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6 April 2022

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

Preliminary Results for the year ending 31 December 2021

A period of transformational progress

Avacta Group plc (AIM: AVCT), a clinical stage oncology company and developer of powerful diagnostics based on its innovative Affimer® and pre|CISION™ platforms, is pleased to announce its preliminary results for the year ending 31 December 2021.

Operating highlights

Therapeutics – Transition into a clinical-stage business

- UK Medicines and Healthcare products Regulatory Agency ('MHRA') approved the Clinical Trial Application ('CTA') for AVA6000 pro-doxorubicin for a Phase I, first-in-human, open label, dose-escalation and expansion study ('ALS-6000-101') in patients with locally advanced or metastatic selected solid tumours.
    - AVA6000 is the first therapeutic product based on Avacta's proprietary pre|CISION™ platform.
- First patient dosed in ALS-6000-101 at the Royal Marsden Hospital in August 2021.
- US Federal Drug Administration ('FDA') approved the Investigational New Drug ('IND') application to allow patients in the US to be dosed as part of ALS-6000-101.
- Licensing agreement with POINT Biopharma Inc., to provide access to Avacta's pre|CISION™ technology for the development of tumour-activated radiopharmaceuticals.
- Series A venture capital investment round closed for AffyXell Therapeutics ('AffyXell'), the joint venture with Daewoong Pharmaceuticals ('Daewoong').
- Pre-clinical milestones achieved in LG Chem Life Sciences partnership, triggering an undisclosed milestone payment.
- Dr Fiona McLaughlin appointed as Chief Scientific Officer of the Therapeutics Division.
- Appointments to the Therapeutics Scientific Advisory Board, reflecting the progress of the Therapeutics Division and Avacta's transition to a clinical stage company:
    - Professor James Spicer MB., BA., PhD., FRCP.
    - Professor Krishnan Komanduri, MD.
    - Dr Stéphane Champiat MD, PhD.
- Post-period – dose increased from 80 mg/m^2 to 120 mg/m^2 in the ALS-6000-101 Phase Ia dose escalation trial of AVA6000 pro-doxorubicin following a positive review of the safety data from first cohort dosing.

- Post-period – next pre|CISION™ drug candidate, AVA3996, selected for pre-clinical development with potential for a first-in-human Phase I clinical trial beginning in the second half of 2023.

Diagnostics – Established a fully integrated in vitro diagnostics business with product development and commercial functions

- Establishment of fully integrated IVD product development and commercial functions and ISO13485 certification attained to transition Avacta Diagnostics Division from an Affimer® reagents supplier to an IVD product company.
- First ever CE approval obtained for an Affimer-based IVD product (AffiDX® SARS-CoV-2 antigen lateral flow test) for professional use, and subsequently for consumer self-testing.
- Establishment of AffiDX® brand for all future Affimer-powered IVD products via launch of AffiDX® SARS-CoV-2 antigen lateral flow test.
- Multiple collaborations and commercial partnerships entered into during the period.
- Refocus of product development resources on pipeline of in-house IVD products following concentration of efforts to bring SARS-CoV-2 antigen test to market.
- Post-period – update on the performance of the AffiDX® SARS-CoV-2 antigen lateral flow test ('LFT') against the Omicron variant and decision to pause sales whilst the high performance of the test experienced with all previous variants is achieved for Omicron.

Financial and Corporate highlights

- Cash and short-term deposit balances at 31 December 2021 of £26.2 million (31 December 2020: £47.9 million).
- Revenues of £2.9 million for year ended 31 December 2021 (year ended 31 December 2020: £2.1 million).
- Operating loss of £29.1 million for year ended 31 December 2021 (year ended 31 December 2020: £18.8 million).
- Increased R&D and manufacturing investment within the Diagnostics Division and clinical development costs in the Therapeutics Division, leading to reported loss from continuing operations of £26.4 million (year ended 31 December 2020: £16.4 million).
- Loss per ordinary share from continuing operations of 10.6p (year ended 31 December 2020: 7.3p).
- Dr Mark Goldberg, a medical oncologist and haematologist at the faculty of Brigham & Women's Hospital and Harvard Medical School and a veteran biotech executive, appointed as Non-executive Director to the Board of Directors of Avacta.
- Post-period – Animal Health Division sold to Vimian Group AB in March 2022 for an upfront payment of £0.9 million and additional deferred contingent consideration of up to £1.4 million dependent on the combined performance of the consolidated business.
- Post-period – Dr Christina Coughlin, a medical oncologist and immunologist and Chief Executive Officer of CytoImmune Therapeutics, Inc., appointed as Non-executive Director to the Board of Directors of Avacta.

Dr Alastair Smith, Chief Executive Officer of Avacta Group, commented:

"It has been a period of transformational progress for the Group, including many firsts for both the Therapeutics and Diagnostics divisions and despite the many operational challenges resulting from the impact of the pandemic. I would like to thank all our staff for the outstanding commitment shown to deliver this progress.

"Our Therapeutics Division has transitioned to being a clinical stage business through the dosing of the first patient in the Phase I study of AVA6000, increasing the division's intrinsic value and attractiveness to specialist investors and pharmaceutical partners. Success in the ongoing Phase Ia study, which will likely read-out in the middle of 2022, will not only potentially create a valuable chemotherapy asset but will also be a first validation of the pre|CISION platform, highlighting a promising pipeline of chemotherapies with the potential to significantly improve patients' lives.

"Our Diagnostic Division is now ISO13485 certified and has established all the necessary product development functions in-house, removing the need to rely on multiple external partners. We are now developing a pipeline of IVD products as well as improving the performance of our antigen test for COVID-19 to ensure it can be commercialised as soon as possible.

"We are confident and excited about the immediate and long-term future prospects of the Group, with both potential near-term value drivers relating to AVA6000's clinical trial progress, a pipeline of IVD products and a redeveloped SARS-CoV-2 antigen test offering immediate and long-term opportunities."

– Ends –

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About Avacta Group plc - www.avacta.com

Avacta Group is developing novel cancer immunotherapies and powerful diagnostics based on its two proprietary platforms - Affimer® biologics and pre|CISION™ tumour targeted chemotherapies.

The Affimer® platform is an alternative to antibodies and is derived from a small human protein. Affimer® technology has been designed to address many of the negative issues of antibodies, principally: the time taken to generate new antibodies, the reliance on an animal's immune response; poor specificity

in many cases; in addition to, the complexity and high cost of manufacture. Despite these shortcomings, antibodies currently dominate markets, such as diagnostics and therapeutics, which are worth in excess of $100bn.

Avacta's pre|CISION™ targeted chemotherapy platform is designed to selectively release active chemotherapy in FAP rich tumour tissue to limit the systemic exposure that causes damage to healthy tissues, and thereby aims to improve the overall safety and therapeutic potential of these powerful anti-cancer treatments.

