RNS Number : 5620M
Avacta Group PLC
30 April 2024

THE INFORMATION CONTAINED WITHIN THIS ANNOUNCEMENT IS DEEMED BY THE COMPANY TO CONSTITUTE INSIDE INFORMATION AS STIPULATED UNDER THE MARKET ABUSE REGULATIONS (EU) NO. 596/2014 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ('MAR'). UPON THE PUBLICATION OF THIS ANNOUNCEMENT VIA A REGULATORY INFORMATION SERVICE ('RIS'), THIS INSIDE INFORMATION IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN.

30 April 2024

Avacta Group plc
("Avacta", the "Group" or the "Company")

Preliminary Results for the Year Ended 31 December 2023

Avacta appoints new Chief Executive Officer Christina Coughlin, MD PhD

Clinical proof-of-concept demonstrated for Avacta's lead programme AVA6000 and proof-of-mechanism for the pre|CISION™ platform presented this month at the American Association for Cancer Research (AACR) Annual Meeting

New leadership and strong clinical momentum positions Avacta well for its evolution into a therapeutics-focused business

Avacta Group plc (AIM: AVCT), a life sciences company developing innovative, targeted oncology drugs and powerful diagnostics, is pleased to announce its preliminary results for the twelve months ending 31 December 2023 ("FY23").

Operating highlights

Therapeutics Division - Encouraging clinical data for AVA6000, the Company's lead pre|CISION™ peptide drug conjugate

- Data from the three-weekly study confirm the ability of the pre|CISION™ platform to concentrate a therapeutic warhead in the tumour microenvironment (TME) to transform the safety profile of in patients with advanced cancers
- The results to date show that AVA6000, the first peptide drug conjugate in the Avacta pipeline, has a favourable safety profile with concentration of the warhead in the TME resulting in multiple responses in patients with high levels of Fibroblast Activation Protein (FAP^{high}), thus delivering clinical proof-of-concept for AVA6000 and proof-of-mechanism for the proprietary pre|CISION™ drug delivery platform
- In the three-weekly dose escalation study for AVA6000 the seventh dose cohort was successfully completed and, in light of the highly positive safety data, patients are now being dosed in a two-weekly dose escalation study with the aim of defining the recommended Phase 2 dose (RP2D), allowing dose expansion cohorts to begin in H2 2024 followed by the Phase 2 efficacy study in a selected orphan indication
- AffyXell Therapeutics ("AffyXell"), the joint venture between Avacta and Daewoong Pharmaceutical ("Daewoong") continued to progress well with the triggering of a second milestone payment. This has resulted in an increase in Avacta's shareholding in AffyXell to 25%
- The growing body of clinical and pre-clinical data validating the pre|CISION™ platform has supported an acceleration in the Group's commercial activities including the appointment of Dr Simon Bennett as Chief Business Officer of the Therapeutics Division

Events after the reporting period

- Appointment of Christina Coughlin MD, PhD as Chief Executive Officer, effective May 1 2024, replacing Dr Alastair Smith. Chris was appointed to the position of Head of Research & Development in February 2024.
  - Dr. Coughlin has served as a Non-executive Director of Avacta Group plc since March 2022 and Head of Research & Development. She trained as an oncologist and immunologist and has been pivotal in driving the clinical development strategy for AVA6000, Avacta's lead pre|CISION™ tumour targeted therapy, and the broader drug pipeline strategy at the Company.
- The Board will also evolve to meet the increased demands of being a clinical stage oncology company alongside the need to more clearly communicate with shareholders and other key stakeholders. An individual with sector, commercial and listed company experience will be the ideal addition.
- Data from the AVA6000 Phase 1 clinical trial three-weekly dose escalation study reported at the AACR annual meeting in San Diego, USA, providing Clinical Proof of Concept for AVA6000 with multiple patient responses and a favourable safety profile.
- AVA6000 update
  - The Company announced that patients are now being dosed in a two-weekly dose escalation study with the aim of defining the recommended Phase 2 dose (RP2D), allowing dose expansions to begin in H2 2024 followed by the Phase 2 efficacy study in a selected orphan indication
  - Avacta receives approval to enrol patients in the UK in the ongoing two-weekly dose escalation study
  - Patients in the two-weekly study in each cohort can be dosed in parallel allowing the Company to remain on track to begin the dose expansion studies in the second half of 2024.

Diagnostics Division - Second acquisition completed and integration progressing to build a profitable Diagnostics Division

- Avacta's Diagnostics Division completed the acquisition of Belgium-based Coris Bioconcept SRL ("Coris"), a developer and manufacturer of rapid tests focused on infectious diseases, on 1 June 2023 for an upfront consideration of £7.3 million with an earnout based on future business performance of up to £3.0 million payable in cash, adding a broad range of marketed professional-use rapid tests to the Diagnostics Division.
- The Diagnostics Division, which also includes Launch Diagnostics ("Launch"), a leading UK IVD distributor that was acquired in October 2022, reports revenue of £21.2 million (2022: £4.2 million) and an adjusted EBITDA loss of £1.18 million (2022: £5.13 million).
- The Group continues its focus on consolidating the Diagnostics Division post the Launch and Coris acquisitions. After the period end Avacta announced that it is exploring strategic options for the division in a manner which maximises shareholder value and benefit for the Company in creating a pure-play oncology biopharmaceutical company that the Board expects will be more attractive to specialist international biotech investors.

Financial and corporate highlights

- Revenues increase to £23.25 million (2022: £9.7 million).
- Adjusted EBITDA loss (before non-cash and non-recurring items) of £20.14 million (2022: £15.1 million).
- Operating loss reduces to £28.36 million (2022: £32.6 million).
- Reported loss from continuing operations of £24.95 million (2022, restated: £37.0 million).
- Loss per ordinary share from continuing operations of 9.15p (2022, restated: 14.48p).
- Cash and short-term deposit balances at 31 December 2023 of £16.6 million (31 December 2022: £41.8 million).
- Shaun Chilton joined Avacta's Board of Directors as Non-executive Director in June 2023.

Events after the reporting period

- Fundraise completed in March 2024 raising £31.1 million (gross proceeds) from quality institutions, including a European healthcare specialist investor, and private shareholders to significantly extend the Group's cash runway.

Outlook

During the reporting period and after the period end, the ongoing Phase 1a clinical study of AVA6000, demonstrated Clinical Proof of Concept, with multiple patient responses and a favourable safety profile. This not only builds confidence in AVA6000 but underpins future clinical development of this peptide drug conjugate in orphan and other indications and validates investment in a broader pre|CISION™ peptide drug conjugate and ADC/AffDC pipeline.

The recent growing body of clinical data is critical to the realisation of significant commercial opportunities with major partners in order to monetise the pre|CISION™ platform.

Based on this favourable three-weekly dosing safety profile, Avacta continues to enrol patients in a two-weekly dosing safety study in order to determine the dosing regimen for the expansion studies, planned to start in the US in the second half of 2024 to be followed by the Phase 2 efficacy study, once agreed with regulatory authorities.

The appointment of Christina Coughlin MD as Chief Executive Officer, effective May 1 2024, signals a new period of focus on Avacta's Therapeutics division and on driving forward AVA6000 and the wider pre|CISION ™ peptide drug conjugate and ADC/AffDC pipeline. As indicated, Avacta plans to focus its resources on its therapeutic programmes and will therefore look to divest the Diagnostics Division in a manner that maximises value for shareholders and the strategic benefits of a focused biotech strategy.

Dr Eliot Forster, Chairman of Avacta Group plc, commented:

"As a Board and Company, we are dedicated to improving the treatment outcomes of patients with cancer through focused investment in the lead programme AVA6000 and the growing oncology pipeline which we believe is a driver of significant value.

