Abingdon Health plc
("Abingdon" or "the Company")

Preliminary Results

York, U.K. 24 November 2022: Abingdon Health plc (AIM: ABDX), a leading international developer and manufacturer of high quality, rapid diagnostic tests, announces its preliminary results for the year ended 30 June 2022.

Financial highlights

- Revenue of £2.8m (2021: £11.6m) with prior year impacted by one-off COVID-19 revenues
- Adjusted* EBITDA loss of £10.0m (2021: £3.3m loss) due to significant increase in, and subsequent unwinding of, operational headcount to meet anticipated COVID-19 demand which did not come to fruition
- Loss for the period of £21.3m (2021: £7.0m loss), includes £7.2m impairment charge (2021: £nil)
- Cash as at 30 June 2022: £2.4m (2021: £5.0m) and as at 31 October 2022 of £4.4m
- Net cash outflow from operating activities of £7.7m (2021: £12.9m), driven in part by a reduction year-on-year in payables.

* Adjusted EBITDA stated before deduction of non-recurring costs, impairment of intangibles and share based payment

Operational highlights (including post-period end)

- Settlement agreement reached with the Department of Health and Social Care ("DHSC") on the outstanding invoices payable by DHSC for lateral flow tests and component stock, with £6.3m cash being received in July 2022 in full settlement
- Outcome of Judicial Review proceedings initiated by the Good Law Project Limited ("GLP") against DHSC in which Abingdon was an interested party ruled in favour of the DHSC on all grounds, confirming that contract award decisions by DHSC, for the development and manufacture of lateral flow test kits for COVID-19 antibodies by Abingdon, were lawful and complied with the principles of public law
- Launched e-commerce self-test site, marketing a range of Abingdon Simply Test and other branded self-test products
- Strategy focused on provision of Contract Development and Manufacturing ("CDMO") services given anticipated growth in demand within the lateral flow market
- Strong pipeline of contract development, regulatory and technical transfer opportunities.

Chris Yates, Chief Executive Officer, Abingdon Health plc, commented:
"The last two years within the lateral flow market have been dominated by COVID-19 with little other contract development activity being undertaken by customers or prospective customers. In addition, a great deal of our own focus has been spent on successfully resolving unwarranted legal challenges which were an unwelcome distraction and a significant use of our time and resources.

"It is pleasing to see the industry refocus on a much broader range of applications of lateral flow technology in other health and non-health areas. As a knowledge leader in lateral flow, and with our comprehensive contract service offering, we believe we are well-placed to support customers in bringing their products to market and grow our business."

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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

About Abingdon Health plc

Abingdon Health is a world leading developer and manufacturer of high-quality lateral flow rapid tests across all industry sectors, including healthcare and COVID-19. Abingdon is the partner of choice for a growing global customer base and takes projects from initial concept through to routine and large-scale manufacturing and has also developed and marketed its own labelled tests.

The Company offers product development, regulatory support, technology transfer and manufacturing services for customers looking to develop new assays or transfer existing laboratory-based assays to a lateral flow format. Abingdon Health aims to support the increase in need for rapid results across many industries and locations and produces lateral flow tests in areas such as infectious disease, clinical testing including companion diagnostics, animal health and environmental testing. Faster access to results allows for rapid decision making, targeted intervention and can support better outcomes. This ability has a significant role to play in improving life across the world. To support this aim Abingdon Health has also developed AppDx®, a customisable image capturing technology that transforms a smartphone into a self-sufficient, standalone lateral-flow reader.

Founded in 2008, Abingdon Health is headquartered in York, England.

For more information visit: www.abingdonhealth.com

Chairman and CEO Joint Statement

Following a two-year period, where COVID-19 was the primary focus of the lateral flow industry, we are now seeing growth in the market across a broad range of other (non-COVID-19) applications, driven by reduced barriers to adoption for the technology. In this new environment, the Board has confidence that Abingdon Health's knowledge leadership position in the lateral flow industry and the development and manufacturing platform we have built will begin to yield positive momentum and revenue growth. Our key objective is to move the Company to positive cash flow.

This financial year was dominated by the continued impact of COVID-19 on the lateral flow industry. There was limited non-COVID-19 development activity in financial years 2021 and 2022 as most industry participants focused on developing and manufacturing COVID-19 tests. Whilst we participated in providing COVID-19 solutions through our commercial contracts with, *inter alia*, Avacta, Vatic and BioSure; none of these activities yielded material revenue traction beyond the successful transfer of all three products to manufacture (technical transfer). We had previously developed and manufactured 1 million COVID-19 antibody tests for the Department of Health and Social Care (DHSC) in FY2021. With COVID-19 strategies across the globe, China-aside, transitioning towards treating COVID-19 as a seasonal disease, such as flu, we are seeing a significant increase in engagement on non-COVID-19 testing projects and believe that our expertise in the lateral flow industry and the development and manufacturing platform we have built will drive positive momentum and revenue growth.

Strategy

Our mission at Abingdon is to improve life by making rapid results accessible to all. We achieve this by supporting our customers in developing and manufacturing lateral flow tests across a range of sectors including human health, such as infectious disease testing, animal health, plant pathogen and environmental testing.

COVID-19 had a significant impact on lateral flow testing; initially through widespread adoption of lateral flow testing across many countries, including the UK. This has reduced the "barriers to adoption" as many people are now extremely familiar with lateral flow testing and "doing a lateral flow test" is now part of the vernacular. There is increasing acceptance that lateral flow testing is a viable, cost-effective alternative or complement to laboratory testing. We strongly believe that this will drive the increased adoption of lateral flow testing across a broad range of applications and sectors

As a well-established knowledge leader within the area of lateral flow testing, we are focused on providing a broad contract development and manufacturing organisation ("CDMO") service to an international customer base. We believe the CDMO business model, well-established in the pharmaceutical industry, has direct application to the medical diagnostics market and we offer our customers a turn-key full-service offering in lateral flow which includes research, development, scale-up, technical transfer, manufacturing, regulatory approval, supply chain management, and commercial support. Our long-term strategic objective is to become the leading full-service CDMO in the lateral flow market.

In addition to our contract service business, we will continue to consider options to develop, manufacture and commercialise, our own products. We believe that COVID-19 is a catalyst for the expansion of self-testing across a range of other clinical areas. However, as set out below in the current economic environment our focus is on driving our revenues, managing our costs and reaching a cashflow positive position as quickly as possible. Therefore, we will focus most of our team's efforts on driving CDMO revenues for now rather than on significant internal product development. During 2022 we have built an ecommerce self-test site; www.abingdonsimplytest.com; launched in July 2022 which markets a range of Abingdon Simply Test branded products and other branded self-test products. We currently have a range of 14 products on this newly launched site and we will continue to grow this in a managed way. www.abingdonsimplytest.com also provides the opportunity for our contract service customers to market their products.