The Avacta Group comprises two divisions: The therapeutics development activities are based in London and Cambridge, UK and a separate diagnostics business unit is based in Wetherby, UK. The Group is generating near-term revenues from Affimer® reagents for diagnostics, bioprocessing and research.

Avacta's Diagnostics Division is developing an in-house pipeline of Affimer-based diagnostic assays, including the AffiDX® SARS-CoV-2 Lateral Flow Rapid Antigen Test, and works with partners world-wide to develop bespoke Affimer® reagents for third party products.

Avacta's Therapeutics Division is working to generate more tolerable and durable treatments for oncology patients who do not respond to existing therapies. By combining its two proprietary platforms the Group is building a wholly owned pipeline of clinically differentiated cancer therapies. In 2021 Avacta transitioned to become a clinical stage biopharmaceutical company, when it commenced a phase I trial in patients with locally advanced or metastatic selected solid tumours. The study was a first-in-human, open label, dose-escalation and expansion study of the Group's lead pre|CISION™ prodrug, AVA6000 (a pro-doxorubicin).

Avacta has established drug development partnerships with pharma and biotech, including a multi-target deal with LG Chem worth up to $400m, a joint venture in South Korea with Daewoong Pharmaceutical focused on cell and gene therapies incorporating Affimer® immune-modulators and a recent license agreement with Point Biopharma for them to develop radiopharmaceuticals based on the pre|CISION™ platform.

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Chairman and Chief Executive Officer's Statement

Significant progress has been made in both the Diagnostics and Therapeutics divisions during 2021, transforming the Group.

The Therapeutics Division has transitioned to a clinical stage oncology drug business, a significant step which is a value inflection point for a growing biotech. The Company successfully submitted a CTA to the UK MHRA allowing it to initiate the ALS-6000-101 Phase I dose escalation and expansion trials in the UK and gained approval from the US FDA for an IND so that patients can be dosed in the US as part of this ongoing clinical trial. The first patient ever was dosed with a pre|CISION™ FAPα-activated drug, AVA6000, in August 2021 and the dose has now been increased in the Phase Ia dose escalation part of the study following positive safety data from the first cohort of patients. We are now looking forward to being able to report on the full read-out of the Phase Ia trial in summer 2022 - a potentially pivotal moment for the Group.

Mirroring the strong progress made in the Therapeutics Division, the first ever CE marked *in-vitro* diagnostic product based on Affimer® technology has been developed and brought to market, fully validating the platform's potential to deliver a future pipeline of products for Avacta Diagnostics division and its commercial partners.

The Diagnostics Division is set apart from its UK comparators in having a powerful and proprietary immuno-reagents platform, Affimer® technology, which is capable of delivering in-vitro immunodiagnostics with superior performance based solely on Affimer® reagents, and improvements to antibody-based products by replacing one or more reagents with Affimer® molecules. This provides a strong engine for growth and revenue generation through development of market leading diagnostic tests for professional and consumer use.

Prior to the COVID pandemic, the Diagnostics Division had a business model focused on providing Affimer® reagents to third parties to power their diagnostic and other products. Avacta's Diagnostics Division has now established a fully integrated IVD product development capability and put in place a Quality Management System that complies with the diagnostics market standard of ISO13485. The Diagnostics Division is now focused on developing its own products and is positioned to deliver a pipeline of *in-vitro* diagnostic tests, including the re-development of its SARS-CoV-2 antigen test in the light of the emergence of highly mutated variants, to drive sales revenue and profitability.

Avacta Animal Health

Post-period end we sold our Animal Health Division to Vimian Group AB's specialty pharma segment Nextmune, a global veterinary health group headquartered in Sweden. The Division had been an important part of the Avacta Group since 2009. All the staff in the Division will be moving across to Vimian, which was an important aspect to the structure of the acquisition for Avacta and we wish them all well in the future. The sale will allow the Group to focus on growing and developing our core Therapeutics and Diagnostics businesses.

Board changes

In August 2021, Dr Mark Goldberg joined the Board as a Non-executive Director. Dr Goldberg is a medical oncologist and haematologist at the faculty of Brigham & Women's Hospital and Harvard Medical School, a veteran biotech executive, and long-time American Cancer Society (ACS) and ACS Cancer Action Network (CAN) volunteer. Dr Goldberg is the past-chair of the Eastern New England Area Board of the American Cancer Society and currently serves as a member of its national board of directors.

In March 2022, Dr Christina Coughlin joined the Board as a Non-executive Director. Dr Coughlin is the Chief Executive Officer of CytoImmune Therapeutics, Inc., a clinical stage biotechnology company. Dr Coughlin has a broad background in biotechnology and global pharmaceuticals, with comprehensive drug development experience spanning programs in pre-IND studies through to late-stage trials and regulatory approval filings, and a track record of building drug development teams in global companies including Rubius Therapeutics, Inc. and Tmunity Therapeutics, Inc.

Our people

Our teams across the Group have made outstanding contributions to the Company's progress during the year and we would like to recognise the commitment that this has required under often difficult circumstances due to the pandemic.

We have invested in a third-party delivered personal development programme for all our People dealing with mood, emotion and mental well-being in order to drive even higher performance in the business and foster good mental health for our staff. The programme coaches staff on how to be resilient in the face of work pressure, uncertainty caused by the pandemic and the pressures of life outside of work and to ensure that they are as productive as possible as a team. This programme has been ongoing during Q4 2021 and will continue through to the middle of 2022.

Outlook

The Board believes that the most significant near-term value driver for the Group is the clinical data from the Phase I study of AVA6000 expected in the middle of 2022. The pre|CISION™ technology has the potential to reduce the side effects of chemotherapy, improve efficacy, and create affordable oncology drugs which have the potential to significantly improve patients' lives. A positive readout from the AVA600 Phase Ia trial not only creates a significant commercial opportunity for the Group with a potentially safer form of Doxorubicin, but also immediately opens up a large and very valuable pipeline of pre|CISION™ chemotherapy FAPα-activated drugs for development and licensing.

The Diagnostics Division is focused on delivering a pipeline of new IVD products and redeveloping the SARS-CoV-2 antigen test, to drive revenues and profitability of the business, which is the Division's primary objective, and we anticipate good progress in that regard through 2022.

We are very confident and excited about the immediate and long-term opportunities for the Group.

Dr Eliot Forster
Chairman
6 April 2022

Dr Alastair Smith
Chief Executive Officer
6 April 2022

Therapeutics Division

The past twelve months have seen significant progress in Avacta's Therapeutics Division with the approval of a Clinical Trial Application in the UK and the dosing of the first patient in the Phase I, first-in-human, open label, dose-escalation and expansion study of its lead pre|CISION™ FAPα-activated drug, AVA6000, in patients with locally advanced or metastatic selected solid tumours. This marks the transformation of Avacta into a clinical stage oncology drug company which is a major value inflection point.

