



Annual Report  
& Accounts  
**2023**





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# Highlights - Avacta Therapeutics

A clinical stage oncology drug company developing innovative cancer therapies based on its two proprietary technology platforms: pre|CISION™ and Affimer®



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** in patients with advanced cancers.

Encouraging clinical data for AVA6000, the Company's lead pre|CISION™ targeted cancer therapy

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.

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<sup>high</sup>'), thus delivering clinical proof-of-concept for **AVA6000** and proof-of-mechanism for the proprietary **pre|CISION™** drug delivery platform.

## Operating highlights



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.



**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%.

Data from the **AVA6000** Phase 1 clinical trial three-weekly dose escalation study reported at the **AACR annual meeting in San Diego, US**, providing Clinical Proof of Concept for **AVA6000** with multiple patient responses and favourable safety profile.



**A Phase I trial of AVA6000, a Fibroblast Activation Protein (FAP)-released and tumor microenvironment (TME)-targeted doxorubicin peptide drug conjugate in patients with FAP-positive solid tumors**

**BACKGROUND AND PRECLINICAL DATA**

**MECHANISM OF ACTION OF AVA6000**

**IN VIVO CHARACTERIZATION**

**CLINICAL TRIAL METHODS**

**RESULTS**

**SAFETY**

**PRELIMINARY EFFICACY**

**CONCLUSIONS**

Events after the reporting period

2

The Group 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.



Appointment of **Christina Coughlin MD, PhD** as Head of Research and Development, to drive the clinical development strategy for **AVA6000**, Avacta's lead **pre|CISION™** tumour targeted therapy and the broader drug pipeline strategy.

AVA6000 update

2

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.

Avacta receives approval to enrol patients in the UK in the ongoing **two-weekly dose escalation study**.



# Highlights - Avacta Diagnostics

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



The Diagnostics Division, which 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).



Operating highlights

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 Group in creating a pure-play oncology biopharmaceutical company that the Board expects will be more attractive to specialist international biotech investors.



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 31 May 2023 for an upfront consideration of £7.3 million with an earn-out 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.



# Highlights - Financial & Corporate



Cash and short-term deposit balances at 31 December 2023 of **£16.6 million**

(31 December 2022: £41.8 million)



Revenues increase to **£23.25 million**

(2022: £9.65 million)

Operating loss reduces to **£28.36 million**  
(2022: £32.6 million)

Loss per ordinary share from continuing operations of **9.15p**  
(2022, restated: 14.48p)

Reported loss from continuing operations of **£24.95 million**

(2022, restated: £36.98 million)

Adjusted EBITDA loss (before non-cash and non-recurring items) of **£20.14 million**

(2022: £15.09 million)



**Shaun Chilton** joined Avacta's Board of Directors as Non-executive Director in June 2023.



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.

# pre | CISION™ Technology

Concentrating highly potent warheads in the tumour microenvironment

The Avacta pre | CISION™ platform is a proprietary warhead delivery system, based on the activity of a cancer-specific protease, that is designed to concentrate highly potent warheads in the tumour microenvironment while sparing normal tissues.

# pre | CISION™

Fibroblast activation protein- $\alpha$  ('FAP') is an extracellular post-proline protease that is upregulated in many solid tumours in a membrane-bound form on cancer associated fibroblasts as well as tumour cells. FAP activity is also observed as a soluble protease to a low degree in plasma.

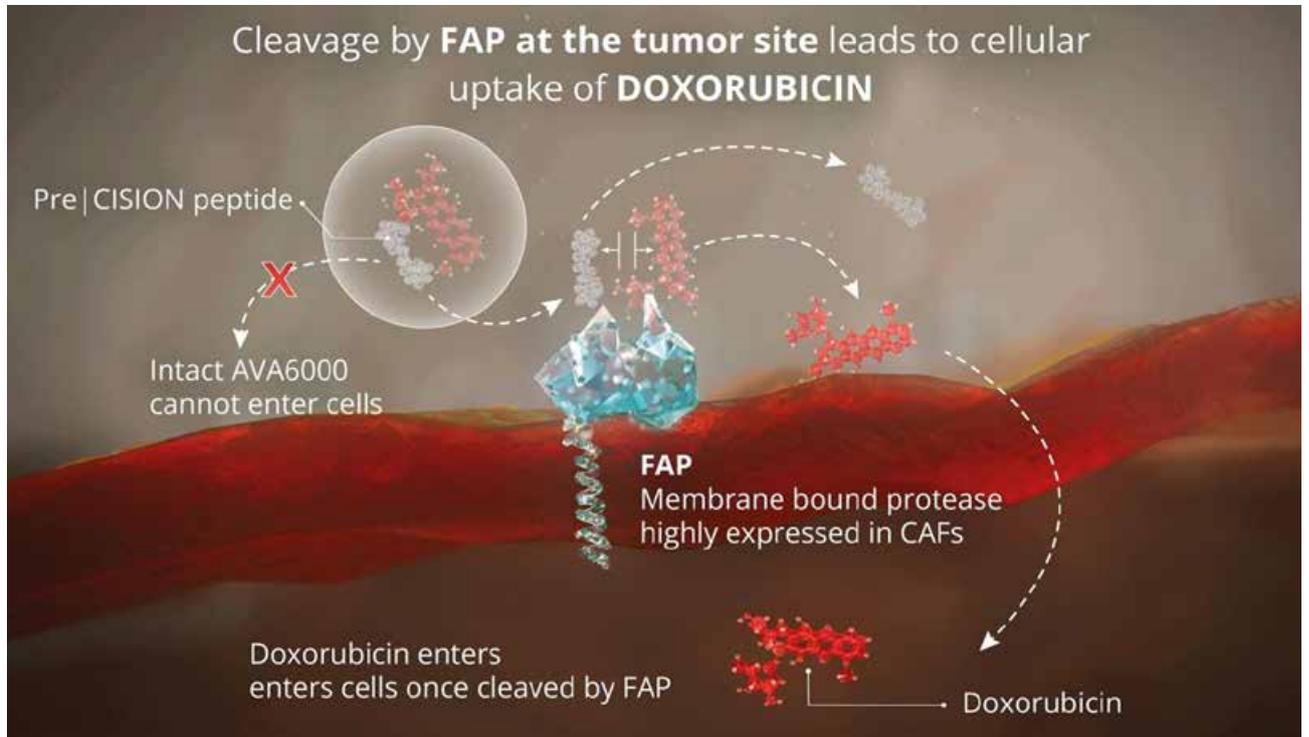
AVA6000 is the first clinical-stage pre | CISION™ molecule. It is a peptide drug conjugate that leverages the tumour-specific expression of FAP by linking a peptide moiety which has two key properties:

- It prevents the warhead from entering cells.
- It is specifically cleaved by FAP to release active doxorubicin.

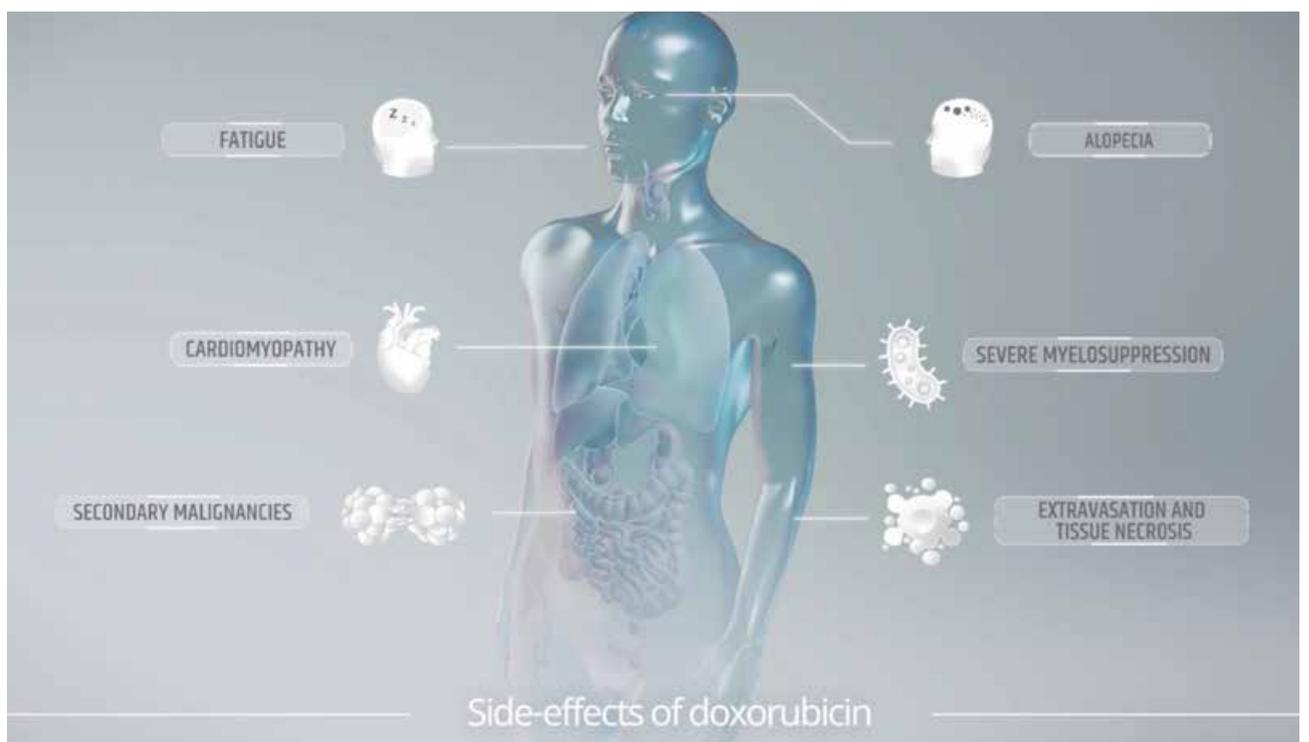
The peptide moiety linker, pre | CISION™, prevents cellular entry of the warhead unless it is cleaved by FAP, thus enabling targeted delivery of doxorubicin to tumours.



*Fibroblast activation protein (FAP  $\alpha$ )*



Avacta's lead pre|CISION™ programme, AVA6000, a tumour microenvironment activated form of chemotherapy agent doxorubicin, is now in clinic.



AVA6000 is proving to be distinct from standard doxorubicin and shows a reduction in side effects

# Affimer® Technology

Affimer® reagents are small proteins that can be engineered to bind to a target molecule of interest, in the same way that an antibody does, but with a number of competitive advantages over antibodies.

Affimer® reagents can be used to develop diagnostic and research assays, or products to enrich or purify a target from a complex mixture. If the target is involved in a disease pathway and binding by the Affimer® molecule activates, alters or blocks its function, then there is potential for the Affimer® molecule to provide therapeutic benefit as a drug.

Antibodies are proteins that have evolved as part of the immune system to bind to a target *in vivo*. Over several decades this property of antibodies has been harnessed to develop thousands of reagents for laboratory assays and diagnostic tests, and one third of all drugs in development are now antibodies. This enormous success of antibodies is despite some significant limitations. These limitations are that:

- antibodies are often not entirely specific to the target and cross-react with other targets causing uncertainty in the results that are obtained or drug side-effects;
- antibodies are large proteins with complex structures, including special internal bonds and external chemical modifications that are required for correct function, making many of them challenging and costly to manufacture and resulting in batch-to-batch variability;
- antibodies are often generated by immunising an animal and purifying the antibodies from the animal's blood, which means that the time required to develop a new, high-quality antibody can be many months and that the type of target to which an antibody can be raised is limited to those that are not toxic and cause an immune response; many important and commercially valuable targets do not fit these criteria;
- the large size of antibodies is a disadvantage in some applications in which, for example, tissue penetration is important or a high density on a sensor surface is required; and
- many applications require the antibody to be modified to carry a payload or signalling tag and their large size and complex structure makes these modifications more challenging.

In contrast, the small size and simple structure of Affimer® molecules means that they are easy to manufacture with simple, low-cost processes that are reliable in their batch-to-batch consistency. Their simplicity also means that modifying an Affimer® molecule for a particular application is easily carried out with simple biochemistry.

New Affimer® molecules are generated by screening through a pre-existing large library of approximately ten billion Affimer® molecules to identify those that bind to the target of interest. This utilises an industry standard *in vitro* process which does not use animals and therefore it is quick, taking a matter of weeks, and circumvents limitations arising from the need for an immune response in an animal. This screening process can also be finely controlled to maximise the specificity and optimise other properties of the Affimer® molecules that are identified in the library for a particular application.

Affimer® molecules are ten times smaller than antibodies and are very stable, being resistant to extremes of pH and temperature, which makes them better suited to some applications where harsh conditions are experienced or where their small size leads to better tissue penetration or a higher density of binding sites on a surface. Their small size and the ease with which they can be modified means that the amount of time a therapeutic Affimer® molecule stays in the bloodstream can be tailored to suit different therapeutics regimes.

Despite the limitations outlined above, antibodies have become the dominant technology in markets worth in excess of \$100 billion annually. Therefore, the opportunity for an alternative such as Affimer® technology is very large with the potential to generate near-term revenue from diagnostics, as well as potentially generating much higher rewards from therapeutics but with associated greater development risk.

# Affimer®

# What is an Affimer<sup>®</sup>?

- Based on a **naturally-occurring human protein** (stefin A) and engineered to **display two loops that create an antigen binding surface**.
- **Variable loop regions of 9 amino acids each are randomised** to create a very large ( $10^{10}$ ) libraries for phage selections.



## Technical Advantages

- **Smaller, simpler and more robust, soluble and stable** than antibodies.
- **High affinity** Affimer<sup>®</sup> generated for new targets in a matter of weeks, **much quicker** than antibodies.
- **Flexible formatting** for multi-specifics, agonism, drug conjugates.
- **High expression levels** in a range of cells and tissues.
- **Fully human: lower immunogenicity risk.**

## Commercial Advantages

- **Proprietary and unencumbered IP.**
- **Freedom to operate** where there is antibody IPR.
- **Security of supply.**
- **Cheaper to produce (*E.coli*).**

## The Affimer<sup>®</sup> platform at a glance

### Key advantages

- Affimer<sup>®</sup> proteins can be made to be exquisitely specific.
- Affimer<sup>®</sup> proteins can be generated to bind to targets that have proven very difficult for antibodies.
- Affimer<sup>®</sup> proteins can be linked to create multi-specific therapeutics that address more than one target.
- Affimer<sup>®</sup> proteins have excellent properties for drug development:
  - They can quickly be generated to bind to a target of interest.
  - They have a tuneable serum half-life.
  - They are relatively cheap to manufacture.
  - They are robust, stable and highly soluble.
  - They have no post-translational modifications.
  - The core Affimer<sup>®</sup> protein is human and therefore the risk of immunogenicity is lowered.

# Investment Proposition

## Affimer<sup>®</sup> pre|CISION<sup>™</sup>

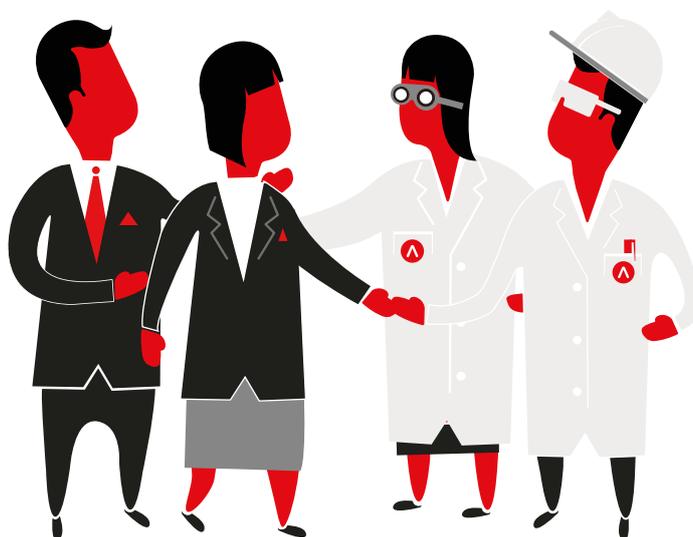
**Our Mission** is to improve patients' lives and grow shareholder value by developing novel cancer therapies and powerful diagnostics using our proprietary Affimer<sup>®</sup> and pre|CISION<sup>™</sup> platforms.

### Investment opportunity

- Avacta has two divisions: a clinical stage oncology biotech division harnessing proprietary therapeutic platforms to develop novel, highly targeted cancer drugs, and its Diagnostics Division focused on supporting healthcare professionals
- The Therapeutics Division is leveraging Avacta's proprietary technologies to develop innovative oncology drugs that transform treatment outcomes to improve cancer patients' lives.
- The Diagnostics Division is focused on supporting healthcare professionals and broadening access to testing.

### Technology platforms

- Avacta has two proprietary platform technologies – the Affimer<sup>®</sup> and pre|CISION<sup>™</sup> platforms – which are being used to deliver a robust portfolio of differentiated therapeutic and diagnostic products that address multi-billion dollar markets.
  - The pre|CISION<sup>™</sup> platform is a highly specific substrate for fibroblast activation protein ('FAP') which is highly upregulated in most solid tumours compared with healthy tissues. The pre|CISION<sup>™</sup> platform harnesses this tumour-specific protease to activate pre|CISION<sup>™</sup> peptide drug conjugates and pre|CISION<sup>™</sup> antibody drug conjugates in the tumour microenvironment, reducing systemic exposure and toxicity, allowing dosing to be optimised to deliver the best outcomes for patients.
  - Affimer<sup>®</sup> molecules are engineered alternatives to antibodies that have significant competitive advantages including size, stability, versatility, rapid development and ease of production.



## Therapeutics Division

- Avacta Therapeutics' strategy is to build an in-house pipeline of first-in-class and best-in-class targeted cancer therapies and to accelerate the development of its platform technologies by working with partners.
- AVA6000, a peptide drug conjugate form of doxorubicin, is in Phase 1 studies. It has shown a dramatic improvement in safety and tolerability compared with standard doxorubicin and preliminary signs of clinical activity in patients with high FAP tumours that are sensitive to anthracyclines.
- Data from the Phase 1 trial for the first candidate, AVA6000, confirms the pre|CISION™ platform's ability to target a toxin to the tumour microenvironment ('TME') and transform the safety profile of such cancer therapies.
- The second pre|CISION™ tumour-targeted chemotherapy candidate for development was announced in January 2022 and is a proteasome inhibitor referred to as AVA3996.
- Preclinical data regarding AVA3996, the second pre|CISION™ programme, a tumour targeted proteasome inhibitor, were presented at the American Association of Cancer Research Annual Meeting in April, and at AACR-NCI-EORTC International Conference on Molecular Targets and Cancer Therapeutics in October along with data from other research programmes.
- Additional pre|CISION™ targeted cancer therapies are being developed in the pre-clinical pipeline and have not yet been publicly disclosed.
- There is also significant longer-term potential to combine Avacta's two platforms to create next generation targeted 'drug conjugate' cancer treatments.
- 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 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.

## Diagnostics Division

- Avacta's Diagnostics Division completed the acquisition of Belgium-based Coris BioConcept SRL, a developer and manufacturer of rapid tests focused on infectious diseases, on 31 May for an upfront consideration of £7.3 million with an earn-out 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 Division.
- The Diagnostics Division, which also includes Launch Diagnostics, a leading UK *in vitro* diagnostics ('IVD') distributor that was acquired in October 2022, reports revenue of £21.2 million and an adjusted EBITDA loss of £1.2 million.
- The Group's strategy is 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 and strategic benefits for its shareholders.

With a balanced business and capital allocation model, and a high-value oncology pipeline supported by a revenue-generating, fast-growing diagnostics business, Avacta seeks to create long-term shareholder value alongside patient benefit.



# Strategic Report



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# 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. 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.

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.



A handwritten signature in black ink, appearing to read 'E Forster', written in a cursive style.

**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

# Operational Review

## Business overview

Avacta is a healthcare group developing innovative cancer drugs and powerful *in vitro* diagnostics to improve human health and well-being.

Avacta is addressing these key challenges in healthcare through two separate divisions: an oncology biotech division harnessing proprietary therapeutic platforms to develop novel, highly targeted cancer drugs, and its Diagnostics Division focused on supporting healthcare professionals and broadening access to testing.

Avacta's two proprietary platforms, pre|CISION™ and Affimer®, underpin its cancer therapeutics whilst the Diagnostics Division is focused on innovative product development, the commercial routes to market and leveraging the Affimer® platform to drive competitive advantage.

The pre|CISION™ platform modifies chemotherapy to be activated only in the tumour tissue, reducing systemic exposure and toxicity. This is achieved by harnessing an enzyme called FAP which is highly upregulated in most solid tumours compared with healthy tissues, turning chemotherapy into a peptide drug conjugate 'precision medicine'. The lead pre|CISION™ programme, AVA6000 a peptide drug conjugate tumour-activated form of doxorubicin, is in Phase 1 studies and has shown dramatic improvement in safety compared with standard doxorubicin, and preliminary signs of clinical efficacy. Affimer® is a novel biologic platform which has significant technical and commercial advantages compared with antibodies and is used both to develop advanced immunotherapies and to improve the performance of immunodiagnostics.

Avacta's Diagnostics Division comprises two business units – Launch Diagnostics and Coris BioConcept. Avacta acquired UK-based IVD distributor Launch Diagnostics which has provided Avacta with well-established sales channels in the professional, centralised hospital laboratory testing market in the UK and France. Coris, based in Gembloux, Belgium, develops, manufactures and markets rapid diagnostic test kits, mainly lateral flow tests, for use by healthcare professionals. Coris is ISO 13485 certified and markets its products through distributors in Europe, Asia, South America, Africa and Oceania.

In the highly competitive diagnostics market, Avacta's proprietary Affimer® platform is able to differentiate our immunodiagnostic products to gain competitive advantage and grow market share.





# Avacta Therapeutics





# Therapeutics Division

Avacta Therapeutics Division aims to leverage its two proprietary technology platforms, pre|CISION™ and Affimer®, to develop innovative oncology therapies that make a significant difference to cancer patients' treatment experience and outcomes.

The Avacta pre|CISION™ platform is a proprietary warhead delivery system based on a tumour-specific protease that is designed to concentrate highly potent warheads in the tumour microenvironment while sparing normal tissues. Fibroblast activation protein- $\alpha$  ('FAP') is an extracellular post-proline protease that is upregulated in many solid tumours in a membrane-bound form on cancer associated fibroblasts as well as tumour cells. FAP activity is also observed as a soluble protease to a low degree in plasma. A pre|CISION™ molecule has two key properties:

1. It prevents the warhead from entering cells.
2. It is specifically cleaved by FAP to release active warhead in the tumour.

The peptide moiety linker, pre|CISION™, prevents cellular entry of the warhead unless it is cleaved by FAP, thus enabling targeted delivery of the warhead to tumours.

The lead pre|CISION™ programme, AVA6000 a tumour activated form of doxorubicin, is in Phase 1 studies and has achieved clinical proof-of-concept, showing dramatic improvement in safety compared with standard doxorubicin, and early signs of clinical activity.

Affimer® is a novel biologic platform which has significant technical and commercial advantages compared with antibodies and is used both to develop advanced immunotherapies and to improve the performance of immunodiagnostics.

## **AVA6000 FAP $\alpha$ -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  $\alpha$  ('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](http://www.clinicaltrials.gov) (NCT04969835).

The Phase 1a three-weekly dose escalation study has been carried out at several sites in the UK and US and completed the seventh and final dose escalation cohort at 385 mg/m<sup>2</sup>, 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.





## Therapeutics Division (continued)

### 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 Group intends to disclose during 2024.

### 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-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.





## Therapeutics Division (continued)

# AVA6000 Clinical Trial Update

### The pre|CISION™ platform - a proprietary warhead delivery system

The Avacta pre|CISION™ platform is a proprietary warhead delivery system based on the activity of a cancer-specific protease that is designed to concentrate highly potent warheads in the tumour microenvironment ('TME') while sparing normal tissues.

Fibroblast activation protein- $\alpha$  ('FAP') is an extracellular post-proline protease that is upregulated in many solid tumours in a membrane-bound form of cancer associated fibroblasts as well as tumour cells. FAP activity is also observed as a soluble protease to a low degree in plasma.

AVA6000 is the first clinical-stage pre|CISION™ molecule. It is a peptide drug conjugate that leverages the tumour-specific expression of FAP by linking a peptide moiety which has two key properties:

- It prevents the warhead from entering cells.
- It is specifically cleaved in the tumour microenvironment by FAP to release active doxorubicin which can then enter cells.

#### pre|CISION™ drug conjugate ('PDC')

The warhead is linked to a peptide specifically cleaved by fibroblast activation protein- $\alpha$  ('FAP'), thus releasing the warhead in the extracellular space of the TME.

The Avacta pre|CISION™ platform is a proprietary warhead delivery system that is designed to concentrate highly potent warheads in the tumour microenvironment while sparing normal tissues that is based on a cancer-specific protease

Fibroblast activation protein- $\alpha$  ('FAP') is an extracellular post-proline protease that is upregulated in many solid tumours in a membrane-bound form on cancer associated fibroblasts as well as tumour cells, FAP activity is also observed as a soluble protease to a low degree in plasma.

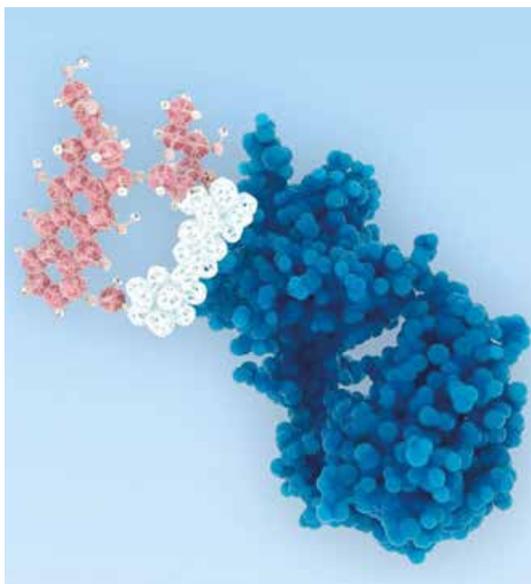
#### pre|CISION+ Immuno-peptide drug conjugate

The Avacta pre|CISION+ platform is based on the peptide drug conjugate delivery model which is then conjugated to a biologic protein moiety such as the Fc region of an antibody or Affimer XT to significantly extend the half-life and optimise the pharmacokinetics of the peptide drug conjugate.

Significant extension of the half-life of the pre|CISION™ warhead will benefit certain warheads that target tumours in ways other than traditional cytotoxics. Examples of such pre|CISION+ warheads include cancer pathway targeted therapies or immune modulators where more consistent and concentrated delivery to the TME is optimal.

Biologic conjugates such as the Fc region of monoclonal antibodies are preserved from degradation by naturally occurring means within the immune system such as antibody recycling by the neonatal Fc receptor (Roopenian 2007, Rath 2015).

Delivery of the warhead by a pre|CISION+ drug leverages the tumour-specific expression of FAP combined with the half-life extension of the biologic conjugation.



#### pre|CISION-ADC

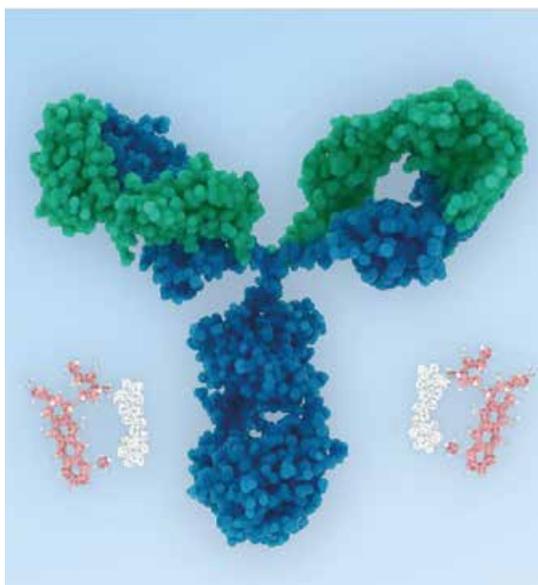
The Avacta pre|CISION-ADC platform leverages the FAP-activated tumour-specific release mechanism of the pre|CISION™ technology with the tumour-targeting capability of an antibody or Affimer®.

The mechanism of action of the pre|CISION-ADC model optimises warhead delivery by targeting the warhead to the TME in two ways: with the antibody or Affimer® target and FAP-release in the TME.

Optimisation of the bystander effect is a key benefit of the mechanism of the pre|CISION-ADC platform. The biologic targets the molecule to the TME through a non-internalising mechanism and membrane-bound FAP releases the warhead in the extracellular

space, thus equally targeting both antigen-positive and antigen-negative tumour cells.

The dual-delivery by a pre|CISION-ADC drug leveraging both a tumour antigen to target and FAP to release the warhead will significantly reduce the off-tumour toxicities associated with traditional ADC mechanisms.



### Doxorubicin

Doxorubicin is one of the most effective and widely used chemotherapeutic agents for the treatment of a broad range of solid tumours and haematological malignancies including breast, ovarian, soft-tissue sarcoma and lymphoma. Nevertheless, the clinical use of doxorubicin has been limited because of a significant risk related to cardiac damage. The risks of this life-threatening side effect depend on cumulative doses and damage can occur both acutely and chronically over decades after exposure. When doxorubicin is administered intravenously into the patient it is readily distributed across almost all tissues, resulting in indiscriminate toxic effects on both healthy and tumour cells. One of the most serious side effects of doxorubicin is cardiomyopathy, whereby the heart muscle is damaged by the toxic effects of the doxorubicin, leading to a loss of cells in the heart muscle and ultimately irreversible congestive heart failure. The rate of cardiomyopathy is dependent on doxorubicin cumulative dose and there are several ways in which doxorubicin is believed to cause damage to the heart.

#### ***How does AVA6000 address the drawbacks of doxorubicin?***

Avacta's lead pre|CISION™ peptide drug conjugate programme, AVA6000, is a tumour-targeted form of doxorubicin, an anthracycline that is used to treat several indications both as a monotherapy (e.g. for advanced soft tissue sarcoma) and in combination with other drugs (e.g. for breast cancer). Its dosing schedule and long-term use is limited by severe systemic

toxicities, in particular, by haematological toxicities and cardiotoxicities.