We strongly believe that we are at the start of a paradigm-shift in the use and application of rapid testing across a wide range of applications and that Abingdon Health is well positioned to support customers in bringing new, innovative products to market across a range of sectors.

Performance in year

Revenue for the full year was £2.8m (2021: £11.6m). In 2021 the financials were impacted significantly by revenue of £5.2m from the Department for Health & Social Care ("DHSC") and a one-off order for our nucleic acid lateral flow immunoassay called PCRD. 2022 was a transition year as we moved the business away from its focus on supporting COVID-19 solutions towards a normalised business model where we operate as a CDMO offering our services to customers across a wide range of sectors. We expect to see the benefits of this transition in FY2023 and beyond, supported by the forecast growth in the lateral flow market, which is expected to grow to $13.4 billion by 2028, at a cumulative average growth rate of 4.7% per annum (Source: Lateral Flow Assays Market Size & Growth Analysis By 2030 (alliedmarketresearch.com)).

2022 activity was dominated by COVID-19 business with three key technical transfers, Avacta, Vatic and BioSure, all of which were successfully transferred into manufacturing, which was a real credit to the hard work and diligence of the Abingdon team, but ultimately were not successfully commercialised by our customers nor, therefore, for Abingdon. The anticipated manufacturing volumes from these three products did not materialise and were a key reason for the disappointing revenue performance in the financial year. During the second half of 2022 we started to rebuild our customer pipeline focusing on opportunities outside of COVID-19 as we started to see, firstly, COVID-19 strategies across many countries move towards treating it as a seasonal illness and secondly many of our prospective customers move their product development strategies away from COVID-19 and towards more normalised activities.

Current Activity and Pipeline

We have seen an encouraging uplift in contract development opportunities across a range of areas and we are expanding our contract development team to support this increase in activity. We believe our knowledge leadership position and our integrated service offering is resonating with prospective customers who range from small, innovative start-ups to some of the largest global healthcare companies. We believe contract development will become a significant driver of revenue growth in the short-term and beyond, and will also drive increased opportunities for technical transfer and manufacturing over time.

Technical transfer is the process of optimising and scaling up the production processes of a developed assay for manufacture and the production of three batches to allow validation and verification of assay performance. We currently have two active technical transfers that should be complete in H1 2023. We stopped one transfer due to the instability of the product's manufacturing process (due to issues with the functioning of assay as provided to us by our customer) but we remain in contact with the customer to see what additional support we can provide. We have a number of additional transfer opportunities within our pipeline which we are looking to bring in during the remainder of calendar year 2022 and in 2023.

We have continued during 2022 to manufacture lateral flow tests for customers across human health, animal health, plant health and environmental testing. A key objective is to grow our manufacturing base through successful transition of tests into manufacture and importantly these will build "annuity income" to underpin future revenues.

Team

During the financial year we reduced our average staff numbers from 151 to 130, which sadly meant that a number of valued colleagues were made redundant. The reason for the reduction was the transition away from COVID-19 activity and the impact of the delayed payment from DHSC. We continued to right-size the business post FY22 year-end as manufacturing did not proceed from the three COVID-19 projects as described above. This was despite

successful technical transfer of all three products. As at 31st October 2022 there were 71 employees within Abingdon.

We would like to thank all of the Abingdon team, both current and past, for their hard work and support during an extremely challenging period. The Board have been impressed by this unwavering commitment to supporting our customers and providing a first-class contract service despite the distractions.

Cost Restructuring

As noted above we right-sized the business during the financial year and post year-end.

This involved a significant reduction in headcount as well as a reduction in operational footprint and discretionary expenditure. In 2020 and 2021 the Group had been built to service the significant volume opportunities arising from COVID-19 testing. However, these didn't materialise for various reasons and given the uncertainty around the ongoing requirement for high volume COVID-19 testing it was necessary to reduce the cost-base of the business to match more closely the commercial activity. The key focus of the management team remains reducing the Group's cash burn and driving the Company into positive cashflow. Based on the Group's forecasts we believe that we have the financial resources in place to reach this target.

As part of this restructuring we have limited our expenditure on new product development. We have paused both the Flu and Hepatitis C projects and have focused on completing the proof of concept of the Lyme disease test. We remain enthusiastic about the commercial opportunities for self-testing but are cognisant of the financial investment needed in, for example clinical trials and regulatory costs, to bring these products to market. Therefore, we believe it is sensible to limit the expenditure in these areas for now and focus the team's efforts of driving CDMO revenues with the aim of positive cashflow.

Intellectual Property

The Company continues to protect its intellectual property position and in the area of lateral flow device readers, particularly the Company's AppDx® smartphone reader, has continued to file UK and international patents. During the financial year to June 2022 a patent was granted relating to AppDx®. Other patent applications continue including one relating to a time-resolved fluorescence reader which has been given a notice of grant for December 2022 and another ongoing application relating to blood self-test apparatus.

Governance and People

Mary Tavener was appointed senior-independent non-executive director in November 2020 prior to listing on AIM. Abingdon's other non-executive director is Dr Chris Hand who is a co-founder of Abingdon and non-executive chairman.

Lyn Rees (independent non-executive director) resigned as non-executive director of the Company effective 30 September 2022 to focus on his responsibilities outside of the Company. We would like to place on record our thanks and appreciation to Lyn for his support and valued advice over the past three years.

Our Audit Committee and Remuneration Committee currently comprises Mary Tavener (Chair) with Chris Hand (non-executive chairman) and the executive directors Chris Yates and Melanie Ross invited to attend as required from time-to-time. The Board has concluded that at this time the Group does not currently require a Nominations Committee but will review this assessment on a regular basis including discussing the matter with its Nominated Advisor.

Scott Page, Company Secretary and Finance Director, left Abingdon Health in July 2022. The Board would like to place on record their thanks to Scott for his hard work and contribution over the past three years and wish him well for the future. Melanie Ross, Chief Financial Officer, has taken over Company Secretary responsibilities.

The Board remains focused on ensuring its own effectiveness and that of the governance processes throughout the Group, and that these governance structures remain fit for purpose as the Group develops and grows over time. Mary Tavener is Abingdon's only independent non-executive director and, as such, the Board's current composition does not comply with the requirements for a minimum of two independent non-executive directors under the QCA Corporate Governance Code, being the corporate governance code that the Company has chosen to apply. The Board believes, however, that its current composition is appropriate for the current size of the business and will continue to review its structure periodically as the needs of the business change.