AVA6000 pro-doxorubicin
Anthracyclines such as doxorubicin, a generic chemotherapy for which the market is expected to grow to $1.38 billion by 2024, are widely used as part of standard of care in several tumour types, but their use is limited by cumulative toxicity, and, in particular, cardiotoxicity. Avacta's pre|CISION™ FAPα-activated approach is designed to reduce the systemic exposure of healthy tissues to the active chemotherapy, leading to improved dosing regimens, and potentially improved safety and therapeutic profiles.

The AVA6000 Phase I clinical trial involves a dose-escalation Phase I study in patients with locally advanced or metastatic selected solid tumours, known to be fibroblast activation protein alpha ('FAPα')-positive, in which cohorts of patients receive ascending doses of AVA6000 to determine the maximum tolerated dose and establish a recommended Phase II dose. The second part of the study is an expansion phase where patients receive AVA6000 to further evaluate the safety, tolerability and clinical activity at this recommended Phase II dose across selected tumour types. For more information visit www.clinicaltrials.gov (NCT04969835).

The first patient received their first dose of AVA6000 at The Royal Marsden NHS Foundation Trust in early August 2021. Since then clinical trial sites at the Christie NHS Foundation Trust in Manchester and at St James' Hospital in Leeds have been opened and are recruiting patients. The Phase I study will involve up to six of the leading UK cancer centres with an established reputation for early cancer clinical research in the Phase I setting. The COVID-19 pandemic impacted patient recruitment and the initiation of other clinical trial sites to a limited extent causing it to take longer than planned to complete cohort 1. Nevertheless, the dose escalation phase is anticipated to complete in the middle of 2022 with minimal delay and should be followed by initiation of the dose expansion phase in 2022 which would be expected to complete by the end of 2023.The Company also received approval from the US Food and Drug Administration ('FDA') for its Investigational New Drug ('IND') application for AVA6000 on schedule before the reporting period end. This allows Avacta to enrol eligible patients into US clinical trial sites as part of the ongoing Phase I ALS-6000-101 study. Two US sites are now being initiated and may contribute to the Phase Ia dose escalation phase.

Post-period end the Company announced that the Phase I trial of AVA6000 pro-doxorubicin had advanced to the next dose cohort following a positive review of the safety data from the dosing of the first cohort by Avacta's Safety Data Monitoring Committee ('SDMC'), which comprises the clinicians currently recruiting patients. Following this review, the SDMC recommended that the clinical trial continued as planned and escalates to the next dose of AVA6000 at 120mg/m^2.

Pipeline of pre|CISION™ *chemotherapies*
Avacta's pre|CISION™ platform is a proprietary chemical modification that renders the modified chemotherapeutic drug inactive in the circulation until it enters the tumour micro-environment where it is activated by an enzyme called FAPα. FAPα is in high abundance in most solid tumours but not in healthy tissues such as the heart. This is expected to lead to a significantly greater amount of active drug in the tumour tissue compared with healthy tissues and a concomitant improvement in tolerability for patients and better clinical outcomes.

If the AVA6000 Phase Ia study shows that the pre|CISION™ chemistry is effective in reducing systemic toxicity of doxorubicin in humans, then it can be applied to a wide range of other established chemotherapies to potentially improve their safety and efficacy. This would be a significant value inflection point during 2022 since it would open up a pipeline of proprietary, potentially safer, next generation chemotherapies with significant clinical and commercial potential in a chemotherapy market that is expected to grow to $56 billion by 2024.

The next most advanced pre|CISION™ pro-drug is AVA3996, a FAP-activated analogue of Velcade, Takeda's proteasome inhibitor. The global proteasome inhibitors' market size is expected to be worth $2.3 billion by 2026[1], and Velcade represents just over half of that market. As with all chemotherapies, the benefit of these drugs is limited by toxicities and tolerability for patients. In the case of Velcade, there are significant side effects such as peripheral neuropathy which has limited its approval, principally to multiple myeloma. A potentially safer proteasome inhibitor, such as AVA3996, could win significant market share for the treatment not only of multiple myeloma but also could be used to treat solid tumours, such as pancreatic cancer. Pancreatic cancer exhibits the highest level of FAP activity of any solid tumour and therefore a FAPα-activated drug could have significant potential in this area of high unmet need.

Shortly after the reporting period end, the Company announced that, following a review of efficacy studies in several liquid and solid tumour models, safety studies and of manufacturability, AVA3996 has been selected as a candidate for pre-clinical development with the aim of a Clinical Trial Authorisation ('CTA') and/or Investigational New Drug ('IND') filing in the first half of 2023 and dosing of the first patient later that year.

Affimer® immunotherapy programmes
Translation of the Affimer® platform into the clinic to demonstrate the safety and tolerability of this novel therapeutic protein platform is an important objective for the Company.

In the oncology field it has become clear in recent years that cancer immunotherapies used singly, so-called 'monotherapies', have limited overall response rates. The Company's Affimer® immunotherapy strategy is to harness the benefits of the Affimer® platform to build bispecific drug molecules that can address two drug targets simultaneously and to use Affimer® molecules to target toxic payloads using conventional and pre|CISION™ linkers.

TMAC® and other drug conjugates
Drug conjugates use a chemical linker to combine a toxic payload such as a chemotherapeutic or radioligand with a targeting system such as an Affimer® or antibody that binds to a cancer biomarker usually on the surface of tumour cells. Conventional drug conjugates target a biomarker that is frequently internalised by the tumour cells taking with it the drug conjugate where the toxic payload is released by enzymatic breakdown of the linker. The tumour microenvironment activated drug conjugate ('TMAC®') uses the pre|CISION™ chemistry in the linker so that the toxic payload can be released outside the tumour cell in the tumour microenvironment, allowing different, synergistic, mechanisms of action to be envisioned between the toxin and the targeting system that could have immunotherapeutic properties. TMAC® is a new class of drug conjugate for which the Company has made a patent application with Tufts University Medical School.

Good progress is being made in the in-house Affimer® and TMAC® programmes. These pre-clinical programmes, along with the commercial collaborations, are the focus of in-house research activities and the Company plans to provide a full technical update to shareholders during 2022 when sufficient

[1] https://www.expertmarketresearch.com/reports/proteasome-inhibitors-market

pre-clinical data has been gathered so that the development path and associated risks can described in detail.

