development expenditure to Platform | - | - | (4,142) | 4,142 | - | - |
| Additions | 68 | 967 | 3,530 | - | 276 | 4,841 |
| At 31 December 2020 | 179 | 1,923 | 337 | 4,142 | 486 | 7,067 |
| Amortisation | | | | | | |
| At 1 January 2019 | 48 | 66 | - | - | - | 114 |
| Charge for the year | 15 | 113 | 78 | - | 3 | 209 |
| At 31 December 2019 | 63 | 179 | 78 | - | 3 | 323 |
| Transfer from Development expenditure to Datasets | - | 78 | (78) | - | - | - |
| Charge for the year | 24 | 393 | - | 24 | 74 | 515 |
| At 31 December 2020 | 87 | 650 | - | 24 | 77 | 838 |
| Net book value | | | | | | |
| At 31 December 2020 | 92 | 1,273 | 337 | 4,118 | 409 | 6,229 |
| At 31 December 2019 | 48 | 777 | 871 | - | 207 | 1,903 |

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

Intangible assets relate to patents, trademarks, software and datasets which are recorded at cost and amortised over their useful economic life which has been assessed as two to five years. On 1st December 2020 the Group's platform – DXRX was commissioned and brought into use. On this date £4,142,000 was transferred out of development expenditure and into platform.

The Company assesses the useful life of all assets on an annual basis. On reviewing the useful life of the data sets it was determined

that based on latest information on commercial and technical use, four years represented the best estimate of the useful life of such assets.

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

The platform has been assessed to have a useful life of 10 years based on information on the estimated technical obsolescence of such assets. However, the actual asset useful life may be shorter or longer than 10 years depending on technical innovations and other external factors. If the useful life were eight years, the carrying amount of the asset would reduce by £6,000 to £4,112,000. If the useful life of the

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

asset were 12 years, the carrying amount of the asset would increase by £4,000 to £4,122,000.

Data sets have been assessed to have a useful life of four years based on information on the estimated commercial and technical use of such assets. However, the actual asset useful life may be shorter or longer than 4 years depending on technical innovations and other external factors. If the useful life were 3 years, the carrying amount of the asset would reduce by £18,000 to £1,255,000. If the useful life of the asset were 5 years, the carrying amount of the asset would increase by £9,000 to £1,282,000. The change in estimated useful life from two years to four years has resulted in £41,000 less in amortisation charges in 2020.

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

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

7. Property, Plant and Equipment

| | Office equipment £000's |
|----------------------------|----------------------------|
| Cost | |
| At 1 January 2019 | 125 |
| Additions | 88 |
| At 31 December 2019 | 213 |
| Additions | 132 |
| At 31 December 2020 | 345 |
| Depreciation | |
| At 1 January 2019 | 67 |
| Charge for the year | 29 |
| At 31 December 2019 | 96 |
| Charge for the year | 32 |
| At 31 December 2020 | 128 |
| Net book value | |
| At 31 December 2020 | 217 |
| At 31 December 2019 | 117 |

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

8. Deferred Tax Asset

Tax losses carried forward amount to £6,358,000 (2019: £3,048,000). The deferred tax asset includes amounts receivable after more than one year amounting to £Nil (2019: £Nil). The deferred tax asset is recognised on the basis that the Company has forecasted sufficient profits on which the deferred tax asset can be utilised.

| | Tax losses £000's | Other temporary differences £000's | Research & Development £000's | Total £000's |
|---|----------------------|--|-------------------------------------|-----------------|
| At 1 January 2019 | - | - | - | - |
| Credited/(charged) to the income statement | 518 | (171) | - | 347 |
| At 1 January 2020 | 518 | (171) | - | 347 |
| Credited/(charged) to the income statement | 690 | (76) | (665) | (51) |
| At 31 December 2020 | 1,208 | (247) | (665) | 296 |

9. Investments

| | Investment in subsidiaries £000's |
|----------------------------|---|
| At 1 January 2019 | 1 |
| Additions | 57 |
| At 31 December 2019 | 58 |
| Additions | 67 |
| At 31 December 2020 | 125 |

The principal business of all the subsidiary undertakings is data and implementation services. All entities were incorporated before 1 January 2019, with the exception of Diaceutics Precision Medicine Technology (Guangzhou) Limited which is a wholly owned foreign enterprise of Diaceutics PTE Limited and was incorporated during the year-ended 31 December 2020.