"The clinical momentum demonstrated by AVA6000 during the reporting period and into the post-period has significantly enhanced our confidence in AVA6000 and the broader pre|CISION™ platform.

"We're delighted to welcome Chris as Chief Executive Officer of Avacta. Chris brings many years' experience and training as an oncologist and immunologist and has worked in significant senior development roles in leading biopharma companies. She has also been closely involved in the clinical journey of pre|CISION™ and has deep insight into the peer landscape and the opportunities.

"I would also like to extend my thanks to Alastair for the huge role he has played in the foundation and development of the Company. On behalf of the entire Board, we wish him the best for the future."

For further information from Avacta Group plc, please contact:

Avacta Group plc Tel: +44 (0) 1904 21 7070
Christina Coughlin, Chief Executive Officer designate www.avacta.com
Tony Gardiner, Chief Financial Officer
Michael Vinegrad, Group Communications Director

Stifel Nicolaus Europe Limited (Nomad and Joint Broker) Tel: +44 (0) 207 710 7600
Nicholas Moore / Nick Adams / Samira Essebiyea / www.stifel.com
Nick Harland / Ben Good

Peel Hunt (Joint Broker)
James Steel / Chris Golden / Patrick Birkholm www.peelhunt.com

ICR Consilium

Mary-Jane Elliott / Jessica Hodgson / Sukaina Virji avacta@consilium-comms.com

About Avacta Group plc - www.avacta.com

Avacta Group is a UK-based life sciences company focused on improving healthcare outcomes through targeted cancer treatments and diagnostics.

Avacta Therapeutics is a clinical stage oncology biotech division harnessing proprietary therapeutic platforms to develop novel, highly targeted cancer drugs.

Avacta Diagnostics focuses on supporting healthcare professionals and broadening access to diagnostics.

Avacta has two proprietary platforms, pre|CISION™ and Affimer®.

The pre|CISION™ platform is a highly specific substrate for fibroblast activation protein (FAP) which is upregulated in most solid tumour compared with healthy tissues. The pre|CISION™ platform harnesses this tumour specific protease to activate pre|CISION™ peptide drug conjugates and pre|CISION™ antibody/Affimer® drug conjugates in the tumour microenvironment, reducing systemic exposure and toxicity, allowing dosing to be optimised to deliver the best outcomes for patients.

The lead pre|CISION™ programme AVA6000, a peptide drug conjugate form of doxorubicin, is in Phase 1 studies. It has shown a dramatic improvement in safety and tolerability in clinical trials to date compared with standard doxorubicin and preliminary signs of clinical activity in multiple patients.

To register for news alerts by email go to www.avacta.com/Investors/Investor-news-email-alerts/

Chairman's Statement

I believe that Avacta has reached a pivotal point in its history. The clinical progress of the pre|CISION™ platform and of AVA6000 enable the company to bring singular focus to the therapeutics division, though clinical development and partnering.

We are also aware of the need to continue to evolve the Board of Directors to best suit the needs of an AIM-listed clinical stage cancer treatments company, to strategically manage the diagnostics division for the best outcome for our staff, customers and shareholders alike and, to create financial optionality with respect to the company bond. The Board of Directors and I are excited about what is to come for Avacta.

The AVA6000 clinical data continue to impress. As we begin to progress into the expansion cohorts and Phase 2 study and hopefully continue to demonstrate clear patient benefits, I am confident this will further open up the commercial partnering opportunities for AVA6000 and the pre|CISION™ technology platform.

During the year there have been some changes to the Board, including the appointment of Shaun Chilton as Non-executive Director in June 2023. Shaun has held a number of senior and executive commercial positions, with more than 30 years' experience in the pharmaceutical and pharmaceutical services industries, most recently as Chief Executive Officer of Clinigen. We believe he will bring invaluable experience to the Company.

Christina Coughlin MD, who joined the Board as a Non-executive Director in March 2022 and acted as Medical Advisor in the latter half of the year has now joined the Board on a full-time basis as Head of Research and Development in February 2024 and more latterly was appointed as Chief Executive Officer. Chris, a talented oncologist and immunologist, has been pivotal in driving the clinical development strategy for AVA6000 and will be responsible for all pre-clinical research and clinical development activities. Her appointment signals a new period of growth for Avacta.

The Board will need to continue to evolve to meet the demands of being a clinical stage oncology Company and to more clearly communicate with shareholders and other stakeholders.

Dr Eliot Forster
Chairman
29 April 2024

Chief Executive Officer's Statement

The clinical data emerging from the AVA6000 Phase 1 study during 2023 clearly validate the pre|CISION™ platform as a leading tumour targeting mechanism. Targeting tumour tissue and reducing systemic exposure are key objectives in oncology drug development allowing more potent therapies to be utilised. The potential of a successful tumour targeting platform is huge.

AVA6000, Avacta's first pre|CISION™ peptide drug conjugate, has been shown to target doxorubicin to FAP-rich tumour tissue, dramatically improving the safety and tolerability of this well-established chemotherapy. Early signs of anti-tumour activity have been seen in a number of patients on the trial meaning that clinically effective levels of the drug are being released in the tumour microenvironment. This also reflects the tumour biopsy data which show doxorubicin being present in the tumour tissue at many times the level measured in the blood stream at the same timepoint showing effectiveness in the tumour whilst minimising the debilitating side effects

characteristically experienced with chemotherapy.

Avacta has been able to leverage this excellent progress in the clinic to progress conversations with potential commercial partners. The commercial strategy is to continue to develop AVA6000 through the Phase 2 efficacy study to maximise value. However, there are significant partnering opportunities for the broader pre|CISION™ platform. The body of positive clinical data we have seen will support our commercial activities.

The Group's focus is on growing shareholder value through its oncology drug programmes. The Diagnostics Division has been executing the plan that was set out to shareholders in October 2022 to build a valuable in-vitro diagnostics business serving the needs of healthcare professionals. It has grown through two acquisitions, resulting in a combined revenue of £21.2 million, and is on a trajectory to become EBITDA positive in the near future with the acquired businesses showing 10% growth during 2023.

The fundraise completed post-period end in March 2024 amounting to £31.1 million (gross proceeds) from new and existing institutional and private shareholders has enabled us to significantly extend the Group's cash runway, creating a strong negotiating position in future commercial discussions and providing the funds to progress AVA6000 into Phase 2 clinical trials, subject to FDA approval.

Dr Alastair Smith
Chief Executive Officer
29 April 2024

Avacta Therapeutics Division Update

The pre|CISION™ Platform

In the form of a peptide drug conjugate with a chemotherapy, the pre|CISION™ platform prevents the chemotherapy from entering cells rendering it relatively harmless until the drug conjugate encounters fibroblast activation protein (FAP) which is upregulated in many solid tumours compared with healthy tissues. preCISION™ is cleaved by FAP, releasing the chemotherapy warhead in the FAP-rich tumour microenvironment, thus concentrating the chemotherapy in the tumour and reducing the exposure of healthy tissues. This leads to improved safety, tolerability and the ability to therefore improve the dosing schedule, in terms of dose, dose frequency and number of cycles, with the aim of improving the efficacy of these potentially powerful anti-cancer agents and delivering better outcomes for patients and quality of life whilst on treatment.

pre|CISION™ can further be incorporated into the linker in an antibody/Affimer drug conjugate (ADC/AffDC) producing dual targeting of potent warheads both to a tumour specific antigen and to FAP-rich tumour tissue with several advantages over conventional ADCs. The clinical validation of the pre|CISION™ platform with AVA6000 now justifies investment in a broader pipeline of peptide drug conjugates and ADCs/AffDCs.