DHSC Dispute

We were pleased that in June 2022 we were able to reach a settlement in relation to the dispute with the Department of Health and Social Care ("DHSC"). The dispute resolution process arose due to the lack of payment by DHSC for goods and services provided by Abingdon.

It is disappointing that we, alongside many other UK diagnostic companies, have had to spend time and money recovering monies owed despite responding to a "call to arms" by the UK Government. The Group believed at all times that there were no legal grounds as to why these monies were not being paid in full by DHSC but the reality was that it was important to reach a settlement with a counter-party that effectively had unlimited time and financial resources at its disposal to prolong the dispute. Given the UK Government's initial aim at the start of the pandemic was to build a British diagnostics industry their behaviours have been quite the opposite, both in terms of how they have dealt with established UK businesses and their preference to order significant quantities of tests, through recently established intermediaries, predominantly from Chinese companies.

The settlement agreement was in full and final settlement of the outstanding debt of £8.9m (excluding interest) and comprised:

i) A contractually required cash payment of £6.3m from DHSC to Abingdon, which was paid as required to the Company on or before 22 July 2022;
ii) £1.5m of this cash payment was held under charge until the outcome of a judicial review brought by the Good Law Project Limited in challenge to the Secretary of State for Health and Social Care, was known; this payment was subsequently released in full to Abingdon;
iii) transfer to the Company of ownership of the outstanding component stock that it had procured on behalf of DHSC in 2020/21;
iv) joint-ownership, alongside DHSC, of the intellectual property of the AbC-19™ COVID-19 antibody test; and
v) a lower royalty payable to DHSC on sales of the AbC-19™ COVID-19 antibody test, with this royalty time limited to one year from the date of the settlement agreement.

The settlement of the DHSC dispute has led to an overall exceptional write-off of £1.6m in the 2022 financial accounts. This included legal costs of £0.2m in 2022 and £1.4m in total in relation to writing off the outstanding balances relating to the DHSC dispute. This is further broken down in note 5 below.

Judicial Review Process

In October 2022 Mr Justice Waksman issued his judgment in relation to the Judicial Review proceedings initiated by the Good Law Project Limited ("GLP") against the Secretary of State for Health and Social Care in which Abingdon was an interested party. Mr Justice Waksman ruled in favour of DHSC on all grounds, including lack of state aid to Abingdon and dismissed all claims brought by the GLP. GLP did not appeal the judgement.

Whilst we were pleased with the outcome, the impact that this has had on Abingdon and its employees since late-2020 should not be underestimated. Throughout the process the GLP made a number of disparaging statements and unsubstantiated assertions about Abingdon that have yet to be corrected, despite attempts being made by Abingdon through its advisors inviting GLP to do so.

Abingdon fully supports both openness and accountability relating to the award of public contracts; however, this particular case brought by the GLP was comprehensively dismissed on all grounds. Despite the Company's best efforts to cooperate and demonstrate to the GLP that there was no bias or assistance in these contracts being awarded, and to illustrate the impressive credentials and experience of the Company and its employees in lateral flow test development and manufacture, in the Board's opinion, the proceedings continued long after they could have been halted. This is particularly the case in view of the material facts made available to GLP by Abingdon well over a year before judgment with a view to informing the GLP of the factual background.

Abingdon incurred exceptional legal costs in 2022 of £0.2m, and in total £0.3m in relation to the judicial review.

Outlook & Funding

Having raised £6.5m via a successful placing and oversubscribed open offer in December 2021, the Company has no current requirement for additional funding. Cash at the end of the financial year was £2.4m and as of the end of October 2022 was £4.4m. We believe we have sufficient cash resources to fund progress beyond 12 months from the signing date of the accounts, with our priority being to move the Company to a positive cashflowposition.

Our strategic focus is on growing our CDMO business particularly in non-COVID-19 markets in human health, animal health, plant pathogen and environmental testing; particularly given the COVID-19 market outlook remains uncertain and volatile and appears to be moving towards a seasonal infectious disease in a similar manner to flu.

We are seeing our CDMO customer base expand and we are encouraged by the growth in the range of potential opportunities. Our key priorities are to grow our revenues and alongside this, given the economically uncertain outlook, reduce our cash-burn through continued close cost management. To this end we will focus our team's activities on CDMO business and near-term revenues with own-product development being given less priority until we are closer to break-even.

The lateral flow testing market is forecast to strongly grow for the next decade and Abingdon as a knowledge leader in the sector with a well-established track record of bringing products from "idea to market" is well-placed to support a broad range of customers. We believe our full-service contract service proposition strongly resonates with customers and we look forward to building our business after an extremely challenging two years during where COVID-19 dominated our industry.

We would like to thank all our employees for their hard work, dedication and commitment during the past year despite the challenges we have faced in an uncertain economic climate. We are confident with our contract services customer base and our current growing pipeline means we are well positioned to grow our business and deliver shareholder value going forward. We would like to thank shareholders for their support.

Stakeholder Engagement

The Board of Directors of the Abingdon group of companies (the "Group") considers that, individually and collectively, it has acted in the way which in good faith would be most likely to promote the success of the Group for the benefit of its stakeholders, employees, customers, suppliers, local government and communities in accordance with the stakeholder and matters noted in S172(1)(a-f) of the Act in the decisions taken during the year reported on, having regard to:

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

The Board looked to promote the success of the Group, having regard to the long term, whilst considering the interests of all stakeholders. Our strategy is designed to secure the long-term financial viability of the Group to the benefit of its members and all stakeholders. A main feature of this is to continue to operate the business within tight budgetary controls and in line with regulatory requirements. During the year this was done by reference to:

- our continued and ongoing communication with our employees;
- our continued and ongoing communication with our shareholders;
- our continued priority for health and safety improvement measured through ongoing risk assessments;
- the approval of our strategic objectives ('our strategy') for the Group; and
- the business plan for the next financial year ('our plan').

Stakeholder interests are considered by the Board through a combination of methods.

Shareholders

We communicate with our shareholders through planned investor relation activities, Regulatory News Service ("RNS") announcements and the publication of our annual and half year reports. Through this we ensure our shareholders are provided with insight into the Group strategy and how we create value that will generate strong and sustainable results. We also engage with shareholders through the AGM, one on one investor meetings and discussions with shareholders where appropriate. The Board were mindful to inform shareholders of the progress of both the DHSC dispute and the GLP legal case throughout.

Customers

Our customers are central to the strategic goals of the Group, and we strive to deliver products that meet not only their specific needs, but the highest applicable regulatory standards. We engage regularly with our customer base and conduct annual customer experience surveys, taking action where appropriate. We also meet our customers' needs by maintaining facilities that are compliant to appropriate quality and regulatory standards and have dual site capability as part of our disaster recovery planning.