AVA6000 targets the release of doxorubicin to the FAP-rich tumour tissue thereby reducing the amount that is found in the bloodstream of the patients. This lowers the systemic exposure to the drug whilst concentrating its release in the tumour and therefore reduces the systemic toxicities and the cumulative exposure of the heart to doxorubicin.

This offers the potential to not only increase the dose level and frequency of dosing of doxorubicin but also allows for an increase in the number of cycles of treatment which is currently limited by the risk of cumulative heart damage.

This potential improvement in dosing schedule (dose, dose frequency and number of cycles) due to reduced toxicities could improve the efficacy of doxorubicin in certain tumours and therefore improve the outcomes for patients.

#### **AVA6000 clinical trial update**

- A 'first-in-human' ('FIH') dose escalation study of AVA6000 is currently dosing patients in the UK and US (ClinicalTrials.gov Identifier: NCT04969835).
- Safety and tolerability of AVA6000 are being assessed in a Phase 1a dose escalation study. Data to date from the three-weekly dosing arm of the trial demonstrated that the pre|CISION™ platform targets the release of the chemotherapy to the tumour as intended, that AVA6000 significantly improved the safety and tolerability of doxorubicin and that AVA6000 is already showing encouraging preliminary clinical signs of anti-tumour activity.
- Cohort 7 was the final cohort in the three-weekly study and even at this dose level (385 mg/m<sup>2</sup>), which is approximately 3.5x the equivalent standard dose of doxorubicin, dose-limiting toxicities were not observed and the Safety Data Monitoring Committee ('SDMC') has concluded that this dose level is safe. A number of patients remain on the three-weekly study at this time in several different cohorts. A two-weekly dosing safety study has now commenced in the US on the basis that this is likely to lead to better efficacy.
- The combined data from the three-weekly and two-weekly studies will provide information to allow the Company to define the dose and schedule to be used in future efficacy studies. Patients can be dosed in parallel in the two-weekly dose escalation study and Avacta remains on track to begin the dose expansion efficacy study in the second half of 2024. The data from the expansion study will be used to inform the optimal choice of a single orphan indication for the Phase 2 efficacy study which will follow on immediately.

## Therapeutics Division (continued)

### Drug Development Collaborations

The Company has several important commercial collaborations covering both the Affimer® and pre|CISION™ platforms, and is active in pursuing future opportunities for licensing and partnerships.



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%.

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.

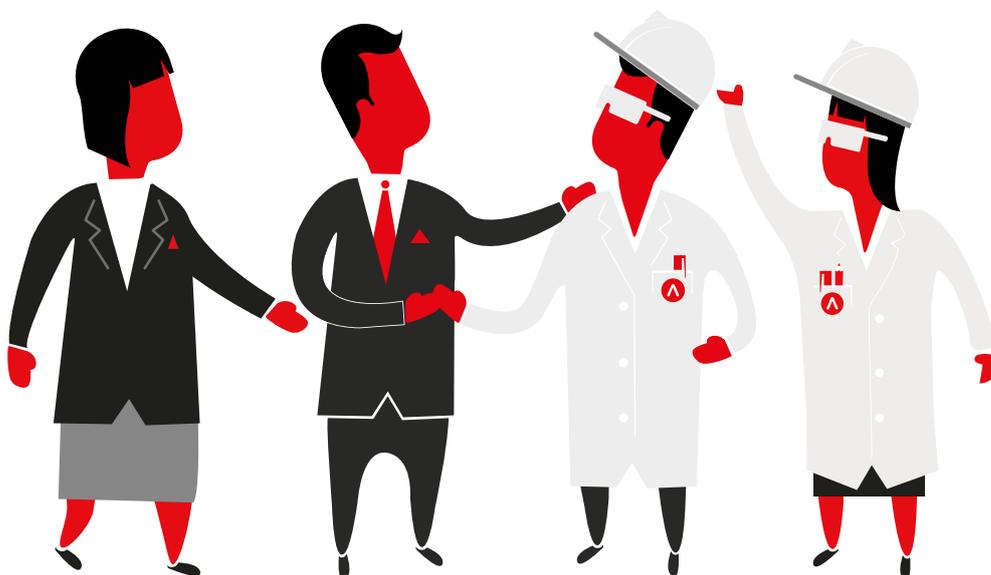
The Company will provide further updates on the partnership with LG Chem at the next material milestone.

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 FAP $\alpha$ -activated drug totalling \$9.5 million. Avacta will also receive milestone payments for subsequent radiopharmaceutical FAP $\alpha$ -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 licensing 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.



# Avacta Diagnostics





# Diagnostics Division

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

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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 acquirers.

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.





# Launch Diagnostics

After Avacta completed the acquisition of Launch Diagnostics, the UK's largest independent IVD distributor, Launch has provided Avacta with well-established sales channels in the professional, centralised hospital laboratory testing market in the UK and France.



Avacta's plan to grow the Launch Diagnostics business includes expanding the company's product portfolio and investing in the sales teams in the UK and France. However, the most significant opportunity for growth lies in the geographical expansion of the business into Germany which is Europe's largest diagnostics market.

Launch Diagnostics provides pathology solutions encompassing high-quality diagnostic reagents and instrumentation from world-leading manufacturers to the health services of the UK, Belgium, Luxembourg and France through Launch Diagnostics SAS and to the Republic of Ireland.

Offering an extensive portfolio of diagnostic kits and laboratory instrumentation, Launch's product range has expanded over the years to include a comprehensive range of enzyme immunoassays (EIA), single test devices, serology products, molecular assays and instrumentation.

## **New site**

At the end of February 2024, Launch Diagnostics moved to new facilities at Crossways Business Park in Dartford. The new office incorporates a demonstration laboratory, training room and open plan working areas with several collaboration areas, where products can be showcased to customers and scientific symposia held.

In addition to the new site, Launch customers in France are now benefiting from a French language website which was developed and launched in January 2024.

## **Sales and marketing activities**

The marketing team works closely with suppliers to support Launch's customers. They also introduce new products and undertake due diligence to ensure new products fit to the needs of customers.

The sales team are responsible for the customers in their territory where strong relationships ensure the business stays up to date with the requirements of the NHS and other customers, as well as being able to discuss new assays and equipment introduced into the product portfolio. This approach has enabled a year-on-year sales growth of all key product ranges.

Advertising in scientific journals, trade conferences and sponsoring scientific meetings are all part of the strategy to promote key products. In September 2023 Launch won the 'Best Stand Award' at the IBMS Congress for a sustainability themed stand, which used recycled pallets to build the main wall, recycled cardboard signage and living plants. The stand was also made to be re-usable.

## **Awards and recognition**

Launch has also received a Bronze Award for the second year running for sales from Dynex technologies, suppliers of the DS2 automated ELISA platform. In addition, Launch received an award from Vircell for Best distributor by sales volume for their Amplirun range, a series of external controls which can be used with molecular assays.

## **Technical activities**

Launch's technical department remains a pivotal function in the business. As the automation portfolio grows, due to the rapid change in specialist diagnostics, a lot of time is devoted to ensuring the team are fully prepared to support customers' advancing needs. Customer service is a priority; the focus is to deliver quick, effective, and efficient support to customers who are providing laboratory services to patients throughout the UK, Ireland, France and Belgium. The constant monitoring of performance levels across all territories allows the team to accurately identify potential issues before they arise, resulting in short turnaround time for resolutions.

The Quality and Regulatory department has been kept busy due to the ever-changing regulatory landscape for the UK and Europe. All the products distributed by Launch are market-compliant and the Quality and Regulatory department helps us to stay informed of new and developing regulations, especially around the IVDD and IVDR.

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## Launch Diagnostics (continued)

# Product Updates



### Liofilchem antimicrobial resistance assays and culture media

Liofilchem products for antimicrobial resistance (AMR) testing have been an area of consistent growth for Launch Diagnostics since distribution commenced, with sales primarily of MIC testing strips. In 2023 Launch expanded their Liofilchem offering to include agar plates which optimise the performance of Liofilchem MTS strips for antimicrobial resistance monitoring, whilst also following the EUCAST European guidelines. A number of other Liofilchem AMR products such as ComASP microbroth dilution panels are also becoming the test of choice for many reference laboratories and general microbiology laboratories.

### Coris BioConcept AMR test products

Coupled with the success of Liofilchem AMR business, Launch has also started to sell products from Avacta's Coris BioConcept business in both the UK and France. The products include a range of rapid tests for detecting antibiotic resistance mechanisms in bacteria, and complement the Liofilchem range, allowing laboratories to screen and confirm antimicrobial resistance. The combination of Liofilchem and Coris products will enable Launch to grow within the AMR testing business by covering all assays required in the current testing guidelines and shows the successful integration and growth within Avacta's Diagnostics Division, reflecting the Group's strategy in this area.

### Vircell VirClia Lotus

The new VirClia Lotus from Vircell was launched in July 2023. This is a chemiluminescence serology analyser with more than 90 assays in a monotest format including Aspergillus galactomannan antigen, Candida, HEV, CMV, TORCH Mycoplasma pneumoniae and syphilis antibody. The instrument is ideal for running a combination of tests and a stat function allows urgent assays to be incorporated as required. The instrument allows for continual loading of both reagents and samples for added flexibility. The first instrument has been placed and a further two are scheduled in the coming months. New assays are constantly being developed by Vircell, with a VirClia test for Helicobacter pylori being released in March 2024.

### Anatolia Molecular assays

Following internal verification work, the Bosphore Gastroenteritis v3 assay from Anatolia Geneworks was launched in July 2023. This assay provides a fully comprehensive PCR test for the detection of all clinically relevant bacteria, viruses and parasites from one test, with a simple workflow and runtime.



### HOB

Since the HOB Clia systems for testing auto-immune disease were launched to the UK market at the end of 2022, Launch has installed two instruments, and three further instruments are anticipated for placement this year. These are currently going through the NHS tender procurement process.

There are two instruments in the HOB range, the BioClia 6500 and the BioClia 500, and therefore laboratory workload can determine the best instrument based on the sample numbers and required throughput. The instruments can run multiple assays at the same time, which aids in the laboratory workflow.



### **Biosystems A15s**

The Biosystems A15s analyser can test for Calprotectin and Faecal Occult Blood (FOB) using an immunoturbidimetric method. Since its introduction to the UK market, there has been a lot of interest for this system both in the UK and ROI. There are currently four laboratories completing validation work and another four about to start evaluations.

Traditionally, sample processing for both the Calprotectin and FOB assays is time consuming with multiple steps, but the Biosystem A15s method uses a dedicated sample collection tube that requires no special pre-treatment, and reduces the laboratory sample preparation time.

### **Gold Standard Diagnostics AIX1000**

The AIX1000 is a dedicated analyser and assay for testing syphilis by the Rapid Plasma Reagin ('RPR') method. Syphilis case in both the UK and France have increased dramatically in the last few years and traditional manual testing is time consuming and subjective.

The AIX1000 from Gold Standard allows for the automatic processing, dilution, testing and reading of results by a modified RPR method. Since its launch, the instrument and assay have been placed in both the UK and France within public laboratories and reference centres.

### **FlashDx**

The FlashDx molecular analyser and assays were launched for sale in Belgium in Q3 of 2023. This is a plug-and-play instrument with a small range of multiplexed nucleic acid microbiology tests, covering respiratory diseases, SARS CoV and sexually transmitted diseases. Each assay can detect the DNA from more than one organism.

### **Sustainability**

Launch Diagnostics is committed to the principles of sustainability and a sustainability policy has been implemented as a central tenet of all operations. This covers environmental, social, and economic aspects together with the health, safety and well-being of all employees and visitors.

A carbon reduction plan is in place and there is a commitment to achieving net zero emissions by 2050, which is in line with the NHS net zero roadmap. This is also aligned with the requirements of the British *in vitro* diagnostics association ('BIVDA').

# Coris BioConcept

In May 2023, Avacta completed the acquisition of Belgian diagnostics business Coris BioConcept.



Coris, based in Gembloux, Belgium, was established in 1996 and specialises in developing, manufacturing and marketing rapid diagnostic kits for the detection of human respiratory, gastro-enteric and blood-borne pathogens and for the detection of antibiotic resistance markers (RESIST range). These tests are based on the lateral flow immunochromatography technology with colloidal gold particles or latex microspheres and are CE marked for professional use. Coris is ISO 13485 certified and markets its products through distributors in Europe, Asia, South America, Africa and Oceania.

Operationally, Coris employs 35 members of staff split across production, sales, marketing, quality control, regulation and administration. In March 2023, the business entered into a nine-year lease of a new 10,700 ft<sup>2</sup> production, offices and warehouse facility in Gembloux.

Coris' product portfolio comprises diagnostic tests for respiratory, gastro-enteric and blood-borne pathogens (bacteria, viruses and parasites) and for the detection of antibiotic resistance markers. Antibiotic resistance is a major global challenge and there are

good future growth prospects for the market for antimicrobial resistance ('AMR') testing and is a key area in which Avacta expects to grow the Coris business.

Research and innovation are at the core of Coris, with R&D activities producing a history of world firsts:

- Coris produced the first lateral flow test for the detection of Rotavirus, in 1997, quickly followed by other products for the diagnosis of gastroenterological and respiratory diseases. Other tests allowing the detection of chemical molecules in urine are also part of the catalogue, as well as several molecular biology tests from European research programs.
- Coris produced the first lateral flow test for the detection of carbapenemase-producing enterobacteria (CPE) in 2015. This range has been enriched with tests specific to Acinetobacters and for the detection of extended spectrum beta-lactamase (ESBL).
- Coris was one of the first two companies, and the first in Europe, to offer a Covid-19 diagnostic test.



To date, Coris has been involved in more than 30 international projects including 18 EC-funded projects and a wide range of Belgian collaborative projects. These projects have resulted in patents, publications and commercialised products, all manufactured since 2023 in a new facility located in Gembloux, Belgium. Coris also provides services for custom test development and contract manufacturing.

All Coris' diagnostic products are intended to be sold to medical analysis laboratories (both public and private), with the sales taking place mainly via a network of distributors present in more than 70 countries, who are regularly trained in the new products offered. The presence of the sales teams at various international congresses and exhibitions ensures product visibility among new distributors and customers.



Recently, to meet the growing demand for antibiotic resistance assays Coris has invested in a fully automated production line. In addition Coris has strengthened the production and sales teams as well as the team responsible for certifications and registrations to speed up the market approval of new products already underway in R&D.

Coris is also now exploring new markets including the US and lower-income countries such as India in which a new business model is being tested. In this new model, Coris will produce and provide the basic nitrocellulose test strips and other components for its products to a third party manufacturer/distributor in the country who will assemble product kits at a lower overall costs than can be achieved in Europe that is more suitable for the local market. In this way Coris plans to grow its global coverage for its market-leading AMR products.

# Financial Review

## Revenue

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 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. 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 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

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## Financial Review (continued)

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.

### Dividends

No dividends have been proposed for the year ended 31 December 2023 (2022: £nil).

### Key performance indicators

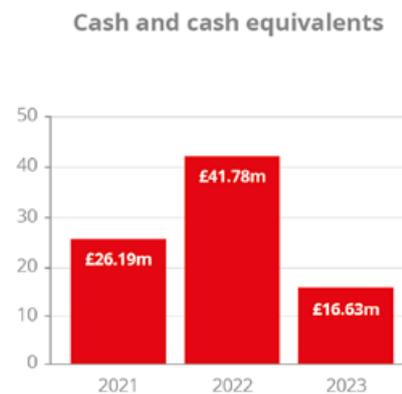
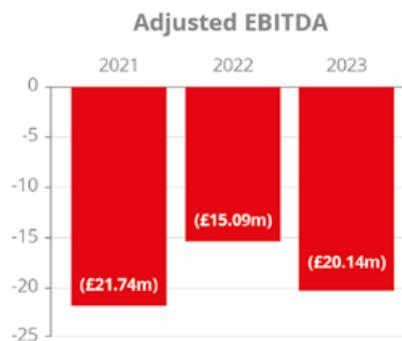
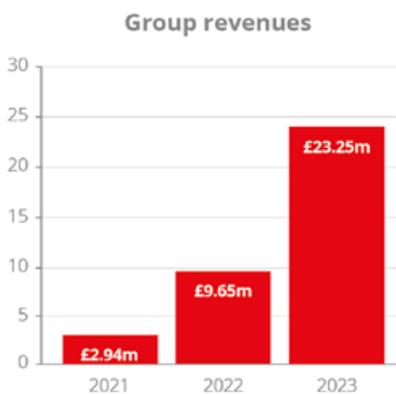
At this stage of the Group's development, the non-financial key performance indicators focus on two areas:

- The progression of the preCISION™ and Affimer® technologies into clinical stage assets within the Therapeutics Division.
- The integration of the acquired Diagnostics businesses, Launch and Coris, together with expansion into further markets with existing and new products.

These are discussed in more detail within the Operational Review on pages 16 to 37.

The financial key performance indicators focus around three areas, which allow an assessment of the performance of the businesses as the Diagnostics Division moves towards profitability, and of the funding available as the Therapeutics Division technologies progress into clinical stage assets.

- Group revenues
- Adjusted EBITDA
- Cash and cash equivalent balances



### Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out on pages 42 to 44.

### Cautionary statement

The Strategic Report, containing the Operational and Financial reviews of the Group, contains forward-looking statements that are subject to risk factors associated with, amongst other things, economic and business circumstances occurring from time to time within the markets in which the Group operates. The expectations expressed within these statements are believed to be reasonable but could be affected by a wide variety of variables outside of the Group's control. These variables could cause the results to differ materially from current expectations. The forward-looking statements reflect the knowledge and information available at the time of preparation.

The Strategic Report uses Alternative Performance Measures ('APMs') to assist in presenting information in this Report in an easily analysable and comparable form. The APMs used provide a meaningful basis on which to analyse the Group's financial performance, which is helpful to the reader; however, it is noted that they are not substitutes for IFRS measures and may not be directly comparable to similarly titled measures used by other companies. APMs are defined in Note 1(N) to the accounts.

### Section 172(1) statement

Section 172(1) of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so, s172(1) requires the Directors to have regard, amongst other matters, to the:

- likely consequences of any decision in the long term;
- interests of the Group's employees;
- need to foster the Group's business relationships with suppliers, customers and others;
- impact of the Group's operations on the community and the environment;
- desirability of the Group in maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the Group.

In discharging its Section 172(1) duties, the Board has regard to the factors set out above and ensures that decision-making processes are made on a consistent basis and meet the above factors.

Key decisions taken by the Board during the year include:

- the strategic development and progress of the Group's lead clinical asset, AVA6000 through Phase 1 clinical trials;
- the appointment of Shaun Chilton as a Non-executive Director to the Board, bringing with him a wealth of pharmaceutical and pharmaceutical services experience from global companies across Europe and the US to support the Diagnostics Division as it progresses with its growth strategy; and
- the acquisition of Coris BioConcept as part of the strategic development of the Diagnostics Division into a European IVD business providing innovative solutions to healthcare professionals.

The Board looks to promote the long-term success of the Group whilst considering the interests of all stakeholders. The Board reviews matters relating to financial and operational performance; business strategy; key risks; stakeholder-related matters; legal and regulatory compliance matters over the course of the financial year and through future financial periods. The Board members have had refresher training with their Nominated Advisor ('NOMAD') on Director responsibilities in the application of AIM rules.

The Directors work across all the Group's facilities and provide regular updates to employees, most of whom are either shareholders or holders of share options, on the progress of the Group. The updates provide details of the business objectives, strategy and business model, together with sharing of technical progress across the various teams within the Group. The Directors actively seek regular feedback from employees to ensure their interests are reflected.

Engaging with the Group's stakeholders is key to the way the Group is operated and is an important consideration for the Directors when making relevant decisions. Details of how the Directors engage with stakeholders is set out in the Corporate Governance report on pages 53 to 59, including the Group's responsibilities to health, safety and environmental issues in relation to its employees, suppliers, customers and the communities in which the Group operates.

The Directors believe strongly in maintaining the highest levels of business conduct, accountability and good corporate governance to all the Group's stakeholders. In maintaining this approach, the Group has adopted the Quoted Companies Alliance Corporate Governance Code, with further details on how it complies with the Code set out on page 53.

## Principal Risks and Uncertainties

The Board is responsible for risk management and reviewing the internal control systems. The internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group highlights potential financial and non-financial risks that may impact on the business as part of the risk management procedures in the form of a Risks and Uncertainties Register. The Board reviews these reports and monitors the position at Audit Committee and Board meetings. There are ongoing processes for identifying, evaluating and mitigating the significant risks faced by the Group, which are reviewed on a periodic basis. The review process involves a review of each area of the business to identify material risks and the controls in place to manage these risks. The process is undertaken by the Chief Financial Officer and senior managers with responsibility for specific controls. The commercial, operational, development and quality teams, in addition to project teams, meet on a periodic basis to review progress of all key projects and identify key issues for discussion with Senior Management. Where any significant weakness or failing is identified, implementation of appropriate remedial action is completed following approval by the Board.

The principal risks and uncertainties that could have a significant impact on the Group are set out here:

### Reliance on third parties supporting clinical and pre-clinical programmes - Therapeutics Change ^

Avacta relies heavily upon other parties (including clinical research organisations) for many important stages of its therapeutic development programmes, including execution of some pre-clinical studies and later-stage development for its compounds and drug candidates, and management of its clinical trials, including medical monitoring and data management. Underperformance by any of these other parties could adversely impact the Group's ability to operate effectively.

With the Group now progressing Phase 1 trials on its first clinical programme (AVA6000) relationships are established with clinical stage third parties (including the recent appointment of a specialist clinical CRO to support the AVA6000 trial) which has enabled the reduction in the number of third party consultants.

The regulatory approval processes of the MHRA and FDA and other comparable regulatory authorities can be lengthy and time consuming. The Group consults, where appropriate, with regulatory advisers and regulatory-approved bodies to ensure that all regulatory requirements are met with timely approvals.

The Group uses experienced and reputable clinical research organisations and requires its clinical and manufacturing partners to comply with Good Clinical Practice and Good Manufacturing Practice.

### Manufacturing and supply - Diagnostics Change ^

The Group relies on both its own (Coris) and third party manufacturers (Launch) for the supply of products.

The Group's companies maintain ISO13485 and other ISO standard quality systems to ensure that products manufacturer by it or supplied to it are of high quality.

The Group continuously works to expand the range of products, including potential replacement products, from global suppliers.

### Commercial - Diagnostics Change <>

The regulatory changes in relation to the IVDR/CE marking processes have been deferred by the relevant authorities alleviating time pressure for existing Group products to become compliant. However, the Coris products which are already on the market and those which are developed in the future need to go through the IVDR/CE/FDA regulatory processes to ensure they remain competitive and approved in the markets they are sold in. These processes are dependent on validation data and the bandwidth of Notified Bodies and therefore delays in commercialisation are possible. The risk of 'IVDR approved products' fast-tracked through Chinese Notified Bodies is a risk that needs to be managed and monitored.

Expanding the existing markets and launching new products is a key commercial risk. The establishment of Launch Diagnostics Germany and set up of commercial operations is a key risk for 2024.

#### **Integration and growth - Diagnostics** Change ^

The Group has successfully completed two acquisitions in 2022 and 2023 and is now integrating and growing those businesses.

A key risk for the Group lies in ensuring that the anticipated growth and synergies can be realised. This is managed by experienced senior teams in both Launch and Coris as well as at Board level.

#### **Research and development** Change <>

The Group's research and development activities are focused around the pre|CISION™ and Affimer® technologies in the Therapeutics Division.

There is a risk, consistent with similar biotechnology companies developing new and innovative technology platforms, that the scientific results required for specific internal development programmes, product development projects, customer-related evaluations or third-party collaborations will not be achieved. This risk is in specific applications of the pre|CISION™ or Affimer® technologies rather than in the individual technology platform as a whole.

Positive progress has been made with the pre|CISION™ platform through the AVA6000 phase I clinical trials to date and the Therapeutics team continue to progress the Affimer® platform in preclinical programmes.

With the Group's first asset (AVA6000) progressing through clinical trials there is a risk that the trials might not be successful and that the Group is unable to develop marketable products. There is a risk that the clinical trials could lead to unanticipated results, which require further development leading to time delays. The Group has built an experienced and reputable team of clinical advisers who are monitoring the outputs of the clinical trials to ensure appropriate decisions based on data outcomes are taken at the right time.

Diagnostics development risk has changed given the Coris acquisition which has brought an experienced IVD development team into the Group. The focus is now on developing and improving IVD solutions, primarily rapid point of care tests, in infectious diseases and antimicrobial resistance. There is a risk that these products may not achieve the required specification to be commercially successful. Coris develops products under the ISO 13485 quality standard in order to manage the risks of diagnostics product development.

#### **Funding** Change ^

The development of the Group's Affimer® and pre|CISION™ technologies in the Therapeutics Division is resource and cash intensive.

As at 31 December 2023, the Group had cash of £16.6 million. Subsequent to the year end in March 2024, the Group completed a £31.1 million fund raise with institutional and private shareholders to ensure there was a strong cash runway to support the Group's plans. The fundraise required a significant discount to the share price immediately prior to the fundraise reflecting the challenging nature of the capital markets.

Progress in the Group's Therapeutic programmes may impact the timing and ability to raise future funding.

External market and economic factors, such as the Ukraine and Palestine conflicts together with UK recession, may impact the timing and amount of future funding available through capital markets.

#### **Intellectual property** Change <>

The success of the Group's pre|CISION™ and Affimer® technology platforms depend on its ability to obtain and maintain patent protection for its proprietary technology.

Failure to protect the pre|CISION™ and Affimer® technology platforms, or to obtain patent protection with a scope that is sufficiently wide, could significantly impact the Group's ability to commercialise the technology.

Should the patents be challenged, there could be a considerable cost in defending the patent rights, with an uncertain outcome.

The Board regularly reviews the patent portfolio and its protection. Specialist patent attorneys are engaged to apply for and defend intellectual property rights in appropriate territories.

#### **Key staff** Change <>

The Group has in place experienced and motivated Senior Leadership Teams across the Diagnostics and Therapeutics Divisions, together with a significant number of highly skilled senior scientists and technical specialists.

Loss of key staff could lead to a delay in the Group's plans and operations.

During the year, the Group has successfully recruited, where required, senior specialist roles within the Therapeutics Division covering scientific, regulatory and clinical development areas, having relocated its operations from Cambridge to London during 2022.

&gt;

## Principal Risks and Uncertainties (continued)

### Key staff (continued)

The Group aims to provide remuneration packages, including share incentive plans, and working conditions that will attract and retain staff of the required level, informally benchmarking the level of benefits provided to its staff against comparator companies.

### Cybersecurity

Change < >

Unexpected events such as failures of IT systems or the increasing threat of targeted cyber attacks could disrupt the Group's operations from any of its sites or lead to a loss of data.

The Group continues to place reliance on third-party cloud-hosted applications, which provide cost-effective services with significant redundancies and disaster prevention and recovery strategies.

The Group has in place disaster recovery plans which are periodically tested, and third-party specialists are used to assess any potential vulnerabilities in the Group's systems.

The Group ensures that all software and systems are regularly updated to latest software versions and firmware updates. Its cyber security plans and security access levels are reviewed on a regular basis, including the two acquisitions within the Diagnostics Division, to ensure comparable levels of security are in place. It also provides training to staff on dealing with potential cyber attacks and security risks.

### Loss of facilities

Change < >

Should the Group's facilities become inaccessible through damage caused by fire, flooding or theft, the ability to carry on development programmes and meet customer deadlines may be affected depending on the severity of the incident.

The Group has purpose-built facilities in the UK and Europe with specialist equipment and working environments that potentially may not be easily repaired or replaced.

The Group has established business continuity plans in place for each location which are regularly reviewed and tested. Resilience exists between sites so that certain operations could be quickly transferred from one facility to another where appropriate. Health and safety procedures and policies exist for each site with routine checks on facilities, equipment and infrastructure. The Group also maintains adequate insurance to cover any business damage or interruption.

# Governance

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# Board of Directors

The Avacta Group Board of Directors provide experienced strategic and practical guidance to the Company to help ensure that the interests of all shareholders are met and that corporate good practice is followed.



**Dr Eliot Forster**  
**Non-executive Chairman**

Eliot was appointed as Chairman to the Board in June 2018, bringing with him three decades of experience in the pharmaceutical and biotechnology industry. He is currently the Chief Executive Officer of Levicept, a UK-based biotechnology company developing a biological therapy for chronic pain. He also holds Non-executive Director roles in Immatics NV (NASDAQ IMTX) and Protalix Biotherapeutics Inc (NYSE PLX), as well as private biotechnology companies.

Eliot was Chief Executive Officer of F-star until its acquisition by inovX Pharma in March 2023. Prior to this, he was Chief Executive Officer at Immunocore, Creabilis Therapeutics and Solace Pharmaceuticals Inc. The early part of Eliot's career was at GSK and Pfizer.

Eliot holds a PhD in neurophysiology from the University of Liverpool and an MBA from Henley Management College. He is an Honorary Visiting Professor at the University of Liverpool and at the University of Pavia.

Eliot is a member of the Remuneration Committee and the Audit Committee.



**Dr Alastair Smith**  
**Chief Executive Officer**

Alastair was the Founder of Avacta and has been Chief Executive Officer since its inception in 2005. Alastair has extensive management, strategic planning and transactional experience, having led the public and private M&A activities of the Group including the IPO of the Group in 2006 via a reverse merger. He is well known in the UK public markets; a respected and trusted executive with many years' experience of investor relations in the UK, Europe and the US. He has successfully delivered multiple follow-on fundraisings for the Group.

Alastair is also Non-executive Chairman of SPARTA Biodiscovery, an Imperial College spin-out providing cutting-edge analytical instrumentation to biopharmaceutical developers to enable nano-formulations of next-generation therapeutics.

Alastair is a scientist by training with a degree and PhD in Physics from Manchester University. Following a period of working in the US, he returned in 1995 to take up an academic position at Leeds University, becoming Professor of Molecular Biophysics at the age of 38. Over a ten-year period, through close collaboration with life scientists, he built one of the leading biophysics research groups in Europe before leaving his academic career in 2007 to focus full time on delivering value to Avacta shareholders.