Chief Scientific Officer and Scientific Advisory Board
The Therapeutics Division has made a series of new appointments in recent months, with Dr Fiona McLaughlin joining as Chief Scientific Officer and several appointments to its Scientific Advisory Board ('SAB'), reflecting Avacta's transition to a clinical stage oncology drug company.

Dr McLaughlin is a highly experienced oncology drug developer, bringing over 25 years' experience in research and translational drug development in the pharmaceutical and biotech sectors, having led teams from early research through to clinical development. Fiona started her career at GlaxoSmithKline and has subsequently held leadership positions in multiple biotech companies, including Vice President, Translational Research at Antisoma plc and Director of Pre-clinical Development at BTG plc (now part of Boston Scientific).

Other roles include Head of Biology at TopoTarget A/S, where she was responsible for the pre-clinical development of belinostat, which went on to gain FDA approval to treat peripheral T-cell lymphoma. Most recently, Fiona was Vice President of New Opportunities at Algeta ASA (acquired by Bayer), a Norwegian biotech developing alpha radio-pharmaceuticals, that gained FDA approval of Xofigo to treat castration resistant prostate cancer.

Fiona has also gained broad experience during her career as a consultant, providing scientific and strategic advice to biotechs, not-for-profit organisations, and venture capitalists in the UK, Europe, the US and Australia, including helping drive oncology strategy at the CRUK/AstraZeneca Alliance Laboratory. Fiona received a PhD from the Haematology Department at Cambridge University and has a BSc in Biochemistry from Glasgow University.

The SAB provides the Therapeutics Division with scientific and clinical advice to support its drug development decision-making and pipeline strategy. The three new members of the SAB are Professor James Spicer MB, BA, PhD, FRCP, Professor Krishnan Komanduri, MD, and Dr Stéphane Champiat MD, PhD.

James Spicer is Professor of Experimental Cancer Medicine at King's College London and Consultant in Medical Oncology at Guy's & St. Thomas' Hospitals, London. He has established and runs a world-leading Phase I clinical trials programme in solid tumour oncology at Guy's Hospital, where the portfolio of studies includes novel immunotherapies discovered and developed at King's as well as many externally sponsored studies.

Krishna Komanduri is Chief of the Division of Transplantation and Cellular Therapy, and Associate Chief Medical Officer for Clinical Innovation, at the Sylvester Comprehensive Cancer Center, Miami. He is also a Professor of Medicine, Microbiology and Immunology and a physician-scientist with a laboratory focusing on T-cell immunology in cancer. Krishna serves on the United Health Care Oncology Advisory Committee and is a past Chair of the American Society of Hematology Scientific Committee on Host Defense, is the current Chair of the ASTCT Cellular Therapy Committee and Chair-Elect of the Government Relations Committee.

Stéphane Champiat MD, PhD is a physician at the Gustave Roussy Cancer Center in Paris, where he focuses on the development of cancer therapeutics, in particular, new immunotherapies. He has been principal investigator or co-investigator of more than 50 Phase I clinical trials run by many of the world's leading pharmaceutical and biotech companies. He is particularly involved in the coordination of the immunotherapy toxicity management program and the development of the intra-tumoral immunotherapy strategy at Gustave Roussy.

Drug Development Collaborations

LG Chem Life Sciences: Very good progress has been made in our strategic partnership with LG Chem Life Sciences towards the clinical development of a novel checkpoint inhibitor utilising the Affimer® platform. LG Chem successfully completed certain pre-clinical *in-vivo* models in the PD-L1/XT programme leading to the selection of a pre-clinical candidate for further development towards the clinic and triggering an undisclosed milestone payment.

The partnership also provides LG Chem with rights to develop and commercialise other Affimer® and non-Affimer biotherapeutics combined with Affimer XT® half-life extension for a range of indications and Avacta could earn up to $55 million in milestone payments for each of these new products. In addition, under the agreement Avacta will earn royalties on all future Affimer XT® product sales by LG Chem.

AffyXell: AffyXell is an Affimer-engineered cell therapy joint venture with Daewoong Pharmaceuticals in South Korea. During the reporting period AffyXell closed a Series A round of $7.3 million with a syndicate of venture capital firms including Samsung Venture Investment Corporation. The Company has made good progress, advancing both its GMP-compliant human mesenchymal stem cell technology and its Affimer® discovery programmes against two of the three initial targets. Proof-of-concept studies are planned for 2022 to form the basis for a Series B fund-raise to move candidate cell therapies into the clinic.

POINT Biopharma: During the reporting period Avacta signed a licensing agreement with POINT Biopharma Inc., to provide access to Avacta's pre|CISION™ technology for the development of tumour-activated radiopharmaceuticals. Under the terms of the agreement, Avacta received an upfront fee and will receive development milestone payments for the first radiopharmaceutical FAPα-activated drug totalling $9.5 million. Avacta will also receive milestone payments for subsequent radiopharmaceutical FAPα-activated drugs of up to $8 million each, a royalty on sales of FAP-activated radiopharmaceuticals by POINT and a percentage of any sublicensing income received by POINT.

Diagnostics Division

During the past year the Avacta Diagnostics Division has been transformed into an ISO13485 accredited *in vitro* diagnostics ('IVD') product business, and has achieved CE marking and subsequent commercial launch of the first ever Affimer-based diagnostic product, a SARS-CoV-2 antigen lateral flow test.

The AffiDX® SARS-CoV-2 antigen lateral flow test was developed with several partners in response to the need for a high quality rapid COVID-19 test for infectiousness. The resulting test, which combined the use of an antibody and an Affimer® reagent in the test strip had excellent performance in terms of sensitivity and specificity with the emerging variants of the virus until the Omicron variant appeared in late 2021. The AffiDX® SARS CoV-2 antigen lateral flow test contained both a proprietary Affimer® reagent and a commercially available antibody. Our data showed that the Affimer® reagent in the AffiDX® test continued to detect the Omicron variant with the same sensitivity as the Delta variant, but the antibody, with which the Affimer® is paired, had been affected by the additional Omicron mutations. The Company independently took the decision to pause sales of the AffiDX® antigen test whilst it replaces the antibody in the product to ensure that its performance with the Omicron variant matches the high performance with previous mutations. To note, the Company's partner Medusa19 had just received the CE mark for consumer self-testing when sales were paused.

This re-development is ongoing and making good progress. The precise timeline of bringing a CE marked product back to market is difficult to predict at this stage of re-development because of the nature of scientific research and the lack of clarity on the regulatory pathway until the final product

format has been confirmed, and the effects of rapidly changing regulatory frameworks in Europe and the UK. The Company will update the market as soon as it is able to provide a reliable timeline to product launch.

Prior to the COVID pandemic the Company had a business model focused on providing Affimer® reagents to third parties to power their diagnostic and other products. Avacta's Diagnostics Division has used the opportunity offered by a response to the pandemic to establish a fully integrated IVD product development capability and put in place a Quality Management System that complies with the essential diagnostics market standard of ISO13485.