Employees

We appreciate the value of diversity within our employee base and recognise that the skills and knowledge of our employees is a key part of creating value within the organisation. We strive to create a friendly and open culture within the Group, holding regular all-staff calls led by either the CEO, CFO or COO and encourage career progression within the Group.

The Group conducts an annual employee feedback survey, the results of which are reported to the Board and fed back to the employees along with any resulting actions. The Group has also encouraged the creation of an Employee Forum to more directly communicate both employee thoughts, considerations and needs to the senior management.

Open door sessions have also been conducted during the year to ensure open communication regarding matters such as health and safety and COVID-19 concerns.

The business had hopes that the changes made to the people infrastructure during the last fiscal year would see an end to the reduction in our headcount, but unfortunately we reluctantly entered into additional redundancy consultations with employees in roles that were identified 'at risk' during the 2021/22 fiscal year. This process has enabled the business to right size itself for the short- and medium-term opportunities that it predicts most likely to occur, whilst remaining nimble enough to respond to changes in forecasts going forwards. At every stage of the process employees were kept informed and provided with appropriate support.

Dr Chris Hand
Non-Executive Chairman

Chris Yates
Chief Executive Officer

24 November 2022

Operating and Financial Review

Revenue and Margins

In the year revenue fell 76% to £2.8m (2021: £11.6m). Excluding DHSC revenue from the prior year, revenue fell 56%.

Revenue by Geographical Market

Geographical Market	2022 £m	%	2021 £m	%	Growth/ (Decrease)
UK	1.4	50%	6.6	57%	(79)%
USA/Canada	0.2	6%	3.4	29%	(95)%
Europe	1.0	38%	1.5	13%	(31)%
ROW	0.2	6%	0.1	0%	185%
Total	**2.8**	**100%**	**11.6**	**100%**	**(76)%**

Revenue by Operating Segment

Operating Segment	2022 £m	%	2021 £m	%	Growth/ (Decrease)
Products	0.4	16%	8.3	72%	(95)%
Contract Manufacturing	1.1	40%	1.7	15%	(37)%
Contract Development	1.3	44%	1.6	13%	(14)%
Total	**2.8**	**100%**	**11.6**	**100%**	**(76)%**

Contract Manufacturing (manufacture of products to a defined specification leading to recurring revenues, secured by customer contracts) fell 34% over the period, predominantly due to two customer products and their customer-supplied components requiring additional design activity, leading to a £0.4m year on year reduction in sales. Both products are scheduled to return to production in H2 22/23.

Product sales (own products that are part of our product catalogue that can be ordered via the website or through a network of distributors) reduced to £0.4m in the relevant period. 21/22 sales include DHSC revenue of £5.2m and £2.8m of sales to a customer in the USA of our PCRD product for incorporation into their own device. Excluding these non- repeating customers, like for like sales fell 7%.

Contract Development (R&D activity based on a day rate, developing and scaling up customer products as a fee for service) decreased 21%, It is important to note that whilst revenue for scale up to manufacture would typically be expected to lead to meaningful Contract Manufacturing revenue, three customers in this area subsequently failed to move into manufacture for customer-related reasons.

Gross margin in the financial year was (116)%, though this includes provisions for stock write off of £3.7m, mainly relating to Abingdon owned AbC-19 stock and an increase in provisions for obsolete items. Adjusting for this one-off charge, underlying gross margin was 3%. This direct gross profit margin continued to be impacted by the reduced level of manufacturing output in relation to the labour overhead, carried due the expectation that contracts would transition into contract manufacturing in the early new year. As previously explained, this did not happen and this overhead has since been reduced.

Adjusted EBITDA

The Group uses adjusted EBITDA as this excludes items which can distort comparability as well as being the measure of profit that most accurately reflects the cash generating activities of the Group. The reconciliation of these adjustments is as follows:

	Year Ended 30 June 2022 £'000	Year Ended 30 June 2021 £'000
Adjusted EBITDA	**(9,997)**	**(3,256)**
Share based payment expense	(231)	(1,367)
Impairment charges	(7,192)	
Non-recurring legal and professional fees	(688)	(257)
Non-recurring employee costs	(198)	(188)
Listing costs		(903)
DHSC related costs	(1,585)	
Net Finance costs	(65)	(234)
Statutory EBITDA	**(19,956)**	**(6,205)**
Amortisation	(121)	(42)
Depreciation	(1,516)	(707)
Operating Loss	**(21,593)**	**(6,954)**

Adjusted EBITDA loss in the period was £10.0m (2021: loss £3.3m).

Headcount in the Group was an average of 130 (2021: 151) peaking at 133 in the reporting period. Consequently, staff costs overall reduced to £5.3m (2021: £7.4m) reflecting the full year impact of the reduction in heads implemented during the previous year, and the savings associated with the second redundancy programme in the current fiscal year. Exceptional costs of £0.2m were incurred in the year due to this redundancy programme.

Professional costs in the year were £1.5m (2021: £1.9m). This falls to £0.6m when excluding non-recurring costs associated with the fund raise, completed in December 2021, legal costs associated with the DHSC and the GLP challenge and costs incurred in pursuing acquisition opportunities, subsequently aborted. Legal costs within the financial year relating to the contractual dispute with the DHSC totalled £0.2m, and the costs associated with the GLP legal case were £0.3m.

Obsolescence provisions totalling £3.7m have been made in the period. These predominantly fall into two categories, being those non AbC-19™ raw materials (£1.0m) that fall into ageing categories under which we automatically provide against and certain finished goods and semi-finished goods relating to AbC-19™ (£2.7m) which are flagged as obsolete as we continue to review this product's place in the current market. Stock holding continues to be an area of focus to both support customer requirements and control working capital. Separate provisions have been made in exceptional costs for the DHSC owned stock which transferred to Abingdon as part of the settlement agreement (see Note 5).

Impairment of Assets

The Directors have compared the projected results of the Group to the carrying value of its property, plant and equipment, which is considered to form a single cash generating unit ("CGU") for impairment testing purposes. The Group had invested heavily in growing the capacity of the Group in anticipation of the DHSC contract fulfilment, along with associated contracts.

The future cashflows were tested on a group basis, which showed an estimated present value of future cashflows into perpetuity of £1.8m, representing an overall impairment of £7.2m. This was discounted at a rate of 23.7% and with a long-term growth normalising at 3.0%. The Directors also performed a complementary check of the expected capacity modelling for each key machine, which approximated to the outcome of the cashflow model.

The impairment has been charged first to goodwill to eliminate this, with the remainder of the charge allocated first to reduce the value of right of use assets and leasehold improvements to a fixed level, and then pro-rated across all other assets, excluding new intangible assets in two subsidiaries.