During the year ended 31 December 2020, the Company made capital contributions amounting to £67,000 to certain subsidiaries in respect of share-based payment awards.

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

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

| | Registered office | Country of incorporation | Percentage of shares held |
|----------------------------|--|--------------------------|---------------------------|
| Diaceutics Ireland Limited | Unit 3, Creative Spark, Clontygora Ct, Muirhevnamon, Dundalk, County Louth | Republic of Ireland | 100% |
| Labceutics Limited | 727 Antrim Road, Belfast, BT15 4EJ | Northern Ireland | 100% |
| Diaceutics Inc | 2001 Route 46 Waterview Plaza Suite 310, Parsippany, New Jersey, 07054 | US | 100% |
| Diaceutics Pte Limited | 6 Temesak Boulevard, #20-00 Suntec Tower Four, Singapore | Singapore | 100% |

The principal business of all the subsidiary undertakings is data and implementation services. All entities were incorporated before 1 January 2019, with the exception of Diaceutics Precision Medicine Technology (Guangzhou) Limited which is a wholly owned foreign enterprise of Diaceutics PTE Limited and was incorporated during the year-ended 31 December 2020.

10. Trade and Other Receivables

| | 2020 £000's | 2019 £000's |
|------------------------------------|----------------|----------------|
| Trade receivables | 980 | 2,241 |
| Amounts owed by group undertakings | 3,092 | 3,819 |
| Other debtors | 175 | 175 |
| Prepayments | 423 | 293 |
| | 4,670 | 6,528 |

All amounts are due within one year.

The default percentage used in the expected credit loss calculation was 0.16% (2019: 0.16%) for debt up to 30 days old; 0.20% (2019:0.20%) for debt between 31 and 60 days old; 0.31% (2019:0.31%) for debt between 61 and 90 days old; 0.84% (2019:0.84%) for debt between 91 and 180 days old and 8.09% (2019: 8.09%) for debt over 180 days old.

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

The Company applies the practical expedient in IFRS 9 (which allows the group to measure impairment using the 12 month Expected Credit Loss model) in respect of amounts owed by group undertakings, for those balances that meet the following requirements:

- it has a low risk of default;
- the counterparty is considered, in the short term, to have a strong capacity to meet its obligations in the near term; and
- the group expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily, reduce the ability of the counterparty to fulfil its obligations.

For those balances where there is a higher risk of default the group follows the 3 stage approach within IFRS 9 to determine lifetime expected credit losses.

Other receivables are considered to have low credit risk and the loss allowance recognised during the year was therefore limited to 12 months expected credit losses.

Included within trade receivables are contract assets of £104,000 (2019: £416,000). The Company's contracts with customers are typically less than one year in duration and any contract assets as at the balance sheet date would be expected to be invoiced and received in the following year.

The following table shows the movement in contract assets:

| | 2020 £000's | 2019 £000's |
|---|----------------|----------------|
| Contract assets recognised at start of the year | 416 | 289 |
| Revenue recognised in prior year that was invoiced in the current year | (416) | (289) |
| Amounts recognised in revenue in the current year that will be invoiced in future years | 104 | 416 |
| Balance at the end of the year | 104 | 416 |

11. Income Tax Receivable

| | 2020 £000's | 2019 £000's |
|---|----------------|----------------|
| Balance at 1 January | 293 | 22 |
| Credited to the profit and loss account | 1,922 | 271 |
| Balance at 31 December | 2,215 | 293 |

The credit to the profit and loss account relates to a credit on losses for the year amounting to £1,792,000 (2019: credit of £114,000) plus credits relating to research and development tax credits amounting to £147,000 (2019: £157,000).