AVA6000 FAPα-activated doxorubicin - the lead pre|CISION™ programme

Avacta's lead programme, AVA6000, is a pre|CISION™ targeted form of doxorubicin, an anthracycline that is used as part of standard of care in several tumour types including soft tissue sarcoma. Its dosing schedule and long-term use is limited by severe systemic toxicities, in particular, by haematological toxicities and cardiotoxicities.

The ALS-6000-101 Phase 1 clinical trial involves a dose-escalation Phase 1 study in patients with locally advanced or metastatic solid tumour, known to be Fibroblast Activation Protein α (FAP) positive, in which cohorts of patients receive ascending doses of AVA6000 initially at three-weekly intervals to determine the maximum tolerated dose. For more information visit www.clinicaltrials.gov (NCT04969835).

The Phase 1a three-weekly dose escalation study has been carried out at several sites in the UK and United States and completed the seventh and final dose escalation cohort at 385 mg/m^2, which is approximately 3.5 times the normal dose of doxorubicin. A number of patients in several different cohorts remain on the trial.

The data emerging from the three-weekly dose escalation study show an excellent safety profile and that the pre|CISION platform is functioning as expected. The key findings of the study are:

- The pre|CISION™ platform targets the release of a chemotherapy to the tumour as intended. The data show that the pre|CISION™ modification is cleaved specifically by FAP, an enzyme present in high concentrations in many solid tumour compared with healthy tissue. In the case of AVA6000, this targets the release of doxorubicin to the tumour microenvironment, concentrating the active cytotoxic drug within the tumour microenvironment and limiting systemic exposure to the chemotherapy.
- AVA6000 has significantly improved the safety and tolerability of doxorubicin. A significant reduction in the frequency and severity of the known doxorubicin toxicities has been observed across the dosing range. A maximum tolerated dose has not been reached in the three-weekly dose escalation study despite dosing approximately 3.5x the normal level of doxorubicin in the highest and final dose cohort in this part of the Phase 1a study.
- AVA6000 has shown encouraging preliminary clinical signs of anti-tumour activity. Preliminary results in the Phase 1a trial demonstrate activity of AVA6000 in patients with tumour with high FAP activity and anthracycline sensitivity, validating the mechanism of action of AVA6000.

Post-period end the Company announced that patients are now being dosed in a two-weekly dose escalation study with the aim of defining the recommended Phase 2 dose (RP2D), allowing dose expansions to begin in H2 2024 followed by the Phase 2 efficacy study, subject to FDA approval, in a selected orphan indication.

Pipeline of pre|CISION™ chemotherapies

The next most advanced pre|CISION™ pre-clinical candidate is AVA3996, a tumour-activated proteasome inhibitor

based on an analogue of Velcade.

Avacta is developing other pre|CISION™ drugs incorporating more potent toxins, the details of which have not yet been made public, but which the Company intends to disclose during 2024.

POINT Biopharma Inc.

Early in 2021, Avacta signed a licensing agreement with POINT Biopharma Inc. ("POINT"), to provide access to Avacta's pre|CISION™ technology for the development of tumour-activated radiopharmaceuticals.

Under the terms of the agreement, Avacta received an upfront fee and will receive development milestone payments for the first radiopharmaceutical FAPα-activated drug totalling $9.5 million. Avacta will also receive milestone payments for subsequent radiopharmaceutical FAPα-activated drugs of up to $8 million each, a royalty on sales of FAP-activated radiopharmaceuticals by POINT and a percentage of any sublicensing income received by POINT.

Avacta is bound by confidentiality clauses in the license agreement with POINT and is therefore unable to provide a detailed update on progress outside of the information that has been placed in the public domain by POINT (POINT has named its pre|CISION™ based programmes CanSeek™).

POINT's acquisition by Eli Lilly has not affected the licensing arrangements.

Affimer® Immunotherapy Programmes

Avacta has also developed Affimer® immunotherapies, the most advanced of which (AVA032) is in pre-clinical research phase and is a bispecific molecule comprising *an anti-PD-L1 Affimer® fused to IL-15, a cytokine* that regulates the activation and proliferation of immune cells (T-cells and natural killer (NK) cells). Data presented at the AACR AACR-NCI-EORTC International Conference on Molecular Targets and Cancer Therapeutics in October 2023 demonstrate encouraging in-vitro and in-vivo efficacy.

Translation of the Affimer® platform into the clinic to demonstrate the safety and tolerability of this novel therapeutic protein platform represents a key value inflection point for the Affimer® technology. Limited resources for internal Affimer programmes are complemented by external partnerships for the Affimer platform with Daewoong Pharmaceutical and LG Chem Life Sciences.

AffyXell Therapeutics

AffyXell was established in January 2020 by Avacta and Daewoong as a joint venture to develop novel mesenchymal stem cell ("MSC") therapies. AffyXell combines Avacta's Affimer® platform with Daewoong's MSC platform such that the stem cells are genetically modified to produce and secrete therapeutic Affimer® proteins with immuno-modulatory effects *in situ* in the patient. The Affimer® proteins are designed to enhance the therapeutic effects of the MSC creating a novel, next generation cell therapy platform.

Avacta has successfully developed and characterised Affimer® proteins against the second target of interest for AffyXell and has filed a patent application for the associated intellectual property triggering the second milestone in the agreement during the reporting period. The second milestone resulted in an increase in Avacta's shareholding in AffyXell, from 19% to 25%.

LG Chem Life Sciences

Avacta has a strategic partnership with LG Chem Life Sciences focused on the development of Affimer® based therapeutics. The partnership provides LG Chem with rights to develop and commercialise a number of Affimer® and non-Affimer biotherapeutics combined with Affimer XT® half-life extension for a range of indications.

The Company will provide further updates on the partnership with LG at the next material milestone.

Avacta Diagnostics Division Update

Avacta's Diagnostics Division is focused on supporting healthcare professionals and broadening access to high quality diagnostics.

In October 2022 Avacta set out a strategy to grow its Diagnostics Division through acquisitions to build a stand-alone in-vitro diagnostics ("IVD") business taking advantage of post-pandemic opportunities to develop products in-house and to capture proprietary routes to market to maximise profitability. The focus of the Division is on professional healthcare in both the centralised setting such as hospital pathology laboratories and the decentralised setting such as primary healthcare, clinics and pharmacies. The strategy also has the potential to benefit from the competitive advantages of the Affimer® platform to differentiate immunodiagnostic products, such as lateral flow tests, in what is a competitive market. Avacta has focused its acquisitions on businesses with clear growth opportunities through product portfolio or geographic expansion, improved commercial processes and partners.

Avacta has successfully executed two acquisitions of businesses that fit with this strategy: Launch Diagnostics Ltd ("Launch"), a leading independent distributor of IVDs to the professional, centralised hospital laboratory testing market in the UK and France, and Coris Bioconcept SRL ("Coris"), a developer and supplier of rapid diagnostic test kits, mainly lateral flow tests. These acquisitions have allowed the Division to build scale and put it on a trajectory to become EBITDA positive in the near future

The Diagnostics Division now has well-established routes to market in the UK and France and is expanding into other European countries including Germany. Alongside third party products it has a market leading portfolio of AMR test products that form part of the clinical workflow in many countries. From this base it is possible to build a significant,

full spectrum, European IVD business through organic growth which is likely to be attractive ultimately to both strategic and financial acquirors.

As announced on 28 February 2024, the Avacta Board has taken the strategic decision to focus its cash resources on growing the Therapeutics Division which the Board believes is now the main value driver of the Group. Whilst the Diagnostics Division is expected to be cash generative in the near future, it is strategically important for the Group to simplify its structure in order to attract specialist healthcare investors with the ability to support the growing pre-clinical and clinical pipeline of pre|CISION™ and Affimer® therapeutics and it will do so in a manner which maximises value for its shareholders.