Cash Resources

Net cash outflow from operating activities was £7.7m (2021: outflow £12.9m). A reduction year-on-year in payables and the unwinding of the DHSC contract stock and payable amounts following the conclusion of the dispute being the main drivers.

The net proceeds from financing activities were from the completion of the fundraise in December 2021 when the Group raised money through a placing. Altogether this represented a net cash decrease of £2.6m when compared to the prior year, with a closing cash position of £2.4m (2021: £5.0m).

Financing

Post-year-end, the dispute with the DHSC was concluded and in July 2022 the business received £6.3m cash in full settlement of the disputed amounts. Cash at the end of October was £4.4m.

Earnings per Share

Earnings per share was a loss of 7.29p in the period and adjusted EPS was a loss of 3.43p in the same period.

	EPS
Basic EPS	(7.29)p
Loss attributable to Shareholders	£(21.6)m
Add: Share Based Payments	£0.2m
Add: Non recurring legal fees	£0.7m
Add: Non recurring employment costs	£0.2m
Add: impairment charge	£7.2m
Add: Other Costs relating to DHSC Settlement	£1.6m
Add: Depreciation and Amortisation	£1.6m
Add: Finance Costs	£0.1m
Adjusted Loss attributable to Shareholders	£(10.0)m
Adjusted EPS	(3.43)p

Principal Risks and Uncertainties

Risk	Indication of risk on prior year	Impact and description	Mitigating actions
Funding risk and material uncertainty in relation to Going Concern	Risk decrease vs prior year	The cash position as at 31 October 2022 is £4.4m	£6.3m was received from the DHSC, with £1.5m of this put in a blocked account pending the result of the Good Law Project court case. This has now concluded and the funds have been released. The Business continues to grow its revenue generating opportunities and has a strategy in place to develop long term relationships from Contract Development through to Contract Manufacturing. Costs are also regularly reviewed to ensure that they are line with the needs of the business and continue to give the business sufficient runway.
Infectious Diseases and business interruption	Risk remains the same vs prior year	A future escalation in the spread of COVID-19 or another pandemic type disease in the UK poses a threat to the continuation of business operations if there is a widespread infection in any of our facilities or amongst the workforce. This would also apply to risk in the Customer and Supplier profiles where crucial components and raw materials become scarce and difficult to import.	Dual site manufacturing capability across the primary manufacturing process in both York and Doncaster. Cross functional teams and shift rotations creating bubble environments to mitigate the risk of people being unable to complete activities in either R&D or Operations. Supply chain activities are focused on managing both our relationships with suppliers, as well as these risks through supply chain diversification and dual sourcing considerations.

Risk	Indication of risk on prior year	Impact and description	Mitigating actions
Regulatory Approval	Risk remains same vs prior year	As a business that supplies to international Customers a significant proportion of the products where we are acting as Legal Manufacturer require registration from multiple regulatory bodies prior to being offered for sale. There is no guarantee that any product registration by the Group will be successful and failure to do so could have a major impact upon the Group's ability to sell products in the relevant country.	We have a team of Quality and Regulatory specialists in house who can work on multiple registrations in parallel to increase the likelihood of approvals. Our EU representative for our products, Advena, have offices in Malta and the UK and advise on EU specific matters and IVDR.
Revenue Growth	Risk remains the same vs prior year	If Revenue Growth is not continuously achieved there is a risk that capacity will be under utilised.	Strategic plan to bring more Research and Technical Transfer stage projects through the R&D Team. This generates revenue in the short term and will lead to longer term sustainable relationships with customers. The number and quality of customers in this area is high, giving the Board sufficient confidence in achieving sales growth. Use of automated lateral flow assembly equipment with versatile equipment which can changeover product types and increase the throughput in Operations.

Risk	Indication of risk on prior year	Impact and description	Mitigating actions
Key Employees	Risk remains same vs prior year	The Group operates in an industry where recruitment and retention of talented employees is crucial in being able to deliver the strategic objectives. Talent pools in the industry are not as immediately available as they may have been 12-24 months ago so the Group must be proactive in talent attraction. Recent redundancies have meant that the Group have had to work harder to retain and attract in an already difficult market.	The Group offers competitive salary and benefits packages to employees. Our personal development review process aids in both identifying areas of focus and success, as well as identifying talented individuals and the program of training that is needed to help them and the business achieve its highest potential
Supply Chain	Risk remains same vs prior year	The supply chain is subject to price movements due to inflationary pressure as well as other potential factors such as COVID related transport cost increases. This may lead to increasing prices for goods as well as increased lead times for critical components	Contractual arrangements in place offer some mitigation for component pricing. Suppliers are measured with robust key performance indicators, with our highest-level suppliers being audited by our quality assurance team annually. Supply of stock to achieve on time delivery to customers is managed robustly to ensure that we meet our customers' needs without holding unrequired amounts of stock. Where managing supply chain activities for new products and customers, the team recognise that there is a balance between the pricing of components and their availability due to location of manufacture. This is managed accordingly with appropriate stockholding or dual sourcing where possible.

Going concern

The Directors have prepared cash flows for the foreseeable future, being a period of at least 12 months from the expected date of approval of the financial statements and continue to evaluate financial forecasts. The Group continues to focus on securing sales of existing and new products, partnering with other Companies to develop products for manufacture and transition these in a timely manner. At 30 June 2022 the bank balance was £2.4m. Post year end, £6.3m was received from the DHSC in full settlement of the outstanding monies owed from the three contracts in dispute. Cash at the end of October was £4.4m. This draws to a conclusion all the contractual commitments in those relationships.

The Board is satisfied that based on current forecasts, there is sufficient headroom and concluded that it is appropriate to prepare the Annual Report and Accounts on a going concern basis.

Events after the reporting date

Following the signing of the settlement agreement on the 22nd June, the monies agree, being £6.3m, were paid in full with £1.5m being put aside in a blocked account pending the conclusion of the judicial review. This money has now been released in full to Abingdon.

Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2022

	Notes	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Revenue	1	2,835	11,618
Cost of sales		(6,427)	(7,475)
Gross (loss)/profit		(3,592)	4,143
Administrative expenses		(6,645)	(7,547)
Other income		240	148
Adjusted EBITDA (before adjusting items)		(9,997)	(3,256)
Amortisation		(121)	(42)
Depreciation		(1,516)	(707)
Impairment charges		(7,192)	-
Share based payment expense		(231)	(1,367)
Non-recurring legal, professional and fundraising fees		(688)	(257)
Listing costs		-	(903)
Non-recurring redundancy costs		(198)	(188)
Other exceptional costs relating to DHSC settlement	5	(1,585)	-
Operating loss		(21,528)	(6,720)
Finance income		4	-
Finance costs		(69)	(234)
Loss before taxation		(21,593)	(6,954)
Taxation credit/(charge)	2	331	(19)
Loss for the financial period		(21,262)	(6,973)
Other comprehensive income for the year net of tax		-	-
Total comprehensive loss for the year		(21,262)	(6,973)
Attributable to:			
Equity holders of the parent		(21,262)	(6,973)
Basic earnings per share (pence)	4	(7.29)	(2.65)
Diluted earnings per share (pence)	4	(7.29)	(2.65)

Consolidated Statement of Financial Position
As at 30 June 2022

	Notes	30 June 2022 £'000	30 June 2021 £'000
Non-current assets			
Goodwill		-	763
Other intangible assets		36	465
Property, plant, and equipment		1,777	9,041
		1,813	10,269
Current assets			
Inventories		534	7,888
Trade and other receivables		7,844	9,978
Income tax receivable		183	115
Cash and cash equivalents		2,397	4,977
		10,958	22,958
Total assets		12,771	33,227
Current liabilities			
Trade and other payables		5,059	10,405
Borrowings		115	125
Obligations under leases		150	227
		5,324	10,757
Non-current liabilities			
Borrowings		435	367
Obligations under leases		580	776
		1,015	1,143
Total liabilities		6,339	11,900
Net assets		6,432	21,327
Equity			
Attributable to the owners of the parent:			
Share capital	**6**	76	69
Share premium		30,309	24,180
Share based payment reserve	**6**	153	44
Retained losses		(24,106)	(2,966)
Total equity		6,432	21,327

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2022

	Share Capital	Share premium	Share based payment reserve	Retained earnings	Total equity attributable to owners of the parent
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 July 2020	15	13,195	70	(10,531)	2,749
Year ended 30 June 2021:					
Profit and loss	-	-	-	(6,973)	(6,973)
Total comprehensive loss for the year	-	-	-	(6,973)	(6,973)
Other movements:					
Capital reduction	-	(13,145)	-	13,145	-
Bonus share allotment	46	(46)	-	-	-
Share option expenses	-	-	1,367	-	1,367
Share options vested	1	-	(973)	973	1
Share options cancelled	-	-	(420)	420	-
Conversion of loan notes	1	3,481	-	-	3,482
Shares issued on listing	6	21,994	-	-	22,000
Cost of issue of shares	-	(1,299)	-	-	(1,299)
Balance at 30 June 2021	69	24,180	44	(2,966)	21,327
Year ended 30 June 2022:					
Profit and loss	-	-	-	(21,262)	(21,262)
Total comprehensive loss for the year	-	-	-	(21,262)	(21,262)
Other movements:					
Share option expense	-	-	231	-	231
Share options exercised	-	-	(10)	10	-
Share options cancelled	-	-	(112)	112	-
Issue of shares	7	6,493	-	-	6,500
Cost of issue of shares	-	(364)	-	-	(364)
Balance at 30 June 2022	76	30,309	153	(24,106)	6,432

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2022

	30 June 2022 £'000	30 June 2021 £'000
Cash flows from operating activities:		
Loss for the year	(21,262)	(6,973)
Adjustments for:		
Other income	(240)	(148)
Net finance costs	65	234
Tax (credit)/charge	(331)	19
Amortisation and impairment of intangible assets	1,270	42
Share based payments	231	1,367
Depreciation and impairment of property, plant and equipment	7,559	707
Loss on disposal of property, plant and equipment	240	-
Impairment of Inventories (including DHSC)	9676	-
Changes in working capital:		
Decrease/(increase) in inventories	2.322	(7,109)
Decrease/(increase) in trade and other receivables	2,134	(8,103)
(Decrease)/increase in trade and other payables	(5,170)	7,033
Cash used in operations	(8,150)	(12,931)
Interest paid (including leases)	(58)	(51)
Income taxes received	323	106
Insurance claim proceeds	146	-
Net cash outflow from operating activities	(7,739)	(12,876)
Interest received	4	-
Purchase of intangible assets	(78)	(71)
Internally capitalised development costs	-	(419)
Purchase of property, plant and equipment	(682)	(6,761)
Proceeds on disposal of property, plant and equipment	-	8
Payment of deferred consideration	-	(32)
Net cash used in investing activities	(756)	(7,275)

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2022 (continued)

	30 June 2022 £'000	30 June 2021 £'000
Financing activities		
Proceeds from issue of own shares (net of costs *)	6,136	20,702
Cash withheld for SAYE scheme	(7)	9
Proceeds from new bank loans and borrowings	167	250
Payment of loans	(125)	(19)
Payment of lease obligations	(144)	(222)
Payment on settlement of accrued lease obligations	(112)	-
Proceeds from issue of loan notes	-	20
Net cash generated from financing	5,915	20,740
Net (decrease)/increase in cash and cash equivalents	(2,580)	589
Cash and cash equivalents at beginning of the year	4,977	4,388
Cash and cash equivalents at end of the year	2,397	4,977
Recognised in the Statement of Financial Position as:		
Cash at bank and in hand	2,397	4,977
Overdrafts	-	-
	2,397	4,977

* Net of costs of £364,000 (2021 - £1,298,000) set against the share premium account only. In the prior year additional costs of admission to AIM are included within exceptional costs in the Statement of Comprehensive Income and are shown as Operating cashflows.

Abingdon Health PLC

Notes to the Financial Statements
For the Year Ended 30 June 2022

Company information

Abingdon Health PLC ("the Company") is a public limited company domiciled and incorporated in England and Wales. The Company is quoted on the London Stock Exchange's Alternative Investment Market ("AIM"). The registered office is York Biotech Campus, Sand Hutton, York, YO41 1LZ. The consolidated financial information (or "financial statements") incorporates the financial information of the Company and entities (its subsidiaries) controlled by the Company (collectively comprising the "Group").

The principal activity of the Group is to develop, manufacture and distribute diagnostic devices and provide consultancy services to businesses in the diagnostics sector.

Basis of preparation

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined by section 434 of the Companies Act 2006.

The financial information for the year ended 30 June 2022 and the year ended 30 June 2021 does not constitute the Company's statutory accounts for those years. Statutory accounts for the year ended 30 June 2021 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 June 2022 were approved by the Board on 23 November 2022 and will be delivered to the Registrar of Companies in due course. The statutory accounts for the period ended 30 June 2022 will be posted to shareholders at least 21 days before the Annual General Meeting and made available on the Group's website.