This has transformed the opportunity for the Diagnostics Division which is now focused on developing a pipeline of new IVD products outside of COVID-19 to drive future revenues and the profitability of the Division. This pipeline is designed to deliver, over the longer term, a full portfolio of IVD products with a focus on decentralised testing for professionals and consumers. The Company is addressing four key areas of respiratory infectious and cardiovascular disease, cancer and general health and well-being (e.g. hormones, vitamins). The Company is exploring multiple pathways to develop this portfolio of IVD product and revenue as rapidly as possible.

During the year the Company also entered into a licence agreement with Biokit, a Werfen Company, to incorporate Affimer® reagents into a Biokit IVD product. Biokit is recognised and renowned as a Centre of Excellence with consolidated experience worldwide in research, development and manufacturing of assays and biomaterial solutions for IVD use.

The licence agreement follows an extensive evaluation by Biokit of certain Affimer® reagents to detect a key analyte. Under the terms of the agreement, Biokit has the right to develop, manufacture and commercialise through original equipment manufacturer (OEM) partners a diagnostic immunoassay for this analyte. Avacta will receive royalties on future sales of any products brought to market following completion of product development and regulatory approvals. Financial details of the agreement were not disclosed.

Animal Health Division

Avacta's Animal Health division is a UK-based laboratory, research and development business focused on delivering evidence-based animal health solutions, centred on the work-up and management of allergic disease. The business works in partnership with veterinary professionals and allergy experts to offer unrivalled service and technical support to its customers, with a tailored and personal approach. Its customers include veterinary professionals, laboratories, large commercial organisations, SMEs and academic groups.

Avacta Animal Health remains the only UK laboratory with end-to-end test control, with years of dedication to research and development that underpins its constant drive to make a real-life difference to animal health.

As the change within the veterinary industry continues at a rapid pace in practice, for suppliers and for pet owners, Avacta Animal Health's commitment to innovation within the field of allergy remains its core focus and its key to success. The new Avacta Allergy+ portfolio was launched in March 2021 and now offers veterinary practices a range of testing options with enhanced performance. Avacta Animal Health continues to support vets in their interpretation of results and supply tailor-made allergen-specific immunotherapy ('ASIT') to aid with the long-term management of allergic skin disease for veterinary practices in the UK.

Avacta Animal Health's export reach and international customer base continues to grow, alongside dedicated provision of tailored and trusted support to veterinary professionals across the UK. This is in

addition to providing UK-specific testing services and therapy options via our own authorised laboratories.

The Division's in-house team of development scientists are highly regarded in the field of dermatology and work alongside world-leading dermatologists to develop, manufacture and run our own tests, allowing them the aforementioned end-to-end control. The Division also has a number of qualified vets and vet nurses, who maintain regular communication to gain insight from veterinary professionals and experts in the field, allowing them to analyse and review what is clinically relevant on a regular basis.

Sale to Vimian Group AB
Post-period end in March 2022, the Group announced the sale of the Animal Health Division to Nextmune Holdings BV, which is part of Vimian Group AB's Specialty Pharma division.

The Avacta Animal Health team, which has been part of the Avacta family since 2009, will be transferring across to become part of the larger Nextmune UK team. They will provide a UK-based laboratory for veterinary allergy diagnostics and a full-service offering covering all veterinary dermatology needs, enabling the larger group to accelerate sales and improve customer experience in the UK.

Financial Review

Revenue
Reported Group revenues for the year ended 31 December 2021 increased to £2.94 million compared to the year ended 31 December 2020 ('2020'): £2.14 million.

Revenues for the Diagnostics Division were £0.78 million (2020: £0.52 million), with the increase coming from a licensing agreement with Astrea Bioseparations together with a smaller number of custom Affimer® reagent projects and a small amount of revenue from the sale of the AffiDx® SARS-CoV-2 antigen lateral flow tests.

Revenues for the Therapeutics Division were £2.16 million (2020: £1.63 million), which reflects additional milestone payments from the LG Chem collaboration and a licensing agreement with POINT Biopharma, together with further revenues from funded FTE development projects with LG Chem and AffyXell.

Discontinued operations
Post-period end the Animal Health Division was sold to Vimian Group AB and the results for the current and prior year have been disclosed in the Consolidated Statement of Profit or Loss as Discontinued Operations. Revenues were £1.60 million (2020: £1.49 million), with the revenues increasing from growth in export sales and contracted clinical research work. The Division made a small operating profit of £0.06 million compared to an operating loss of £2.49 million in the prior year. The Division has been presented separately within the Consolidated Statement of Financial Position as assets held for sale of £1.28 million and liabilities of £0.35 million. An up-front payment of £0.9 million was received with deferred contingent consideration of up to £1.4 million dependent on the combined performance of the consolidated business. There were associated costs to sell of £0.2 million. The fair value less costs to sell of the disposal therefore exceed the carrying amount of £0.93 million.

Research and amortisation of development costs
During the year, the Group expensed through the income statement £13.48 million (2020: £8.89 million) research costs relating to the in-house Affimer® and pre|CISION™ therapeutic programmes, which are expensed given their pre-clinical stage of development, in addition to research costs on Affimer®

diagnostics products that have not yet completed product development and obtained regulatory approval to become commercial products.

In addition, development costs capitalised in prior periods from the development of the Affimer® reagents and diagnostics platform have been amortised, resulting in a charge of £0.82 million (2020: £0.82 million).

Manufacturing costs of £2.14 million (2020: £nil) in relation to the manufacture of pre-production and production AffiDx® SARS-CoV-2 antigen lateral flow tests have been expensed in the period given the decision that was made to pause sales of the AffiDx® SARS-CoV-2 antigen lateral flow tests, given the reduced sensitivity of the tests against the Omicron variant compared to previous SARS-CoV-2 variants.

Selling, general and administrative expenses
Administrative expenses have increased during the year to £8.14 million (2020: £5.93 million) as the business scaled up the operations within both the Diagnostics Division as it increased its product development capabilities and became an ISO 13485 accredited, fully integrated *in vitro* diagnostic ('IVD') products business. The Therapeutics Division's costs also increased as additional resource was increased to support the infrastructure required and transition into a clinical stage business.

Share-based payment charges
The non-cash charge for the year increased to £5.06 million (2020: £3.07 million) as additional share option awards were granted to key-hires within the Therapeutics Division.

Net finance costs
The net finance costs in the Group arise from the IFRS 16 accounting for leases, which resulted in an interest charge of £0.12 million (2020: £0.05 million) being recognised.

Losses before taxation
Losses before taxation from continuing operations for the year were £29.19 million (2020: £18.86 million).