Financial Review

Reported Group revenues for the year ended 31 December 2023 increased to £23.25 million compared to £9.65 million for the year ended 31 December 2022 ('2022').

Revenues for the Therapeutics Division were £2.06 million (2022: £5.48 million), with the achievement of a further milestone in the collaboration with AffyXell (realised in additional equity in the joint venture). The reduction from the prior year is because milestones were received from both AffyXell and LG Chem in 2022.

Revenues for the Diagnostics Division were £21.19 million (2022: £4.17 million). This significant increase reflects both a full year impact of Launch Diagnostics (acquired in October 2022), contributing £17.87 million, and the acquisition of Coris BioConcept in May 2023, contributing £3.27 million in the post-acquisition period. On a like-for-like annualised basis, revenues of the acquired businesses grew by approximately 10% in 2023.

Acquisitions

On 31 May 2023, the Group acquired 100% of the shares and voting interests in Coris BioConcept SRL. Coris, established in 1996, develops, manufactures and markets rapid diagnostic test kits, mainly lateral flow tests, for use by healthcare professionals. Coris is ISO13485 certified and markets its products through distributors in Europe, Asia, South America, Africa and Oceania. Total consideration for Coris included an initial consideration of £7.31 million in cash payable upon completion of the acquisition, in addition to £2.80 million for other short-term non-operating assets and an additional deferred earn-out element. The earn-out element provides additional consideration of 100% of the revenue achieved in excess of €5.5 million for the year ended 31 December 2023, and 90% of the revenue achieved in excess of €6.5 million for the year ended 31 December 2024, with the total earn-out payment capped at €3.5 million. The additional consideration to be paid based on future gross margin was estimated to be £nil at 31 December 2023.

The acquisition of Coris is part of building critical mass in the Group's Diagnostics Division, which is aiming to build an integrated and differentiated IVD business with a global reach serving healthcare professionals.

For the period from acquisition to 31 December 2023, Coris contributed revenue of £3.27 million and a reported loss of £0.28 million to the Group's results. Further details on the acquisition are provided in Note 26 to the Financial Statements.

Research costs

During the year, the Group expensed through the income statement £14.53 million (2022: £11.10 million) research costs relating to the preCISION™ and Affimer® therapeutic programmes, which are expensed given their early stage in the development pathway, in addition to the expansion and enhancement of the Group's existing diagnostic test offering.

Selling, general and administrative expenses

Administrative expenses have increased during the year to £16.86 million (2022: £11.23 million). This reflects a full year of Launch Diagnostics, £6.89 million, and the acquisition of Coris, £1.13 million.

Amortisation and impairment expense

Amortisation charges of £1.03 million (2022: £1.05 million) have been recognised in the period, with a full year of amortisation recognised on acquired intangible assets arising from the Launch acquisition, £0.84 million, and amortisation of Coris acquired intangible assets, £0.16 million. The 2022 amortisation expense, £0.82 million, was recognised on Affimer® development costs that were fully impaired in the prior period.

Share of loss of associate

The share of loss of associate of £0.85 million (2022: £1.15 million) arises from the Group's equity-accounted investment in AffyXell Therapeutics Co., Ltd. The share of losses reflects the Group's 25% ownership share of the losses accumulated in the year. The Group investment increased from 19% to 25% at 31 December 2023 as a result of additional equity issued due to the Group achieving its second technical milestone for the collaboration.

Share-based payment expense

The non-cash charge for the year decreased to £2.91 million (2022: £7.49 million), due to a limited number of new options being issued in the prior year, and the prior year charge being increased by changes to the assumptions around the likelihood of vesting of options.

Convertible bond

In October 2022, the Group issued senior unsecured convertible bonds ('the Bonds') of £55.00 million to a fund advised by Heights Capital Ireland LLC, a global equity and equity-linked focussed investor. The Bonds were issued at 95% par value with total net proceeds of £52.25 million and accrue interest at an annual rate of 6.5% payable quarterly in arrears.

The Bonds contain various conversion and redemption features. The Bonds have a maturity of five years, and are repayable in 20 quarterly amortisation repayments, of principal and interest over the five-year term, in either cash or in new ordinary shares at the Group's option. The bondholder also has the option to convert Bonds in full outside of the usual quarterly amortisation repayments. This has occurred twice during the period with a total principal amount converted of £3.7 million. For all repayments to date, the Group has elected to settle through the issue of shares. The share price underlying the quarterly amortisation repayment is the lower of the conversion price (118.75p) or a 10% discount to the volume weighted average price ('VWAP') in the five- or ten-day trading period prior to conversion date. For other conversions, shares are issued at the conversion price, which may reset downwards at 18 months depending on share price performance, subject to a reset price floor of £0.95.

The bond agreement contains embedded derivatives in conjunction with an ordinary host debt liability. The derivative element is measured at fair value using a Monte-Carlo option pricing model, which estimates the fair value based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to the bondholders. The fair value of the derivative liability has reduced during the year to £18.32

outcomes available to the bondholders. The fair value of the derivative liability has reduced during the year to £18.32 million (2022: £39.10 million) as a result of fluctuations in the share price during the period and a reduction in the principal amount remaining from £55.00 million to £40.80 million. This has resulted in a gain on revaluation of derivative of £15.68 million (2022: charge of £4.10 million).

The host debt liability is measured at amortised cost, being adjusted to reflect revisions in estimated cashflows arising from early conversion events, resulting in an implied interest charge of £14.73 million (2022: £2.61 million) and a liability at year-end of £16.10 million (2022: £18.73 million). The increased interest charge reflects a full year charge following the issuance of the bonds in October 2022.

Net finance costs

Finance income increased to £0.66 million (2022: £0.09 million) due to an increase in interest rates and a higher average cash balance during the year following the fundraise in October 2022.

Other finance costs of £0.57 million (2022: £0.01 million) relate primarily to IFRS 16 interest charges.

Losses before taxation

Losses before taxation from continuing operations for the year were £27.32 million (2022: £41.64 million).

Taxation

The taxation credit has decreased to £2.37 million (2022, restated: £4.66 million). The Group claims each year for research and development tax credits and, since it is currently loss-making, elects to surrender these tax credits for a cash rebate, resulting in a credit of £2.05 million (2022: £2.23 million). The larger credit in the prior year reflects the recognition of a previously unrecognised deferred tax asset of £2.56 million in relation to tax losses, on acquisition of Launch Diagnostics.

Loss for the period

The reported loss for the period was £24.95 million (2022, restated: £36.63 million). The loss per ordinary share reduced to 9.15p (2022, restated: 14.34p) based on a weighted average number of shares in issue during the period of 272,683,485 (2022: 255,369,066).

Cash flow

The Group reported cash and cash equivalent balances of £16.63 million at 31 December 2023 (2022: £41.78 million).

Operating cash outflows from operations amounted to £21.85 million (2022: £15.95 million).

During the year, research and development tax credit cash rebates were received in relation to the years ending 31 December 2022 and 2021, resulting in a cash inflow of £6.63 million from income tax received (2022: £0.17m paid).

Net cash outflow from investing activities amounted to £9.00 million (2022: £25.04 million) arising principally from the acquisition of Coris, an outflow of £6.93 million net of cash acquired. In 2022, the acquisition of Launch resulted in an outflow of £24.88 million net of cash acquired. Other investing cash outflows include purchase of property, plant and equipment of £1.12 million (2022: £0.56 million).

There was a net cash outflow from financing activities of £1.30 million (2022: inflow of £56.90 million), arising primarily from the principal elements of lease payments of £1.45 million (2022: £0.80 million). In the prior period, the inflow arose from the proceeds of issue of share capital, £9.02 million, and the issue of convertible bonds, £52.25 million, in October 2022. There were also proceeds from the exercise of share options of £0.40 million (2022: £0.47 million).