**Dr Christina Coughlin**  
Executive Director - Head of Research  
and Development

Christina was appointed to the role as Head of Research and Development in February 2024, having served as a Non-executive Director since March 2022. Christina was previously the Chief Executive Officer of Cytimmune Therapeutics LLC, a clinical stage biotechnology company focused on development and commercialisation of novel cancer immunotherapy products designed to use the patient's own immune system to eliminate cancer cells. Christina has a broad background in biotechnology and global pharmaceuticals, with a comprehensive drug development background from pre-IND to filing experience and has a track record of building drug development teams in global companies.

Christina previously served as Chief Medical Officer to Rubius Therapeutics, Inc, where she led the clinical development, translational medicine and regulatory efforts in the allogeneic red cell therapy platform. Prior to Rubius, Christina was with Tmunity Therapeutics, Inc., where she served as Chief Medical Officer and was responsible for the development of autologous CAR-T and TCR-T cellular therapies.

Christina has held other leadership roles in the pharmaceutical and biotechnology fields in her career including Chief Medical Officer at Immunocore, where she led the development of Kimmtrak™, recently approved for the treatment of metastatic uveal melanoma. Christina was also an Oncology Asset Team Leader at Pfizer and Clinical Program Team Lead at Novartis. She received her MD and PhD from the University of Pennsylvania and completed fellowships in Haematology and Oncology at the Children's Hospital of Philadelphia and in the Translational Research Group under the direction of Carl June, MD at the University of Pennsylvania.



**Tony Gardiner**  
Chief Financial Officer

Tony joined Avacta in 2016 as Chief Financial Officer and is a member of the Institute of Chartered Accountants of England and Wales. He has over 30 years' experience of senior financial and operational management roles across several different sectors including extensive M&A, transactional and fundraising experience. Between 2007 and 2011, Tony was the Chief Financial Officer of AIM-listed Fusion IP plc, an IP commercialisation company, which was subsequently acquired by IP Group plc in 2014. He played a key role in supporting the growth of the business and oversaw all finance activities, as well as directly supporting life sciences and health technology companies in Fusion's portfolio.

Prior to joining Avacta, Tony worked for AHR (formerly Aedas), an international architecture and building consultancy practice, where he had been Finance Director since 2011. Tony has also held senior finance roles within Eversheds LLP, KCOM Group plc and Hickson International plc.



**Dr Trevor Nicholls**  
Non-executive Director

Trevor brings considerable experience in the commercialisation of innovative life science technologies from his previous roles as Non-executive Chairman of Oxford Nanopores Technologies, Chief Commercial Officer at Affymetrix, founder and Chief Executive Officer of UK biotech company Oxagen Ltd and Commercial Director of the Life Sciences business at Amersham International (now part of Danaher Corporation).

Prior to his retirement at the end of 2020, he was Chief Executive Officer of the Centre for Agriculture and Bioscience International, a not-for-profit intergovernmental organisation whose mission is to improve lives worldwide by providing information and applying scientific expertise to solve problems in agriculture and the environment.

Trevor is also Non-executive Chairman of Iota Sciences Limited, a spin-out company from the University of Oxford which is commercialising innovative microfluidic technology for cell biology and gene therapy, a Non-executive Director of Conidia Bioscience Limited, which develops and sells patented lateral flow tests for the detection of microbial contamination of aviation and diesel fuels, and a Non-executive Director of Wobble Genomics Ltd, a spin-out of the Roslin Institute, specialising in DNA analytics and diagnostics. Previously, Trevor has been Non-executive Chairman of Activiomics Limited, a biomarker discovery specialist, as well as a Non-executive Director of hVivo plc, a clinical research organisation.

Trevor is Chair of the Remuneration Committee and a member of the Audit Committee.



**Paul Fry**  
Non-executive Director

Paul was appointed as a Non-executive Director in February 2020. Paul has extensive financial experience across several industries including biotech, pharmaceutical and telecommunications. Until recently, Paul was the Chief Financial Officer of Argenta, a global CRO and CDMO specialising in animal health. Prior to this, he was Chief Financial Officer of Vectura Group Ltd, an industry-leading inhaled drug delivery specialist which up until 2021 was listed on the FTSE Main Market.

Paul was also Chief Financial Officer of Immunocore Limited, a leading biotech company focused on the development of a new class of immunotherapeutic drugs based on proprietary T-cell receptor technology. Paul has also served as Director of Global Finance Operations at Vodafone plc and spent more than 25 years at GlaxoSmithKline ('GSK'), where he held several senior roles including Head of Global Finance Services and Chief Financial Officer for GSK's Italian pharmaceutical business.

Paul holds a degree from Oxford University and is a member of the Chartered Institute of Management Accounts.

Paul is Chair of the Audit Committee and a member of the Remuneration Committee.



**Dr Mark Goldberg**  
Non-executive Director

Mark was appointed as a Non-executive Director in August 2021 and is a medical oncologist, haematologist and a biotechnology executive. Mark currently serves on the boards of GlycoMimetics, Blueprint Medicines and Walden Biosciences.

Mark was part of the executive management team of Synageva Biopharma from 2011 until 2014. Prior to that, he served in various management capacities of increasing responsibility at Genzyme Corporation from 1996 until 2011, including as Senior Vice President of Clinical Development. Prior to joining Genzyme, he was a full-time staff physician at Dana-Farber Cancer Institute and Brigham and Women's Hospital, where he still holds an appointment. He is currently a Lecturer in Medicine (part-time) at Harvard Medical School.

Mark is also a long-time American Cancer Society (ACS) and ACS Cancer Action Network volunteer. He was a member of the American Cancer Society New England Division Board from 2010 to 2017 and has been a member of the national Board of Directors of the American Cancer Society since 2019, currently servicing as Scientific Officer of the board.

Mark received his AB from Harvard College (*magna cum laude*) and his MD (*cum laude*) from Harvard Medical School (Harvard MIT Program in Health Sciences and Technology).



**Shaun Chilton**  
Non-executive Director

Shaun was appointed as a Non-executive Director in June 2023. Shaun was the Chief Executive Officer of the formerly London-listed Clinigen Group plc, a global pharmaceutical and pharmaceutical services platform business, which he led through a significant growth journey. During his tenure, the company expanded through both an organic and a buy-and-build strategy which included successfully completing several transformational acquisitions. The company was eventually sold to Triton Partners for a total consideration of c.£1.3 billion in April 2022.

Shaun was also Non-executive Chairman of C7Health, a disruptive, venture capital-backed medical technology and services business which executed an acquisitive growth journey before successfully being acquired by a strategic buyer in 2022.

Shaun has held a number of senior and executive commercial positions over more than 30 years in companies in pharmaceutical and pharmaceutical services industries. These include at Pfizer, Sanofi, Wolters Kluwer Health and KnowledgePoint360 Group (now part of UDG Healthcare).



# Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2023.

## Principal activity

The principal activities of the Group are 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 tumours 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.

## Business review and future developments

A review of the Group's operations and future developments is covered in the Strategic Report on pages 16 to 37. This report includes sections on strategy and markets and considers key risks and key performance indicators.

## Financial results

Details of the Group's financial results, including events after the end of the reporting period, are set out in the Consolidated Statement of Profit or Loss and other components on pages 81 to 133.

The Directors have reviewed the results for the years ended 31 December 2023 and 31 December 2022, including the Annual Report & Accounts, preliminary results statement and the report from the external auditor. In reviewing the statements and determining whether they were fair, balanced and understandable, the Directors considered the work and recommendations of management as well as the report from the external auditor.

## Financial key performance indicators ('KPIs')

A review of the Group's KPIs are included within the Financial Review on page 40.

## Dividends

The Directors do not recommend the payment of a dividend (2022: £nil).

## 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 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, 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.

## Directors

The Directors who were in office during the year and up to the date of signing the Report and Accounts, unless otherwise stated were:

- Dr Eliot Forster
- Dr Trevor Nicholls
- Paul Fry
- Dr Mark Goldberg
- Shaun Chilton                      Appointed 19 June 2023
- Dr Alastair Smith
- Tony Gardiner
- Dr Christina Coughlin

Under the Articles of Association of the Company, one third of the Directors are required to retire at the forthcoming 2024 AGM, notice of which accompanies this Report and Accounts. The Directors retiring by rotation at the forthcoming 2024 AGM are Paul Fry, Mark Goldberg and Tony Gardiner. Shaun Chilton, who was appointed prior to the 2023 AGM, held on 28 June 2023, had not been appointed when the 2023 AGM resolutions were sent with the 2023 AGM Notice to shareholders. Shaun's appointment subsequently ceased at the 2023 AGM and he was re-appointed following the 2023 AGM by the Directors under their powers within the Articles of Association. He will therefore be subject to re-appointment by shareholders at the 2024 AGM. All four Directors, being eligible, offer themselves for re-election. In relation to the re-elections of each of the Directors, the Board is satisfied that the four Directors continue to be effective and to demonstrate commitment to the Company. Details of the Directors offering themselves for re-election at the 2024 AGM can be found on pages 46 to 48.

The Directors benefited from qualifying third-party indemnity provisions in place during the financial year and at the date of this report.

## Substantial shareholders

The Company is informed that, at 29 April 2024, there was one individual registered shareholding, Lombard Odier Investment Managers (holding 3.3%), with more than 3% of the Company's issued share capital.

## Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company at 31 December 2023 and at 29 April 2024 were as follows:

	31 December 2023 number of shares	<b>29 April 2024 number of shares</b>
<b>Non-executive Directors</b>		
Eliot Forster	169,593	<b>189,593</b>
Trevor Nicholls	107,455	<b>107,455</b>
Paul Fry	-	-
Mark Goldberg	-	-
Shaun Chilton	-	<b>40,000</b>
<b>Executive Directors</b>		
Alastair Smith	431,100	<b>451,100</b>
Tony Gardiner	8,196	<b>8,196</b>
Christina Coughlin	-	<b>50,000</b>

In addition, Alastair Smith has a joint interest in 1,640,000 shares and Tony Gardiner has a joint interest in 150,000 shares in the share capital of the Company. Such shares are jointly held by themselves individually and Avacta Group Trustee Limited in its capacity as trustee of The Avacta Employees' Share Trust. The precise nature of the joint interest is described within Joint Share Ownership Agreements between Alastair Smith (dated 9 January 2012 and 15 February 2016) or Tony Gardiner (dated 15 February 2016) and Avacta Group Trustee Limited and Avacta Group plc in both cases.

None of the Directors have any interest in the share capital of any subsidiary company. Further details of options held by the Directors are set out in the Remuneration Committee Report on page 65.

The middle market price of the Company's ordinary shares on 31 December 2023 was 116.5p and the range during the period was 92p to 185p with an average price of 125p.

Information on Directors' remuneration and share option rights is given in the Remuneration Committee Report on pages 62 to 66.

## Directors' Report (continued)

### Post balance-sheet events

On 22 January 2024, 3,425,373 new ordinary shares were issued in settlement of the quarterly principal of £2.55 million and interest repayment of £0.66 million in respect of the Group's unsecured convertible bond, reducing the principal remaining to £38.25 million.

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.

On 22 April 2024, 7,529,825 new ordinary shares were issued in settlement of the quarterly principal of £2.55 million and interest repayment of £0.62 million in respect of the Group's convertible bond, reducing the principal remaining to £35.70 million.

### Research and development

During the year, the Group expensed through the income statement £14.53 million (2022: £11.10 million) in relation to research costs which relate to the costs associated with the pre-clinical Affimer® and pre|CISION™ therapeutic programmes and the early-stage costs of the diagnostic programmes.

### Derivatives and financial instruments

The Group's policy and exposure to derivatives and financial instruments, along with the Group's management of capital, liquidity credit, interest rate and foreign currency risk, is set out at Note 19.

### Employment and environment

The Group's policies on health and safety, the environment, and employee-related matters are disclosed in the Corporate Governance Report under the corporate social responsibility section on page 58.

### Political and charitable donations

There were no charitable or political donations in the year ended 31 December 2023 (2022: £nil).

### Supplier payment policy and practice

The Group does not operate a standard code in respect of payments to suppliers. The Group agrees terms of payment with suppliers at the start of business and then makes payments in accordance with contractual and other legal obligations.

### Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Re-appointment of auditor

A resolution for the re-appointment as auditor of BDO LLP and the fixing of their remuneration will be put to the forthcoming Annual General Meeting.

### Annual General Meeting

The Annual General Meeting of the Company will be held at One Moorgate Place, London EC2R 6EA, on Wednesday 26 June 2024 at 2.30 p.m. Full details of the business to be transacted at the Annual General Meeting can be found in the Notice of Annual General Meeting on pages 136 to 137 of this report.

This Director's Report and the Strategic Report on pages 14 to 44 were approved by the Board on 29 April 2024 and signed on its behalf.

By order of the Board



Dr Alastair Smith  
Chief Executive Officer

29 April 2024



Tony Gardiner  
Chief Financial Officer &  
Company Secretary

29 April 2024

Avacta Group plc (Registered number - 04748597)

# Corporate Governance Report

## Chairman's statement on corporate governance

All members of the Board believe strongly in the value and importance of good corporate governance and in our accountability to all the Company's stakeholders, including shareholders, staff, customers and suppliers. In the statement below, we explain our approach to governance, and how the Board and its committees operate.

The corporate governance framework which the Company operates, including Board leadership and effectiveness, Board remuneration, and internal control, is based upon practices which the Board believes are proportional to the size, risks,

complexity and operations of the business and is reflective of the Group's values. The Board adopts the Quoted Companies Alliance's ('QCA') Corporate Governance Code for small and mid-size quoted companies.

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures.

<b>Delivering growth</b>		
1	Establishing a strategy and business model which promote long-term value for shareholders.	See Business Overview on page 16.
2	Seek to understand and meet shareholder needs and expectations.	See this section and the 'Corporate Governance' section of our website <a href="http://www.avacta.com">www.avacta.com</a> .
3	Consider wider stakeholder and social responsibilities and their implications for long-term success.	See this section and the 'Corporate Governance' section of our website.
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	See this section and the 'Principal Risks and Uncertainties' on pages 42 to 44.
<b>Maintain a dynamic management framework</b>		
5	Maintain the Board as a well-functioning, balanced team led by the Chairman.	See this section and the 'Corporate Governance' section of our website.
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	See this section and the 'Board of Directors' section on pages 46 to 48.
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	See this section.
8	Promote a corporate culture that is based on ethical values and behaviours.	See this section and the 'Corporate Governance' section of our website.
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	See this section and the 'Corporate Governance' section of our website.
<b>Build trust</b>		
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	See this section and the 'Corporate Governance' section of our website

The Board considers that it does not depart from any of the principles of the QCA Code.

## Corporate Governance Report (continued)

Establishing a strategy and business model which promotes long-term value for shareholders

### Our Mission

Our Mission is to improve patients' lives and grow shareholder value by developing novel cancer therapies and powerful diagnostics using our proprietary Affimer® and pre|CISION™ platforms.

### Investment opportunity

- Avacta has two divisions: A clinical stage oncology biotech division harnessing proprietary therapeutic platforms to develop novel, highly targeted cancer drugs, and a diagnostics division focused on supporting healthcare professionals.
- The Therapeutics Division is leveraging Avacta's proprietary technologies to develop innovative oncology drugs that transform treatment outcomes to improve cancer patients' lives.
- The Diagnostics Division is focused on supporting healthcare professionals and broadening access to testing.

### Technology platforms

- Avacta's has two proprietary platform technologies – the Affimer® and pre|CISION™ platforms – which are being used to deliver a robust portfolio of products that address multi-billion dollar markets.
  - The pre|CISION™ platform is a highly specific substrate for fibroblast activation protein (FAP) which is highly upregulated in most solid tumours compared with healthy tissues. The pre|CISION™ platform harnesses this tumour specific protease to activate pre|CISION™ peptide drug conjugates and pre|CISION™ antibody drug conjugates in the tumour microenvironment, reducing systemic exposure and toxicity, allowing dosing to be optimised to deliver the best outcomes for patients.
  - Affimer® molecules are engineered alternatives to antibodies that have significant competitive advantages including size, stability, versatility, rapid development and ease of production.

### Therapeutics Division

- Avacta Therapeutics' strategy is to build an in-house pipeline of first-in-class and best-in-class targeted cancer therapies and immunotherapies, and to accelerate the development of its platform technologies by working with partners.
- AVA6000, a peptide drug conjugate form of doxorubicin, is in Phase 1 studies. It has shown a dramatic improvement in safety and tolerability compared with standard doxorubicin and preliminary signs of clinical activity.

- Data from the Phase I trial for the first candidate, AVA6000, confirms the pre|CISION™ platform's ability to target a toxin to the tumour microenvironment and transform the safety profile of such cancer therapies.
- The second pre|CISION™ tumour-targeted chemotherapy candidate for development was announced in January 2022 and is a proteasome inhibitor referred to as AVA3996.
- Preclinical data regarding AVA3996, the second pre|CISION™ programme, a tumour targeted proteasome inhibitor, were presented at the American Association of Cancer Research Annual Meeting in April, and at AACR-NCI-EORTC International Conference on Molecular Targets and Cancer Therapeutics in October along with data from other research programmes.
- There is also significant longer-term potential to combine the two platforms to create next generation targeted 'drug conjugate' cancer treatments.
- AffyXell Therapeutics ('AffyXell'), the joint venture between Avacta and Daewoong Pharmaceutical ('Daewoong') continued to progress well with the triggering of a second milestone payment, resulting in an increase in Avacta's shareholding in AffyXell to 25% from its previous 19%.
- 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.

### Diagnostics Division

- Avacta's Diagnostics Division completed the acquisition of Belgium-based Coris BioConcept SRL, a developer and manufacturer of rapid tests focused on infectious diseases, on 31 May 2023 for an upfront consideration of £7.3 million with an earn-out 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 Division.
- The Diagnostics Division, which also includes Launch Diagnostics, a leading UK IVD distributor that was acquired in October 2022, reports revenue of £21.2 million and an adjusted EBITDA loss of £1.2 million.
- The Group's strategy is to divest the Diagnostics Division to create a pure-play oncology biopharmaceutical company in a manner which maximises value and strategic benefits for shareholders.

The Board believes it has a balanced business and capital allocation model, and a high-value oncology pipeline supported by a revenue-generating, fast-growing diagnostics business, which seeks to create long-term shareholder value alongside patient benefit.

## Board structure, skills and compliance

The Board has a collective responsibility and legal obligation to promote the interests of the Company and to define the corporate governance arrangements. At 31 December 2023, the Board comprised six Non-executive Directors and two Executive Directors. Subsequent to the year end, in February 2024, the composition of the Board changed to five Non-executive Directors and three Executive Directors. The profiles of the Directors are set out on pages 46 to 48.

The division of responsibilities between the Chairman and the Chief Executive Officer is clearly defined. The Chairman's primary responsibility is ensuring the effectiveness of the Board and setting its agenda. The Chairman is not involved in the day-to-day business of the Group. The Chief Executive has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

The Chairman, **Dr Eliot Forster**, was appointed as Chairman to the Board in June 2018. Prior to his appointment to the Board, he was not involved with any part of the Avacta Group and has been considered to be independent since his appointment. Eliot has significant experience within US and European life science companies, in particular in the therapeutics area where the Group's pre|CISION™ and Affimer® technologies have a significant focus. Eliot's time commitment is one to two days per month.

The Chief Executive Officer, **Dr Alastair Smith**, was appointed to the Board in September 2007. Alastair has over 15 years' experience as Chief Executive Officer of an AIM-listed business, having founded the business and has been responsible for the strategic development of the Group, leading fundraising and M&A activities during this time. Alastair's time commitment is full time.

**Dr Trevor Nicholls** was appointed as Non-executive Director in August 2013 and was Chairman from August 2013 to June 2018. Prior to his appointment to the Board, he was not involved with any part of the Avacta Group and has been considered to be independent since his appointment. Trevor has vast experience with life science and reagents companies and has provided significant oversight into the development of the Affimer® reagents and diagnostics proposition. During the period Trevor has been Chairman of the Remuneration Committee. Trevor's time commitment is one to two days per month.

**Paul Fry** was appointed as a Non-executive Director in February 2020. Prior to his appointment to the Board, he was not involved with any part of the Avacta Group and has been considered independent since his appointment. Paul has an extensive financial background within the life sciences sector and has been Chairman of the Audit Committee since his appointment to the Board. Paul's time commitment is one to two days per month.

**Dr Mark Goldberg** was appointed as a Non-executive Director in August 2021. Prior to his appointment to the Board, he was not involved with any part of the Avacta Group and has been considered independent since his appointment. Mark has an extensive background as an Executive and Non-executive Director within the US biotechnology sector and is also a medical oncologist. Mark's time commitment is one to two days per month.

**Shaun Chilton** was appointed as a Non-executive Director in June 2023. Prior to his appointment to the Board, he was not involved with any part of the Avacta Group and has been considered independent since his appointment. Shaun has held a number of senior and executive commercial positions over more than 30 years in companies in pharmaceutical and pharmaceutical services industries. Shaun's time commitment is one to two days per month.

**Dr Christina Coughlin** was appointed as a Non-executive Director in March 2022. Prior to her appointment to the Board, she was not involved with any part of the Avacta Group and was considered independent up to July 2023. In late July 2023 Christina undertook an additional consulting role to assist the Therapeutics Division with the clinical trials of its lead asset, AVA6000. This consulting role continued through to the end of January 2024, at which point Christina joined Avacta full time to become an Executive Director and Head of Research and Development. Christina has an extensive background in the pharmaceutical and biotechnology fields, with a broad background of drug development from pre-IND to filing experience in global companies. Christina's time commitment from February 2024 is full time.

**Tony Gardiner** was appointed as an Executive Director in January 2016 and fulfils the role of Chief Financial Officer for the Group. Tony has over 25 years' experience in senior financial and operational roles across small and large organisations and has previously served as CFO in an AIM-listed business. In addition to this role, Tony is also Company Secretary and provides advice and guidance to the Board and Non-executive Directors. The Board acknowledges that best corporate governance practice would not combine the role of an Executive Director and Company Secretary; however, given the relative size of the Group at this stage, the Board is comfortable with Tony performing both roles but will review the position as the Group grows. Tony's time commitment is full time.

The Board met regularly throughout the year, either in person or by video conferencing methods, with ad hoc meetings also being held. The role of the Board is to provide leadership of the Company and to set strategic aims but within a framework of prudent and effective controls which enable risk to be managed to acceptable levels. The Board has agreed the Schedule of Matters reserved for its decision, which includes ensuring that the necessary financial and human resources are in place to meet its obligations to its shareholders and others. It also approves acquisitions and disposals of businesses, major capital expenditure, annual financial budgets and recommends interim and final dividends. It receives recommendations from the Audit Committee in relation to the appointment of an auditor, their remuneration and the policy relating to non-audit services. The Board agrees the framework for Executive Directors' remuneration with the Remuneration Committee and determines fees paid to Non-executive Directors. Given the relative size of the Company, there is currently no separate Nomination Committee and the Board, with advice from the Remuneration Committee, takes responsibility for any recruitment of Executive and Non-executive Directors, together with succession planning. Board papers are circulated before Board meetings in sufficient time to allow meaningful review and preparation by all Board members.

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## Corporate Governance Report (continued)

### Conflicts of interest

Each Director has a duty to avoid situations in which he or she has or can have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Group. The Board requires each Director to declare to the Board the nature and extent of any direct or indirect interest in a proposed transaction or arrangement with the Group and the Company Secretary maintains a register of Directors' other interests. The Board has power to authorise any potentially conflicting interests that are disclosed by a Director.

### Board evaluation and performance

The performance of the Board is evaluated on an ongoing basis informally with reference to all aspects of its operation including, but not limited to: the appropriateness of its skill level; the way its meetings are conducted and administered (including the content of those meetings); the effectiveness of the various Committees; whether corporate governance issues are handled in a satisfactory manner; and whether there is a clear strategy and objectives.

A new Director, on appointment, is briefed on the activities of the Company. Professional induction training is also given as appropriate. The Chairman briefs Non-executive Directors on issues arising at Board meetings if required and Non-executive Directors have access to the Chairman at any time. Ongoing training is provided as needed. Directors are continually updated on the Group's business by means of Board presentations on risk and compliance matters as well as issues covering pensions, social, ethical, environmental and health and safety.

In the furtherance of their duties or in relation to acts carried out by the Board or the Company, each Director has been informed that they are entitled to seek independent professional advice at the expense of the Company. The Company maintains appropriate cover under a Directors and

Officers insurance policy in the event of legal action being taken against any Director.

Each Director is appraised through the normal appraisal process. The Chief Executive is appraised by the Chairman, the executive Board members by the Chief Executive and the non-executive Board members by the Chairman. Each Director has access to the services of the Company Secretary if required.

The Non-executive Directors are considered by the Board to be independent of management and are free to exercise independence of judgement. The Non-executive Directors have never been employees of the Company nor do they participate in any of the Company's pension schemes or bonus arrangements. They receive no remuneration from the Company other than the Directors' fees. Dr Eliot Forster, shortly after his appointment to the Board in 2018, received an award of share options, which were equivalent to one year's fee for his services as Chairman. The share options which are now fully vested do not carry any performance obligations (further details are provided within the Remuneration Report). The Board and Company's advisers do not consider the share options, given their relatively low value in relation to Dr Forster's fee for his services and his income from other roles outside of the Avacta Group, to impact his independence.

Directors are subject to re-election at the Annual General Meeting following their appointment. In addition, at each Annual General Meeting one third (or whole number more than one third) of the Directors will retire by rotation.

As the Group evolves and develops, the composition of the Board will change to reflect the priorities of the Group. There are currently no ethnic minority Board members; however, the Group is satisfied that as further Directors are added to the Board that there will be no limitation of opportunities due to diversity.

The table below shows the number of Board meetings and Committee meetings held during the period and the attendance of each Director.

	Board meetings		Committee meetings			
	Position	Attended	Audit		Remuneration	
			Position	Attended	Position	Attended
Eliot Forster	Non-executive Chairman	10/11	Member	4/5	Member	1/1
Trevor Nicholls	Non-executive	10/11	Member	5/5	Chairman	1/1
Paul Fry	Non-executive	10/11	Chairman	5/5	Member	1/1
Mark Goldberg	Non-executive	9/11	-	-	-	-
Christina Coughlin	Non-executive	10/11	-	-	-	-
Shaun Chilton <sup>1</sup>	Non-executive	5/5	-	-	-	-
Alastair Smith	Executive CEO	11/11	-	4/5	-	1/1
Tony Gardiner	Executive CFO	11/11	-	5/5	-	1/1

<sup>1</sup> Shaun Chilton was appointed as a Non-executive Director on 19 June 2023.

## Audit Committee

The Audit Committee ('the Committee') is established by and is responsible to the Board.

Paul Fry is the Chair of the Committee and is considered to be an independent Non-executive Director. Paul is a member of the Chartered Institute of Management Accountants and brings significant breadth of recent and relevant financial experience to his role, including roles as Chief Financial Officer of Argenta and as Chief Financial Officer of Vectura Group Ltd, which was listed on the Main Market of the London Stock Exchange until it was acquired by Philip Morris International Inc. and subsequently de-listed in October 2021. The current members of the Committee - Eliot Forster and Trevor Nicholls, both of whom are Non-executive Directors - have gained wide experience in regulatory, commercial and risk issues.

The terms of reference of the Audit Committee include the following responsibilities:

- To monitor and be satisfied with the truth and fairness of the Company's financial statements before submission to the Board for approval, ensuring their compliance with the appropriate accounting standards, the law and the Listing Rules of the Financial Services Authority
- To monitor and review the effectiveness of the Company's system of internal control
- To make recommendations to the Board in relation to the appointment of the external auditor and their remuneration, following appointment by the shareholders in the Annual General Meeting, and to review and be satisfied with the auditor's independence, objectivity and effectiveness on an ongoing basis
- To implement the policy relating to any non-audit services performed by the external auditor

## Risk management

The Board is responsible for risk management and reviewing the internal controls systems. The internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute assurance against material misstatement or loss. Given the relative size of the Group, there is not currently a separate internal audit function.

The Group highlights potential financial and non-financial risks which may impact on the business as part of the risk management procedures in the form of a Risk Register. The Board receives these reports periodically and monitors the position at Board meetings. There are ongoing processes for identifying, evaluating and mitigating the significant risks faced by the Group, which are reviewed on a periodic basis. The review process involves a review of each area of the business to identify material risks and the controls in place to manage these risks given the revenue, production, regulatory and supply chain considerations within the Diagnostics Division and the clinical trials and pre-clinical development work in the Therapeutics Division. The process is undertaken by the Chief Financial Officer and senior managers with responsibility for

specific controls. Where any significant weakness or failing is identified, implementation of appropriate remedial action is completed following approval by the Board.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

## Remuneration Committee

The Remuneration Committee is chaired by Trevor Nicholls and the other current members of the Committee are Eliot Forster and Paul Fry, all of whom are Non-executive Directors. The Committee meets at least once a year with the Chief Executive and Chief Financial Officer in attendance as appropriate.

The terms of reference of the Remuneration Committee include the following responsibilities:

- To determine the framework and policy, together with the individual packages of the remuneration of the Executive Directors and certain other senior executives of the Group
- To determine targets for performance-related pay schemes
- To review employee benefit structures
- To produce an annual report of the Committee's remuneration policy

## Shareholder communications and engagement

Responsibility for investor relations sits with the Chief Executive Officer, supported by the Chief Financial Officer and Group Communications Director together with input from other members of the Senior Management Team as required.

The Company is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. We communicate with shareholders through the *Annual Report & Accounts*, full-year and half-year announcements, trading updates and the Annual General Meeting, and we encourage shareholders' participation using technology platforms such as the Investor Meet Company platform.

A range of corporate information (including the *Annual Report & Accounts*) is also available to shareholders, investors and the public on our website, [www.avacta.com](http://www.avacta.com). The Company uses intermediaries such as Investor Meet Company and Vox Markets to ensure that key updates provided via RNS releases are relayed to as many shareholders as possible. The Directors encourage the participation of all shareholders, including private investors, at the Annual General Meeting, with over 100 shareholders attending the 2023 AGM in person.