Taxation
The Group claims each year for research and development tax credits and, since it is loss-making, elects to surrender these tax credits for a cash rebate. The amount is included within the taxation line of the consolidated statement of profit and loss in respect of amounts received and receivable for the surrender of research and development expenditure amounting to £2.82 million (2020: £2.46 million). The Group has not recognised any tax assets in respect of trading losses arising in the current financial year or accumulated losses in previous financial years.

Loss for the period
The reported loss for the period was £26.31 million (2020: £18.89 million). The loss per ordinary share increased to 10.55 pence (2020: 8.37 pence) based on an average number of shares in issue during the period of 253,555,925 (2020: 229,673,873).

Cash flow
The Group reported cash and short-term deposit balances of £26.19 million at 31 December 2021 (2020: £47.91 million).

Operating cash outflows from operations amounted to £22.66 million (2020: £13.35 million). Within the net operating cash outflows there were cash receipts in respect of research and development tax credits amounting to £2.29 million (2020: £2.75 million), which represented the tax refund for the prior year

ended 31 December 2020 compared to the tax refund for the 17-month financial period ended 31 December 2019.

During the year, capital expenditure was £1.16 million (2020: £1.28 million) as facility expansions at both Wetherby and Cambridge sites were completed.

The Group did not complete any fund-raises during the year (2020: £53.75 million before costs) but there were proceeds from the exercise of share options by employees amounting to £0.52 million (2020: £1.11 million).

Financial position
Net assets as at 31 December 2021 were £41.22 million (2020: £61.93 million) of which short-term deposits, cash and cash equivalents amounted to £26.19 million (2020: £47.91 million).

Intangible assets reduced to £7.92 million (2020: £9.42 million) due to the amortisation charge of £0.82 million.

The IFRS 16 Leases presentation results in the recognition of a 'right-of-use' asset amounting to £1.73 million (2020: £2.10 million) in relation to the Group's three leasehold properties together with a corresponding lease liability of £1.70 million (2020: £2.04 million).

Dividends
No dividends have been proposed for the year ended 31 December 2021 (2020: £nil).

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

- the progression of the Affimer® and pre|CISION™ technologies into clinical trials within the Therapeutics Division; and
- the development of Affimer® diagnostic products and commercial licensing agreements for Affimer® reagents within the Diagnostics Division.

The financial key performance indicators focus around three areas:

- Group revenues
- Research and development expenditure, which is either expensed through the Income Statement or capitalised
- Cash and short-term deposit balances

Cautionary statement

The preliminary statements contain 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.

Alastair Smith
Chief Executive Officer
6 April 2022

Tony Gardiner
Chief Financial Officer
6 April 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021

£000	Note	**2021**	2020
Continuing operations			
Revenue	4	**2,941**	2,144
Cost of sales		**(924)**	(962)
Gross profit		**2,017**	1,182
Research costs		**(13,480)**	(8,891)
Manufacturing costs		**(2,143)**	-
Share of loss of associate		**-**	(217)
Amortisation of development costs		**(821)**	(824)
Selling, general and administrative expenses		**(8,136)**	(5,933)
Depreciation expense		**(1,462)**	(1,063)
Share-based payment charge		**(5,058)**	(3,070)
Operating loss		**(29,083)**	(18,814)
Finance income		**17**	43
Finance costs		**(128)**	(89)
Net finance costs		**(111)**	(46)
Loss before tax		**(29,194)**	(18,861)
Taxation		**2,820**	2,464
Loss from continuing operations		**(26,374)**	(16,397)
Discontinued operation			
Profit / (loss) from discontinued operation	6	**58**	(2,494)
Loss for the period		**(26,316)**	(18,891)
Foreign operations – foreign currency translation differences		**4**	-
Other comprehensive income		**4**	-
Total comprehensive loss for the period		**(26,312)**	(18,891)
Loss per share:			
Basic and diluted	5	**(10.55p)**	(8.37p)
Loss per share – continuing operations:			
Basic and diluted	5	**(10.57p)**	(7.27p)

Consolidated Statement of Financial Position as at 31 December 2021

	Note	**2021** **£000**	2020 £000
Assets			
Property, plant and equipment		**2,612**	2,696
Right-of-use assets		**1,729**	2,095
Intangible assets		**7,925**	9,417
Non-current assets		**12,266**	14,208
Inventories		**189**	248
Trade and other receivables		**4,327**	2,895
Income tax receivable		**2,750**	2,200
Short-term deposits		**-**	20,017
Cash and cash equivalents		**26,191**	27,894
		33,457	53,254
Assets held for sale	6	**1,279**	-
Current assets		**34,736**	53,254
Total assets		**47,002**	67,462
Liabilities			
Lease liabilities		**(1,412)**	(1,752)
Non-current liabilities		**(1,412)**	(1,752)
Trade and other payables		**(3,731)**	(3,491)
Lease liabilities		**(291)**	(290)
		(4,022)	(3,781)
Liabilities directly associated with the assets held for sale	6	**(346)**	-
Current liabilities		**(4,368)**	(3,781)
Total liabilities		**(5,780)**	(5,533)
Net assets		**41,222**	61,929
Equity			
Share capital		**25,472**	25,343
Share premium		**54,530**	54,137
Reserves		**(4,687)**	(4,690)
Retained earnings		**(34,093)**	(12,861)
Total equity		**41,222**	61,929

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

	Share capital	Share premium	Other reserve	Translation reserve	Reserve for own shares	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2020	**17,671**	**9,877**	**(1,729)**	**-**	**(2,932)**	**2,922**	**25,809**
Total comprehensive loss for the period	-	-	-	-	-	(18,891)	**(18,891)**
Transactions with owners of the Company:							
Issue of shares	7,195	43,596	-	-	-	-	**50,791**
Exercise of share options	467	645	-	-	-	-	**1,112**
Own shares acquired	10	19	-	-	(29)	-	**-**
Equity-settled share-based payment	-	-	-	-	-	3,108	**3,108**
	7,672	44,260	-	-	(29)	3,108	**55,011**
Balance at 31 December 2020	**25,343**	**54,137**	**(1,729)**	**-**	**(2,961)**	**(12,861)**	**61,929**
Loss for the period	-	-	-	-	-	(26,316)	**(26,316)**
Other comprehensive loss for the period	-	-	-	4	-	-	**4**
Total comprehensive loss for the period	-	-	-	4	-	(26,316)	**(26,312)**
Transactions with owners of the Company:							
Exercise of share options	129	393	-	-	-	-	**522**
Equity-settled share-based payment	-	-	-	-	-	5,083	**5,083**
	130	392	-	-	-	5,083	**5,605**
Balance at 31 December 2021	**25,472**	**54,530**	**(1,729)**	**4**	**(2,961)**	**(34,094)**	**(41,222)**