Financial position

Net assets as at 31 December 2023 were £21.80 million (2022, restated: £21.00 million) of which cash and cash equivalents amounted to £16.63 million (2022: £41.78 million).

The IFRS 16 Leases presentation results in the recognition of right-of-use asset amounting to £7.07 million (2022: £5.42 million) in relation to the Group's leasehold properties and other leased assets, together with a corresponding lease liability of £7.03 million (2022: £5.11 million) with the increase arising due to the acquisition of Coris.

Intangible assets increased to £30.84 million (2022: £26.32 million) due to the acquisition of Coris and the recognition of £2.82 million of goodwill. Further details on the acquisition accounting are detailed in Note 26 to the Financial Statements.

Liabilities in relation to the convertible bond have been recognised with £18.32 million (2022: £39.10 million) relating to the fair value of the derivative element at 31 December 2023 and £16.10 million (2022: £18.73 million) relating to the debt liability element.

Dr Eliot Forster
Chairman
29 April 2024

Dr Alastair Smith
Chief Executive Officer
29 April 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 31 December 2023

£000	Note	**2023**	2022 (restated)*
Continuing operations			
Revenue	3	**23,247**	9,653
Cost of sales		**(12,003)**	(2,410)
Gross profit		**11,244**	7,243
Research costs		**(14,529)**	(11,100)
Selling, general and administrative expenses		**(16,855)**	(11,232)
Adjusted EBITDA		**(20,140)**	(15,089)
Impairment charge		**(512)**	(5,225)
Depreciation expense		**(2,638)**	(1,904)
Amortisation expense		**(1,033)**	(1,050)

Amortisation expense		**(1,033)**	(1,050)
Share of loss of associate		**(847)**	(1,152)
Acquisition-related expenses	7	**(282)**	(735)
Share-based payment expense		**(2,906)**	(7,490)
Operating loss		**(28,358)**	(32,645)
Convertible bond - professional fees	5	**-**	(2,287)
Convertible bond - interest expense	5	**(14,730)**	(2,606)
Convertible bond - revaluation of derivative	5	**15,684**	(4,100)
Finance income		**655**	91
Other finance costs		**(568)**	(95)
Loss before tax		**(27,317)**	(41,642)
Taxation		**2,370**	4,659
Loss from continuing operations		**(24,947)**	(36,983)
Discontinued operation			
Profit from discontinued operation		**-**	351
Loss for the period		**(24,947)**	(36,632)
Foreign operations - foreign currency translation differences		**1**	46
Other comprehensive income		**1**	46
Total comprehensive loss for the period		**(24,946)**	(36,586)
Loss per share:			
Basic and diluted	4	**(9.15p)**	(14.34p)
Loss per share - continuing operations:			
Basic and diluted	4	**(9.15p)**	(14.48p)

* The comparative information is restated on account of correction of an error relating to deferred taxation, see Note 8.

Consolidated Statement of Financial Position as at 31 December 2023

	Note	**2023 £000**	2022 (restated*) £000
Assets			
Property, plant and equipment		**2,921**	2,380
Right-of-use assets		**7,065**	5,418
Intangible assets		**30,837**	26,324
Investment in associate		**4,079**	2,976
Deferred tax asset		**253**	274
Non-current assets		**45,155**	37,372
Inventories		**2,585**	1,681
Trade and other receivables		**6,585**	5,579
Income tax receivable		**2,239**	6,510
Cash and cash equivalents		**16,627**	41,781
Current assets		**28,036**	55,551
Total assets		**73,191**	92,923
Liabilities			
Lease liabilities		**(5,735)**	(3,753)
Financing liabilities		**(219)**	-
Deferred tax liability		**(323)**	(562)
Non-current liabilities		**(6,277)**	(4,315)
Trade and other payables		**(9,225)**	(8,423)
Lease liabilities		**(1,295)**	(1,361)
Financing liabilities		**(166)**	-
Convertible bond - debt	5	**(16,098)**	(18,729)
Convertible bond - derivative	5	**(18,325)**	(39,100)
Current liabilities		**(45,109)**	(67,613)
Total liabilities		**(51,386)**	(71,928)
Net assets		**21,805**	20,995

Equity		
Share capital	**28,501**	26,685
Share premium	**83,220**	62,184
Reserves	**(4,163)**	(4,434)
Retained earnings	**(85,753)**	(63,440)
Total equity	**21,805**	20,995

* The comparative information is restated on account of correction of an error relating to deferred taxation, see Note 8.

Approved by the Board and authorised for issue on 29 April 2024.

Dr Alastair Smith — **Chief Executive Officer**

Tony Gardiner — **Chief Financial Officer**

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2023

	Share capital £000	Share premium £000	Other reserve £000	Translation reserve £000	Reserve for own shares £000	Retained earnings £000	Total equity £000
Balance at 1 January 2022	**25,472**	**54,530**	**(1,729)**	**4**	**(2,961)**	**(34,093)**	**41,222**
Loss for the period*	-	-	-	-	-	(36,632)	**(36,632)**
Other comprehensive income for the period	-	-	-	46	-	-	**46**
Total comprehensive loss for the period	-	-	-	46	-	(36,632)	**(36,586)**
Transactions with owners of the Company:							
Issue of shares	949	7,448	-	-	-	-	**8,397**
Exercise of share options	264	206	-	-	-	-	**470**
Transfer of own shares	-	-	-	-	206	(206)	**-**
Equity-settled share-based payment	-	-	-	-	-	7,490	**7,490**
	1,213	7,654	-	-	206	7,284	**16,357**
Balance at 31 December 2022 (restated*)	**26,685**	**62,184**	**(1,729)**	**50**	**(2,755)**	**(63,440)**	**20,995**
Loss for the period	-	-	-	-	-	(24,947)	**(24,947)**
Other comprehensive income for the period	-	-	-	1	-	-	**1**
Total comprehensive loss for the period	-	-	-	1	-	(24,947)	**(24,946)**
Transactions with owners of the Company:							
Convertible bond - issue of shares	1,563	20,890	-	-	-	-	**22,453**
Exercise of share options	253	146	-	-	-	-	**399**
Transfer of own shares	-	-	-	-	270	(270)	**-**
Equity-settled share-based payment	-	-	-	-	-	2,904	**2,904**
	1,816	21,036	-	-	270	2,634	**25,756**
Balance at 31 December 2023	**28,501**	**83,220**	**(1,729)**	**51**	**(2,485)**	**(85,753)**	**21,805**

* The comparative information is restated on account of correction of an error relating to deferred taxation, see Note 8.

Consolidated Statement of Cash Flows
for the Year Ended 31 December 2023

	Note	2023	2022
		£000	£000
Operating cash outflow from operations	6	**(21,845)**	(15,953)
Interest received		**655**	75
Interest elements of financing liabilities		**(11)**	-
Interest elements of lease payments		**(304)**	(202)
Income tax received / (paid)		**6,633**	(168)
Withholding tax paid		**-**	(184)
Net cash used in operating activities		**(14,872)**	(16,432)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,124)**	(558)
Proceeds from sale of property, plant and equipment		**60**	50
Acquisition of subsidiary, net of cash acquired	7	**(6,931)**	(24,878)
Disposal of discontinued operation, net of cash disposed of		**-**	705
Payment of deferred consideration on past acquisition		**(868)**	-
Transaction costs related to disposal of discontinued operation		**-**	(160)
Acquisition of right-of-use assets		**(42)**	(165)
Purchase of intangible assets		**(96)**	(36)
Net cash used in investing activities		**(9,001)**	(25,042)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	9,016
Transaction costs related to issue of share capital		**-**	(618)
Proceeds from exercise of share options		**398**	470
Principal elements of lease payments		**(1,450)**	(800)
Repayment of financing liabilities		**(246)**	-
Proceeds from issue of convertible bonds	5	**-**	52,250
Transaction costs related to issue of convertible bonds	5	**-**	(3,414)
Net cash (used in) / from financing activities		**(1,298)**	56,904
Net (decrease) / increase in cash and cash equivalents		**(25,171)**	15,430
Cash and cash equivalents at 1 January 2023		**41,781**	26,191
Effects of movements in exchange rates on cash held		**17**	160
Cash and cash equivalents at 31 December 2023		**16,627**	41,781

Notes to the Preliminary Results to 31 December 2023

1 General Information

These preliminary results have been prepared on the basis of the accounting policies which are set out in Avacta Group plc's annual report and financial statements for the year ended 31 December 2023.