The Chief Executive Officer and Chief Financial Officer meet regularly with institutional shareholders to foster a mutual understanding of objectives and communicate back to the Board. The Chairman and Non-executive Directors are also available to discuss governance and other matters directly with major shareholders.

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## Corporate Governance Report (continued)

### Shareholder communications and engagement (continued)

The Company also holds science days, where investors and significant shareholders are provided with an update on the Group's scientific activities by members of the Board and Senior Management Team.

### Share dealing code

The Company has adopted a code on dealings in relation to the securities of the Group. The Company requires the Directors and other relevant employees of the Group to comply with the Share Dealing Code and takes proper and reasonable steps to secure their compliance.

### Corporate social responsibility

- The Board recognises the importance of corporate social responsibility and seeks to take account of all of the interests of the Group stakeholders, including shareholders, partners, employees, customers and suppliers. The Board wants to establish and maintain an environment in which employees, suppliers and partners act in an ethical and socially responsible way in operating the business and the impact of its activities relating to health, safety and environmental issues.

#### *Employee welfare and engagement*

It is the Group's policy to involve employees in its progress, development and performance. The Executive Directors regularly engage with employees, many of whom are shareholders or holders of share options, to seek their views and provide briefings and presentations on key developments and strategy. The updates also follow key events within the financial reporting calendar and aim to give staff the same level of insight provided to institutional shareholders and analysts, providing details of the business objectives, strategy and business model, together with sharing of technical progress across the various teams within the Group. Senior Management work across all the Group's facilities and actively seek regular feedback from staff to ensure that the strategy and aims of the Group are readily understood.

#### *Training, career development and promotion of disabled persons*

Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues.

#### *Equal opportunities and diversity*

The Group is a committed equal opportunities employer, and its employees and job applicants will receive equal treatment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation.

The Group does not have formal diversity quotas but recognises that a diverse employee profile is fundamental to the business. The gender profile across all employees as at 31 December 2023 was 52% female and 48% male.

#### *Health and safety*

The Group has well-defined health and safety policies and procedures, complying with current legislation and safeguarding staff, contractors and visitors. Alastair Smith and Tony Gardiner are the Executive Directors responsible for health and safety, chairing Group meetings and reporting on health and safety matters to the Board. The Group's policies and procedures form a part of staff induction and training programmes. Regular internal safety audits are carried out and no significant issues have been identified by these audits.

#### *Ethics and compliance*

The Group's Diagnostics and Therapeutics Divisions operate around product development, drug development and clinical trials where there are highly regulated ethical frameworks in place.

#### *Political and charitable donations*

The Group does not make political or charitable donations, although charitable fundraising by employees is encouraged.

#### *Modern slavery and human trafficking statement*

The Group ensures that all employees are eligible to work in their country of employment. The majority of our workforce are employed directly; however, where agency workers are utilised, it is ensured that these same checks are performed by the supplier.

The Group has a Whistleblowing Policy, where anyone who raise concerns through a defined process, are protected. In addition, there are robust policies in place that ensure equality amongst colleagues, as well as deploying a zero-tolerance approach to harassment and bullying in all areas of the business.

#### *Environment and greenhouse gas emissions*

Due to the nature of the Group's divisions it has a low environmental impact, and seeks to minimise the impact of its operations and comply with relevant regulations and legislation.

The Group continues to develop processes to measure and report on the Group's GHG emissions, and provides the below voluntary disclosures on Scope 1 & Scope 2 greenhouse gas ('GHG') emissions to aid a better understanding of its environmental impact and the measures being taken to minimise this.

**In the table below:**

- Scope 1 emissions cover direct emissions of GHG from fuel combustion
- Scope 2 emissions cover emissions from purchased electricity
- Scope 3 emissions cover all other indirect emissions that occur in a company's value chain. They are not included in the reporting below but the Group will continue to develop its processes to allow measurement and reporting on these emissions in future periods.

**GHG Emissions (CO<sub>2</sub>e metric tons)**

	<b>2023</b>	2022
Scope 1	<b>210</b>	24
Scope 2	<b>109</b>	59
<b>Total <sup>1</sup></b>	<b>319</b>	<b>83</b>

The increase in Scope 1 CO<sub>2</sub>e metric tons in 2023 is largely attributable to the inclusion of a full year of emissions data relating to Launch Diagnostics, compared with a shorter two month period post-acquisition in 2022. These emissions are predominantly driven by car fleets of sales representatives and field service engineers. Launch Diagnostics is in the process of phasing out diesel vehicles in favour of hybrid or fully electric vehicles in an effort to reduce its Scope 1 emissions.

The increase in Scope 2 CO<sub>2</sub>e metric tons in 2023 is again attributable to the inclusion of a full year of emissions data for Launch Diagnostics, in addition to seven months of emissions post-acquisition for Coris. In the year, Launch Diagnostics signed a lease for a new more energy efficient premises, with a better EPC rating. The new premises also has electric charging points for vehicles to support the change in car fleet.

In addition, the 2023 emissions data also includes reporting for Coris BioConcept SRL since its acquisition date. Coris installed solar panels at their premises in Gembloux, Belgium to help minimise non-renewable energy usage.

This report was approved by the Board of Directors and authorised for issue on 29 April 2024 and was signed on its behalf by:



**Dr Eliot Forster**  
**Chairman**  
 29 April 2024

# Audit Committee Report

## Introduction

The Audit Committee is a sub-committee of the Board and is responsible for reviewing all aspects of the financial reporting of the business and all aspects of internal control. The Committee represents the interests of our shareholders in relation to the integrity of information and the effectiveness of the audit processes in place.

The terms of reference of the Audit Committee include the following responsibilities:

- To monitor and be satisfied with the truth and fairness of the Company's financial statements before submission to the Board for approval, ensuring their compliance with the appropriate accounting standards, the law and the Listing Rules of the Financial Services Authority
- To monitor and review the effectiveness of the Company's system of internal control
- To make recommendations to the Board in relation to the appointment of the external auditor and their remuneration, following appointment by the shareholders in the Annual General Meeting, and to review and be satisfied with the auditor's independence, objectivity and effectiveness on an ongoing basis
- To implement any policies relating to any non-audit services performed by the external auditor

The Committee is authorised by the Board to seek and obtain any information it requires from any officer or employee of the Company and to obtain external legal or other independent professional advice as is deemed necessary by it.

Meetings of the Committee are held as required during the year. The regular meetings coincide with the review of the scope of the external audit and observations arising from their work in relation to internal control and to review the financial statements. The external auditor is invited to these meetings and meets with the Audit Committee at least once a year. At its meeting, the Committee carries out a full review of the year-end financial statements and of the audit, using as a basis the Report to the Audit Committee prepared by the external auditor and considering any significant accounting policies, any changes to them and significant estimates or judgements. Questions are asked of management of any significant or unusual transactions where the accounting treatment could be open to different interpretations.

Due to its size and structure, the Group does not have an internal audit function. This is a matter which the Committee reviews annually.

## External auditor

The external auditor is required to give the Committee information about policies and processes for maintaining their independence and compliance regarding the rotation of audit partners and staff. The Committee considers all relationships between the external auditor and the Company to ensure that they do not compromise the auditor's judgement or independence, particularly with the provision of non-audit services.

BDO LLP were appointed auditor to the Group following a tender process in 2021. The Audit Committee considers that the Company's relationship with the Group's auditor is working well and the Committee remains satisfied with the effectiveness of the auditor. Piers Harrison retains the role of engagement partner. There are no contractual obligations restricting the Company's choice of external auditor.

## Significant issues relating to the financial statements

The specific issues considered by the Audit Committee in the period under review, in relation to the financial statements, are shown below.

### *Use of judgements and estimates*

In preparing the consolidated financial statements, the Group 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 the Group that have the most significant effects on the amounts recognised in the financial statements are given below.

### *Judgements:*

During the year, the Committee considered the following key judgements made in preparation of the financial statements:

*Going concern* - The judgement of whether or not the accounts should be prepared on a going concern basis, as detailed in the Financial Review. The Committee has reviewed 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, 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 and therefore have prepared the financial statements on a going concern basis.

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

**Estimates:**

The Committee also considered the assumptions and estimation uncertainties as 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. Key assumptions such as the amount and timing of future cash flow growth, and the achievement of future development milestones, underlie the recoverable amounts used in these impairment tests. Further information on the key assumptions underlying these tests is disclosed in Note 10.

*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 26. These include the valuation of acquired intangible assets and the estimate of deferred contingent consideration payable.

*Convertible bond* – Determining the fair value of the embedded derivative within the convertible bond, both at inception and at the reporting date. See Note 22.



Paul Fry  
Chairman of the Audit Committee

29 April 2024

# Remuneration Committee Report

## Introduction

This report sets out the remuneration policy operated by the Company in respect of Executive and Non-executive Directors as of the date of the report. The Company is listed on AIM and therefore is not required to prepare a remuneration report complying with the disclosure requirements under section 420 of the Companies Act (2006) or the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 or to comply with the Financial Conduct Authority Listing Rules.

The Company aims to adhere to a high level of compliance with corporate governance guidelines and therefore the Company has prepared this unaudited report voluntarily so that shareholders can clearly understand remuneration paid to the Directors.

At the Company's Annual General Meeting, a resolution to approve the Remuneration Report will be proposed, with details provided within the Notice of Meeting. The vote will be advisory.

## Remuneration Committee

The Remuneration Committee consists of Trevor Nicholls (Chairman), Eliot Forster and Paul Fry. All members of the Committee are Non-executive Directors of the Company and are considered by the Board to be independent. Non-executive Directors have no personal financial interest in the Company, except the holding of shares, no potential conflict of interest arising from cross directorships and no day-to-day involvement in the running of the Company. The Remuneration Committee has responsibility for the following:

- Determining the framework and policy, and the individual packages of the remuneration of the Executive Directors and certain other senior executives, including pension rights and any compensation payments
- Determining targets for performance-related pay and share incentive schemes
- Reviewing employee benefit structures
- Appointing and using remuneration consultants
- Producing an annual report of the Committee's remuneration policy

## Remuneration policy of Executive Directors

Avacta's remuneration policy for Executive Directors is designed to attract, retain and motivate executives of the highest calibre to ensure that the Group is managed successfully for the benefit of shareholders. The policy is to pay base salary at median quartile levels with attractive short-term and longer-term performance incentives. Share ownership is encouraged and all the Executive Directors are directly interested in the share capital of the Company or hold share options over the share capital.

In setting remuneration levels, the Committee takes into consideration remuneration within the Group and the

remuneration practices in other companies of a similar size in the markets and locations in which Avacta operates. Avacta is a dynamic, growing company operating in a specialised field and has grown significantly in size, scope and value over the last few years. Positions are benchmarked from time-to-time against comparable roles in biotech and AIM companies, with the last exercise carried out in January 2023 with the support of an external adviser, Mercer. Mercer does not provide any other services to the Group and is a signatory to the UK Remuneration Consultants Group Code of Conduct.

## Executive Directors – Short-term incentives

### Basic salary

Basic salary is determined by several factors including market rates, together with the individual Director's experience, responsibilities and performance. Individual salaries of Directors were reviewed by the Remuneration Committee in January 2024. It was agreed to increase the Executive Director's salaries by a 5% cost of living increase consistent with Group employees. Therefore, with effect from 1 January 2024, the salary of the Chief Executive Officer would be increased from £343,000 to £360,000 per annum and the salary of the Chief Financial Officer be increased from £237,000 to £249,000 per annum. No further action would be taken at this stage to address the gap between the Executive Director's salaries and the median salary data provided by Mercer as part of the review carried out in January 2023.

On 1 February 2024, Christina Coughlin was appointed to the Executive Director position of Head of Research and Development, having carried out a consulting role with the Group's Therapeutics Division from August 2023 in addition to her Non-executive Director role. Christina's Non-executive Director role ceased on 31 January 2024 upon commencing the full-time Executive Director role, with her basic salary being set at £375,000 per annum, reflecting the level of experience that Christina brings to the role and comparable salaries across US and European biotech companies. In addition to the basic salary, a one-off fee of \$100,000 was paid to Christina on commencement of the role.

### Performance-related bonus

The Company operates an annual performance-related bonus scheme for Executive Directors. Payments under the bonus scheme are at the discretion of the Board (as recommended by the Remuneration Committee) and are based around significant value creation milestones, covering financial, commercial, technical and operational parameters, which are set at the start of the financial year. The maximum bonus that can be earned by an Executive Director for the 2023 financial year was 100% of basic salary. The Committee determines on an annual basis the composition of the award, which can be split between cash, deferred share awards and share options.

For the year ending 31 December 2022, the Chief Executive Officer was paid a bonus equivalent to 48% of his current basic salary and the Chief Financial Officer was paid a bonus equivalent to 36% of his current basic salary. The bonuses were paid in March 2023.

For the year ending 31 December 2023, the Remuneration Committee reviewed the performance of the Executive Directors against the agreed targets for the year and concluded that both the Chief Executive Officer and the Chief Financial Officer should be paid bonus equivalent to 65% of their basic salaries. The bonuses were paid in March 2024, a constructive obligation was recognised at year-end and the corresponding expense was included in the result for the year ending 31 December 2023.

#### Benefits in kind

The Company provides private medical and critical illness insurance for the Executive Directors.

#### Pensions

The Company makes payments into defined contribution Personal Pension Plans on behalf of the Executive Directors. These payments are at a rate up to 6% of basic salary consistent with terms offered to other staff across the Group. Executive Directors can elect to take these pension contributions as additional salary payments if they so choose.

### Executive Directors – Long-term incentives

#### Share interests

The Committee considers that the long-term motivation of the Executive Directors is secured by their interests in the share capital of the Company, operating an EMI-approved share option scheme, an unapproved Executive Share Option Scheme, a Joint Share Ownership Plan (JSOP) and a Long-Term Incentive Plan (LTIP).

The individual interests and joint interests (where applicable) of the Directors in the share capital of the Company are set out on page 65 and their interests in options held over shares in the Company are set out on page 51.

Executive Directors are expected to build a direct stake in the Company's shares over time, either through the purchase of shares in the market from time to time and/or through the future exercise of share options.

The Committee has an established framework of LTIP awards for Executive Directors and certain senior executives with most recent awards being granted in September 2023. No awards were made during 2022.

The September 2023 LTIP award was granted with vesting conditions based on the share price performance of the Group relative to the FTSE AIM All Share Index over a three-year period to 31 December 2025, subject to the Board having discretion to review the exercise conditions in exceptional circumstances.

Christina Coughlin, following her appointment as an Executive Director, will be eligible to participate in the LTIP when the next awards are granted.

The Company can grant share options under its share option schemes subject to a cap, agreed with shareholders, to be up to 15% of total issued share capital in any ten-year period.

### Executive Directors' service agreements

The Board's policy on setting notice periods for Directors is that these should not exceed one year. All Executive Directors have service agreements terminable on six months' notice.

The details of the service contracts of the Executive Directors at 31 December 2023 are shown below.

	Date of service contract	Initial term of contract	Notice period following initial term
Alastair Smith	9 January 2012	Nil	6 months
Tony Gardiner	4 January 2016	Nil	6 months

### Non-executive Directors

The Board determines the fees paid to Non-executive Directors, the aggregate limit for which is laid down in the Articles of Association. The fees, which are reviewed annually, are set in line with prevailing market conditions and at a level which will attract individuals with the necessary experience and ability to make a significant contribution to the Group's affairs. Non-executive Directors are not involved in any discussion or decision about their own remuneration. The same applies to the Chairman of the Board, whose remuneration is determined by the Board on the recommendation of the Committee.

The Non-executive Directors do not participate in any of the Company's pension schemes or bonus arrangements.

The details of the service contracts of the Non-executive Directors as at 31 December 2023 are shown below.

	Date of service contract	Initial term of contract	Notice period following initial term
Eliot Forster	11 June 2018	Nil	1 month
Trevor Nicholls	2 August 2013	Nil	1 month
Paul Fry	9 January 2020	Nil	1 month
Mark Goldberg	17 August 2021	Nil	1 month
Christina Coughlin	18 March 2022	Nil	1 month
Shaun Chilton	19 June 2023	Nil	1 month

The Non-executive Directors are encouraged to maintain a shareholding within the Company and their current holdings are set out on page 51. None of the Non-executive Directors (except for Eliot Forster) hold any interest in share options or the joint share ownership plan of the Company. Eliot Forster, shortly after his appointment to the Board in 2018, received an award of share options, which were equivalent to one year's fee for his services as Chairman. The share options vested equally over a three-year period and did not carry any performance obligations (further details are provided within the table on page 65). The Committee and Company's advisers do not consider the share options, given their relatively low value in relation to Dr Forster's fee for his services and his income from other roles outside of the Avacta Group, to impact his independence.

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## Remuneration Committee Report (continued)

### External appointments

The Committee recognises that its Directors may be invited to become Executive or Non-executive Directors of other companies or to become involved in charitable or public service organisations. As the Committee believes that this can broaden the knowledge and experience of the Company's Directors to the benefit of the Group, it is the Company's policy to approve such appointments provided there is no conflict of interest and the commitment required is not excessive. The Director concerned can retain the fees relating to any such appointment.

### Directors' remuneration

The remuneration of each of the Directors of the Company for the year ended 31 December 2023 is set out below. These values are included within the audited accounts.

	2023 Basic salary and fees	2023 Bonus	2023 Benefits in kind	2023 Total	2023 <sup>3</sup> Pension contributions	2022 Total	2022 Pension contributions
	£000	£000	£000	£000	£000	£000	£000
<b>Non-executive Directors</b>							
Eliot Forster	118	-	-	<b>118</b>	-	100	-
Trevor Nicholls	47	-	-	<b>47</b>	-	40	-
Paul Fry	47	-	-	<b>47</b>	-	40	-
Mark Goldberg	53	-	-	<b>53</b>	-	45	-
<sup>1</sup> Christina Coughlin	53	-	-	<b>53</b>	-	37	-
<sup>2</sup> Shaun Chilton	26	-	-	<b>26</b>	-	-	-
<b>Executive Directors</b>							
Alastair Smith	355	223	5	<b>583</b>	<b>20</b>	427	17
Tony Gardiner	238	154	2	<b>394</b>	<b>15</b>	262	11
	<b>937</b>	<b>377</b>	<b>7</b>	<b>1,321</b>	<b>35</b>	<b>951</b>	<b>28</b>

The above emoluments include all payments paid to the Directors whilst Directors of the Group.

- Christina Coughlin, in addition to her fees above, also received fees in respect of a consultancy agreement to support the Therapeutics Division of the Group from August 2023 amounting to \$128,000.
- Shaun Chilton was appointed as a Director on 19 June 2023.
- Pension contributions consist of employer-defined contribution benefits, excluding salary sacrifice contributions made by the employees, plus cash payments in lieu of pension.

The number of Directors accruing benefits under money purchase pension schemes was two (2022: two).

The share-based payments charge to the Consolidated Income Statement in respect of Directors' share options was £642,000 (2022: £3,248,000). The aggregate gain made by Directors on the exercise of share options was £nil (2022: £nil).

### Details of Directors' joint interests in the Joint Share Ownership Plan (JSOP)

	At 1 Jan 2023	Granted	Waived	Exercised	At 31 Dec 2023	Date of agreement
Alastair Smith	1,144,149	-	-	-	1,144,149	9 Jan 2012
Alastair Smith	495,851	-	-	-	495,851	15 Feb 2016
	<b>1,640,000</b>	-	-	-	<b>1,640,000</b>	-
Tony Gardiner	150,000	-	-	-	150,000	15 Feb 2016

Alastair Smith and Tony Gardiner hold an interest in the shares of the Company, which are jointly held by themselves individually and Avacta Group Trustee Limited in its capacity as trustee of The Avacta Employees' Share Trust. The precise nature of the Joint Share Ownership Agreements between the individual, Avacta Group Trustee Limited and Avacta Group plc are described within Note 5.

### Details of Directors' interests in share options in the Executive Share Option Schemes

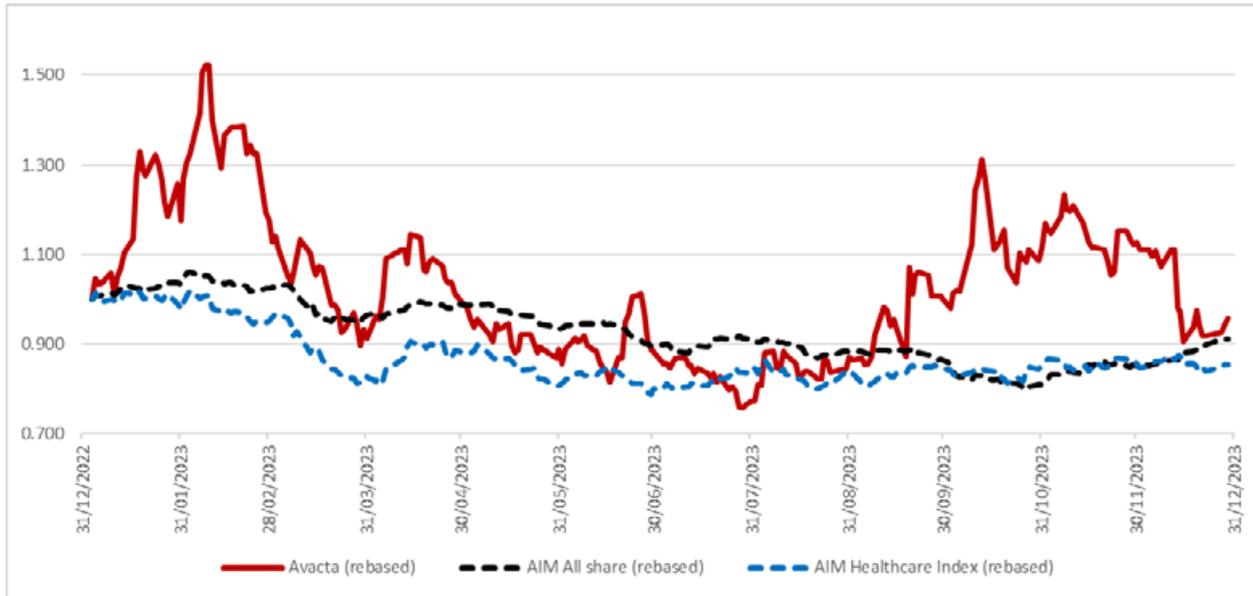
	At 1 Jan 2023	Granted	Waived / Lapsed	Exercised	At 31 Dec 2023	Exercise price pence	Date from which exercisable	Date of grant	Expiry date
Eliot Forster	340,000	-	-	-	340,000	25.0p	11 June 2021	7 Jan 2019	7 Jan 2029
	<b>340,000</b>	-	-	-	<b>340,000</b>				
Alastair Smith	128,764	-	-	-	128,764	118.5p	15 Feb 2020	15 Feb 2016	15 Feb 2026
Alastair Smith	74,325	-	-	-	74,325	74.0p	16 Dec 2016	16 Dec 2016	16 Dec 2026
Alastair Smith	96,900	-	-	-	96,900	25.0p	7 Jan 2019	7 Jan 2019	7 Jan 2029
Alastair Smith	224,663	-	-	-	224,663	25.0p	31 Dec 2023	7 Jan 2019	7 Jan 2029
Alastair Smith	466,774	-	-	-	466,774	17.25p	31 Dec 2023	14 May 2020	14 May 2030
Alastair Smith	4,000,000	-	-	-	4,000,000	10.0p	31 Dec 2022	14 May 2020	14 May 2030
Alastair Smith	-	1,250,000	-	-	1,250,000	10.0p	Note 1	28 Sept 2023	28 Sept 2033
	<b>4,991,426</b>	<b>1,250,000</b>	-	-	<b>6,241,426</b>				
Tony Gardiner	210,968	-	-	-	210,968	118.5p	15 Feb 2020	15 Feb 2016	15 Feb 2026
Tony Gardiner	22,973	-	-	-	22,973	74.0p	16 Dec 2016	16 Dec 2016	16 Dec 2026
Tony Gardiner	56,960	-	-	-	56,960	25.0p	7 Jan 2019	7 Jan 2019	7 Jan 2029
Tony Gardiner	117,375	-	-	-	117,375	25.0p	31 Dec 2023	7 Jan 2019	7 Jan 2029
Tony Gardiner	170,108	-	-	-	170,108	17.25p	31 Dec 2023	14 May 2020	14 May 2030
Tony Gardiner	1,000,000	-	-	-	1,000,000	10.0p	31 Dec 2022	14 May 2020	14 May 2030
Tony Gardiner	-	1,250,000	-	-	1,250,000	10.0p	Note 1	28 Sept 2023	28 Sept 2033
	<b>1,578,384</b>	<b>1,250,000</b>	-	-	<b>2,828,384</b>				

Note 1 – The option provides that they can, if they have not lapsed, be exercised on or after 31 December 2025, assuming the Company's share price performance target against the FTSE AIM All Share Index over the period to 31 December 2025 has been achieved.

## Remuneration Committee Report (continued)

### Performance graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE AIM (rebased<sup>1</sup>) and the FTSE All-Share Healthcare Index (rebased<sup>1</sup>) for the period ended 31 December 2023.



<sup>1</sup> The share prices above have been rebased to a common starting point of 1.0, with performance over time then measured relative to this starting point, to allow a better comparison of performance over time.

The Remuneration Committee has selected the above comparators because they are most relevant for the Company's size and sector.

This report was approved by the Board of Directors and authorised for issue on 29 April 2024 and was signed on its behalf by:

Dr Trevor Nicholls  
Chairman of the Remuneration Committee

29 April 2024

# Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

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Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with UK adopted international accounting standards and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable, and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Independent Auditor's Report to the Members of Avacta Group plc

## Independent auditor's report to the members of Avacta Group plc

### Opinion on the financial statements

#### In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Avacta Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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 remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the appropriateness of the going concern assessment performed by the Directors with regard to the requirements of the applicable financial reporting framework, including the period covered;
- testing the mathematical accuracy of the going concern model prepared by the Directors and the underlying calculations used within it;
- agreeing the level of cash held by the Group as at 31 December 2023 and cash movements post year end;
- discussing and challenging the Directors' financial forecasts and the underlying key assumptions, with reference to historic performance and understanding obtained during the course of our audit, to satisfy ourselves that the considerable cash balance arising as a result of the funding event described in note 29 of the group financial statements is not exhausted by forecast cash used in operations over the period assessed by the Directors;

## Independent Auditor’s Report to the Members of Avacta Group plc (continued)

- challenging the plausibility of the Directors’ alternative non-discretionary spend only going concern scenario, by recalculating the impact of potential cost reduction measures which would have the effect of extending the Group’s cash runway; and
- checking the adequacy of disclosures made in the annual report in respect of going concern, against the knowledge obtained during the course of audit.

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 and the Parent 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.

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

### Overview

Coverage	92.7% (2022: 95.8%) of Group loss before tax 100% (2022: 100%) of Group revenue 97.9% (2022: 99.6%) of Group total assets		
Key audit matters		2023	2022
	Convertible Bond	X	X
	Impairment Review	X	-
	Revenue Recognition	X	X
	Acquisition accounting*	X	X
	*Acquisition accounting relates to the acquisition of Coris Bioconcept on 31 May 2023 (2022: acquisition of Launch Diagnostics on 21 October 2022).		
Materiality	Group financial statements as a whole  £2.15m (2022: £1.55m) based on 5% (2022: 5.8%) of Loss before tax excluding gain or loss on convertible loan note embedded derivative (2022: Loss before tax excluding impairment charges, convertible bond related charges and share based payment expense).		

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We assessed the Parent entity and four of the Group’s subsidiaries to be significant components. The Group audit team completed full scope audits on all significant components, except for a single significant component for which a full scope audit was performed by an overseas BDO network firm. For non-significant components we have performed either Group level analytical procedures with specified audit

procedures over large or higher risk balances or Group level analytical procedures without additional substantive audit procedures.

*Our involvement with component auditors*

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- A full review of the component auditor’s audit file;
- preparation of reporting documents by the component auditor for review by the Group audit engagement team, summarising significant matters pertaining to the component auditors’ expertise, audit planning, risk assessment, planned audit approach, and significant findings;
- regular two-way discussion between the Group engagement team and the component auditors, to ensure we are satisfied the component audit was progressing in a manner that ensured the component opinion provided sufficient appropriate audit evidence to the Group engagement team;
- meetings with Group and component management;

*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified, 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 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.