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

12. Trade and Other Payables

| | 2020 £000's | 2019 £000's |
|---|----------------|----------------|
| Creditors: amounts falling due within one year | | |
| Trade payables | 394 | 267 |
| Amounts owed to group undertakings | 947 | - |
| Accruals | 807 | 798 |
| Contract liabilities | 31 | 148 |
| Other creditors | - | 27 |
| Other tax and social security | 206 | 125 |
| | 2,385 | 1,365 |

Contract liabilities of £31,000 (2019: £148,000) which arise in respect of amounts invoiced during the year for which revenue recognition criteria have not been met by the year-end. The Company'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:

| | 2020 £000's | 2019 £000's |
|---|----------------|----------------|
| Contract liabilities recognised at start of the year | 148 | 38 |
| Amounts invoiced in prior year recognised as revenue in the current year | (148) | (38) |
| Amounts invoiced in the current year which will be recognised as revenue in the later years | 31 | 148 |
| Balance at the end of the year | 31 | 148 |

13. Financial Liabilities

| | 2020 £000's | 2019 £000's |
|---|----------------|----------------|
| Creditors: falling due within one year | | |
| Convertible loan notes | 118 | 107 |
| | 118 | 107 |

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

14. Interest Bearing Loans and Borrowings

| | 2020 £000's | 2019 £000's |
|-----------------------------------|----------------|----------------|
| Convertible loan notes (b) | 118 | 107 |
| | 118 | 107 |

(a) Revolving Credit Facility

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

(b) Convertible Loan Notes

On 15 October 2018, the Company issued £454,000 of unsecured convertible loan notes ("Loan Notes") and on 15 February 2019, the Company issued a further £750,000 of Loan Notes. £1,104,000 of the Loan Notes were converted into Ordinary Shares in the Company immediately prior to Admission.

£100,000 of the Loan Notes issued on 15 February 2019 remain in place. Interest is charged at 10% and payable annually. These loan notes can be converted into Ordinary Shares in the Company on or after 31 March 2022.

Under IFRS 9, Financial Instruments, the total finance cost of the convertible loan notes is required to be spread over the maturity period using an effective interest rate. Consequently, an interest charge of £11,000 (2019: £23,000) has been recognised in the profit and loss account using an effective rate of 10%.

15. Equity Share Capital

| | 2020 £000's | 2019 £000's |
|---|----------------|----------------|
| Allotted, called up and fully paid | 168 | 139 |
| 84,063,923 (2019:69,583,077) Ordinary shares of £0.002 each | | |
| | 168 | 139 |

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

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

Notes to the Company Financial Statements (continued)

for the year ended 31 December 2020

Reserves

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

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

Dividends

During the year dividends amounting to £Nil (2019: £Nil) were paid. No dividends were proposed by the directors after the balance sheet date.

16. Share Based Payments

- (i) Employee share option plan
- (ii) The Company currently has an Employee Share Option Plan ("ESOP") for employees. In June 2019, 197,400 options were granted to certain employees to satisfy contractual obligations. These options, which have an exercise price of £0.002, are payable in shares at the end of three years to the extent that performance criteria are met. At the end of June 2020, a further 231,000 options were granted under the share scheme.
- (iii) In the first half of 2020 the Company launched a long-term incentive plan (LTIP), under which an initial award of 1,430,244 options were granted to certain employees on 17 April 2020. These options which have an exercise price of £1.265, are exercisable at the end of three years with no performance obligations attached other than being employed in the Company at the end of the vesting period.
- (iv) Granted awards under the Company's ESOP & LTIP schemes that were outstanding at 31 December 2020 had a weighted average fair value at grant date of £0.72 per option. The fair value of the awards is recognised over the three-year vesting period from the grant date, with £221,000 being charged through the profit and loss account in the year-ended 31 December 2020 (2019: £24,000).

- (v) It is intended the obligation arising with the above shares will be met within the existing employee benefit trust.
- (vi) The options with performance conditions attached will only be exercisable provided the employee has received no more than two "unsatisfactory" individual performance ratings in all of their individual performance reviews in the three-year period from the date of grant.

17. Commitments and Contingencies

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

18. Related Party Transactions

As outlined in note 1 the Company has taken advantage of the exemption in IAS 24 "Related Party Disclosures" from disclosing transactions between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member. There were no other transactions which fall to be disclosed under the terms of IAS 24.

Better
Testing,
Better
Treatment