The Group's statutory financial statements for the year ended 30 June 2022, from which the financial information presented in this announcement has been extracted, were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on the historical cost basis with the exception of certain items which are measured at fair value as disclosed in the principal accounting policies set out in the Group's Annual Report. These policies have been consistently applied to all years presented.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

The auditor's reports on the accounts for 30 June 2022 and 30 June 2021 were unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. The auditor's report for the year ended 30 June 2021 did include a reference to a material uncertainty related to going concern, drawing attention to the fact that the Company was dependent on the recoverability of amounts owed by the Department of Health and Social Care which was being pursued through a dispute resolution process in the Contract, or was required to investigate further funding and reduce costs further in the near term, without qualifying their report. The opinion was not modified in respect of this matter. The auditor's report for the year ended 30 June 2020 did not draw attention to any matters by way of emphasis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various

other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Right of use asset recognition

Management have assessed each lease liability for recognition under IFRS 16 and recognised a right of use asset where appropriate.

One lease includes a material component of service charge by comparison to the headline rental payments, where this service charge partially covers shared areas and facilities which would normally form part of a rental price. The Directors have applied judgement in splitting this service charge into rent-like components of £24,000 per annum (which qualify for capitalisation as a right of use asset), utility fees of £104,000 per annum, and ongoing shared costs of £72,000 per annum (which the latter two do not qualify for capitalisation as a right of use asset, nor recognition as a lease liability). The lease runs for a 7-year term and the total value of rent-like components capitalised (prior to amortisation) is £161,000.

Revenue recognition

In line with IFRS 15 management are required to determine appropriate revenue recognition points for all revenue streams. Where multiple contracts are entered into with a single counterparty any instalment payments are not considered to be a key indicator of the satisfaction of a performance obligation, although linked contracts with a counterparty are considered in conjunction when identifying the appropriate point for revenue recognition.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Valuation of intangible assets (Group 2022: £36,000; 2021: £465,000)

Management judgements are required to estimate the useful lives of intangible assets, having reference to future economic benefits expected to be derived from use of the asset. Economic benefits are based on the fair values of estimated future cash flows.

Management further test the assets for impairment on an annual basis, by reference to future plans and expectations for group revenues and profits. An impairment of £386,000 has been recognised against intangible assets during the year

Valuation and impairment of cash generating units (including goodwill)

Goodwill is tested annually for impairment as part of a cash generating unit ("CGU"). The test considers future cash flow projections of each CGU on a group basis, as the group as a whole is considered to be a single CGU. In the current year, two tests have been performed, a discounted cash flow model and a value-in-use model, which have both approximated to the same value.

Where the discounted cash flows are less than the carrying value of the CGU, an impairment charge is recognised for the difference.

Share based payments

The determination of the fair values of EMI and SAYE options has been made by reference to the Black-Scholes model.

Going concern

In their assessment of the Group's ability to continue as a going concern, the Directors have considered the principal risks and uncertainties facing the business, along with the Group's objectives, policies and processes for managing its exposure to financial risk. In making this assessment the Directors have prepared cash flows for the foreseeable future, being a period through to 30 June 2024, and continue to evaluate financial forecasts for revenue, expenditure and cash flows.

Net cash at the end of the year was £2.4m, and the group received £6.3m in full and final settlement of the DHSC outstanding amounts in July (post year-end). Cash at the end of October was £4.4m.

As set out above, the business continues to focus on securing sales of existing and new products, and in particular are seeing an uplift in the amount of CDMO customers we are in meaningful discussions with, which should lead to repeatable revenue, driving top line growth in the Group.

Having considered all the above, the Directors have prepared the financial statements on a going concern basis.

Non-recurring income and costs

The Group seeks to highlight certain items as exceptional operating income or costs. These are considered to be exceptional in size, frequency and/or nature rather than indicative of the underlying day to day trading of the Group. These may include items such as acquisition costs, restructuring costs, obsolescence costs, employee exit and transition costs, legal costs, profits or losses on the disposal of subsidiaries, and loan impairments. All of these items are charged or credited before calculating operating profit or loss.

The Directors apply judgement in assessing the particular items, which by virtue of their size and nature are disclosed separately in the Statement of Comprehensive Income and the notes to the financial statements as non-recurring income and costs. The Directors believe that the separate disclosure of these items is relevant to understanding the Group's financial performance.

Guarantees, commitments and contingent liabilities

At 30 June 2022, the Group and Company had no contingent liabilities (2021 - none).

At 30 June 2022 the Group had contracted for capital commitments of approximately £nil (2021 - £0.8 million). These amounts have not been reflected in the financial statements.

1. Revenue

The Group applies IFRS 15 'Revenue from contracts with customers'. Under IFRS 15, the Group applies the 5-step method to identify contracts with its customers, determine performance obligations arising under those contracts, set an expected transaction price, allocate that price to the performance obligations, and then recognises revenues as and when those obligations are satisfied.

Segmental analysis of revenue

	2022 £'000	2021 £'000
Product sales	465	8,360
Contract Manufacturing	1,124	1,690
Contract Development	1,246	1,568
Total revenue from contracts with customers	2,835	11,618

Revenue analysed by geographical market

	2022 £'000	2021 £'000
United Kingdom	1,417	6,596
Europe	1,072	1,560
USA & Canada	182	3,405
Rest of World	164	57
	2,835	11,618

All revenue received in the current and comparative years has been recognised at a point in time in accordance with the Group's revenue recognition policy.

2. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

	2022 £'000	2021 £'000
Current tax		
UK Corporation tax on profits for the current year	-	19
Adjustments in respect of prior years	(331)	-
Total current tax	(331)	19
Deferred tax		
Origination and reversal of temporary differences	-	-
Impact of change in tax rates	-	-
Total deferred tax	-	-
Total tax (credit)/charge	(331)	19

The charge for the year can be reconciled to the profit per the Consolidated Statement of Comprehensive Income as follows:

	2022 £'000	2021 £'000
(Loss) before taxation	(21,593)	(6,954)
Expected tax (credit) based on a corporation tax rate of 19% (2021 – 19%)	(4,103)	(1,321)
Tax effect of expenses that are not deductible in determining taxable profit	717	228
Depreciation on assets not qualifying for tax allowances	316	94
Change in unrecognised deferred tax asset	3,072	1,629
Share based payments	44	(705)

Prior Year Adjustment	(331)	-
Other differences	(46)	94
Total tax (credit)/charge	(331)	19

The UK corporation tax rate was 19% throughout the year.

On 3 March 2021, the Chancellor of the Exchequer announced that the main rate of corporation tax in the United Kingdom will rise to 25% with effect from 1 April 2023 for companies earning annual taxable profits in excess of £250,000. Deferred tax balances at the reporting date are therefore measured at 25% (2021: 25%; 2020: 19%).

3. Dividends

No dividends were paid in the current or prior year.

4. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2022	**2021**
Earnings used in calculation (£'000)	(21,262)	(6,973)
Weighted average number of ordinary shares	291,622,638	262,926,110
Basic EPS (pence/share)	(7.29)	(2.65)
Weighted average number of dilutable shares	291,622,638	262,926,110
Diluted EPS (pence/share)	(7.29)	(2.65)

The diluted EPS is the same as the Basic EPS as there is a loss for each of the periods concerned.

In each period there were share options outstanding. As at 30 June 2022, options which are out of the money are excluded from the calculation of the weighted average number of dilutable shares.

The Directors use adjusted earnings before certain non-recurring costs ("Adjusted Earnings") as a measure of ongoing performance and profitability. These non-recurring costs are presented as separate items on the face of the Consolidated Income Statement.

The calculated Adjusted Earnings for the current and comparative periods are as follows:

	2022 £'000	**2021 £'000**
Loss before taxation attributable to equity owners of the Parent	(21,593)	(6,954)
Share-based payment costs	231	1,367
Impairment charges	7,192	-
Non-recurring legal fees	688	257
Listing costs	-	903
Non-recurring employee redundancy costs	198	188
Exceptional costs relating to settlement of DHSC contract (see note 5)	1,585	-
Depreciation and amortisation	1,638	749
Finance costs	69	234
Adjusted Earnings	(9,992)	(3,256)
Basic and diluted Adjusted Earnings per share (pence/share)	(3.43)	(1.25)

The calculation of Adjusted Earnings is consistent with the presentation of Adjusted Earnings before Interest, Tax, Depreciation, and Amortisation, as presented on the face of the Statement of Comprehensive Income. This adjusted element also removes non-recurring items, as explained further above. The Directors have presented this Alternative Performance Measure ("APM") because they feel it most suitably represents the underlying performance and cash generation of the business, and allows comparability between the current and comparative period in light of the rapid changes in the business (most notably its admission to AIM and associated costs), and will allow an ongoing trend analysis of this performance based on current plans for the business.

5. Impact of Department of Health and Social Care ("DHSC") Contract on the Income Statement (IS) and the Statement of Financial Position ("SFP")

Following the long-standing dispute between the Company and DHSC, which was disclosed in note 16 to the prior year's financial statements, the Company and DHSC signed a settlement agreement in June 2022. This resulted in the full and final payment of monies owed to the Company on 7 July 2022.

However, the settlement included a number of adjustments to the outstanding monies owed to the Company. All such adjustments have been recognised within the current year's financial statements as follows:

Description of adjustment	Location in financial statements	IS Amount £'000
Acquisition and impairment of inventories	Exceptional costs – DHSC	(5,536)
Relinquishing of payable to DHSC for components	Exceptional costs – DHSC	4,579
Credit loss arising on the outstanding receivable from DHSC	Exceptional costs – DHSC	(600)
Cancellation of accrued royalty payments	Exceptional costs – DHSC	6
Interest received on overdue payment	Exceptional costs – DHSC	168
Other legal fees (see below)	Exceptional costs – DHSC	(202)
Net (expense) to IS		(1,585)

Other legal fees include significant legal costs in defending the Company's position totalling £202,000, which have also been recognised within exceptional costs relating to the DHSC contract.

Following the adjustments described above, the Company has the following inclusions on its SFP as at the year end in relation to DHSC:

Group	2022 £'000	2021 £'000
Inventories	-	3,987
Trade receivables (inclusive of VAT but after irrecoverable amounts)	6,266	6,410
Contract liability	-	(5,308)
Net impact on SFP	6,266	5,089

The total net exposure was received in cash on 7 July 2022. The Company does not believe it has any further exposure to future costs or risks associated with this contract.

6. Share capital and reserves

	2022	2021
Ordinary share capital		
Authorised	**Number**	**Number**
Ordinary shares of 0.025p each	121,711,614	95,699,114
Deferred shares of 0.025p each	182,316,812	182,316,812
	304,028,426	278,015,926

Allotted and fully paid	Number	Number
Ordinary shares of 0.025p each	121,711,614	95,699,114
Deferred shares of 0.025p each	182,316,812	182,316,812
	304,028,426	278,015,926

	£'000	£'000
Ordinary shares of 0.025p each	31	24
Deferred shares of 0.025p each	45	45
	76	69

On 21 December 2021 the Company raised £6.5 million (before expenses) by way of issuing 26,000,000 ordinary shares of 0.025 pence each at a premium of 25 pence per share.

On 25 May 2022 there was an exercise of options over 12,500 Ordinary shares of 0.025 pence each.

Reconciliation of movements during the year:

	Number
At 1 July 2021	278,015,926
Issue of shares	26,000,000
Exercise of share options	12,500
At 30 June 2022	304,028,426

Reserves of the Company represent the following:

Share capital – Shares in the Company held by shareholders at a proportional level with equal voting rights per share.
Share premium – Excess over share capital of any investments.
Retained earnings – This comprises the accumulated trading results of the Group.
Share-based payment reserve - This reserve comprises the fair value of options share rights recognised as an expense. Upon exercise of options or performance share rights, any proceeds received are credited to share capital**.**

7. Share options

Group & Company	Number of share options		Weighted average exercise price	
	30 June 2022 Number	30 June 2021 Number	30 June 2022 £	30 June 2021 £
Outstanding at 1 July 2021	729,467	287,440	0.5071	0.0010
Granted	-	2,049,275	-	0.2191
Forfeited	(497,186)	(204,808)	0.5755	0.3355
Lapsed	-	(80,000)	-	0.0010
Exercised	(12,500)	(1,322,440)	0.0003	0.0080
Outstanding at 30 June 2022	219,781	729,467	0.3997	0.5071
Exercisable at 30 June 2022	-	-	-	-

12,500 options were exercised during the year.

The options outstanding at 30 June 2022 had an exercise price ranging from £0.00025 to £0.70 and a remaining contractual life of 1 year and 9 months. The options exist at 30 June 2022 across the following share option schemes:

	Number of shares	Exercise price per share (£)	Fair value of scheme	Vesting period
Options issued in April 2021	104,174	0.00025	215,449	1 year
SAYE scheme commenced in March 2021	138,608	0.70	368,211	3 years
	242,782		583,660	

The fair value of the scheme is being expensed over the vesting period. All share options expire 10 years after the date of issue.

	Group		Company	
	30 June 2022 £'000	30 June 2021 £'000	30 June 2022 £'000	30 June 2021 £'000
Expenses recognised in the year				
Arising from equity settled share-based payment transactions	231	1,367	87	1,238

8. Annual Report & Accounts

The Company's Annual Report and Accounts for the year ended 30 June 2022 will be sent to shareholders on 28 November 2022 and is available on the Company's website www.abingdonhealth.com along with the Company's Notice of Annual General Meeting, which was sent to shareholders on 23 November 2022.