Key audit matter		How the scope of our audit addressed the key audit matter
<p><i>Impairment review</i></p> <p>The Group’s accounting policy for impairment reviews is disclosed in Note 11, and the results of the Group’s impairment reviews are outlined in Note 10.</p>	<p>The Group is required to perform an annual impairment review for each of its cash generating units (“CGU’s”) containing goodwill balances, indefinite life intangible assets, or for which there are indicators of impairment, in accordance with IAS 36.</p> <p>The requirements of IAS 36 can be complex and involve significant degrees of estimation and judgement, giving rise to increased levels of inherent risk. These requirements must also be correctly applied in the context of an expanding group structure, following the recent acquisitions of Launch Diagnostics and Coris Bioconcept.</p> <p>The group is required to combine assets into CGU’s, which represent ‘the</p>	<p>Our audit procedures in response to the assessed risks included the following:</p> <ul style="list-style-type: none"> <li>• We critically evaluated management’s impairment review for compliance with IAS36, including how Cash Generating Units had been defined, how CGUs had been grouped for the purposes of allocating goodwill, and how future cashflows had been forecast.</li> <li>• We used our internal valuations experts to assist with the interrogation of management’s impairment model, including their independent recalculation of cost of capital, evaluation of methodology, and the reasonability of assumptions underlying the modelling of future free cashflows.</li> <li>• We critically evaluated the reasonability of forecast free cashflows with reference to historic actual figures, historic</li> </ul>

## Independent Auditor’s Report to the Members of Avacta Group plc (continued)

	<p>smallest identifiable group of assets that generates cashflows that are largely independent of the cash inflows from other assets or groups of assets’.</p> <p>The value these assets are carried at in the group’s records (‘the carrying amount’) is contrasted with the future value the group expects to realise from these assets (‘the recoverable amount’). If the carrying amount of the assets exceeds the recoverable amount, an impairment charge is required, to reduce the CGU’s carrying amount to the recoverable amount.</p> <p>While there is substantial headroom on the Group’s Therapeutics CGU, there is low headroom on the group of Diagnostics CGUs given how recently these businesses were acquired by the Group. Therefore, there is a significant risk of impairment if these acquisitions were to underperform, if the anticipated synergies were not realised, or if there were significant increases in the cost of capital. Consequently, there is a heightened risk conditions giving rise to the need for impairment are not appropriately identified.</p> <p>In the light of these factors, the audit of impairment had a significant effect on the direction, supervision and review of the Group audit.</p>	<p>trends, and future forecasts. We assessed the extent to which; in our judgement the forecasts were reasonable, and achievable, and ensured no indication of undue management bias.</p> <ul style="list-style-type: none"> <li>• We critically evaluated the reasonability of long-term trends in forecasted free cashflows, including key assumptions such as expected synergies, revenue growth rates, long-term growth rates, and operating margin assumptions.</li> </ul> <p>Key observations:</p> <p>Based on the procedures performed, we considered management’s impairment review process to be compliant with IAS36, and conclusions reached in regard to recognition of impairment charges or the lack thereof to be appropriate.</p>
<p><i>Revenue Recognition</i></p> <p>The Group’s accounting policies for revenue recognition are disclosed in note 1C and relevant disclosures made in note 3.</p>	<p>The Group’s revenue of £23,247,000 (2022: £9,653,000) is generated from a number of different revenue streams which principally arise from the provision of services and sale of reagents in the diagnostics and therapeutics operating segments.</p>	<p>Our audit procedures in response to the assessed risks were substantive in nature. On a sample basis we:</p> <ul style="list-style-type: none"> <li>- Agreed a sample of revenues recorded to supporting documents such as invoice, contract and proof of delivery / performance.</li> </ul>

	<p>We assessed the audit risk for each revenue stream and identified that the significant risk existed in the areas stated below:</p> <ul style="list-style-type: none"> <li>- Milestone achievement may not be accurately identified or may be fraudulently misrepresented, leading to inaccurate reporting of revenues for therapeutics operating segment.</li> <li>- An inappropriate policy of recognising revenue under IFRS 15 <i>Revenue From Contracts With Customers</i> may be applied to R&amp;D licences either fraudulently to misstate revenues or in error. This may arise either due to an incorrect assessment being made of whether revenue should be recognised at a point in time or over time, or because an incorrect assessment is made of the distinction between the Group's performance obligations. This is primarily the case in contracts where R&amp;D licences are granted and other services are supplied under the same agreement. The result in either case could be that revenues are not recorded in the correct period or recorded accurately according to the requirements of IFRS 15.</li> <li>- Revenue in any stream may not be appropriately deferred when the provision of goods or services has not taken place in the financial year, leading to early revenue recognition and understatement of deferred income, whether due to fraud or error.</li> </ul>	<ul style="list-style-type: none"> <li>- Obtained supporting evidence as to whether the milestones that were claimed to have been achieved were actually met.</li> <li>- Assessed the reasonability of amounts recognised for which consideration was received in the form of shares in a joint-venture</li> <li>- Assessed for each item in our sample whether the revenue recognition policy applied was appropriate under IFRS 15 and consistent with the nature of the contract entered into with the customer.</li> </ul> <p>Key observations</p> <p>Based on the procedures performed we consider that that the delivery of intellectual property under licence, services, or sale of Diagnostic reagent kits had occurred, and revenue had been recognised in the appropriate amount and in the correct period.</p>
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## Independent Auditor’s Report to the Members of Avacta Group plc (continued)

	<p>Taking these factors together, the audit of revenue recognition had a significant effect on the direction, supervision and review of the Group audit and hence we treated revenue recognition as a key audit matter.</p>	
<p><b>Acquisition accounting</b></p> <p>The groups accounting policies in relation to accounting for acquisitions is disclosed in Note 1A, and disclosures relating to the acquisition of Coris Bioconcept are made in note 26</p>	<p>Avacta Group plc acquired all of the issued share capital of Coris Bioconcept SRL (“Coris Bioconcept”) on 31 May 2023 for total consideration of £10.1m. We identified a significant risk in relation to the acquisition accounting and treated this as a key audit matter.</p> <p>The risk of material misstatement arose due to the following factors:</p> <ul style="list-style-type: none"> <li>- The valuation of the separately identifiable intangible assets may not be accurate and the customer relationships, brand technology and goodwill may be misstated as a result, together with the deferred tax to be recognised on the separately identifiable intangible assets acquired.</li> <li>- The fair value of the purchase consideration, and therefore the value of the goodwill arising on acquisition may be incorrectly calculated.</li> <li>- Accounting policy differences may not all have been identified, or accurately quantified, in</li> </ul>	<p>We used internal valuation experts in order to assist with our interrogation of the models used to calculate the value of the acquired intangible assets. Our scrutiny of the calculations included consideration of the types of intangible asset acquired in the light of our knowledge and understanding of Coris Bioconcept, the suitability of the discount rates and other assumptions used in the valuation, the application of additional risk premia and the profile of future cash flows.</p> <p>With the assistance of the component auditor of Coris Bioconcept we considered the work performed by management on the accounting policies of Coris Bioconcept, which were based on Belgian GAAP and required conversion to IFRS, and challenged management on areas where the acquired business’ accounting policies may differ from the Group’s policies. We further recalculated the associated deferred tax liability arising on the acquired intangibles.</p> <p>We tested the accuracy of the deferred contingent consideration (which is measured at £nil) payable by reperforming the calculation by reference to the underlying share purchase agreement and management forecasts of sales of the relevant product groups.</p> <p>With the assistance of the component auditor of Coris Bioconcept, we obtained reasonable assurance over the completeness, existence, accuracy and valuation of the balance sheet as at the acquisition date.</p> <p><u>Key observations</u></p>

	<p>recording the assets and liabilities of Coris Bioconcept in the Group's financial statements.</p>	<p>Based on the procedures performed we consider that the valuation of separately identifiable intangible assets acquired and the associated deferred tax, the valuation of the purchase consideration and the alignment of Coris Bioconcept accounting policies with those of the Group are appropriate.</p>
<p><i>Convertible bond</i></p> <p>The Group's accounting policies in relation to the convertible bond are disclosed in Note 1J, and relevant disclosures are included in Note 22</p>	<p>In October 2022, the Group's newly-incorporated financing vehicle, Avacta Finance Jersey Limited, issued a £52.5m convertible bond.</p> <p>This is a technically complex transaction because the bond is required to be accounted for in part as a derivative, which relies on modelling techniques based on a combination of observable and unobservable inputs being calculated using an appropriate valuations model.</p> <p>There is a risk the calculation is not accurately prepared and therefore that the value of the derivative element of the bond, together with the associated fair value movement on the respective elements is materially misstated.</p> <p>The risk of material misstatement also arises in the choice of accounting policy, including in relation to subsequent measurement, which required careful assessment of the provisions of IAS 32 and IFRS 9.</p> <p>We therefore treated the accounting for the bond as a key audit matter.</p>	<p>We used our internal quantitative valuation experts to independently value the embedded derivative within the convertible loan note, in order to evaluate the reasonableness of the valuation determined by management's experts.</p> <p>We performed technical analysis of the required accounting treatment under the applicable accounting standards in order to determine whether the accounting policy adopted by management was appropriate, including in relation to early conversion events, and periodic settlement through issue of shares in the Group, both in the Group as well as in the Parent Company financial statements.</p> <p><u>Key observations</u></p> <p>Based on the procedures performed we consider that the accounting for the convertible bond and the valuation of the derivative are appropriate.</p>

**Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

## Independent Auditor's Report to the Members of Avacta Group plc (continued)

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent company financial statements	
	2023 £m	2022 £m	2023 £m	2022 £m
Materiality	£2.15m	£1.55m	£1.07m	£0.96m
Basis for determining materiality	5% of Loss before tax excluding gain or loss on convertible loan note embedded derivative.	5.8% of loss before tax, impairment, bond charges and acquisition related expenses.	50% of Group Materiality.	62% of Group Materiality.
Rationale for the benchmark applied	We considered adjusted loss before tax to be the most appropriate performance measure at this stage in the Group's life cycle.		We allocated a share of Group materiality based on the size and our assessment of the risk of material misstatement of the Parent company component.	
Performance materiality	£1.36m	£0.83m	£0.68m	£0.64m
Basis for determining performance materiality	Set based on 63.3% of materiality.	Set based on 66.7% of materiality.	Set based on 63.3% of materiality.	Set based on 66.7% of materiality.
Rationale for the percentage applied for performance materiality	Following evaluation of the expected total value of known and likely misstatements, and the nature of our planned testing.			

### Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 25% and 70% (2022: 25% and 75%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £1.2m to £0.35m (2022: £0.95m to £0.3m). In the audit of each component, we further applied performance materiality levels of 63.3% (2022: 66.7%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

### Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £53,000 (2022: £29,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

#### Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and</li> <li>• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>• adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>• the Parent Company financial statements are not in agreement with the accounting records and returns; or</li> <li>• certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>• we have not received all the information and explanations we require for our audit.</li> </ul>

#### Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's 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 auditor's 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.

## Independent Auditor's Report to the Members of Avacta Group plc (continued)

### *Extent to which the audit was capable of 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 above, 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:

#### *Non-compliance with laws and regulations*

Based on:

- Our understanding of the legal and regulatory frameworks that are applicable to Avacta Group plc and the industry in which it operates;
- Discussion with management and those charged with governance, the Audit Committee and in-house legal counsel; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

we considered that the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (UK adopted International Accounting Standards and the Companies Act 2006), labour regulations and taxation in the United Kingdom.

Our procedures in respect of the legal and regulatory compliance included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

#### *Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance, and the Audit Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Obtaining an understanding how senior management monitors those procedures and controls;
- Considering potential fraud drivers including financial or other pressures, opportunity, and personal or corporate motivations;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be the processing of non-routine journal entries, revenue recognition, manipulation of key accounting estimates, including acquisition accounting, impairment testing, and valuation of the convertible bond.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Performing audit procedures in relation to the occurrence of revenue, the timing and accuracy of revenue recognition, and the valuation of revenues for which consideration was received in the form of shares in a joint venture; and

- Assessing significant estimates and judgments made by management in relation to key areas such as valuation and impairment of cash generating units, convertible bond valuation and acquisition accounting. In the audit of these areas we used internal valuation experts to assist the audit team as indicated in the KAM section of this report.

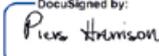
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component engagement teams who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
991518A1F86F45F  
Piers Harrison (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Cambridge, UK  
29 April 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)



# Financial Statements

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2023

	Note	2023 £000	2022 (restated*) £000
<b>Continuing operations</b>			
Revenue	3	23,247	9,653
Cost of sales		(12,003)	(2,410)
<b>Gross profit</b>		<b>11,244</b>	<b>7,243</b>
Research costs		(14,529)	(11,100)
Selling, general and administrative expenses		(16,855)	(11,232)
<b>Adjusted EBITDA</b>		<b>(20,140)</b>	<b>(15,089)</b>
Impairment charge	10	(512)	(5,225)
Depreciation expense	11,21	(2,638)	(1,904)
Amortisation expense	10	(1,033)	(1,050)
Share of loss of associate	23	(847)	(1,152)
Acquisition-related expenses	26	(282)	(735)
Share-based payment expense	5	(2,906)	(7,490)
<b>Operating loss</b>	6	<b>(28,358)</b>	<b>(32,645)</b>
Convertible bond – professional fees	22	-	(2,287)
Convertible bond – interest expense	22	(14,730)	(2,606)
Convertible bond – revaluation of derivative	22	15,684	(4,100)
Finance income		655	91
Other finance costs		(568)	(95)
<b>Loss before tax</b>		<b>(27,317)</b>	<b>(41,642)</b>
Taxation	8	2,370	4,659
<b>Loss from continuing operations</b>		<b>(24,947)</b>	<b>(36,983)</b>
<b>Discontinued operation</b>			
Profit from discontinued operation	27	-	351
<b>Loss for the period</b>		<b>(24,947)</b>	<b>(36,632)</b>
Foreign operations – foreign currency translation differences		1	46
<b>Other comprehensive income</b>		<b>1</b>	<b>46</b>
<b>Total comprehensive loss for the period</b>		<b>(24,946)</b>	<b>(36,586)</b>
<b>Loss per share:</b>			
Basic and diluted	9	(9.15p)	(14.34p)
<b>Loss per share – continuing operations</b>			
Basic and diluted	9	(9.15p)	(14.48p)

\* The comparative information is restated on account of correction of an error relating to deferred taxation, see Note 28.

The notes on pages 86 to 125 form an integral part of these financial statements.

# Consolidated Statement of Financial Position as at 31 December 2023

	Note	2023 £000	2022 (restated*) £000
<b>Assets</b>			
Property, plant and equipment	11	2,921	2,380
Right-of-use assets	21	7,065	5,418
Intangible assets	10	30,837	26,324
Investment in associate	23	4,079	2,976
Deferred tax asset	16	253	274
<b>Non-current assets</b>		<b>45,155</b>	<b>37,372</b>
Inventories	12	2,585	1,681
Trade and other receivables	13	6,585	5,579
Income tax receivable		2,239	6,510
Cash and cash equivalents	14	16,627	41,781
<b>Current assets</b>		<b>28,036</b>	<b>55,551</b>
<b>Total assets</b>		<b>73,191</b>	<b>92,923</b>
<b>Liabilities</b>			
Lease liabilities	21	(5,735)	(3,753)
Financing liabilities	19	(219)	-
Deferred tax liability	16	(323)	(562)
<b>Non-current liabilities</b>		<b>(6,277)</b>	<b>(4,315)</b>
Trade and other payables	15	(9,225)	(8,423)
Lease liabilities	21	(1,295)	(1,361)
Financing liabilities	19	(166)	-
Convertible bond - debt	22	(16,098)	(18,729)
Convertible bond - derivative	22	(18,325)	(39,100)
<b>Current liabilities</b>		<b>(45,109)</b>	<b>(67,613)</b>
<b>Total liabilities</b>		<b>(51,386)</b>	<b>(71,928)</b>
<b>Net assets</b>		<b>21,805</b>	<b>20,995</b>
<b>Equity</b>			
Share capital	17	28,501	26,685
Share premium	18	83,220	62,184
Reserves	18	(4,163)	(4,434)
Retained earnings	18	(85,753)	(63,440)
<b>Total equity</b>		<b>21,805</b>	<b>20,995</b>

\* The comparative information is restated on account of correction of an error relating to deferred taxation, see Note 28.

The notes on pages 86 to 125 form an integral part of these financial statements.

The financial statements on pages 82 to 125 were approved by the Board of Directors on 29 April 2024 and signed on its behalf by:



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
<b>Balance at 1 January 2022</b>	<b>25,472</b>	<b>54,530</b>	<b>(1,729)</b>	<b>4</b>	<b>(2,961)</b>	<b>(34,093)</b>	<b>41,222</b>
Loss for the period	-	-	-	-	-	(36,632)	<b>(36,632)</b>
Other comprehensive income for the period	-	-	-	46	-	-	<b>46</b>
<b>Total comprehensive loss for the period</b>	-	-	-	46	-	(36,632)	<b>(36,586)</b>

### Transactions with owners of the Company:

Issue of shares	949	7,448	-	-	-	-	<b>8,397</b>
Exercise of share options	264	206	-	-	-	-	<b>470</b>
Transfer of own shares	-	-	-	-	206	(206)	-
Equity-settled share-based payment	-	-	-	-	-	7,490	<b>7,490</b>
	1,213	7,654	-	-	206	7,284	<b>16,357</b>
<b>Balance at 31 December 2022 (Restated*)</b>	<b>26,685</b>	<b>62,184</b>	<b>(1,729)</b>	<b>50</b>	<b>(2,755)</b>	<b>(63,440)</b>	<b>20,995</b>

Loss for the period	-	-	-	-	-	(24,947)	<b>(24,947)</b>
Other comprehensive income for the period	-	-	-	1	-	-	<b>1</b>
<b>Total comprehensive loss for the period</b>	-	-	-	1	-	(24,947)	<b>(24,946)</b>

### Transactions with owners of the Company:

Convertible bond – issue of shares	1,563	20,890	-	-	-	-	<b>22,453</b>
Exercise of share options	253	146	-	-	-	-	<b>399</b>
Transfer of own shares	-	-	-	-	270	(270)	-
Equity-settled share-based payment	-	-	-	-	-	2,904	<b>2,904</b>
	1,816	21,036	-	-	270	2,634	<b>25,756</b>
<b>Balance at 31 December 2023</b>	<b>28,501</b>	<b>83,220</b>	<b>(1,729)</b>	<b>51</b>	<b>(2,485)</b>	<b>(85,753)</b>	<b>21,805</b>

\* The comparative information is restated on account of correction of an error relating to deferred taxation, see Note 28.

Details of the nature of each component of equity are given at Note 18. The notes on pages 86 to 125 form an integral part of these financial statements.

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

	Note	2023 £000	2022 £000
<b>Operating cash outflow from operations</b>	25	<b>(21,845)</b>	(15,953)
Interest received		655	75
Interest elements of financing liabilities		(11)	-
Interest elements of lease payments	21	(304)	(202)
Income tax received / (paid)		6,633	(168)
Withholding tax paid		-	(184)
<b>Net cash used in operating activities</b>		<b>(14,872)</b>	(16,432)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(1,124)	(558)
Proceeds from sale of property, plant and equipment		60	50
Acquisition of subsidiary, net of cash acquired	26	(6,931)	(24,878)
Disposal of discontinued operation, net of cash disposed of	27	-	705
Payment of deferred consideration on past acquisition	26	(868)	-
Transaction costs related to disposal of discontinued operation	27	-	(160)
Acquisition of right-of-use assets	21	(42)	(165)
Purchase of intangible assets	10	(96)	(36)
<b>Net cash used in investing activities</b>		<b>(9,001)</b>	(25,042)
<b>Cash flows from financing activities</b>			
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	21	(1,450)	(800)
Repayment of financing liabilities		(246)	-
Proceeds from issue of convertible bonds	22	-	52,250
Transaction costs related to issue of convertible bonds	22	-	(3,414)
<b>Net cash (used in) / from financing activities</b>		<b>(1,298)</b>	56,904
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(25,171)</b>	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
<b>Cash and cash equivalents at 31 December 2023</b>		<b>16,627</b>	41,781

The notes on pages 86 to 125 form an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

## 1 Accounting policies

Avacta Group plc (the 'Company') is a company incorporated and domiciled in the UK. These consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the 'Group').

### Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with UK adopted international accounting standards. The Company has elected to prepare its parent company financial statements in accordance with applicable UK accounting standards, including Financial Reporting Standard 102 – *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* ('FRS 102'), and with the Companies Act 2006. These parent company financial statements and notes appear after the notes to the consolidated financial statements.

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 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 opposite:

- 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, 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.

**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 26. 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 22.

The estimates and judgements relevant to the Company financial statements have been disclosed in Note 30.

### Changes in accounting policies

#### a. New standards and interpretations adopted from 1 January 2023

The following amendments to IFRS accounting standard are mandatorily effective for reporting periods beginning on or after 1 January 2023. They have impacted the Group financial statements as follows:

- *Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the Consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

- *Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors)*

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

These amendments had no effect on the consolidated financial statements of the Group.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)*

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

These amendments had no material effect on the consolidated financial statements of the Group.

#### b. New standards and interpretations not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are relevant to the Group and are effective for the period beginning 1 January 2024:

- *Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)*
- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements)*

The following amendments are relevant to the Group and are effective for the period beginning 1 January 2025:

- *Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)*

The Group does not expect any accounting standards that are issued but not yet effective, to have a material impact on the financial statements of the Group.

### Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

#### A - Basis of consolidation

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

## Notes to the Consolidated Financial Statements (continued)

### A - Basis of consolidation (continued)

Any contingent consideration is measured at fair value to the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group's interests in equity-accounted investees comprises an interest in an associate (AffyXell Therapeutics, see Note 23). Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ('OCI') of equity-accounted investees, reduced by distributions received by the investee, until the date on which significant influence ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Increases in the investment in AffyXell arise through the settlement of amounts receivable, for achievement of milestones under the collaboration agreement, in additional equity in the entity. See Note 1C for further details.

### B - Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within administrative expenses, or in OCI where they relate to the net investment in a foreign operation.

The assets and liabilities of foreign operations are translated into pound sterling at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into pound sterling at the average exchange rates relevant to the reporting period.

### C - Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/service	Segment	Revenue recognition policies
Research and development licences	Diagnostics / Therapeutics	<p>Payments received during the period in relation to assignment of patent rights to AffyXell are considered to be a right-to-use the relevant intellectual property ('IP'), and therefore revenue is recognised at the point in time the performance obligation is satisfied. The payment is assessed as for a right to use the relevant IP primarily as a result of the Group not undertaking activities that significantly affect the IP to which AffyXell has rights during the respective contracts.</p> <p>Transaction price is determined to be the fair value of shares issued by AffyXell to the Group as consideration. Revenue is recognised at the point in time that the performance obligation is satisfied, being the point in time at which the patent rights are assigned to the customer. An adjustment is made to eliminate profit on the downstream sale, which is reversed over time as the asset is realised by the investee.</p>
Diagnostic reagent test sales	Diagnostics	<p>The performance obligation for these sales is the transfer of control of the goods to the customer. The timing of this is determined by the terms and conditions of the reagent transportation but are usually either at the point of despatch or on receipt by the customer. Revenue is recognised at the point in time this performance obligation is satisfied.</p> <p>Transaction prices for these performance obligations do not contain any variable elements.</p>

## D - Employee benefits

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.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market or non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Fair value measurement is discussed in more detail in Note 1M below.

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

Where the terms and conditions on which equity instruments were granted are modified, such as through a settlement, the Group accounts for the modification as an acceleration of vesting and immediately recognises the amount that would otherwise have been recognised for services over the remainder of the vesting period.

## E – Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense on lease liabilities (see Note 1L); and
- interest expense and gains/losses on revaluation of derivative in respect of convertible bond (see Note 1J).

Interest income on cash deposits is recognised in the profit or loss as it is earned.

## F – Taxation

The income tax credit comprises current and deferred tax. It is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current tax credit relates to the expected Small and Medium Sized Enterprise R&D relief receivable for the year, and any adjustment to the amount receivable in respect of previous years, net of current tax payable. The amount of current tax receivable is the best estimate of the tax amount expected to be received that reflects the related uncertainty. It is measured using the applicable rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for when they arise on the initial recognition of goodwill. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group and the expected manner of offsetting existing tax losses against these future taxable profits.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The Group has determined that the global minimum top-up tax is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax where it is incurred. The Group's revenues reported revenues for the year ended 31 December 2023 mean that it is not subject to the global minimum top-up tax.

## G – Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost basis.

At each reporting date, the Group assesses whether inventories are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of inventory over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the income statement.

## Notes to the Consolidated Financial Statements (continued)

### H – Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Laboratory equipment	3 to 10 years
Office fixtures and fittings	3 to 10 years
Leasehold improvements	5 to 15 years
Motor vehicles	3 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Assets in the course of construction are carried at cost, less any identified impairment. Cost includes professional fees and other directly attributable costs that are necessary to bring the assets to their operating condition. Depreciation commences when the assets are ready for their intended use.

### I – Intangible assets and goodwill

#### i) Research and development

Research and development – Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised on a research and development project only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred.

Research expenditure relating to Therapeutics work is expensed in the period it is incurred, consistent with pharmaceutical industry practice. Given the stage of development of the technology, with the most advanced candidate being in Phase 1 of a clinical trial, there is a significant risk that a commercial product may not materialise, and so there is not sufficient certainty that the relevant expenditure satisfies the commercial or technical feasibility criteria. These criteria would be expected to be satisfied after regulatory approval, typically following completion of Phase 3 trials.

For Diagnostics, an assessment is made of the research and development expenditure on a project-by-project basis to identify which expenditure satisfies the above capitalisation

criteria. The key judgement involved is considered to be the assessment of the stage of development of the project, and whether it can be demonstrated that a project has commercial or technical feasibility. A broader judgement is also made around the availability of sufficient financial resources to complete the development projects, which is fundamentally linked to the going concern assessment discussed earlier in Note 1. For Diagnostics projects, the technical feasibility criteria would generally be expected to be satisfied once a working prototype was in place and appropriate clinical validation had been performed.

Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. A periodic review of existing capitalised development costs is performed to identify costs relating to projects which are no longer considered to satisfy the capitalisation criteria. For such costs, an impairment charge is recognised in profit or loss.

#### ii) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. These groups of assets are referred to as cash-generating units ('CGUs'). Goodwill arising from a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination, with each unit or group of units to which goodwill is allocated representing the lowest level within the Group at which the goodwill is monitored for internal management purposes, and not being larger than an operating segment.

This results in a two-step approach to impairment testing. An impairment test is first performed for individual cash-generating units with indicators of impairment or those containing goodwill. An impairment test is then performed for the group of CGUs to which goodwill can be allocated.

The recoverable amount of an asset, CGU, or group of CGUs is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. The recoverable amount of a group of CGUs is the sum of the individual CGU value in uses.

An impairment loss is recognised if the carrying amount of an asset, CGU, or group of CGUs including goodwill exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, or group of CGUs, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### iii) Other intangible assets

Other intangible assets, including software and patents that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

- Development expenditure relating to Diagnostics products is amortised on a straight-line basis over the expected useful life of the technology, being 5 to 15 years
- Software: amortised over the useful life of the software, being 3 to 5 years
- Patents: amortised over the same period as the length of the life of the patent, being up to 20 years
- Brand: amortised over the useful life of the asset, being 10 years
- Customer relationships: amortised over the useful life of the asset, being 10 to 15 years

## J – Financial instruments

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

- Those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss)
- Those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The measurement categories into which the Group classifies its debt instruments are:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/ (losses) in the period in which it arises.

Cash and cash equivalents comprise cash balances and short-term deposits. Cash and bank overdrafts are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, there is an intention to settle on a net basis and interest is charged on a net basis.

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

The Group's convertible bond is accounted for as a hybrid instrument, with a non-derivative host contract and an embedded derivative. The embedded derivative relates to the ability for the bond to be settled in shares, therefore causing some of the cashflows of the instrument to vary according to the Group's share price. At inception, the host debt contract was measured at the issue price adjusted for a proportion of transaction costs and the inception fair value of the embedded derivative. The host debt contract is subsequently measured at amortised cost. The embedded derivative is measured at fair value using a Monte-Carlo option pricing model, which

## Notes to the Consolidated Financial Statements (continued)

estimates 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 is a Level 3 fair value measurement, as described in Note 1M. Gains or losses on remeasurement of the fair value of the embedded derivative are recognised through the profit or loss.

The convertible bond contains scheduled quarterly amortisation events, and the ability for the bondholder to elect to settle a portion of the bonds early, with both events settled in shares at the discretion of the Group. Where shares are issued in settlement of the convertible bond, the total reduction in liability (of the host debt and derivative elements) is recognised within share premium. The reduction in the host debt liability is the aggregate principal and interest amounts settled. The reduction in the derivative liability is the value to the bondholder of the shares issued in excess of the aggregate principal and interest amounts. Early conversion events revise the future estimated cashflows under the bond, as such the host debt liability must be remeasured using the original effective interest rate, with recognition of any subsequent gain or loss.

Further details on the convertible bond are discussed in Note 22.

### K – Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's chief operating decision-maker ('CODM') to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

In accordance with IFRS 8 *Operating Segments*, the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors. Accordingly, the Board of Directors, which reviews internal monthly management reports, budget and forecast information, is deemed to be the Group's CODM.

The Group has two operating segments, these being the level at which the CODM makes decisions on strategy and capital allocation.

### L - Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

For the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The Group's incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if the Group changes its assessment of whether it will exercise an extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### **M – Fair value measurement**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

**Level 1:** Quoted prices in active markets for identical items (unadjusted)

**Level 2:** Observable direct or indirect inputs other than Level 1 inputs

**Level 3:** Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The Group measures the following financial instruments at fair value, all considered to be Level 3 measurements:

- Contingent consideration receivable (Note 27)
- Derivative element of the convertible bond (Note 22)

A description of the valuation technique and a reconciliation of the opening and closing values is provided in the respective notes listed above.

### **N – Alternative performance measures**

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 excluded 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.

## Notes to the Consolidated Financial Statements (continued)

### 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
	<b>23,247</b>	<b>9,653</b>

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 <sup>1</sup>	<b>Total</b>
	£000	£000	£000	<b>£000</b>
Revenue	21,192	2,055	-	<b>23,247</b>
Cost of goods sold	(11,988)	(15)	-	<b>(12,003)</b>
<b>Gross profit</b>	<b>9,204</b>	<b>2,040</b>	<b>-</b>	<b>11,244</b>
Research costs	(1,421)	(13,108)	-	<b>(14,529)</b>
Selling, general and administrative expenses	(8,963)	(2,489)	(5,403)	<b>(16,855)</b>
<b>Adjusted EBITDA</b>	<b>(1,180)</b>	<b>(13,557)</b>	<b>(5,403)</b>	<b>(20,140)</b>
Impairment charge	(512)	-	-	<b>(512)</b>
Depreciation expense	(1,359)	(1,271)	(8)	<b>(2,638)</b>
Amortisation expense	(1,020)	(10)	(3)	<b>(1,033)</b>
Share of loss of associate	-	(847)	-	<b>(847)</b>
Acquisition-related expenses	-	-	(282)	<b>(282)</b>
Share-based payment expense	(359)	(1,739)	(808)	<b>(2,906)</b>
<b>Segment operating loss</b>	<b>(4,430)</b>	<b>(17,424)</b>	<b>(6,504)</b>	<b>(28,358)</b>

<sup>1</sup>Central overheads, which relate to operations of the Group functions, are not allocated to the operating segments.

Operating profit/loss is the lowest 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 which are disclosed in Note 10.

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.