The consolidated financial statements of the Group for the year ended 31 December 2023 were prepared in accordance with UK adopted international accounting standards.

The financial information set out above for the year ended 31 December 2023 and the year ended 31 December 2022 does not constitute the Company's statutory accounts for those years.

Statutory accounts for the year ended 31 December 2022 have been delivered to the Registrar of Companies and distributed to shareholders. The statutory accounts for the year ended 31 December 2023 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors' report on the accounts for the year ended 31 December 2023 and the year ended 31 December 2022 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 489(2) or 498(3) of the Companies Act 2006.

Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with UK adopted international accounting standards.

The financial statements have been prepared on the historical cost basis.

Functional and presentation currency

These consolidated financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going concern

These financial statements have been prepared on a going concern basis, notwithstanding a loss of £24.95 million and operating cash outflows from operations of £21.8 million for the year ended 31 December 2023. The Directors

and operating cash outflows from operations of £21.8 million for the year ended 31 December 2023. The Directors consider this to be appropriate for the following reasons.

The Directors have prepared detailed cash flow forecasts that extend to at least twelve months from the date of approval of the financial statements. The forecasts take into account the Directors' views of current and future economic conditions that are expected to prevail over the period. These forecasts include assumptions regarding the status of therapeutic development collaborations, the AVA6000 clinical trials, and product development projects together with the Launch and Coris sales pipelines, future revenues and costs, together with various scenarios which reflect growth plans, opportunities, risks and mitigating actions. The forecasts also include assumptions regarding the timing and quantum of investment in the therapeutic development programmes.

Whilst there are inherent uncertainties regarding the cash flows associated with the development of both the therapeutic platforms, the Directors are satisfied that there is sufficient discretion and control as to the timing and quantum of cash outflows to ensure that the Company and Group are able to meet their liabilities as they fall due for at least twelve months from the date of approval of the financial statements. The key factors considered in reaching this conclusion are summarised below:

- As at 31 December 2023, the Group's cash and cash equivalents were £16.6 million (2022: £41.8 million).
- The Group completed an equity fundraise in March 2024, which raised gross proceeds of £31.1 million (£29.4 million net proceeds)
- While the Group does have external borrowings in the form of a convertible bond with principal amount remaining of £40.8 million, this liability can be settled by the issue of new equity, rather than cash, at the discretion of the Group.
- The Directors have considered the position of the individual trading companies in the Group to ensure that these companies are also in a position to continue to meet their obligations as they fall due.

The Directors continue to explore additional sources of income and finance available to the Group to continue the development of the therapeutic platforms beyond 2024. The sources of income could come through the licensing of assets/targets from the proprietary Affimer® and pre|CISION™ platforms or through additional therapeutic collaborations, similar to the LG Chem and Daewoong collaborations, which may include up-front technology access fees and significant early-stage development income, or through additional equity fundraises.

Based on these indications, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements and estimates made by management that have the most significant effects on the amounts recognised in the financial statements is given below.

The Directors consider that the key judgements made in preparation of the financial statements are:

Going concern - The judgement of whether or not the accounts should be prepared on a going concern basis has been disclosed above.

Revenue recognition - Judgements arise from the application of IFRS 15 to the Group's revenue streams, as disclosed in Note 1C of the financial statements, as to the timing and nature of revenue recognised in relation to the achievement of milestones.

The Directors consider that the assumptions and estimation uncertainties at 31 December 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts and liabilities in the next financial year are:

Impairment - Impairment tests have been performed on the carrying amounts of the Group's cash-generating units. Further information on the key assumptions underlying these tests is disclosed in Note 10 of the financial statements.

Acquisitions - Estimation uncertainty is inherent in the methods used to determine the fair value of consideration and of the assets acquired and liabilities assumed, as set out in Note 7. These include the valuation of acquired intangible assets and the estimate of deferred consideration payable.

Convertible bond - Determining the fair value of the embedded derivative within the convertible bond, both at conversion dates and at the reporting date. See Note 5.

Significant accounting policies

The Group has consistently applied the accounting policies to all periods presented in these preliminary statements. Whilst there are a number of new standards effective from periods beginning after 1 January 2023, the Group has not

early adopted the new or amended standards and does not expect them to have a significant impact on the Group's consolidated financial statements.

This Group presents an alternative performance measure ('APM'), adjusted EBITDA, in the Consolidated Statement of Profit or Loss. Adjusted EBITDA is presented to enhance an investor's evaluation of ongoing operating results, by facilitating both a meaningful comparison of results between periods and identification of the underlying cash used by operations within the business. Items of expenditure included from the adjusted EBITDA measure are those where the relative magnitudes year-on-year are not directly reflective of year-on-year performance, or are not closely linked to the underlying cashflows from operations. There is a clear reconciliation between adjusted EBITDA and operating loss in the Consolidated Statement of Profit or Loss. It is noted that the above APM is not a substitute for IFRS measures, and may not be directly comparable to similarly titled measures used by other companies.

2 Segment reporting

Operating segments

In the view of the Board of Directors, the Group has two (2022: two) distinct reportable segments, which are Diagnostics and Therapeutics (2022: Diagnostics and Therapeutics), and segment reporting has been presented on this basis. The Directors recognise that the operations of the Group are dynamic and therefore this position will be monitored as the Group develops.

The principal activities of each reportable segment in the current and prior year are as follows:

Diagnostics: development and sale of innovative, next generation diagnostic solutions and disruptive immunodiagnostic products

Therapeutics: development of novel cancer therapies harnessing proprietary technology

Segment revenue represents revenue from external customers arising from sale of goods and services, plus inter-segment revenues. Inter-segment transactions are priced on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group's revenue to destinations outside the UK amounted to 45% (2022: 74%) of total revenue. The revenue analysis below is based on the country of registration of the customer:

	2023	2022
	£'000	£'000
UK	**12,750**	2,532
France	**4,120**	1,296
Rest of Europe	**3,688**	158
North America	**21**	179
South Korea	**2,055**	5,481
Rest of World	**613**	7
	23,247	9,653

During the year, transactions with one external customer in the Therapeutics segment amounted individually to 10% or more of the Group's revenues from continuing operations, being £2,054,000. In the year ended 31 December 2022 transactions with two external customers, both in the Therapeutics segment, amounted individually to 10% or more of the Group's revenues from continuing operations, being £3,798,000 and £1,682,000 respectively.