Consolidated Statement of Cash Flows for the Year Ended 31 December 2021

	2021	2020
Cash flows from operating activities	**£000**	£000
Loss for the period	**(26,316)**	(18,891)
Adjustments for:		
Amortisation	**865**	1,029
Impairment losses	**-**	1,741
Depreciation	**1,511**	1,125
Net loss on disposal of property, plant and equipment	**30**	6
Share of loss of associate	**-**	217
Equity-settled share-based payment transactions	**5,083**	3,108
Net finance costs	**121**	50
Taxation	**(2,820)**	(2,452)
Operating cash outflow before changes in working capital	**(21,526)**	(14,067)
Decrease/(increase) in inventories	**13**	(91)
Increase in trade and other receivables	**(1,599)**	(814)
Increase in trade and other payables	**456**	1,627
Operating cash outflow from operations	**(22,656)**	(13,345)
Interest received	**17**	42
Interest elements of lease payments	**(139)**	(93)
Tax credit received	**2,291**	2,754
Withholding tax paid	**(19)**	-
Net cash used in operating activities	**(20,506)**	(10,642)
Cash flows from investing activities		
Purchase of plant and equipment	**(1,162)**	(1,279)
Purchase of intangible assets	**(152)**	(221)
Investment in associate	**-**	(217)
Development expenditure capitalised	**-**	(165)
Decrease/(increase) in balances on short-term deposit	**20,017**	(20,017)
Net cash generated from / (used in) investing activities	**18,703**	(21,899)
Cash flows from financing activities		
Proceeds from issue of share capital	**-**	53,750
Transaction costs related to issue of share capital	**-**	(2,960)
Proceeds from exercise of share options	**522**	1,112
Principal elements of lease payments	**(290)**	(255)
Net cash from financing activities	**232**	51,647
Net increase/(decrease) in cash and cash equivalents	**(1,571)**	19,106
Cash and cash equivalents at 1 January 2021	**27,894**	8,788
Effects of movements in exchange rates on cash held	**4**	-
	26,327	27,894
Cash and cash equivalents forming part of assets held for sale	**(136)**	-
Cash and cash equivalents at 31 December 2021	**26,191**	27,894

Notes to the Preliminary Results to 31 December 2021

1 General Information

These preliminary results have been prepared on the basis of the accounting policies which are set out in Avacta Group plc's annual report and financial statements for the year ended 31 December 2021.

The consolidated financial statements of the Group for the year ended 31 December 2021 were prepared in accordance with UK adopted international accounting standards.

The financial information set out above for the year ended 31 December 2021 and the year ended 31 December 2020 does not constitute the Company's statutory accounts for those years.

Statutory accounts for the year ended 31 December 2020 have been delivered to the Registrar of Companies and distributed to shareholders. The statutory accounts for the year ended 31 December 2021 will be delivered to the Registrar of Companies on or before 30 June 2022.

The auditors' reports on the accounts for the year ended 31 December 2021 and the year ended 31 December 2020 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

2 Basis of preparation

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

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

Functional and presentation currency

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

Going concern

These financial statements have been prepared on a going concern basis, notwithstanding a loss of £26.31 million and operating cash outflows of £22.66 million for the year ended 31 December 2021. The Directors consider this to be appropriate for the following reasons.

The Directors have prepared detailed cash flow forecasts that extend 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 pro-doxorubicin Phase I clinical trials, diagnostic product development projects and sales pipeline, 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 and diagnostic research and development programmes.

Whilst there are inherent uncertainties regarding the cash flows associated with the development of both the therapeutic and diagnostic platforms, together with the timing and delivery of diagnostic product development projects and future therapeutic collaboration transactions, 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 2021, the Group held cash and cash equivalents of £26.19 million (2020: £47.91 million, including short-term deposits).
- The Group has a tax refund in relation to R&D tax credits due in the second half of 2022 amounting to £2.75 million (a comparable tax refund of £2.3 million was received in October 2021 relating to the year to 31 December 2020).
- Post period end the Group disposed of the Animal Health Division which generated an up-front payment of £0.86 million and a future earnout which could reach £1.43 million.
- The Group does not have external borrowings or any covenants based on financial performance.
- 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 and diagnostic platforms beyond 2023. The sources of income could come through additional therapeutic collaborations, similar to the LG Chem and Daewoong collaborations, which may include up-front technology access fees and significant early-stage development income, or through additional equity-fundraises.

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

Use of judgements and estimates

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

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

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

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

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

Revenue recognition – Judgements arise from the application of IFRS 15 to the Group's revenue streams, as disclosed in Note 1C of the financial statements for the year ended 31 December 2020.

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 of the financial statements for the year ended 31 December 2020.

The Directors consider that the assumptions and estimation uncertainties at 31 December 2021 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 used is disclosed in Note 10 of the financial statements for the year ended 31 December 2020.

Significant accounting policies

The Group has consistently applied the accounting policies to all periods presented in these preliminary statements. Whilst there are a number of new standards effective from periods beginning after 1 January 2021, the Group has not early adopted the new or amended standards and does not expect them to have a significant impact on the Group's consolidated financial statements.

3 Segment reporting

Operating segments

In the view of the Board of Directors, the Group has three (2020: three) distinct reportable segments, which are Diagnostics, Therapeutics and Animal Health (2020: Diagnostics, Therapeutics and Animal Health), 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 are as follows:

Diagnostics: development of custom Affimer® proteins for incorporation into customer products and in-house diagnostic assays.

Therapeutics: development of novel cancer immunotherapies combining proprietary platforms.

Animal Health: provision of tools and contract services to assist diagnosis of conditions in animals to enable faster treatment for veterinarians. The Animal Health operating segment was sold in March 2022, and has been classified as a discontinued operation from the start of the prior year.

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 from continuing operations to destinations outside the UK amounted to 82% (2020: 97%) of total revenue. The revenue analysis below, for continuing operations, is based on the country of registration of the customer:

	2021	2020
	£'000	£'000
UK	**540**	75
Rest of Europe	**111**	205
North America	**815**	402
South Korea	**1,401**	1,460
Rest of Asia	**74**	1
	2,941	2,143

During the year, transactions with three external customers, two in the Therapeutics segment and one in the Diagnostics segment, amounted individually to 10% or more of the Group's revenues from continuing operations, being £966,000, £736,000 and £523,000 respectively. In the year 31 December 2020, transactions with two external customers in the Therapeutics segment amounted to 10% or more of the Group's revenues from continuing operations, being £768,000 and £694,000 respectively.