## Notes to the Consolidated Financial Statements (continued)

### Operating segment analysis 2022

	Diagnostics	Therapeutics	Central overheads <sup>1</sup>	<b>Total (continuing)</b>	Animal Health (discontinued)
	£000	£000	£000	£000	£000
Revenue	4,172	5,481	-	<b>9,653</b>	412
Cost of goods sold	(2,282)	(128)	-	<b>(2,410)</b>	(118)
<b>Gross profit</b>	<b>1,890</b>	<b>5,353</b>	<b>-</b>	<b>7,243</b>	<b>294</b>
Research costs	(2,309)	(8,791)	-	<b>(11,100)</b>	-
Selling, general and administrative expenses	(4,706)	(2,403)	(4,122)	<b>(11,231)</b>	(240)
<b>Adjusted EBITDA</b>	<b>(5,125)</b>	<b>(5,841)</b>	<b>(4,122)</b>	<b>(15,088)</b>	<b>54</b>
Impairment charge	(5,225)	-	-	<b>(5,225)</b>	-
Depreciation expense	(627)	(1,269)	(9)	<b>(1,905)</b>	(11)
Amortisation expense	(1,033)	(8)	(9)	<b>(1,050)</b>	-
Share of loss of associate	-	(1,152)	-	<b>(1,152)</b>	-
Acquisition-related expenses	-	-	(735)	<b>(735)</b>	-
Share-based payment expense	(1,438)	(2,713)	(3,339)	<b>(7,490)</b>	-
<b>Segment operating loss</b>	<b>(13,448)</b>	<b>(10,983)</b>	<b>(8,214)</b>	<b>(32,645)</b>	<b>43</b>

<sup>1</sup>Central overheads, which relate to operations of the Group functions, are not allocated to the operating segments.

Operating profit/loss is the lowest 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 which are disclosed in Note 10.

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. 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 £000
<b>Nature of revenue</b>			
Sale of goods	20,019	-	20,019
Provision of services	1,173	3	1,176
Licence-related income	-	2,052	2,052
	<b>21,192</b>	<b>2,055</b>	<b>23,247</b>
<b>Timing of revenue recognition</b>			
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
	<b>21,192</b>	<b>2,055</b>	<b>23,247</b>

#### Year ended 31 December 2022

	Diagnostics £000	Therapeutics £000	Continuing operations £000	Animal Health (discontinued) £000	Total £000
<b>Nature of revenue</b>					
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
	<b>4,172</b>	<b>5,481</b>	<b>9,653</b>	<b>412</b>	<b>10,065</b>
<b>Timing of revenue recognition</b>					
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
	<b>4,172</b>	<b>5,481</b>	<b>9,653</b>	<b>412</b>	<b>10,065</b>

## Notes to the Consolidated Financial Statements (continued)

### b) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	<b>31 December 2023 £000</b>	31 December 2022 £000
Receivables, which are included in 'Trade and other receivables'	<b>3,245</b>	2,442
Contract assets	<b>22</b>	28
Contract liabilities	<b>(302)</b>	(273)

The contract assets primarily relate to the Group's rights to consideration for work completed but not invoiced at the reporting date. The contract assets are transferred to receivables when the rights become unconditional; this usually occurs when the Group issues an invoice to the customer. The contract liabilities primarily relate to advance consideration received from customers.

Of the £273,000 (2022: £51,000) in contract liabilities at the beginning of the period, £262,000 (2022: £31,000) has been recognised as revenue for the year ended 31 December 2023.

### 4 Employees

	<b>2023 £000</b>	2022 £000
Staff costs:		
Wages and salaries	<b>10,375</b>	8,089
Social security costs	<b>1,381</b>	993
Contributions to defined contribution plans	<b>523</b>	397
Share-based payment charges	<b>2,906</b>	7,490
	<b>15,185</b>	16,969

Average number of employees (including Directors) during the year:

Commercial and operational	<b>126</b>	91
Administrative	<b>28</b>	29
	<b>154</b>	120

The remuneration of the Directors (including the details of the highest paid Director) is set out within the audited sections of the Remuneration Committee Report on pages 62 - 66 which form part of these audited financial statements.

### 5 Share-based payments

The Group operates the following schemes:

- An HM Revenue and Customs ('HMRC') approved enterprise management incentive plan ('EMI scheme')
- An unapproved share option plan ('Unapproved scheme')
- An HMRC approved employee share incentive plan ('SIP')
- A Joint Share Ownership Plan ('JSOP')

The Group recognised a total share-based payment charge to the income statement of £2,906,000 (2022: £7,490,000).

#### **EMI, unapproved and collaboration options**

Details of the EMI, unapproved and collaboration options currently granted and unexercised, which are all equity settled, are given opposite.

Grant date	Employees entitled	Number of options	Vesting conditions	Exercise price (p)	Earliest exercise date/Vested	Expiry date
<b>Options granted as employee benefits</b>						
15 February 2016	3	550,700	Time served	118.5	Vested	15 February 2026
16 December 2016	2	97,298	Unconditional	74.0	Vested	16 December 2026
24 August 2018	4	93,933	Time served	25.0	Vested	23 August 2028
7 January 2019	2	153,860	Unconditional	25.0	Vested	6 January 2029
7 January 2019	1	340,000	Time served	25.0	Vested	6 January 2029
7 January 2019	3	453,151	Technical, commercial and share price performance	25.0	Vested	6 January 2029
1 July 2019	2	161,666	Time served	30.0	Vested	30 June 2029
25 March 2020	8	656,131	Time served	25.0	Vested	24 March 2030
14 May 2020	3	797,915	Technical, commercial and share price performance	17.25	Vested	14 May 2030
14 May 2020	3	5,994,736	Share price performance	10.0	Vested	14 May 2030
14 May 2020	1	1,000,000	Time served and commercial performance	25.0	Note 1	14 May 2030
28 July 2021	2	2,525,000	Time served	10.0	Vested	28 July 2031
28 July 2021	1	450,000	Time served and commercial performance	10.0	Vested	28 July 2031
28 July 2021	1	50,000	Time served	10.0	Vested	28 July 2031
8 October 2021	1	3,000,000	Time served	10.0	Note 2	8 October 2031
8 October 2021	2	90,000	Time served	10.0	Note 3	8 October 2031
6 February 2023	1	100,000	Time served	10.0	Note 4	6 February 2033
20 March 2023	3	2,250,000	Time served and commercial performance	10.0	Note 5	20 March 2033
21 June 2023	2	200,000	Time served	10.0	Note 6	21 June 2033
28 September 2023	2	2,500,000	Share price performance	10.0	Note 7	28 September 2033
2 October 2023	1	1,250,000	Commercial performance	10.0	Note 8	2 October 2033
2 October 2023	1	750,000	Time served and commercial performance	10.0	Note 9	2 October 2033
2 October 2023	9	800,000	Time served	10.0	Note 10	2 October 2033
2 October 2023	3	65,670	Contractual performance	10.0	Vested	2 October 2033

#### Options granted in relation to collaboration agreements

31 May 2019	1	1,161,582	Technical/regulatory milestones	29.2	Note 11	31 May 2026
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**Note 1** - This option provides that they can, if they have not lapsed, be exercised as to 250,000 once the first commercial milestone is achieved, as to 250,000 once the second commercial milestone is achieved, as to 250,000 once the third commercial milestone is achieved and as to 250,000 on or after 5 August 2023.

**Note 2** - This option provides that they can, if they have not lapsed, be exercised in full on or after 30 September 2024.

**Note 3** - This option provides that they can, if they have not lapsed, be exercised in full on or after 31 March 2024.

**Note 4** - This option provides that they can, if they have not lapsed, be exercised in full on or after 31 October 2025.

**Note 5** - This option provides that they can, if they have not lapsed, with certain revenue, EBITDA and time based milestones achieved, be exercised in full on or after 31 December 2025.

**Note 6** - This option provides that they can, if they have not lapsed, be exercised in full on or after 31 March 2026.

**Note 7** - This option provides that they can, if they have not lapsed, with certain share price performance conditions achieved, be exercised in full on or after 31 December 2025.

**Note 8** - This option provides that they can, if they have not lapsed, with certain commercial milestones in relation to the Diagnostics Division achieved, be exercised in full on or after 2 October 2026.

**Note 9** - This option provides that they can, if they have not lapsed, with certain commercial and time-based milestones achieved, be exercised in full on or after 2 October 2026.

**Note 10** - This option provides that they can, if they have not lapsed, be exercised in full on or after 2 October 2026.

**Note 11** - This option provides that they can, if they have not lapsed, be exercised as to 580,791 once the second technical/regulatory milestone is achieved and as to 580,791 once the third technical/regulatory milestone is achieved.

## Notes to the Consolidated Financial Statements (continued)

These options are share-based payments and are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. If options remain unexercised after a period of ten years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

Fair value is measured by use of the Black-Scholes option pricing model. Expected volatility was determined by calculating the historical volatility of the Group's share price over a period commensurate with the expected life of the option. The expected life used in the model has been adjusted, based on management's best estimate at the date of grant, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value of the options granted in relation to collaboration agreements has also been measured using the above method, as the fair value of the services received cannot be estimated reliably through other methods.

The inputs into the Black-Scholes models for the options granted during the year were as follows. No options were granted in the previous year:

	<b>2023</b>	2022
	<b>£000</b>	£000
Weighted average share price at date of grant	<b>124.64p</b>	-
Weighted average exercise price	<b>10.00p</b>	-
Weighted average fair value at date of grant	<b>116.34p</b>	-
Expected volatility	<b>18.53%</b>	-
Expected life	<b>5.0 years</b>	-
Risk-free rate	<b>4.35%</b>	-
Expected dividends	<b>Nil</b>	-

**The number and weighted average exercise price of share options are as follows:**

	2023		2022	
	Options	Weighted average exercise price (p)	Options	Weighted average exercise price (p)
At start of period	20,444,462	17.45	25,545,539	17.99
Granted during the year	7,967,004	10.00	-	-
Exercised during the year	(2,528,156)	15.76	(2,640,682)	18.08
Forfeited or lapsed during the year	(391,668)	10.00	(2,460,395)	22.33
<b>Outstanding at end of period</b>	<b>25,491,642</b>	<b>15.40</b>	<b>20,444,462</b>	<b>17.45</b>
<b>Exercisable at end of period</b>	<b>12,680,060</b>	<b>18.22</b>	<b>14,491,213</b>	<b>17.94</b>

The options outstanding at 31 December 2023 had a range of exercise prices from 10p to 118.5p (2022: 10p to 118.5p), a weighted average exercise price of 15.40p (2022: 17.45p), and a weighted average remaining contractual life of seven years and 18 weeks (2022: six years and 31 weeks).

**Joint Share Ownership Plan**

The Joint Share Ownership Plan ('JSOP') covers certain employees who have a joint interest in shares with Avacta Group Trustee Limited as trustee of The Avacta Employees' Share Trust. At 31 December 2023, five employees (2022: five) had joint interests in 2,782,306 (2022: 2,782,306) ordinary shares in the Company. The Joint Share Ownership Agreements are dated 15 February 2016, or 21 February 2014, or 9 January 2012 between each employee individually, Avacta Group Trustee Limited and Avacta Group plc. Each employee has purchased 1% of the ordinary shares and the Avacta Group Trustee Limited owns 99% of the ordinary shares. The agreements operate when a Capital event occurs, being the sale or partial sale of the Company's ordinary shares. If the proceeds per ordinary share are more than the original market price on the date the agreement was entered into then a formula sets out the sharing of the gain between the employee and Avacta Group Trustee Limited.

These joint interests have been treated as employee benefits and the fair value at the date of issue of the shares based on the Group's estimate of the number of shares that will eventually be sold and the price at which they will be sold on a straight-line basis from the date that a sale becomes probable to the date at which they are anticipated to be sold.

**Share Incentive Plan**

The Group operates an HMRC-approved Share Incentive Plan ('SIP'). The SIP is operated on behalf of the Group by Link Market Services Trust Limited as Trustee for the SIP. Certain employees based on eligibility criteria are issued free shares up to a maximum £3,000 as part of their annual performance review. On 28 February 2023, 55,331 ordinary shares of 10p each were issued in relation to the Free Share award based on the closing middle market price of 161.0p on 24 February 2023.

In addition to the free share awards, the Group also operates a matching and partnership share arrangement whereby for each one share purchased by the employee via salary deduction a matching share was awarded by the Group. The maximum amount that can be subscribed for by employees via salary deduction is £1,800 per annum. As at 31 December 2023, 19 eligible employees had binding commitments to subscribe for partnership shares during the year ending 31 December 2023.

Free share awards are met through a combination of reallocating ordinary shares which have been forfeited by leavers from within the SIP and through the issue of new ordinary shares when required. Matching share awards to date have generally been met from continued on-market purchases by Link Market Services Trustees Limited as Trustee of the SIP.

As at 31 December 2023, the Trustee held 627,299 (2022: 1,010,042) ordinary shares of 10p on behalf of the SIP.

## Notes to the Consolidated Financial Statements (continued)

### 6 Operating loss

<b>Operating loss is stated after charging/(crediting):</b>	<b>Note</b>	<b>2023 £000</b>	<b>2022 £000</b>
Lease expense relating to lease of low-value assets	21	48	9
Lease expense relating to short-term leases	21	174	33
Depreciation of property, plant and equipment	11	1,129	1,029
Depreciation of right-of-use assets	21	1,509	932
Net (profit) / loss on disposal of property, plant and equipment		(6)	40
Inventories recognised as an expense during the period		10,953	2,179
Employee benefit expense, including share-based payment charges	4	15,185	16,970
Auditor's remuneration:			
• Audit services in respect of the Company's financial statements		249	197
• Audit services in respect of the Company's subsidiaries' financial statements		122	35

### 7 Net finance costs

	<b>2023 £000</b>	<b>2022 £000</b>
Convertible bond – professional fees	-	(2,287)
Convertible bond – interest expense	(14,730)	(2,606)
Convertible bond – revaluation of derivative	15,684	(4,100)
Finance income	655	91
Other finance costs	(568)	(90)
	<b>1,041</b>	<b>(8,992)</b>

### 8 Taxation on loss on ordinary activities

	<b>2023 £000</b>	<b>2022 (restated*) £000</b>
<b>Current tax:</b>		
Current period	(1,940)	(2,010)
Changes in estimates related to prior years	(151)	(29)
<b>Deferred taxation:</b>		
Origination and reversal of temporary differences	(279)	(63)
Amount of benefit arising from a previously unrecognised tax loss used to reduce deferred tax expense	-	(2,557)
<b>Tax on loss on ordinary activities</b>	<b>(2,370)</b>	<b>(4,659)</b>

\* The comparative information is restated on account of correction of an error relating to deferred taxation, see Note 28.

The tax on loss in the year relates solely to continuing operations.

**Factors affecting the tax credit for the current period**

	<b>2023</b>	2022 (restated*)
	<b>£000</b>	£000
<b>Loss on ordinary activities before taxation</b>	<b>(27,317)</b>	(38,211)
Tax using the Group's domestic rate <sup>1</sup>	<b>(6,420)</b>	(7,260)
Effect of tax rates in foreign jurisdictions	<b>(24)</b>	2
Effects of:		
• Expenses not deductible for tax purposes	<b>3,617</b>	3,774
• Tax-exempt income	<b>(3,686)</b>	(684)
• Deferred tax losses not recognised	<b>6,234</b>	4,112
• Government tax incentives	<b>(1,940)</b>	(2,230)
• Changes in estimates related to prior periods	<b>(151)</b>	-
• Recognition of previously unrecognised tax losses	-	(2,557)
• Withholding tax expense	-	184
	<b>(2,370)</b>	<b>(4,659)</b>

<sup>1</sup> The UK domestic tax rate increased from 19.0% to 25.0% with effect from 1 April 2023. This results in an effective tax rate for 2023 of 23.5% (2022: 19.0%).

**9 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.

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

## Notes to the Consolidated Financial Statements (continued)

### 10 Intangible fixed assets

	Goodwill £000	Development costs £000	Brands £000	Customer relationships £000	Software £000	Patents £000	Total £000
<b>Cost</b>							
At 1 January 2022	1,539	10,200	-	-	264	279	12,282
Acquisitions – business combinations	12,694	-	1,216	10,746	3	-	24,658
Acquisitions – purchases	-	-	-	-	5	31	36
Disposals	-	-	-	-	(38)	(46)	(84)
Effect of movements in exchange rates	-	-	4	23	-	-	27
<b>At 31 December 2022</b>	<b>14,233</b>	<b>10,200</b>	<b>1,220</b>	<b>10,769</b>	<b>231</b>	<b>264</b>	<b>36,917</b>
Acquisitions – business combinations	2,824	753	631	1,716	-	60	5,984
Acquisitions – purchases	-	-	-	-	52	44	96
Disposals	-	-	-	-	-	-	-
Effect of movements in exchange rates	(20)	6	(2)	(32)	2	-	(46)
<b>At 31 December 2023</b>	<b>17,037</b>	<b>10,959</b>	<b>1,849</b>	<b>12,453</b>	<b>285</b>	<b>368</b>	<b>42,951</b>
<b>Amortisation and impairment</b>							
At 1 January 2022	-	4,154	-	-	189	14	4,357
Amortisation	-	821	24	138	58	8	1,049
Disposals	-	-	-	-	(38)	-	(38)
Impairment loss	-	5,225	-	-	-	-	5,225
Effect of movements in exchange rates	-	-	-	-	-	-	-
<b>At 31 December 2022</b>	<b>-</b>	<b>10,200</b>	<b>24</b>	<b>138</b>	<b>209</b>	<b>22</b>	<b>10,593</b>
Amortisation	-	46	158	787	16	26	1,033
Disposals	-	-	-	-	-	-	-
Impairment loss	-	-	63	424	-	-	487
Effect of movements in exchange rates	-	1	1	(2)	-	1	1
<b>At 31 December 2023</b>	<b>-</b>	<b>10,247</b>	<b>246</b>	<b>1,347</b>	<b>225</b>	<b>49</b>	<b>12,114</b>
<b>Net book value</b>							
<b>At 31 December 2023</b>	<b>17,037</b>	<b>712</b>	<b>1,603</b>	<b>11,106</b>	<b>60</b>	<b>319</b>	<b>30,837</b>
<b>At 31 December 2022</b>	<b>14,233</b>	<b>-</b>	<b>1,196</b>	<b>10,631</b>	<b>22</b>	<b>242</b>	<b>26,324</b>
At 31 December 2021	1,539	6,046	-	-	75	265	7,925

#### Development costs

The specific judgements applied by management when capitalising development costs are discussed in Note 11.

Development costs relate to acquired intangible assets associated with the acquisition of Coris BioConcept, see Note 26.

**Goodwill**

Goodwill arising on business combinations is allocated to the Group's cash-generating units ('CGUs') based on an assessment of which CGUs, or group of CGUs, will derive benefit from each acquisition. See Note 11 for the definition of a cash-generating unit.

The Therapeutics goodwill relates to the individual Therapeutics CGU. Goodwill arising from the acquisitions of Launch Diagnostics and Coris BioConcept is allocated to the group of Diagnostics CGUs, being the lowest level at which goodwill is monitored for internal management purposes, and the level at which benefit is expected to be derived from the acquisitions.

Goodwill is not amortised, but is tested annually for impairment at this CGU, or group of CGUs, level.

	<b>2023</b>	2022
	<b>£000</b>	£000
Therapeutics	<b>1,539</b>	1,539
Diagnostics	<b>15,498</b>	12,694
<b>Goodwill</b>	<b>17,037</b>	<b>14,233</b>

**Impairment review**

Goodwill is not amortised, but is tested annually for impairment at the CGU, or group of CGUs, level. Impairment tests are mandatory for CGUs, or groups of CGUs, containing goodwill acquired in a business combination. Impairment tests for other CGUs are carried out when an indication of impairment is considered to exist, such as operating losses.

**Therapeutics**

The Therapeutics CGU contains goodwill and so is tested annually for impairment. The recoverable amount of this CGU was based on a value-in-use calculation, using discounted cash-flow projections. The key assumptions used in the estimation of the recoverable amount are considered to be as follows:

- Modelled growth over a ten-year period, this time frame reflecting management's best estimate of the period at which revenue growth of the CGU would be above the long-term background growth rate. This time frame exceeds the usual five-year period due to the stage of the development pipeline, and the length of time expected to be taken to generate ongoing commercial revenues from such work.
- Revenue growth is forecasted to increase to circa £60 million over the modelled growth period. Growth rates are based on management's risk-adjusted expectations of commercial licence revenues from the existing development pipeline, and existing collaborations.
- Terminal growth rate after the modelled growth phase of 4.1% (2022: 3.5%), approximating the long-term average growth rate
- Pre-tax discount rate of 19.0% (2022: 19%), derived from a weighted-average cost-of-capital of 15% (2022: 15%)

Using the assumptions listed above, the value in use of the Therapeutics CGU exceeds its carrying amount by £48.5 million.

AVA6000, the lead development candidate, is in Phase 1 clinical trials and the risk associated with the remaining clinical trial pathway presents a risk that future commercial revenues may not occur in the quantum or within the time frame estimated by management, which may result in the carrying amount exceeding the recoverable amount of the CGU.

With an assumption that future cashflow estimates remain unchanged, the pre-tax discount rate would need to increase to 26% to result in an impairment.

## Notes to the Consolidated Financial Statements (continued)

### **Diagnostics**

As set out in Note 11, a two-step approach to impairment testing is followed for the Diagnostics segment, with individual CGUs tested for impairment where there are specific indicators, such as operating losses, and then a mandatory impairment test performed at the level of the group of Diagnostics CGUs due to the presence of goodwill.

Indicators of impairment were identified in one constituent CGU of the Diagnostics group, a French distribution operation. An impairment charge of £512,000 arose due to the carrying amount of the CGU exceeding its recoverable amount (value-in-use) of £2,349,000. The impairment charge is considered to have arisen from the faster than expected reduction in COVID sales. This impairment charge has been recognised pro rata against those non-current assets of the CGU whose value is not supported by their estimated fair value. Impairment charges of £28,000 against right-of-use assets, £73,000 against brand intangible assets and £487,000 against customer relationship intangible assets were recognised. Key assumptions used in the estimation of the recoverable amount include:

- Modelled growth over a ten-year period of 10% p.a., exceeding the usual five-year period, which reflects historical growth rates and management's best estimate of the period expected to be taken for the CGU to reach a steady-state of growth, due to recent expansion of the CGU and the elongated time frame for revenue growth to be realised due to tender cycles.
- Terminal growth rate after the forecast period of 3.10%, approximating the long-term average growth rate
- Gross margin of 35%, based on historical gross margins achieved
- Overhead growth rates reflecting forecast revenue growth rates or long-term inflation rates depending on the nature of the cost.
- Pre-tax discount rate of 12.5%, derived from a weighted average cost-of-capital of 11% (2022: 12.0%).

An increase in the discount rate by 1%, or a decrease in the revenue growth rate by 1% p.a. over the modelled growth period, would result in an increase in impairment charge by £482,000 and £774,000 respectively.

No other indicators of impairment were identified in individual CGUs.

For the group of Diagnostics CGUs, where a mandatory impairment assessment is performed due to the presence of goodwill, the key assumptions used in the estimation of the value-in-use recoverable amount are as follows:

- Modelled growth over a five-year period, except for one CGU as discussed above, with compound annual growth rates ranging from 9% to 21%.
- Terminal growth rate after the forecast period approximating the long-term average growth rate and ranging from 2.30% to 4.10% depending on the territory of operation
- Gross margins based on historical gross margins achieved, with adjustments to reflect management's best estimate of future achievable margins, ranging from 36% to 64%.
- Overhead growth rates reflecting forecast revenue growth rates or long-term inflation rates depending on the nature of the cost.
- Pre-tax discount rates ranging from 12.5% to 19.5% derived from weighted average cost-of-capitals of 12.5% to 14.0%.
- Management's best estimate of the increase in future cashflows arising from synergies achievable following the acquisition of Coris BioConcept (see Note 26) have been included within that CGU's value-in-use.

Using these key assumptions, a recoverable amount for the group of CGUs of £32,772,000 was determined, exceeding the carrying amount of the group of CGUs by £1,900,000. Reasonably possible changes in key assumptions underlying the recoverable amount would cause the group of CGUs carrying amount to exceed its recoverable amount. An increase in the discount rate applied to each CGU within the group of CGUs by 0.5%, or a reduction in the compound annual growth rate by 6% would result in the recoverable amount being equal to the carrying amount.

## 11 Property, plant and equipment

	Assets in the course of construction £000	Leasehold improvements £000	Laboratory equipment £000	Office fixtures and fittings £000	Motor vehicles £000	<b>Total £000</b>
<b>Cost</b>						
At 1 January 2022	143	2,434	5,432	433	-	<b>8,442</b>
Acquisitions - purchases	-	17	310	225	6	<b>558</b>
Acquisitions - business combinations	-	-	123	43	127	<b>293</b>
Transfers between categories	(143)	7	138	(2)	-	<b>-</b>
Disposals	-	(1,064)	(292)	(89)	-	<b>(1,445)</b>
Effect of movements in exchange rates	-	-	1	-	2	<b>3</b>
<b>At 31 December 2022</b>	<b>-</b>	<b>1,394</b>	<b>5,712</b>	<b>610</b>	<b>135</b>	<b>7,851</b>
Acquisitions - purchases	336	120	588	74	6	<b>1,124</b>
Acquisitions - business combinations	-	-	258	48	62	<b>368</b>
Transfers from right of use assets	-	-	241	-	-	<b>241</b>
Effect of movements in exchange rates	-	-	-	-	(4)	<b>(4)</b>
Disposals	-	(214)	(311)	(131)	(63)	<b>(719)</b>
<b>At 31 December 2023</b>	<b>336</b>	<b>1,300</b>	<b>6,488</b>	<b>601</b>	<b>136</b>	<b>8,861</b>
<b>Depreciation</b>						
At 1 January 2022	-	1,499	4,028	303	-	<b>5,830</b>
Charge for the period	-	382	543	101	3	<b>1,029</b>
Disposals	-	(1,019)	(282)	(88)	-	<b>(1,389)</b>
<b>At 31 December 2022</b>	<b>-</b>	<b>862</b>	<b>4,289</b>	<b>317</b>	<b>3</b>	<b>5,471</b>
Charge for the period	-	197	736	140	56	<b>1,129</b>
Disposals	-	(213)	(272)	(112)	(63)	<b>(660)</b>
<b>At 31 December 2023</b>	<b>-</b>	<b>846</b>	<b>4,753</b>	<b>345</b>	<b>(4)</b>	<b>5,940</b>
<b>Net book value</b>						
<b>At 31 December 2023</b>	<b>336</b>	<b>454</b>	<b>1,735</b>	<b>256</b>	<b>140</b>	<b>2,921</b>
<b>At 31 December 2022</b>	<b>-</b>	<b>532</b>	<b>1,423</b>	<b>293</b>	<b>132</b>	<b>2,380</b>
At 31 December 2021	143	935	1,404	130	-	2,612

## Notes to the Consolidated Financial Statements (continued)

12 Inventories	2023 £000	2022 £000
Raw materials and components	871	198
Work in progress	399	-
Finished goods and goods for resale	1,315	1,483
	<b>2,585</b>	<b>1,681</b>

13 Trade and other receivables	2023 £000	2022 £000
Trade receivables	3,245	2,442
Prepayments	1,701	1,760
Other receivables	509	535
Contract assets	22	28
Contingent consideration receivable	27	717
Other taxes and social security	391	97
	<b>6,585</b>	<b>5,579</b>

Trade and other receivables denominated in currencies other than sterling comprise £nil (2022: £7,000) of trade receivables denominated in US dollars and £2,026,000 (2022: £1,153,000) denominated in euros. The fair values of trade receivables are the same as their book values.

Trade receivables includes £nil due from related parties (2022: £nil), see Note 24.

The ageing analysis of trade receivables past due is as follows:

	2023 £000	2022 £000
Under 30 days overdue	891	726
Between 30 and 60 days overdue	628	197
Between 60 and 90 days overdue	69	88
Over 90 days overdue	127	79
	<b>1,715</b>	<b>1,090</b>

No material provision against trade receivables has been made, the overdue receivables relate to a number of customers for whom there is no recent history of default, nor any other indication that settlement will not be forthcoming. The other classes within trade and other receivables do not contain impaired assets and are considered to be fully recoverable.

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the Group's historical credit losses and current and forward-looking information on factors affecting the Group's customers. The resulting implied expected credit loss for the current financial period is not material.

## 14 Cash and cash equivalents

	2023 £000	2022 £000
Cash and cash equivalents	16,627	41,781
	<b>16,627</b>	<b>41,781</b>

## 15 Trade and other payables

	2023 £000	2022 £000
Trade payables	3,730	2,487
Other taxes and social security	1,049	876
Accruals	4,026	3,767
Other payables	118	152
Deferred consideration	26	868
Contract liabilities	302	273
	<b>9,225</b>	<b>8,423</b>

Trade and other payables denominated in currencies other than sterling comprise £515,000 (2022: £92,000) of trade payables denominated in US dollars, £799,000 (2022: £951,000) denominated in euros, and £13,000 (2022: £13,000) denominated in Swiss Francs (CHF). The fair values of trade payables are the same as their book values.

## 16 Deferred tax liabilities

2023	At 31 December 2023							
	At 1 January 2023 (restated)	Recognised in profit or loss	Acquisitions – business combinations	Transfer <sup>1</sup>	Effect of movements in exchange rates	Net	Deferred tax assets	Deferred tax liabilities
	£000	£000	£000		£000	£000	£000	£000
Property, plant and equipment	(162)	11	-		(1)	(152)	-	(152)
Right of use assets	-	(1,309)	(351)	-	(2)	(1,662)	-	(1,662)
Intangible assets	(2,957)	239	(662)	-	9	(3,371)	105	(3,476)
Interest in associate	(744)	744	-	-	-	-	-	-
Lease liabilities	-	1,323	351	-	2	1,676	1,676	-
Equity-settled share-based payments	274	54	-	(274)	-	54	54	-
Tax losses carried forward	3,873	(1,353)	860	-	5	3,385	3,385	-
Convertible bond	(572)	572	-	-	-	-	-	-
<b>Tax assets / (liabilities) before set-off</b>	<b>(288)</b>	<b>281</b>	<b>198</b>	<b>(274)</b>	<b>13</b>	<b>(70)</b>	<b>5,220</b>	<b>(5,290)</b>
Set-off of tax <sup>2</sup>							(4,967)	4,967
<b>Net deferred tax asset / (liability)</b>							<b>253</b>	<b>(323)</b>

<sup>1</sup> Transfer of tax loss deferred tax asset to income tax receivable on carry back of losses.