Operating segment analysis 2023

	Diagnostics	Therapeutics	Central overheads[1]	**Total**
	£000	£000	£000	**£000**
Revenue	21,192	2,055	**-**	**23,247**
Cost of goods sold	(11,988)	(15)	**-**	**(12,003)**
Gross profit	**9,204**	**2,040**	-	**11,244**
Research costs	(1,421)	(13,108)	-	**(14,529)**
Selling, general and administrative expenses	(8,963)	(2,489)	(5,403)	**(16,855)**
Adjusted EBITDA	**(1,180)**	**(13,557)**	**(5,403)**	**(20,140)**
Impairment charge	(512)	-	-	**(512)**
Depreciation expense	(1,359)	(1,271)	(8)	**(2,638)**

Depreciation expense	(1,359)	(1,271)	(6)	**(2,636)**
Amortisation expense	(1,020)	(10)	(3)	**(1,033)**
Share of loss of associate	-	(847)	-	**(847)**
Acquisition-related expenses	-	-	(282)	**(282)**
Share-based payment expense	(359)	(1,739)	(808)	**(2,906)**
Segment operating loss	**(4,430)**	**(17,424)**	**(6,504)**	**(28,358)**

[1]Central overheads, which relate to operations of the Group functions, are not allocated to the operating segments.

Operating profit/loss is the measure of profit or loss regularly reviewed by the Board. Other items comprising the Group's loss before tax are not monitored on a segmental basis.

The information reported to the Board does not include balance sheet information at the segment level. The key segmental balance sheet information is considered to be the segment's non-current assets.

All material segmental non-current assets (excluding goodwill and deferred tax assets) are located in the UK, except for £1,838,000 located in France and £5,150,000 located in Belgium.

Operating segment analysis 2022

	Diagnostics	Therapeutics	Central overheads[1]	**Total (continuing)**	Animal Health (discontinued)
Revenue	4,172	5,481	**-**	**9,653**	412
Cost of goods sold	(2,282)	(128)	**-**	**(2,410)**	(118)
Gross profit	**1,890**	**5,353**	-	**7,243**	**294**
Research costs	(2,309)	(8,791)	-	**(11,100)**	-
Selling, general and administrative expenses	(4,706)	(2,403)	(4,122)	**(11,231)**	(240)
Adjusted EBITDA	**(5,125)**	**(5,841)**	**(4,122)**	**(15,088)**	**54**
Impairment charge	(5,225)	-	-	**(5,225)**	-
Depreciation expense	(627)	(1,269)	(9)	**(1,905)**	(11)
Amortisation expense	(1,033)	(8)	(9)	**(1,050)**	-
Share of loss of associate	-	(1,152)	-	**(1,152)**	-
Acquisition-related expenses	-	-	(735)	**(735)**	-
Share-based payment expense	(1,438)	(2,713)	(3,339)	**(7,490)**	-
Segment operating loss	**(13,448)**	**(10,983)**	**(8,214)**	**(32,645)**	**43**

[1]Central overheads, which relate to operations of the Group functions, are not allocated to the operating segments.

Operating profit/loss is the measure of profit or loss regularly reviewed by the Board. Other items comprising the Group's loss before tax are not monitored on a segmental basis.

The information reported to the Board does not include balance sheet information at the segment level. The key segmental balance sheet information is considered to be the segment's non-current assets.

All material segmental non-current assets (excluding goodwill) are located in the UK, except for £2,281,000 located in France.

3 Revenue

See accounting policy and discussion of main revenue streams in Note 1C of the financial statements. The Group's revenue is all derived from contracts with customers.

a) Disaggregation of revenue

In the following table, revenue is disaggregated by both its nature and the timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 2).

Year ended 31 December 2023

	Diagnostics £000	**Therapeutics £000**	**Total**
Nature of revenue			

Sale of goods	20,019	-	**20,019**
Provision of services	1,173	3	**1,176**
Licence-related income	-	2,052	**2,052**
	21,192	**2,055**	**23,247**
Timing of revenue recognition			
Products or services transferred at a point in time	20,019	2,052	**22,071**
Products or services transferred over time	1,173	3	**1,176**
	21,192	**2,055**	**23,247**

Year ended 31 December 2022

	Diagnostics	**Therapeutics**	**Continuing operations**	**Animal Health (discontinued)**	**Total**
	£000	**£000**	**£000**	**£000**	
Nature of revenue					
Sale of goods	3,779	-	**3,779**	259	**4,038**
Provision of services	393	229	**622**	153	**775**
Licence-related income	-	5,252	**5,252**	-	**5,252**
	4,172	**5,481**	**9,653**	**412**	**10,065**
Timing of revenue recognition					
Products or services transferred at a point in time	3,779	5,252	**9,031**	391	**9,422**
Products or services transferred over time	393	229	**622**	21	**643**
	4,173	**5,480**	**9,653**	**412**	**10,065**

4 Earnings per ordinary share

The calculation of earnings per ordinary share is based on the profit or loss for the period and the weighted average number of equity voting shares in issue excluding own shares held jointly by the Avacta Employees' Share Trust and certain employees and the shares held within the Avacta Share Incentive Plan ('SIP').

At 31 December 2023, 25,491,642 options (2022: 20,444,462) have been excluded from the diluted weighted-average number of ordinary shares calculation because, due to the loss for the period, their effect would have been anti-dilutive. Further details on share options are set out in Note 5.

At 31 December 2023, no potentially dilutive shares relating to the convertible bond (2022: 5,314,010) have been excluded from the diluted weighted-average number of ordinary shares calculation because, due to the loss for the period, their effect would have been anti-dilutive. Further details on the convertible bond are set out in Note 22.

	2023 Continuing operations	Continuing operations	2022 (restated) Discontinued operation	Total
Loss (£000)	**(24,947)**	(36,983)	351	(36,632)
Weighted average number of shares (number)	**272,683,485**			255,369,066
Basic and diluted loss per ordinary share (pence)	**(9.15p)**	(14.48p)	0.14p	(14.34p)

In January 2024, 3,425,373 new ordinary shares of 10p each were issued in settlement of the quarterly principal of £2.55 million and interest repayment of £0.66 million in respect of the unsecured convertible bond.

On 4 March 2024, 27,390,485 ordinary shares of 10p each were allotted and issued at 50p further to a placing of shares, with a further 130,000 ordinary shares of 10p each being allotted and issued in relation to a management subscription of shares. On 19 March 2024, a further 23,879,124 conditional placing shares and 10,896,948 REX offer shares of 10p each were allotted and issued at 50p.

In April 2024, 7,529,825 new ordinary shares of 10p each were issued in settlement of the quarterly principal of £2.55 million and interest repayment of £0.62 million in respect of the unsecured convertible bond.

5 Convertible bond

In October 2022, the Group issued senior unsecured convertible bonds ('the Bonds') of £55 million to a fund advised by Heights Capital Ireland LLC, a global equity and equity-linked focused investor. The Bonds were issued at 95% par value with total net proceeds of £52.25 million, and accrue interest at an annual rate of 6.5% payable quarterly in arrears.

The Bonds contain various conversion and redemption features. The Bonds have a maturity of five years, and are repayable in 20 quarterly amortisation repayments, of principal and interest over the five-year term, in either cash or in new ordinary shares at the Group's option. The bondholder also has the option to convert Bonds in full outside of the usual quarterly amortisation repayments, which has occurred twice during the period with a total principal amount converted of £3,700,000. For all repayments to date, the Group has elected to settle through the issue of shares. The share price underlying the quarterly amortisation repayment is the lower of the conversion price (118.75p) or a 10% discount to the volume weighted average price ('VWAP') in the five- or ten-day trading period prior to conversion date. For other conversions, shares are issued at the conversion price, which may reset downwards at 18 months depending on share price performance, subject to a reset price floor of £0.95.

The bond contains embedded derivatives in conjunction with an ordinary host debt liability. The derivative element is measured at fair value using a Monte-Carlo option pricing model, which estimates the fair value based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to the bondholders. This falls under Level 3 of the fair value hierarchy.