Operating segment analysis 2021

	Diagnostics	Therapeutics	Animal Health (discontinued)	**Total**
	£000	£000	£000	**£000**
Revenue	779	2,162	1,605	**4,546**
Cost of goods sold	(223)	(700)	(506)	**(1,429)**
Gross profit	**555**	**1,462**	**1,098**	**3,115**
Research costs	(3,665)	(9,815)	(39)	**(13,519)**
Manufacturing	(2,143)	-	-	**(2,143)**
Amortisation of development costs	(821)	-	-	**(821)**
Selling, general and administrative expenses	(2,893)	(1,899)	(916)	**(5,708)**
Depreciation expense	(505)	(950)	(50)	**(1,505)**
Share-based payment expense	(984)	(2,981)	(25)	**(3,990)**
Segment operating loss	**(10,456)**	**(14,183)**	**68**	**(24,571)**
Central overheads				**(4,443)**
Operating loss				**(29,014)**
Finance income				**17**
Finance expense				**(139)**
Loss before taxation				**(29,136)**
Taxation				**2,820**
Amount attributable to equity holders of the Company				**(26,316)**

Operating profit/loss is the measure of profit or loss regularly reviewed by the Board. Central overheads, which relate to operations of the Group functions, are not allocated to the segments. The information reported to the Board does not include balance sheet information at the segment level. The key segmental balance sheet information is considered to be the segment's non-current assets.

All material segmental non-current assets are located in the UK.

Operating segment analysis 2020

	Diagnostics	Therapeutics	Animal Health (discontinued)	**Total**
	£000	£000	£000	£000
Revenue	519	1,625	1,492	**3,636**
Cost of goods sold	(321)	(641)	(493)	**(1,455)**
Gross profit	**198**	**984**	**999**	**2,181**
Research costs	(2,458)	(6,432)	(71)	**(8,961)**
Share of loss of associate	-	(217)	-	**(217)**
Amortisation of development costs	(824)	-	(183)	**(1,007)**
Selling, general and administrative expenses	(2,525)	(1,702)	(966)	**(5,193)**
Impairment charge	-	-	(1,741)	**(1,741)**
Depreciation expense	(357)	(701)	(62)	**(1,120)**
Share-based payment expense	(636)	(893)	(38)	**(1,567)**
Segment operating loss	**(6,602)**	**(8,961)**	**(2,062)**	**(17,625)**
Central overheads				**(3,668)**
Operating loss				**(21,293)**
Finance income				43
Finance expense				(93)
Loss before taxation				**(21,343)**
Taxation				**2,452**
Amount attributable to equity holders of the Company				**(18,891)**

4 Revenue

The Group's revenue is all derived from contracts with customers.

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 3).

Year ended 31 December 2021

	Diagnostics	Therapeutics	Continuing operations	Animal Health (discontinued)	Total
	£000	£000	£000	£000	
Nature of revenue					
Sale of goods	19	-	**19**	864	**883**
Provision of services	260	1,058	**1,318**	740	**2,058**
Licence-related income	500	1,104	**1,604**	**-**	**1,604**
	779	**2,162**	**2,941**	**1,604**	**4,545**
Timing of revenue recognition					
Products or services transferred at a point in time	520	1,105	**1,625**	1,540	**3,165**
Products or services transferred over time	259	1,057	**1,316**	64	**1,380**
	779	**2,162**	**2,941**	**1,604**	**4,545**

Year ended 31 December 2020

	Diagnostics	Therapeutics	Continuing operations	Animal Health (discontinued)	Total
	£000	£000		£000	
Nature of revenue					
Sale of goods	-	-	**-**	846	**846**
Provision of services	519	1,436	**1,955**	646	**2,601**
Licence-related income	-	189	**189**	-	**189**
	519	**1,625**	**2,144**	1,492	**3,636**
Timing of revenue recognition					
Products or services transferred at a point in time	8	189	**197**	1,459	**1,656**
Products or services transferred over time	511	1,436	**1,947**	33	**1,980**
	519	**1,625**	**2,144**	1,492	**3,636**

5 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 2021, 25,545,539 options (2020: 22,904,846) 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.

	2021			2020		
	Continuing operations	**Discontinued operation**	**Total**	Continuing operations	Discontinued operation	Total
Loss (£000)	**(26,374)**	**58**	**(26,315)**	(16,397)	(2,494)	(18,891)
Weighted average number of shares (number)			**249,478,070**			225,578,759
Basic and diluted loss per ordinary share (pence)	**(10.57p)**	**0.02p**	**(10.55p)**	(7.27p)	(1.11p)	(8.37p)

6 Discontinued operation

In 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 of up to £1,430,000 dependent on the combined performance of the consolidated business. There were associated costs to sell of £190,000. Management committed to a plan to sell the segment in late 2021 following a strategic decision to place focus on the Group's key competencies – the development of diagnostic products and cancer therapies. At the reporting date, an active programme to locate a buyer had been initiated, the segment was being actively marketed for sale at a price that was reasonable to its fair value and a sale was expected to qualify for recognition as a completed sale within one year from the date of classification. As a result, the Animal Health segment has been presented as a disposal group held for sale.

No impairment loss has been recognised on presentation of the Animal Health segment as held for sale as the fair value less costs to sell exceed the carrying amount of the disposal group of £805,000. The non-recurring fair value measurement for the disposal group has been based on the post year-end selling price of the segment.

The Animal Health segment was not previously classified as held for sale or as a discontinued operation. The comparative consolidated statement of profit or loss and OCI has been re-presented to show the discontinued operation separately from continuing operations. Note 5 discloses the amount per share for the discontinued operation.

a) Results of discontinued operation

£000	**2021**	2020
Revenue	1,604	1,492
Cost of sales	(506)	(493)
Gross profit	1,098	999
Research costs	(39)	(70)
Amortisation of development costs	-	(183)
Impairment of intangible fixed assets	-	(1,741)
Selling, general and administrative expenses	(915)	(1,382)
Depreciation expense	(50)	(62)
Share-based payment charge	(25)	(38)
Operating loss	69	(2,478)
Finance costs	(11)	(4)
Loss before tax	58	(2,482)
Taxation	-	(12)
Loss for the period	58	(2,494)

b) Effect of the disposal on the financial position of the Group

	2021
	£000
Intangible assets	**(779)**
Right-of-use assets	**(129)**
Property, plant and equipment	**(22)**
Inventories	**(46)**
Trade and other receivables	**(168)**
Cash and cash equivalents	**(136)**
Trade and other payables	**217**
Lease liabilities	**129**
Net assets and liabilities	**(933)**

c) Cash flows from discontinued operation

	2021	2020
	£000	£000
Net cash from operating activities	**225**	134
Net cash used in investing activities	**(19)**	(9)
Net cash used in financing activities	**(30)**	(39)
	176	86

- Ends -