<sup>2</sup> Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to offset the amounts and intends to settle on a net basis.

## Notes to the Consolidated Financial Statements (continued)

### 16 Deferred tax liabilities (continued...)

	At 31 December 2022 (restated)						
	At 1 January 2022	Recognised in profit or loss	Acquisitions – business combinations	Effect of movements in exchange rates	Net	Deferred tax assets	Deferred tax liabilities
<b>2022 (restated)</b>	£000	£000	£000	£000	£000	£000	£000
Property, plant and equipment	752	(729)	(185)	-	<b>(162)</b>	<b>(162)</b>	-
Development costs	(1,512)	1,512	-	-	-	-	-
Other intangible assets	-	41	(2,991)	(7)	<b>(2,957)</b>	<b>(2,395)</b>	<b>(562)</b>
Interest in associate	-	(744)	-	-	<b>(744)</b>	<b>(744)</b>	-
Tax losses carried forward	760	3,112	275	-	<b>4,147</b>	<b>4,147</b>	-
Convertible bond	-	(572)	-	-	<b>(572)</b>	<b>(572)</b>	-
	-	<b>2,620</b>	<b>(2,901)</b>	<b>(7)</b>	<b>(288)</b>	<b>274</b>	<b>(562)</b>

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profits will be available against which the Group can use the benefits. The unrecognised tax losses do not have an expiry date.

£000	2023		2022 (restated)	
	Gross amount	Tax effect	Gross amount	Tax effect
<b>Deductible temporary differences</b>	<b>21,290</b>	<b>5,322</b>	18,410	4,602
<b>Tax losses</b>	<b>61,197</b>	<b>15,299</b>	31,908	7,977
<b>Total</b>	<b>82,487</b>	<b>20,621</b>	<b>50,318</b>	<b>12,579</b>

Deferred tax has been measured using the substantively enacted rate due to prevail in the year of reversal.

The comparative period has been restated to retrospectively correct the lack of recognition of a deferred tax asset on losses of £2,557,000. The Group historically had significant unrecognised losses, relating to the activities of its subsidiary Avacta Life Sciences Limited. Having acquired a profitable subsidiary in October 2022, Launch Diagnostics Limited, a significant deferred tax liability was recognised in respect of intangible assets recognised in accordance with IFRS3. This liability should have been offset by a deferred tax asset recognised in relation to the historic losses. Further information on the restatement of the prior period is included in Note 28.

## 17 Share capital

	2023 £000	2022 £000
Allotted, called up and fully paid:		
- 284,240,834 (2022: 266,081,715) ordinary shares of 10p each	28,424	26,608
- 19,327,344 deferred shares of 0.4p each	77	77
	<b>28,501</b>	<b>26,685</b>

During the period, the following ordinary share issues occurred in respect of the unsecured convertible bond:

- On 23 January 2023, 3,068,421 new ordinary shares of 10p each in settlement of the quarterly principal of £2.75 million and interest repayment of £0.89 million.
- On 10 February 2023, 2,400,000 new ordinary shares of 10p each in settlement of an additional conversion of principal of £2.85 million.
- On 21 April 2023, 2,906,097 new ordinary shares of 10p each in settlement of the quarterly principal of £2.60 million and interest repayment of £0.80 million.
- On 21 July 2023, 3,752,652 new ordinary shares of 10p each in settlement of the quarterly principal of £2.60 million and interest repayment of £0.76 million.
- On 20 September 2023, 715,789 new ordinary shares of 10p each in settlement of an additional conversion of principal of £0.85 million.
- On 23 October 2023, 2,788,004 new ordinary shares of 10p each in settlement of the quarterly principal of £2.55 million and interest repayment of £0.70 million.

Additionally, during the year a total of 2,528,156 (2022: 2,640,682) ordinary shares of 10p each were allotted and issued following the exercise of vested EMI and unapproved options. Options were exercised at an average price of 18.57p (2022: 18.08p).

On 18 October 2022, 7,368,427 ordinary shares of 10p each were allotted and issued at 95p further to a placing of shares, with a further 15,000 ordinary shares of 10p each being allotted and issued in relation to a management subscription of shares. On 7 November 2022, 2,106,990 ordinary shares of 10p each were allotted and issued at 95p further to an open offer of shares. Placing costs of £618,000 were incurred and offset against the share premium reserve.

### *Respective rights of ordinary and deferred shares*

The rights of the ordinary shareholders are dealt with in the Articles of Association of the Company, which are available from the Company's registered office at Unit 20, Ash Way, Thorp Arch Estate, Wetherby, LS23 7FA or from its website, [www.avacta.com](http://www.avacta.com). The holders of the deferred shares shall not, by virtue or in respect of their holdings of deferred shares, have the right to receive notice of any General Meeting, nor the right to attend, speak or vote at any such General Meeting. Save as required by law, the Company need not issue share certificates to the holders of the deferred shares in respect of their holding thereof. The deferred shares shall not entitle their holders to receive any dividend or other distribution. The deferred shares shall on a return of assets in a winding-up entitle the holders only to the repayment of the amounts so paid up on such deferred shares after repayment of the capital paid up on the ordinary shares plus the payment of £10,000,000 per ordinary share. The Company shall have irrevocable authority at any time to appoint any person to execute on behalf of the holders of the deferred shares a transfer thereof and/or an agreement to transfer the same to such person as the Company determines as custodian thereof, without making any payment to the holders thereof, and/or to cancel the same (in accordance with the provisions of the Companies Acts) without making any payment to or obtaining the sanction of the holders thereof, and pending such transfer and/or cancellation, to retain the certificate for such shares. The Company may, at its option at any time purchase all or any of the deferred shares then in issue, at a price not exceeding 1p for each holding of deferred shares so purchased.

## Notes to the Consolidated Financial Statements (continued)

### 18 Capital reserves

#### *Share premium*

The share premium account of £83,220,000 (2022: £62,184,000) arose from the issue of shares at a premium to their nominal value less certain allowable costs of issue. This reserve is not distributable.

#### *Other reserve*

The other reserve of negative £1,729,000 (2022: negative £1,729,000) arose from the application of reverse acquisition accounting principles to the financial statements at the time of the reverse takeover of Avacta Group plc by Avacta Limited. This reserve is not distributable.

#### *Translation reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. The transactions recognised within other comprehensive income during the year, from which the translation reserve arises, are all items that are or may be reclassified subsequently to profit or loss. This reserve is not distributable.

#### *Reserve for own shares*

The reserve for own shares of negative £2,485,000 (2022: negative £2,754,000) arose following the issue of ordinary shares of 10p each to Link Market Services Trust Limited as Trustee to the Avacta Group plc SIP (see Note 5) in previous periods. In addition, 2,782,306 (2022: 2,782,306) ordinary shares of 10p each are held jointly by certain employees, each individually with Avacta Group Trustee Limited. This reserve is not distributable. Where ordinary shares have been transferred from Link Market Services Trust Limited into the beneficial ownership of employees during the period, these amounts have been transferred to retained earnings, this amounted to £270,000 in the period (2022: £206,000).

#### *Retained earnings*

Retained earnings arise from the cumulative profits or losses of the Group. The charge and associated credits in respect of cumulative share-based payment charges (where appropriate) are also included.

### 19 Financial instruments and risk management

#### *Capital management*

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group develops such that it trades profitably in the foreseeable future. The Group recognises that because it is an early-stage development Group with limited current revenues, and significant continued investment that does not support debt within its capital structure, its capital structure is largely limited to equity-based capital which the Group uses to finance most of its strategy.

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 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 together with embedded derivatives in conjunction with an ordinary host debt liability, further details of which can be found in Note 22.

The Group also has credit card debt. Credit card debt is used to finance incidental expenditure, is short term and settled in the month following the incurring of the related expenditure. The Group does not have long-term gearing ratio targets.

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates. It does not impact the dividend policy of the Group as the current strategy is to invest capital in the business.

#### *Financial risk management*

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk).

#### *Interest rate risk*

The Group continues to manage the cash position in a manner designed to maximise interest income, while at the same time minimising any risk to these funds. Surplus cash funds are deposited with commercial banks that meet credit criteria approved by the Board, for periods between one and twelve months.

The convertible bond has a fixed interest coupon rate payable of 6.5% per annum. However, due to the embedded derivative component, there is an effective interest rate on the debt liability of 113.7% contributing to the 'Convertible bond – interest expense' charged in the period.

**Interest rate and currency profile**

At 31 December 2023 and throughout the year, the Group maintained cash at bank in the following currencies: The current book value of interest-bearing assets and liabilities is as follows:

	<b>2023</b>	2022
	<b>'000</b>	'000
Cash at bank (floating interest rate) - £	<b>13,799</b>	39,445
Cash at bank (floating interest rate) - \$	<b>267</b>	2,217
Cash at bank (floating interest rate) - €	<b>2,561</b>	561
Bank loans - €	<b>(385)</b>	-

Cash at bank attracted interest at floating rates, which were between nil% and 5.00% at 31 December 2023 (2022: nil% and 2.85%).

Bank loans are all denominated in euros and attracted interest rates between 1.37% and 4.02% per annum at 31 December 2023.

**Credit risk**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. This policy includes restricting the maximum value of cash held with any one financial institution. The Group does not require collateral in respect of financial assets. At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

**Fair value of financial instruments**

At 31 December 2023, the fair value of the Group's financial assets and liabilities approximates to their carrying amounts as disclosed in the Consolidated Statement of Financial Position, with exception of the convertible bond debt element which has an effective interest rate of 113.7% (2022: 113.7%) due to the embedded derivative component.

**Sensitivity analysis**

The Group is not materially exposed to changes in interest or exchange rates at 31 December 2023.

**Financial instruments policy**

Treasury and financial risk policies are approved by the Board. All instruments utilised by the Group are for financing purposes. Short-term deposits are placed for a period of no longer than twelve months with institutions with a 'superior or strong' ability to repay short-term debt obligations. In order to manage financial exposure between different financial institutions no more than £30 million is placed on short-term deposit with any one financial institution.

## Notes to the Consolidated Financial Statements (continued)

### Financial assets and liabilities

The Group's financial instruments comprise cash and liquid resources, and various items such as trade receivables and trade payables that arise directly from its operations. An analysis of the financial assets and liabilities recognised on the balance sheet, each of which is at amortised cost unless stated, is set out below. The values below represent the carrying amounts of the financial liabilities.

<b>Financial assets</b>		<b>2023</b>	2022
		<b>£000</b>	£000
Trade receivables		<b>3,245</b>	2,442
Other receivables		<b>509</b>	535
Contingent consideration receivable (measured at fair value, Level 3)	27	<b>717</b>	717
Cash		<b>16,627</b>	41,781
		<b>21,098</b>	<b>45,475</b>

All financial assets are receivable or expected to be receivable within one year.

<b>Financial liabilities</b>		<b>2023</b>	2022
		<b>£000</b>	£000
Trade payables		<b>3,730</b>	2,487
Deferred consideration		-	868
Accruals		<b>4,026</b>	3,767
Other payables		<b>118</b>	152
Lease liabilities	21	<b>7,030</b>	5,114
Financing liabilities <sup>1</sup>		<b>385</b>	-
Convertible bond – debt component	22	<b>16,098</b>	18,729
Convertible bond – derivative component (measured at fair value, Level 3)	22	<b>18,325</b>	39,100
		<b>49,712</b>	<b>70,217</b>

<b>Maturity profile of financial liabilities</b>	<b>2023</b>			<b>2022</b>			
	<b>£000</b>	<b>In one year or on demand</b>	<b>In more than one year</b>	<b>Total</b>	<b>In one year or on demand</b>	<b>In more than one year</b>	<b>Total</b>
Lease liabilities		<b>1,295</b>	<b>5,735</b>	<b>7,030</b>	1,361	3,753	5,114
Convertible bond – debt component		<b>16,098</b>	-	<b>16,098</b>	18,729	-	18,729
Convertible bond – derivative component		<b>18,325</b>	-	<b>18,325</b>	39,100	-	39,100
Financing liabilities <sup>1</sup>		<b>166</b>	<b>219</b>	<b>385</b>			
Other financial liabilities		<b>7,874</b>	-	<b>7,874</b>	7,274	-	7,274
		<b>43,758</b>	<b>5,954</b>	<b>49,712</b>	<b>66,464</b>	<b>3,753</b>	<b>70,217</b>

<sup>1</sup> Financing liabilities are made up of bank loans, denominated in euros with an aggregate carrying amount of £385,000. The loans attract interest rates between 1.37% and 4.02% per annum and are all due for repayment prior to 30 June 2027.

## 20 Pensions

The Group operates defined contribution pension schemes for its employees. The pension cost charge for the year represents contributions payable by the Group to the schemes and other personal pension plans and amounted to £523,000 (2022: £397,000). There were outstanding contributions at 31 December 2023 of £70,000 (2022: £79,000).

## 21 Leases

See accounting policy in Note 1L.

The Group leases a small number of properties for office and laboratory use, as well as laboratory equipment for both internal research and development use and provision to customers. Information about leases for which the Group is a lessee is presented below.

### a) Amounts recognised in the balance sheet

	Property £000	Laboratory equipment £000	Total £000	Total £000
<b>Right-of-use assets</b>				
As at 1 January 2022	1,577	152	-	<b>1,729</b>
Additions	4,496	-	26	<b>4,522</b>
Acquisitions through business combinations	160	585	376	<b>1,121</b>
Remeasurement of lease liability	(85)	-	-	<b>(85)</b>
Disposals	(938)	-	-	<b>(938)</b>
Depreciation charge	(850)	(55)	(27)	<b>(932)</b>
Effect of movements in exchange rates	1	-	-	<b>1</b>
<b>As at 31 December 2022</b>	<b>4,361</b>	<b>682</b>	<b>375</b>	<b>5,418</b>
Additions	1,312	392	351	<b>2,055</b>
Acquisitions through business combinations	1,388	-	17	<b>1,405</b>
Disposals	(15)	-	(30)	<b>(45)</b>
Impairment	(25)	-	-	<b>(25)</b>
Depreciation charge	(1,157)	(155)	(197)	<b>(1,509)</b>
Transfers to owned assets	-	(241)	-	<b>(241)</b>
Effect of movements in exchange rates	7	-	-	<b>7</b>
<b>As at 31 December 2023</b>	<b>5,871</b>	<b>678</b>	<b>516</b>	<b>7,065</b>

	2023				2022			
	Property £000	Laboratory equipment £000	Motor vehicles £000	Total £000	Property £000	Laboratory equipment £000	Motor vehicles £000	Total £000
<b>Lease liabilities</b>								
Current	1,055	109	131	1,295	941	279	141	1,361
Non-current	5,014	332	389	5,735	3,469	48	236	3,753
	<b>6,069</b>	<b>441</b>	<b>520</b>	<b>7,030</b>	<b>4,410</b>	<b>327</b>	<b>377</b>	<b>5,114</b>

## Notes to the Consolidated Financial Statements (continued)

### Reconciliation of change in lease liability

	<b>£000</b>
As at 1 January 2022	1,703
Acquisitions through business combinations	893
Additions	4,356
Disposals	(969)
Remeasurement of lease liability	(85)
Payment of lease liability – principal element	(800)
Payment of lease liability – interest element	(202)
Interest expense	218
<b>As at 31 December 2022</b>	<b>5,114</b>
Acquisitions through business combinations	1,399
Additions	2,011
Remeasurement of lease liability	(66)
Payment of lease liability – principal element	(1,450)
Payment of lease liability – interest element	(287)
Interest expense	304
Effect of movement in exchange rates	5
<b>As at 31 December 2023</b>	<b>7,030</b>

### b) Amounts recognised in profit or loss

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Depreciation charge on right-of-use assets</b>		
Property	<b>1,157</b>	845
Laboratory equipment	<b>155</b>	55
Motor vehicles	<b>197</b>	-
	<b>1,509</b>	<b>900</b>
Interest on lease liabilities	<b>304</b>	228
Expenses relating to leases of low-value assets	<b>48</b>	9
Expense relating to short-term leases	<b>174</b>	33

The total cash outflow for leases in the period was £1,754,000 (2022: £1,003,000).

### c) Capital commitments

At 31 December 2023, the Group had £700,000 of capital commitments (2022: £nil).

## 22 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 £000	Convertible bond - debt £000
At 1 January 2023	39,100	18,729
Repayments <sup>1</sup>	(5,091)	(17,361)
Interest expense		14,730
Revaluation of derivative	(15,684)	-
<b>At 31 December 2023</b>	<b>18,325</b>	<b>16,098</b>

<sup>1</sup> Repayments relate to the issue of new ordinary shares in settlement of the liability, see Note 17.

## 23 Equity-accounted investees

	£000
As at 1 January 2022	-
Additions	4,128
Share of loss of associate	(1,152)
<b>As at 31 December 2022</b>	<b>2,976</b>
Additions	3,548
Elimination of unrealised profit on downstream sales	(1,598)
Share of loss of associate	(847)
<b>As at 31 December 2023</b>	<b>4,079</b>

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## Notes to the Consolidated Financial Statements (continued)

AffyXell Therapeutics Co., Ltd is an associate in which the Group has a 25% ownership (2022: 19%). The investment in associate is measured using the equity method. The Group has significant influence as a result of material transactions with the entity and the provision of essential technical information. AffyXell Therapeutics Co., Ltd was established in 2020 to develop Affimer® proteins which will be used for the generation of new cell and gene therapies.

During the year, the investment in associate has increased with the achievement of certain milestones within the collaboration resulting in additional issue of equity to the Group. This milestone achievement corresponds to the transfer of an intellectual property asset to the associate, representing a downstream transaction between the Group and its associate. The Group's share of the associate's gain or loss arising from the transaction is therefore eliminated, and instead recognised over a time period commensurate to that over which the associate recognises the cost of the asset.

	2023 £000	2022 £000
<b>Percentage ownership interest</b>	<b>25%</b>	19%
Non-current assets	11,213	9,373
Current assets	3,787	8,668
Non-current liabilities	-	(303)
Current liabilities	(239)	(632)
<b>Net assets (100%)</b>	<b>14,761</b>	17,106
<b>Group's share of net assets</b>	<b>3,690</b>	3,167
<b>Revenue</b>	<b>82</b>	26
Total comprehensive loss for the year (100%)	(4,485)	(4,781)
<b>Group's share of total comprehensive loss for the year</b>	<b>(1,121)</b>	(899)

### 24 Related party transactions

Transactions between the parent company of the Group and its subsidiaries, which are related parties, have been eliminated on consolidation. See Note 38 for details of these transactions.

Provision of services to related parties in the period relate to research and development services provided to an associate of the Group, AffyXell Therapeutics Co., Ltd, as set out in Note 23, and to purchase of consulting medical adviser services between the Group and a Non-executive Director. These transactions were made on terms equivalent to those that prevail in arm's length transactions.

	2023 £000	2022 £000
<b>Provision of services</b>	<b>3,653</b>	3,798
Associate - AffyXell Therapeutics Co., Ltd <sup>1</sup>		
<b>Purchase of services</b>	<b>143</b>	-
Non-executive Director – Dr Christina Coughlin <sup>2</sup>		

There were £nil amounts outstanding with related parties at 31 December 2023 (2022: £nil).

<sup>1</sup> Representing the achievement of a milestone under the collaboration agreement with the associate, and corresponding to a £3,548,000 increase in the Group's investment in the associate based on the exchange rate applicable on issue of shares.

<sup>2</sup> These amounts exclude expenses payable totalling £32,000 (2022: £nil).

*Remuneration of key management personnel*

The Group considers its key management personnel to comprise only of the Directors of the Group. Key management personnel compensation from the Group is set out below:

	<b>2023</b>	2022
	<b>£000</b>	£000
Short-term employee benefits	<b>1,288</b>	1,056
Post-employment benefits	<b>33</b>	28
Share-based payment	<b>643</b>	3,248
	<b>1,964</b>	<b>4,332</b>

Short-term employee benefits include employers' NI of £163,000 (2022: £105,000). The aggregate remuneration of the highest paid Director was £598,000, including £20,000 of post-employment contributions (2022: £444,000, including £17,000 of post-employment contributions).

## 25 Operating cash outflow from operations

	<b>2023</b>	2022 (restated)
	<b>£000</b>	£000
Loss for the period	<b>(24,947)</b>	(36,632)
Adjustments for:		
Amortisation expense	<b>1,033</b>	1,051
Impairment losses	<b>512</b>	5,225
Depreciation	<b>2,638</b>	1,961
Net (profit) / loss on disposal of property, plant and equipment	<b>(2)</b>	52
Deferred income movement	<b>28</b>	-
Share of loss of associate	<b>847</b>	1,152
Equity-settled share-based payment transactions	<b>2,906</b>	7,490
Profit on lease modification	<b>1</b>	(31)
Gain on sale of discontinued operation	<b>-</b>	(308)
Net finance costs	<b>(1,277)</b>	9,000
Increase in investment in associate	<b>(1,950)</b>	(4,127)
Taxation	<b>(2,370)</b>	(4,659)
<b>Operating cash outflow before changes in working capital</b>	<b>(22,581)</b>	(19,826)
Decrease in inventories	<b>196</b>	52
Decrease in trade and other receivables	<b>841</b>	2,225
(Decrease) / increase in trade and other payables	<b>(301)</b>	1,596
<b>Operating cash outflow from operations</b>	<b>(21,845)</b>	<b>(15,953)</b>

## Notes to the Consolidated Financial Statements (continued)

### 26 Acquisition of subsidiary

#### Coris BioConcept

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 <sup>1</sup>	10,116
Deferred consideration	22
<b>Total consideration transferred</b>	<b>10,138</b>

<sup>1</sup> 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)
<b>Total identifiable net assets acquired</b>	<b>7,314</b>

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:

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

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.

**Launch Diagnostics**

On 21 October 2022, the Group acquired 100% of the shares and voting interests in Launch Diagnostics Holdings Ltd ('Launch Diagnostics'). Launch Diagnostics is a leading independent IVD distributor in the UK, providing immunodiagnostic and molecular test products, technical support and maintenance to healthcare providers.

The acquisition of Launch Diagnostics was the first step in an M&A-led growth strategy for the Group's Diagnostics Division, with the vision of building an integrated and differentiated IVD business with global reach servicing professionals and consumers.

For the period from acquisition to 31 December 2022, Launch Diagnostics contributed revenue of £3,971,000 and profit of £309,000 to the Group's results. If the acquisition had occurred on 1 January 2022, management estimates that consolidated revenue would have been £27,845,000 and consolidated loss for the year would have been £34,601,000. In determining these amounts, management 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 2022.

**A. Consideration transferred**

	<b>£000</b>
Cash	28,350
Deferred consideration	851
<b>Total consideration transferred</b>	<b>29,201</b>

In addition, the Group agreed to pay the selling shareholders additional consideration of 50% of the gross margin on sales exceeding £2 million per annum of Launch Diagnostics' COVID-19 related products for three years capped at £13 million. Based on an assessment of forecast future sales, the fair value of this contingent consideration at the acquisition date was £nil. At both 31 December 2022 and 31 December 2023, the contingent consideration estimated has remained at £nil.

**B. Acquisition-related costs**

In the year ended 31 December 2022, the Group incurred acquisition-related costs of £712,000 on legal fees and due diligence costs. These costs were 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.

	<b>£000</b>
Property, plant and equipment	293
Right-of-use assets	1,121
Intangible assets – brand	1,216
Intangible assets – customer relationships	10,746
Intangible assets – other	2
Inventories	1,545
Trade and other receivables	3,233
Income tax receivable	1,369
Cash and cash equivalents	3,472
Trade and other payables	(2,696)
Deferred taxation	(2,901)
Lease liabilities	(893)
<b>Total identifiable net assets acquired</b>	<b>16,507</b>

Trade receivables comprised gross contractual amounts of £2,493,000 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.

## Notes to the Consolidated Financial Statements (continued)

### D. Goodwill

Goodwill arising from the acquisition has been recognised as follows:

		£000
Consideration transferred	A	29,201
Fair value of identifiable net assets	C	(16,507)
<b>Goodwill</b>		<b>12,694</b>

The goodwill was attributable mainly to the skills and technical talent of Launch Diagnostics' workforce and the synergies expected to be achieved from integrating the company into the Group's Diagnostics business. None of the goodwill recognised was expected to be deductible for tax purposes.

### 27 Discontinued operation

On 15 March 2022, the Group sold its entire Animal Health segment (see Note 2). An up-front payment of £860,000 was received with deferred contingent consideration ('earn-out payment') of up to £1,433,000. There were associated costs to sell of £181,000.

The fair value of the contingent consideration has been estimated to be £717,000 as at 31 December 2023 (2022: £717,000). The earn-out payment is tiered based on revenues achieved by the combined performance of the Animal Health segment and its acquirer. Based on the maximum revenues achieved in any twelve-month period of the three years to 31 December 2024 (the 'earn-out period'), the earn-out payment will be nil, £717,000 or £1,433,000. Management's estimate of fair value is an approximation to the expected value, being the value of each payment multiplied by its probability of being achieved. The probability of achievement is estimated using information on performance for the period to 31 December 2023 and growth rates expected over the remaining earn-out period. In order to achieve an earn-out payment of £717,000, growth rate in revenues of 4.7% would be required over the remaining earn-out period.

### A. Effect of the disposal on the financial position of the Group

The carrying amounts of assets and liabilities in the disposal group as at 15 March 2022 are summarized as follows:

	£000
Property, plant and equipment	(20)
Right of use asset	(122)
Intangible asset	(778)
Inventories	(81)
Trade and other receivables	(192)
Cash and cash equivalents	(194)
Trade and other payables	175
Lease liabilities	124
<b>Net assets and liabilities</b>	<b>(1,088)</b>
Consideration received in cash	860
Contingent consideration	717
Transactions costs directly relating to disposal	(181)
<b>Gain on disposal</b>	<b>308</b>

**B. Results of discontinued operation**

	<b>2022</b>
	<b>£000</b>
Revenue	411
Cost of sales	(117)
<b>Gross profit</b>	<b>294</b>
Research costs	(6)
Selling, general and administrative expenses	(233)
Depreciation expense	(10)
Share-based payment charge	-
<b>Operating profit</b>	<b>45</b>
Finance costs	(2)
<b>Profit before tax</b>	<b>43</b>
Taxation	-
<b>Profit from operating activities</b>	<b>43</b>
Gain on sale of discontinued operation	308
<b>Profit for the period</b>	<b>351</b>

**C. Cash flows from / (used in) discontinued operations**

Cash flows generated by the Animal Health segment for the reporting periods under review until its disposal are as follows:

	<b>2022</b>
	<b>£000</b>
Net cash used in operating activities	(47)
Net cash from investing activities	505
Net cash used in financing activities	(6)
<b>Net cash flows for the period</b>	<b>452</b>

**28 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.

## Notes to the Consolidated Financial Statements (continued)

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

Year ended 31 December 2022

	As previously reported £000	Adjustment £000	2022 (restated) £000
<b>Loss before tax</b>	(41,642)	-	<b>(41,642)</b>
Taxation	2,102	2,557	<b>4,659</b>
<b>Loss from continuing operations</b>	(39,540)	2,557	<b>(36,983)</b>
<b>Loss for the period</b>	(39,189)	2,557	<b>(36,632)</b>
<b>Total comprehensive loss for the period</b>	(39,143)	2,557	<b>(36,586)</b>
<b>Loss per share:</b>			
Basic and diluted	(15.34p)	1.00p	<b>(14.34p)</b>
<b>Loss per share – continuing operations:</b>			
Basic and diluted	(15.48p)	1.00p	<b>(14.48p)</b>

### B. Consolidated statement of financial position

At 31 December 2022

	As previously reported £000	Adjustment £000	2022 (restated) £000
<b>Assets</b>			
Other non-current assets	37,098	-	<b>37,098</b>
Deferred tax asset	-	274	<b>274</b>
<b>Non-current assets</b>	37,098	274	<b>37,372</b>
<b>Current assets</b>	55,551	-	<b>55,551</b>
<b>Total assets</b>	92,649	274	<b>92,923</b>
<b>Liabilities</b>			
Other non-current liabilities	(3,753)	-	<b>(3,753)</b>
Deferred tax liability	(2,845)	2,283	<b>(562)</b>
<b>Non-current liabilities</b>	(6,598)	2,283	<b>(4,315)</b>
<b>Current liabilities</b>	(67,613)	-	<b>(67,613)</b>
<b>Total liabilities</b>	(74,211)	2,283	<b>(71,928)</b>
<b>Net assets</b>	18,438	2,557	<b>20,995</b>

## 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.

# Company Balance Sheet as at 31 December 2023

## – Registered number 04748597

	Note	2023 £000	2022 £000
<b>Non-current assets</b>			
Tangible assets	31	7	14
Intangible assets	31	2	5
Investments	32	77,258	75,029
<b>Non-current assets</b>		<b>77,267</b>	<b>75,048</b>
<b>Current assets</b>			
Debtors*	33	117,738	103,204
Cash and cash equivalents		10,740	36,249
<b>Current assets</b>		<b>128,478</b>	<b>139,453</b>
Current liabilities	34	(66,988)	(90,832)
<b>Net current assets</b>		<b>61,490</b>	<b>48,621</b>
<b>Net assets</b>		<b>138,757</b>	<b>123,669</b>
<b>Capital and reserves</b>			
Called-up share capital	35	28,501	26,685
Share premium account	36	83,220	62,184
Reserve for own shares	36	(2,485)	(2,755)
Retained earnings		29,521	37,555
<b>Shareholders' funds</b>		<b>138,757</b>	<b>123,669</b>

\*Of which £116,242,000 (2022: £102,237,000) is expected to be recovered in more than twelve months.

The loss of the Company for the year ended 31 December 2023 was £10,668,000 (2022: loss of £12,222,000).

The notes on pages 128 to 133 form an integral part of these financial statements.