Significant assumptions used in the fair value analysis include the volatility rate. A volatility of 84.7% was used in the determination of the fair value of the derivative element. A reduction of 25% would have resulted in a reduction in the fair value at inception by £1,839,000, corresponding increases in volatility do not have a significant impact on the valuation.

The host debt liability is measured at amortised cost, being adjusted to reflect revisions in estimated cashflows arising from early conversion events, resulting in an implied interest expense of £14,730,000.

In the comparative period, transaction costs of £3,413,000 were apportioned between the derivative and debt liability components according to the relative inception values. This resulted in £2,287,000 of transaction costs being recognised as an expense at acquisition, with £1,127,000 adjusted for in the carrying amount of the debt liability at acquisition.

	Convertible bond - derivative	Convertible bond - debt
	£000	£000
At 1 January 2023	39,100	18,729
Repayments [1]	(5,091)	(17,361)
Interest expense		14,730
Revaluation of derivative	(15,684)	-
At 31 December 2023	**18,325**	**16,098**

[1] Repayments relate to the issue of new ordinary shares in settlement of the liability.

6 Operating cash outflow from operations

	2023	**2022 (restated)**
	£000	**£000**
Loss for the period	**(24,947)**	(36,632)
Adjustments for:		
Amortisation expense	**1,033**	1,051
Impairment losses	**512**	5,225
Depreciation	**2,638**	1,961
Net loss on disposal of property, plant and equipment	**(2)**	52
Deferred income movement	**28**	-
Share of loss of associate	**847**	1,152
Equity-settled share-based payment transactions	**2,906**	7,490
Profit on lease modification	**1**	(31)
Gain on sale of discontinued operation	**-**	(308)
Net finance costs	**(1,277)**	9,000
Increase in investment in associate	**(1,950)**	(4,127)
Taxation	**(2,370)**	(4,659)
Operating cash outflow before changes in working capital	**(22,581)**	(19,826)
Decrease in inventories	**106**	52

Decrease in inventories	**196**	52
Decrease in trade and other receivables	**841**	2,225
(Decrease) / increase in trade and other payables	**(301)**	1,596
Operating cash outflow from operations	**(21,845)**	(15,953)

7 Acquisition of subsidiary

On 31 May 2023, the Group acquired 100% of the shares and voting interests in Coris Bioconcept SRL ('Coris'). Coris develops, manufactures and markets rapid diagnostic test kits, mainly lateral flow tests, for use by healthcare professionals. Coris is ISO13485 certified and markets its products through distributors in Europe, Asia, South America, Africa and Oceania.

For the period from acquisition to 31 December 2023, Coris contributed revenue of £3,270,000 and loss of £278,000 to the Group's results. If the acquisition had occurred on 1 January 2023, management estimates that consolidated revenue would have been £24,499,000 and consolidated loss for the year would have been £25,666.000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023.

A. Consideration transferred

	£000
Cash [1]	10,116
Deferred consideration	22
Total consideration transferred	**10,138**

[1] Of which, £7,312,000 relates to the agreed initial consideration before net working capital amounts, and £2,804,000 relates to amounts paid in relation to net working capital balances net of financing liabilities.

In addition, the Group has agreed to pay the selling shareholders additional consideration of one times the sales exceeding €5.5 million in the year ending 31 December 2023 and 0.9 times the sales exceeding €6.5 million in the year ending 31 December 2024, capped at a total of €3.5 million . Based on an assessment of forecast future sales, the fair value of this contingent consideration at the acquisition date is £22,000. At 31 December 2023, the contingent consideration estimated has been revised to £nil.

B. Acquisition-related costs

The Group incurred acquisition-related costs of £282,000 on legal fees and due diligence costs. These costs have been included in 'Acquisition-related expenses'.

C. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	£000
Property, plant and equipment	368
Right-of-use assets	1,405
Intangible assets - brand	631
Intangible assets - customer relationships	1,716
Intangible assets - development projects	753
Intangible assets - other	60
Deferred tax asset	198
Inventories	1,103
Trade and other receivables	1,479
Cash and cash equivalents	3,208
Trade and other payables	(1,585)
Lease liabilities	(1,394)
Financing liabilities	(628)
Total identifiable net assets acquired	**7,314**

Trade receivables comprises gross contractual amounts of £1,033,000 with £nil expected to be uncollectable at the date of acquisition. Amounts receivable from selling shareholders were settled at acquisition at their gross contractual amount.

D. Goodwill

Goodwill arising from the acquisition has been recognised as follows:

		£000
Consideration transferred	**A**	10,138
Fair value of identifiable net assets	**C**	(7,314)
Goodwill		**2,824**

The goodwill is attributable mainly to the skills and technical talent of Coris' work-force and the synergies expected to be achieved from integrating the company into the Group's wider Diagnostics business. None of the goodwill recognised is expected to be deductible for tax purposes.

8 Restatement of comparative information

During 2023, the Group identified an error in the 2022 financial statements. On acquisition of Launch Diagnostics in 2022, a deferred tax asset should have been recognised in relation to previously unrecognised losses in different taxable entities but within the same taxation authority as the Launch Diagnostics UK taxable entity. This asset should have been recognised to the extent that the losses offset taxable temporary differences of the Launch Diagnostics UK taxable entity.

This error has been corrected by restating each of the affected financial statement line items in the comparative period. The following tables summarise the impacts on the Group's consolidated financial statements.

In the restated consolidated statement of financial position this leaves a net deferred tax asset relating to the UK taxation authority, and a net deferred tax liability relating to the French taxation authority, which cannot be offset against one another.

A. Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 December 2022		
	As previously reported	Adjustment	**As restated**
Loss before tax	**(41,642)**	**-**	**(41,642)**
Taxation	2,102	2,557	**4,659**
Loss from continuing operations	**(39,540)**	**2,557**	**(36,983)**
Loss for the period	**(39,189)**	**2,557**	**(36,632)**
Total comprehensive loss for the period	**(39,143)**	**2,557**	**(36,586)**
Loss per share:			
Basic and diluted	(15.34p)	1.00p	**(14.34p)**
Loss per share - continuing operations:			
Basic and diluted	(15.48p)	1.00p	**(14.48p)**

B. Consolidated statement of financial position

		At 31 December 2022		
		As previously reported	Adjustment	**2022 (restated*)**
		£000		**£000**
Assets				
Other non-current assets		37,098	-	**37,098**
Deferred tax asset		-	274	**274**
Non-current assets		37,098	274	**37,372**
Current assets		55,551	-	**55,551**
Total assets		92,649	274	**92,923**
Liabilities				
Other non-current liabilities		(3,753)	-	**(3,753)**
Deferred tax liability		(2,845)	2,283	**(562)**
Non-current liabilities		(6,598)	2,283	**(4,315)**
Current liabilities	(67,613)	-		**(67,613)**
Total liabilities		(74,211)	2,283	**(71,928)**

Net assets	18,438	2,557	**20,995**

29 Events after the reporting period

On 22 January 2024, 3,425,373 new ordinary shares of 10p each were issued in settlement of the quarterly principal of £2.55 million and interest repayment of £0.66 million in respect of the unsecured convertible bond.

On 4 March 2024, 27,390,485 ordinary shares of 10p each were allotted and issued at 50p further to a placing of shares, with a further 130,000 ordinary shares of 10p each being allotted and issued in relation to a management subscription of shares. On 19 March 2024, a further 23,879,124 conditional placing shares and 10,896,948 REX offer shares of 10p each were allotted and issued at 50p. Placing costs of £1.73 million were incurred and offset against the share premium reserve.

On 22 April 2024, 7,529,825 new ordinary shares of 10p each were issued in settlement of the quarterly principal of £2.55 million and interest repayment of £0.62 million in respect of the unsecured convertible bond.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our Privacy Policy.

END

FR SDUSLSELSELL