The balance sheet above was approved by the Board of Directors and authorised for issue on 29 April 2024 and signed on its behalf by:



Dr Alastair Smith  
Chief Executive Officer



Tony Gardiner  
Chief Financial Officer

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

	Share capital £000	Share premium £000	Reserve for own shares £000	Retained earnings £000	<b>Total equity £000</b>
At 1 January 2022	25,473	54,530	(2,961)	42,493	<b>119,535</b>
Issue of shares	948	7,448	-	-	<b>8,396</b>
Exercise of share options	264	206	-	-	<b>470</b>
Total comprehensive loss for the period	-	-	-	(12,222)	<b>(12,222)</b>
Share-based payment charges	-	-	-	7,490	<b>7,490</b>
Transfer <sup>1</sup>	-	-	206	(206)	-
<b>At 31 December 2022</b>	<b>26,685</b>	<b>62,184</b>	<b>(2,755)</b>	<b>37,555</b>	<b>123,669</b>
Exercise of share options	253	146	-	-	<b>399</b>
Convertible bond- issue of shares	1,563	20,890	-	-	<b>22,453</b>
Total comprehensive loss for the period	-	-	-	(10,668)	<b>(10,668)</b>
Share-based payment charges	-	-	-	2,904	<b>2,904</b>
Transfer <sup>1</sup>	-	-	270	(270)	-
<b>At 31 December 2023</b>	<b>28,501</b>	<b>83,220</b>	<b>(2,485)</b>	<b>29,521</b>	<b>138,757</b>

The notes on pages 128 to 133 form an integral part of these financial statements.

<sup>1</sup> Where ordinary shares have been transferred from Link Market Services Trust Limited into the beneficial ownership of employees during the period, these amounts have been transferred from 'Reserve for own shares' to 'Retained earnings'.

# Notes to the Company Balance Sheet

## 30 Accounting policies

### Basis of preparation

As used in the financial statements and related notes, the term 'Company' refers to Avacta Group plc.

These financial statements have been prepared in accordance with applicable UK accounting standards, including Financial Reporting Standard 102 – *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* (FRS 102), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements.

The individual accounts of the Company have also adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes
- The reconciliation of number of shares outstanding from the beginning to the end of the period has not been included a second time
- Key Management Personnel compensation has not been included a second time
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1
- Certain disclosures required by FRS 102.26 *Share Based Payments*

These financial statements have been prepared on a going concern basis, the rationale for this assessment is given in Note 1.

### Use of judgements and estimates

In preparing the Company 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 in Note 1.

**Share-based payments** - Judgements arise from the choice of inputs to the share option valuation models underlying the share-based payment charge, as disclosed in Note 5.

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:

**Convertible bond derivative liability** – Determine the fair value of the embedded derivative within the convertible bond, both at conversion dates and at the reporting date. See Note 22 for further information.

**Carrying amount of investments in subsidiaries and amounts owed by subsidiary undertakings** – Management perform an impairment assessment of investments in subsidiaries by comparing the carrying amount relevant to each subsidiary with the corresponding recoverable amount. In the absence of a determinable fair value, the recoverable amount is considered to be the value in use of the corresponding cash-generating unit forming the basis of the Group impairment testing.

Management measure impairment of amounts owed by subsidiary undertakings by comparing the carrying amount with the present value of estimated cash flows discounted at the asset's original effective interest rate.

Where fair value less costs to sell is measurable, for example where there is an agreement for sale in place, the aggregate carrying amount of investment in subsidiary and intercompany receivable is compared to this recoverable amount. Where the aggregate carrying amount exceeds the fair value less costs to sell, an impairment is first allocated against the investment, with any residual impairment recognised against the amount owed by the subsidiary. Where the fair value less costs to sell exceed the carrying amount, previous impairment losses are reversed to increase the carrying amount to the recoverable amount.

Management recognise that there is inherent uncertainty in the recoverable amounts based on the value-in use models and that the carrying amount of the investment in Launch Diagnostics has been impaired to its recoverable amount such that an adverse change in assumptions would increase the quantum of impairment. A 1% increase in the discount rates would result in an increase in the provision against investment in subsidiary undertakings by £3,310,000, and a 1% decrease in the compound annual revenue growth rate within the forecast period of the model would result in an increase in provision of £607,000.

### Tangible fixed assets

Tangible fixed assets are held at cost less accumulated depreciation and impairment charges.

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value, which is based on up-to-date prices, of property, plant and equipment over their estimated useful lives as follows:

Fixtures and fittings	3 to 10 years
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### Intangible fixed assets

Intangible fixed assets are held at cost less accumulated amortisation and impairment charges. Amortisation is provided for to write off the cost less estimated residual value of intangible assets over the estimated useful lives as follows:

Software	3 to 5 years
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### Investments

Fixed asset investments are stated at cost less accumulated provision for impairment where appropriate. The Directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged to the profit and loss account in the year.

### Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is provided for any timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes except when they arise on the initial recognition of assets and liabilities that is not a business combination and that affects neither accounting nor taxable profits. A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which an asset can be utilised.

### Share-based payments

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market or non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Employees of subsidiary undertakings are treated as capital contributions to subsidiary undertakings from the parent company, increasing the cost of investment in subsidiary.

### Convertible bond – derivative liability

The Company is party to the derivative element of the convertible bond only. The derivative is initially measured at fair value, creating a corresponding investment in subsidiary reflecting the element of the convertible bond liability borne at inception on behalf of the Company's subsidiary, Avacta Finance (Jersey) Ltd. Subsequent changes in the fair value of this derivative are recognised through profit or loss. Sensitivity analysis has been disclosed in Note 22. This derivative liability arises from the future settlement of the bond being through the issue of ordinary shares by the Company, in its role as Guarantor to the convertible bond. The Company receives redeemable preference shares in Avacta Finance (Jersey) Ltd in exchange for the issue of such ordinary shares. These redeemable preference shares are included within the cost of investment, see Note 32.

## Notes to the Company Balance Sheet (continued)

## 31 Tangible and intangible fixed assets

	Tangible £000	Intangible £000	Total £000
Cost at 1 January 2023	57	108	165
Additions	3	-	3
Transfers from / (to) wholly-owned subsidiaries	3	-	3
Disposals	(14)	-	(14)
<b>At 31 December 2023</b>	<b>49</b>	<b>108</b>	<b>157</b>
Depreciation at 1 January 2023	43	103	146
Charge for the year	8	3	11
Transfers from / (to) wholly-owned subsidiaries	5	-	5
Disposals	(14)	-	(14)
<b>At 31 December 2023</b>	<b>42</b>	<b>106</b>	<b>148</b>
<b>Net book value</b>			
<b>At 31 December 2023</b>	<b>7</b>	<b>2</b>	<b>9</b>
At 31 December 2022	14	5	19

## 32 Investments

	Redeemable preference shares £000	Investments in subsidiary £000	Total £000
Cost at 1 January 2023	-	78,622	78,622
Additions*,†	17,361	2,099	19,460
Acquisition of subsidiary	-	10,470	10,470
Repayments*	(9,897)	-	(9,897)
<b>At 31 December 2023</b>	<b>7,465</b>	<b>91,191</b>	<b>98,656</b>
Provision at 1 January 2023	-	3,593	3,593
Impairment charge for the year	-	17,805	17,805
<b>At 31 December 2023</b>	<b>-</b>	<b>21,390</b>	<b>21,390</b>
<b>Net book value</b>			
<b>At 31 December 2023</b>	<b>7,465</b>	<b>69,793</b>	<b>77,258</b>
At 31 December 2022	-	75,029	75,029

\*Additions in the year to investments in subsidiary are capital contributions relating to share-based payments to employees of subsidiary undertakings.

†Redeemable preference shares of its subsidiary Avacta Finance (Jersey) Ltd are received by the Company in exchange for the issue of ordinary shares to settle liabilities arising through conversion of the convertible bond. The paid-up value of the preference shares represents the aggregate of the principal and interest being settled. During the period, certain preference shares received were subsequently redeemed against the intercompany loan in place between the Company and Avacta Finance (Jersey) Ltd.

During the current year, an impairment assessment of the investment in subsidiaries was undertaken. This assessment involved comparing the future discounted cashflows of the subsidiary, or net assets for non-trading subsidiaries, to the carrying value of the relevant investment balance. Where the carrying value exceeded this recoverable amount, an impairment was recognised.

The companies in which Avacta Group plc has an interest at 31 December 2023 and form part of the consolidated Group financial statements are as follows:

	Principal activity	Country of Incorporation	Class and percentage of voting shares held	Holding
<b>Subsidiary undertakings</b>				
Affimer Limited (formerly Promexus Limited)	<sup>4</sup> Dormant	<sup>1</sup> England	Ordinary 100%	Indirect
Avacta Limited	Non-trading	<sup>1</sup> England	Ordinary 100%	Direct
Avacta Analytical Limited	<sup>4</sup> Dormant	<sup>1</sup> England	Ordinary 100%	Indirect
Avacta Animal Health Inc.	<sup>4</sup> Dormant	<sup>1</sup> US	Ordinary 100%	Direct
Avacta Finance (Jersey) Limited	<sup>7</sup> Trading	<sup>3</sup> Jersey	Ordinary 100%	Direct
Avacta Group Trustee Limited	<sup>4</sup> Dormant	<sup>1</sup> England	Ordinary 100%	Direct
Avacta Life Sciences Limited	Technology development	<sup>1</sup> England	Ordinary 100%	Direct
Avacta Life Sciences Inc.	Non-trading	<sup>1</sup> US	Ordinary 100%	Indirect
Crossco (1127) Limited	<sup>5</sup> Non-trading	<sup>1</sup> England	Ordinary 100%	Direct
Launch Diagnostics Holdings Limited	Intermediate holding company	<sup>1</sup> England	Ordinary 100%	Direct
Launch Diagnostics Limited	<sup>6</sup> Trading	<sup>1</sup> England	Ordinary 100%	Indirect
Launch Diagnostics France SAS	<sup>6</sup> Trading	<sup>2</sup> France	Ordinary 100%	Indirect
Coris Holdings SRL	Intermediate holding company	<sup>10</sup> Belgium	Ordinary 100%	Direct
Coris BioConcept SRL	<sup>8</sup> Trading	<sup>10</sup> Belgium	Ordinary 100%	Indirect
Launch Diagnostics Deutschland GmbH	<sup>6</sup> Trading	<sup>9</sup> Germany	Ordinary 100%	Indirect

Avacta Analytical Limited is a subsidiary of Avacta Limited. Avacta Life Sciences Inc and Affimer Limited (formerly Promexus Limited) are subsidiaries of Avacta Life Sciences Limited. Launch Diagnostics Limited, Launch Diagnostics France SAS and Launch Diagnostics Deutschland GmbH are subsidiaries of Launch Diagnostics Holdings Limited. Coris BioConcept SRL is a subsidiary of Coris Holdings SRL.

<sup>1</sup> Registered address: Unit 20, Ash Way, Thorp Arch Estate, Wetherby, West Yorkshire.

<sup>2</sup> Registered address: 6 avenue Franklin D. Roosevelt, Paris, France.

<sup>3</sup> Registered address: 47 Esplanade, St Helier, Jersey, JE1 0BD.

<sup>4</sup> Dormant status accounts will be filed for the year ended 31 December 2023.

<sup>5</sup> Crossco (1127) Limited was the intermediate holding company of Avacta Animal Health Limited which was sold in the prior period.

<sup>6</sup> The main trade being the provision of diagnostic reagents and hospital laboratory instrumentation.

<sup>7</sup> Avacta Finance (Jersey) Limited being the issuer of the convertible bond during the period.

<sup>8</sup> The main trade being the manufacture and provision of diagnostic reagents.

<sup>9</sup> Registered address: Ottenser Haupstr. 2-6, Eingang Hahnenkamp 1, 22765 Hamburg

<sup>10</sup> Registered address: Rue Guillaume, Fouquet 11, 5032 Gembloux, Belgium.

	<b>2023</b>	2022
	<b>£000</b>	£000
VAT receivable	<b>6</b>	13
Prepayments and other debtors	<b>386</b>	345
Amounts owed by subsidiary undertakings*	<b>132,238</b>	118,443
Less: provision against amounts owed by subsidiary undertakings	<b>(14,892)</b>	(15,597)
	<b>117,738</b>	<b>103,204</b>

\*Of which, £116,242,000 (2022: £102,237,000) is expected to be recovered in more than twelve months. The terms of the intercompany loans are disclosed in Note 38.

## Notes to the Company Balance Sheet (continued)

## 34 Current liabilities

	2023 £000	2022 £000
Trade creditors	105	75
Other taxes and social security	88	63
Accruals and other creditors	957	766
Deferred consideration	-	868
Amounts owed to subsidiary undertakings	47,513	49,960
Convertible bond – derivative liability	18,325	39,100
	<b>66,988</b>	<b>90,832</b>

Further details on the convertible bond, and the sensitivity of the fair value to key assumptions, can be found in Note 22. The Company has recognised a gain on change in fair value of the derivative of £15,684,000 in the year to 31 December 2023 (2022: loss on change of £4,100,000).

## 35 Share capital

	2023 £000	2022 £000
Allotted, called up and fully paid:		
- 284,240,834 (2022: 266,081,715) ordinary shares of 10p each	28,424	26,608
- 19,327,344 deferred shares of 0.4p each	77	77
	<b>28,501</b>	<b>26,685</b>

## Share issues

All share transactions in the period are disclosed in Note 17 of the Notes to the Consolidated Financial Statements.

## Respective rights of ordinary and deferred shares

The rights of the ordinary shareholders are dealt with in the Articles of Association of the Company, which are available from the Company's registered office at Unit 20, Ash Way, Thorp Arch Estate, Wetherby, LS23 7FA or from its website, [www.avacta.com](http://www.avacta.com). The rights of the holders of the deferred shares are set out at Note 17.

## 36 Reserves

## Share premium

The share premium account of £83,220,000 (2022: £62,184,000) arose from the issue of shares at a premium to their nominal value less certain allowable costs of issue. This reserve is not distributable.

## Reserve for own shares

The reserve for own shares of negative £2,485,000 (2022: negative £2,755,000) arose following the issue of ordinary shares of 10p each to Link Market Services Trust Limited as Trustee to the Avacta Group plc SIP (see Note 5) in previous periods. In addition, 2,782,306 (2022: 2,782,306) ordinary

shares of 10p each are held jointly by certain employees, each individually with Avacta Group Trustee Limited. This reserve is not distributable. Where ordinary shares have been transferred from Link Market Services Trust Limited into the beneficial ownership of employees during the period, these amounts have been transferred to retained earnings, this amounted to £270,000 in the period (2022: £206,000).

## Retained earnings

Retained earnings arise from the cumulative profits or losses of the Group. The charge and associated credits in respect of cumulative share-based payment charges (where appropriate) are also included.

## 37 Commitments

### (a) Capital commitments

At 31 December 2023, the Company had £nil capital commitments (2022: £nil).

### (b) Contingent liabilities

The Company has guaranteed the overdrafts of some of its subsidiaries. The amount outstanding at 31 December 2023 was £nil (2022: £nil).

### (c) Operating lease commitments

The Company maintains non-cancellable operating lease commitments on three properties.

	2023 £000	2022 £000
Non-cancellable operating lease rentals are payable as follows:		
• Less than one year	308	1,091
• Between one and five years	150	526
	<b>458</b>	<b>1,617</b>

## 38 Related party transactions

The Company holds the Group's treasury balances and provides funds to the Group's subsidiaries in order to fund their operating activities. Amounts owed from these entities are interest free and repayable on demand. The Company makes management charges to its subsidiaries each year, which are disclosed in the table below. These transactions were made on terms equivalent to those that prevail in arm's length transactions.

The Company received the principal amount in relation to the issue of convertible bonds on behalf of its wholly owned subsidiary Avacta Finance (Jersey) Limited. This intercompany loan is repayable on demand but is expected to be settled over the life of the bond as the Company settles the quarterly amortisation repayments on behalf of Avacta Finance (Jersey) Limited.

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
<b>Management charges made to subsidiaries</b>		
Avacta Life Sciences Limited	1,221	3,240
Launch Diagnostics Limited	242	480
Launch Diagnostics France SAS	78	130
Coris BioConcept SRL	127	-

Intercompany loans during and at the end of the period (before provisions against amounts owed) were as follows:

	2023	2022
Avacta Limited	5,865	5,875
Avacta Life Sciences Inc	2	-
Avacta Analytical Limited	3,833	3,833
Avacta Life Sciences Limited	116,242	102,237
Crossco (1127) Limited	5,889	5,889
Avacta Finance (Jersey) Limited	(45,234)	(49,960)
Launch Diagnostics Holdings Ltd	25	-
Launch Diagnostics Ltd	(2,279)	480
Launch Diagnostics France SAS	227	130
Coris Holdings SRL	4	-
Coris BioConcept SRL	149	-
Launch Diagnostics GmbH	1	-
	<b>84,724</b>	<b>68,484</b>

### Remuneration of key management personnel

The disclosures relating to remuneration of key management personnel for the Company are equivalent to those for the Group disclosed in Note 24.



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# Notice of Annual General Meeting

## Avacta Group plc

(Incorporated in England and Wales with registered number 04748597)

NOTICE IS GIVEN that the Annual General Meeting of Avacta Group plc (the 'Company') will be held at Glaziers Hall, 9 Montague Close, London Bridge, SE1 9DD on Wednesday 26 June 2024 at 10.30 a.m. for the following purposes:

**To consider and, if thought fit, pass the following resolutions as ordinary resolutions:**

1. To adopt and receive the audited accounts, the strategic report, the Directors' report and the auditor's report of the Company for the year ended 31 December 2023..
2. To approve the remuneration report contained within the report and accounts for the year ended 31 December 2023.
3. To re-appoint Shaun Chilton as a Director of the Company in accordance with article 30.2 of the Company's articles of association (the 'Articles') who offers himself for re-appointment as a Director of the Company.
4. To re-appoint Paul Fry as a Director of the Company in accordance with article 35 of the Articles who offers himself for re-appointment as a Director of the Company.
5. To re-appoint Mark Goldberg as a Director of the Company in accordance with article 35 of the Articles who offers himself for re-appointment as a Director of the Company.
6. To re-appoint Tony Gardiner as a Director of the Company in accordance with article 35 of the Articles who offers himself for re-appointment as a Director of the Company.
7. To appoint BDO LLP as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
8. To authorise the Audit Committee of the Board of Directors of the Company to determine the auditor's remuneration.
9. To authorise the Directors of the Company generally and unconditionally pursuant to section 551 of the Companies Act 2006 (the 'Act') (in substitution for all existing authorities granted to the Directors of the Company under section 551 of the Act (to the extent that they remain in force and unutilised) other than resolution 10 passed at the annual general meeting of the Company held on 28 June 2023 which shall remain in force) to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares ('Rights'):
  - 9.1 up to an aggregate nominal amount of £12,001,000 (being approximately one third of the issued ordinary share capital of the Company as at the date of this notice); and
  - 9.2 up to an aggregate nominal amount of £24,002,000 (such amount to be reduced by the aggregate nominal amount of shares allotted and Rights granted under the authority conferred by virtue of resolution 9.1) in connection with or pursuant to a fully pre-emptive offer (as defined below in resolution 10),

provided that such authorities shall expire on the earlier of the date falling six months from the end of the current financial year of the Company and the conclusion of the next Annual General Meeting of the Company after the passing of this resolution unless varied, revoked or renewed by the Company in general meeting, save that the Company may, before the expiry of the authorities granted by this resolution, make a further offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors of the Company may allot shares and grant Rights in pursuance of such an offer or agreement as if the authorities conferred by this resolution had not expired.

**To consider and, if thought fit, pass the following resolutions as special resolutions:**

10. To empower the Directors of the Company (subject to the passing of resolution 9 and in substitution for all existing like powers granted to the Directors of the Company (to the extent that they remain in force and unexercised)) pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred upon them by resolution 9 or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act as if section 561(1) of the Act and sections (1) - (6) of sections 562 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

10.1 in connection with or pursuant to an offer of such securities by way of a pre-emptive offer (as defined below);

10.2 (otherwise than pursuant to resolution 10.1 above) up to an aggregate nominal amount of £3,600,000 (being approximately 10% of the issued ordinary share capital of the Company as at the date of this notice); and

10.3 (otherwise than pursuant to resolutions 10.1 or 10.2 above) up to an aggregate nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under resolution 10.2 above, such authority to be used only for the purposes of making a follow-on offer which the Directors of the Company determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

and shall expire on the earlier of the date falling six months from the end of the current financial year of the Company and the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may, before the expiry of any power contained in this resolution, make a further offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

For the purpose of resolution 9.2 and this resolution 10: **fully pre-emptive offer** means a rights issue, open offer or other pre-emptive issue or offer to: (i) holders of ordinary shares in proportion (as nearly as may be practicable) to the respective numbers of ordinary shares held by them on the record date(s) for such allotment; and (ii) persons who are holders of other classes of equity securities if this is required by the rights of such securities (if any) or, if the Directors of the Company consider necessary, as permitted by the rights of those securities, but subject in both cases to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of any jurisdiction, the requirements of any recognised regulatory body or any stock exchange in any territory or any other matter whatsoever.

11. To empower the Directors of the Company (subject to the passing of resolution 9 and in substitution for all existing like powers (other than resolution 10 above) granted to the Directors of the Company (to the extent that they remain in force and unexercised)) pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred upon them by resolution 9 or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act as if section 561(1) of the Act and sections (1) - (6) of sections 562 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

11.1 up to an aggregate nominal amount of £3,600,000 (being approximately 10% of the issued ordinary share capital of the Company as at the date of this notice), such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the Directors of the Company determine to be either an acquisition or a specified capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

11.2 (otherwise than pursuant to resolution 11.1 above) up to an aggregate nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under resolution 11.1 above, such authority to be used only for the purposes of making a follow-on offer which the Directors of the Company determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

and shall expire on the earlier of the date falling six months from the end of the current financial year of the Company and the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may, before the expiry of any power contained in this resolution, make a further offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

By order of the Board



Tony Gardiner  
Company Secretary

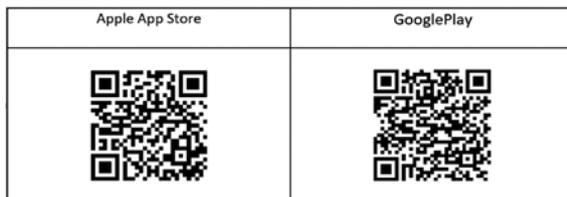
29 April 2024

Registered Office:  
Unit 20, Ash Way, Thorp Arch Estate, Wetherby LS23 7FA

# Notice of Meeting Notes

The following notes explain your general rights as a registered shareholder and your right to attend, speak and vote at this Annual General Meeting (the 'Meeting') or to appoint someone else to do so on your behalf:

1. To be entitled to attend, speak and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at 8.00 p.m. on 24 June 2024. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend, speak and vote at the Meeting.
2. Registered shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend, speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.
3. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
4. A vote 'withheld' is not a vote in law, which means that the vote will not be counted in the calculation of votes 'for' or 'against' the resolution. If no voting indication is given, your proxy will vote or abstain from voting at their discretion. Your proxy will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the Meeting.
5. You can vote/appoint a proxy:
  - by logging on to [www.signalshares.com](http://www.signalshares.com) and following the instructions;
  - LinkVote+ is a free app for smartphone and tablet provided by Link Group (the company's registrar). It offers shareholders the option to submit a proxy appointment quickly and easily online, as well as real-time access to their shareholding records. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below;



- if you are an institutional investor you may also be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proximity, please go to [www.proximity.io](http://www.proximity.io). Your proxy must be lodged by 10.30 a.m. on 24 June 2024 in order to be considered valid or, if the Meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proximity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proximity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote;
  - by requesting a hard copy form of proxy directly from the Registrar by email at [shareholderenquires@linkgroup.co.uk](mailto:shareholderenquires@linkgroup.co.uk) or by phone on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00 a.m. to 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales); or
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
6. In order for a proxy appointment to be a valid, a proxy form, electronic filing, any CREST Proxy Instructions (as described in note 10 below) or appointing a proxy via Proximity must be completed. In each case so as to be received by Link Group by 2.30 p.m. on 24 June 2024 in accordance with these notes and the notes to the form of proxy.
  7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by Link Group before the latest time for the receipt of proxies will take precedence. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
  8. The return of a completed proxy form, electronic filing, any CREST Proxy Instructions (as described in note 10 below) or appointing a proxy via Proximity will not prevent a shareholder from attending the Meeting and speaking and/or voting in person if they wish to do so.

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST manual (available from [www.euroclear.com](http://www.euroclear.com)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications, and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10.30 a.m. on 24 June 2024. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
11. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s)), to procure that their CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system provider(s) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a registered shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a registered shareholder, provided that no more than one corporate representative exercises powers in relation to the same share.
13. As at 29 April 2024 (being the latest practicable date prior to the publication of this document), the Company's ordinary issued share capital consisted of 360,042,104 ordinary shares, carrying one vote each, and 19,327,344 deferred shares, carrying no voting rights. Therefore, the total voting rights in the Company as at 29 April 2024 were 360,042,104.
14. You may not use any electronic address (within the meaning of section 333(4) of the Act) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
15. Under the Articles, resolutions 1 to 9 set out in this Notice are ordinary business, and resolutions 10 to 11 are special business.

# Explanation of Resolutions

## **Ordinary resolutions**

Resolutions 1 to 9 are proposed as ordinary resolutions. Each of these resolutions will be passed if more than 50% of the votes cast (in person or by proxy) are cast in favour of it.

- a. **Resolution 1:** The Directors of the Company ('Directors') are required to present to shareholders at the AGM the audited accounts of the Company, the strategic report, and the reports of the Directors and auditor, for the year ended 31 December 2023.
- b. **Resolution 2:** The Directors' remuneration report is set out in the Company's Annual Report and Accounts for the year ended 31 December 2023. The vote is advisory and the Directors' entitlement to remuneration is not conditional on it.
- c. **Resolution 3:** The Company's Articles of Association require any Director appointed since the last AGM to retire and seek re-appointment. Shaun Chilton was appointed following the last AGM and will seek re-appointment at the AGM.
- d. **Resolutions 4, 5 and 6:** The Company's Articles of Association require one third of the Directors to retire from office each year (or, if their number is not a multiple of three, the number nearest to but not less than one-third). Paul Fry, Mark Goldberg and Tony Gardiner are each retiring by rotation and seeking re-appointment at the AGM.

Biographical information for all the Directors standing for re-election is included on page 46 of the Directors' report in the Company's Annual Report and Accounts. Having considered the performance of and contribution made by each of the Directors standing for re-election, the board of Directors (the 'Board') remains satisfied that, and the Chair confirms that, the performance of each Director continues to be effective and to demonstrate commitment to the role and as such the Board recommends their re-election.

- e. **Resolution 7:** Resolution 7 relates to the appointment of BDO LLP as the Company's Auditor to hold office until the next general meeting of the Company at which accounts are laid before the Company.
- f. **Resolution 8:** It is normal practice for shareholders to resolve at the AGM that the Audit Committee decides on the level of remuneration of the auditor for the audit work to be carried out by it in the next financial year. The amount of the remuneration paid to the auditor for the next financial year will be disclosed in the next audited annual accounts of the Company.
- g. **Resolution 9:** The Directors may only allot shares or grant rights over shares if authorised to do so by shareholders. The Investment Association ('IA') guidelines on authority to allot shares state that IA members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to two-thirds of a company's issued share capital provided that any amount in excess of one-third of the company's issued share capital is applied to fully pre-emptive offers only (including open offers and rights issues). Accordingly, resolution 9, if passed, would authorise the Directors under section 551 of the Companies Act 2006 (the 'Act') to allot new shares or grant rights to subscribe for, or convert any security into, new shares (subject to shareholders' pre-emption rights (unless and to the extent disapplied)): (i) up to a maximum nominal amount of £12,001,000; and (ii) up to a maximum nominal amount of £24,002,000 (less the aggregate nominal amount of shares or rights granted under (i)) in connection with a fully pre-emptive offer, together representing the IA guideline limit of approximately two-thirds of the Company's issued ordinary share capital (excluding shares held in treasury) as at 29 April 2024, being the latest practicable date prior to the publication of this document. Passing this resolution will ensure that the Directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares or granting rights over shares. There are no current plans to issue new shares pursuant to this authority except in connection with employee share schemes.

### **Special resolutions**

Resolutions 10 to 11 are special resolutions. Each of these resolutions will be passed if 75% or more of the votes cast (in person or by proxy) are cast in favour of it.

- h. Resolutions 10 and 11:** The Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the publication of this document (the 'Pre-Emption Principles') states that a general disapplication of pre-emption rights will likely be supported where a company seeks authority to issue non-pre-emptively for cash shares representing: (i) no more than 10% of its issued share capital on an unrestricted basis (being for any purpose); and (ii) no more than an additional 10% of its issued share capital to be used for an acquisition or a specified capital investment of a kind contemplated by the Pre-Emption Principles. In addition, the Pre-Emption Principles state that, in each case, a company may seek further authority to disapply pre-emption rights for up to 2% of its issued share capital to be used only for the purposes of a follow-on offer of a kind contemplated by paragraph 3 of Section 2B of the Pre-Emption Principles.

Resolution 10 contains a three-part disapplication of statutory pre-emption rights. Other than in connection with a fully pre-emptive offer, the power contained in resolution 10 would be limited to a maximum nominal amount of £4,320,500, which would equate to 43,205,000 ordinary shares in the capital of the Company, representing approximately 12% of the Company's issued share capital as at 29 April 2024, being the latest practicable date prior to the publication of this document. Of the £4,320,500, £720,000 can only be used for the purposes of making a follow-on offer.

Resolution 11 is a further disapplication of pre-emption rights limited to an additional 10% of issued ordinary share capital to be used for transactions which the Directors determine to be an acquisition or specified capital investment and a further 2% of issued ordinary share capital to be used for making a follow-on offer. This power would be limited to a maximum nominal amount of £4,320,500, which would equate to 43,205,000 ordinary shares in the capital of the Company, representing approximately 12% of the Company's issued share capital as at 29 April 2024, being the latest practicable date prior to the publication of this document. Of the £4,320,500, £720,000 can only be used for the purposes of making a follow-on offer.

If passed, these authorities will expire at the same time as the authority to allot shares given pursuant to resolution 9.

### **Avacta Group plc**

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