



Annual Report & Accounts

YEAR ENDED 31 DECEMBER 2023



NIOX Group plc



Asthma is one of the biggest healthcare issues globally with 340 million sufferers, many of whom are undiagnosed or are misdiagnosed. NIOX is engaged in the design, development, and commercialisation of medical devices for the measurement of FeNO, a precise biomarker for asthma.

Our market leading device, NIOX VERO®, is increasingly recognised by healthcare professionals as an important tool to improve the diagnosis and management of asthma.

NIOX VERO® is also the device of choice by leading clinical research organisations for respiratory studies. NIOX provides products and services via its direct sales organisation and extensive distributor network in 50 countries.

For more information, please visit www.niox.com

An introductory presentation about the NIOX Group is available at: www.investors.niox.com/resource/category/presentations/

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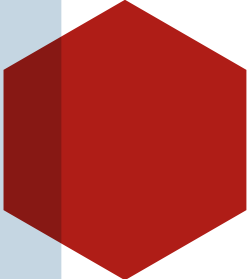
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**Our mission is
to improve
asthma diagnosis
and management
by greater
patient access to
FeNO testing**

Strategic report

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I am pleased to report continued strong growth in revenues and operating profit for 2023

Revenue was up 18% to £36.8 million, with our Clinical business performing particularly well growing 29% in constant currency terms.

Adjusted EBITDA improved significantly from £7.3 million in 2022 to £11.4 million in 2023 equating to an operating margin of 31% (2022: 23%). Cash generation remained strong with year-end net cash of £19.9 million, following the payment of a special dividend amounting to £10.5 million in September 2023. The Board is therefore recommending the payment of a final dividend for the financial year ended 31 December 2023 of 1 pence per share. Going forward, the Board intends to pursue a progressive dividend policy, growing future dividends in line with earnings.

Management is continuing to implement the strategy of deepening and broadening global distribution, which coupled with outsourcing sales and manufacturing is expected to drive further profitable growth.

Whilst the current focus is on growing sales in primary care, looking ahead, the Company plans to introduce FeNO testing in other healthcare channels such as pharmacies and occupational health and ultimately to launch a product for use by patients to manage their condition at home.

The Group has made a positive start to 2024 and continues to be highly cash generative, with cash of £22.4 million at 29 February 2024. The Company has a robust strategy in place to expand the business and generate profitable growth from the large underserved target market and has the financial resources to achieve its objectives and further enhance shareholder value.

Ian Johnson
Executive Chairman



**Adjusted EBITDA
improved significantly
from £7.3 million in 2022
to £11.4 million in 2023**

STRATEGIC REPORT

Financial highlights

NIOX® sales

▲ **£36.8m**

Revenue growth of 18% to £36.8 million (2022: £31.3 million) and 22% on a constant currency basis

Clinical revenue growth

▲ **24%**

Clinical revenue¹ growth of 24% (29% on a constant currency basis) to £32.6 million (2022: £26.2 million)

Group adjusted EBITDA

▲ **£11.4m**

Group adjusted EBITDA² of £11.4 million, in line with upgraded consensus estimates (2022: £7.3 million)

Net cash

£19.9m

(31 December 2022: £19.4m)

31 DEC **2023**

£19.9m

31 DEC **2022**

£19.4m

Financial progress

	2023 £m	2022 £m
Revenue	36.8	31.3
Gross margin	72%	71%
Total expenditure ³	(15.1)	(14.9)
Adjusted EBITDA ²	11.4	7.3
Adjusted EBITDA ² margin	31.0%	23.3%
Operating profit	4.6	1.8
Beyond Air settlement consideration	-	8.1
Profit before tax	4.1	10.5
Profit for the year from discontinued operations	1.2	2.0
Profit for the financial year	10.7	16.1
Cash at year end	19.9	19.4

¹ Clinical revenue represents sales to physicians and hospitals for use in clinical practice.

² Earnings before interest, tax, depreciation, amortisation and share option charge. Adjusted EBITDA reconciles to operating profit as shown on page 128.

³ Excludes depreciation, amortisation and share option charge. Total expenditure reconciles to the consolidated statement of comprehensive income as shown on page 128.

Operational highlights

- ◆ New commercial organisation and distributor network in the USA, to drive revenues in primary care.
- ◆ Expanded the depth and breadth of the distributor network in EMEA and APAC.
- ◆ Second milestone payment of \$3.5 million received from Beyond Air in August 2023, with final payment of \$4.5 million due by August 2024 and up to a further \$6 million in potential royalty payments thereafter.
- ◆ Commenced development of NIOX Pro[®], the next generation device for clinical professionals.
- ◆ A special dividend of 2.5 pence per share (equating to a return of cash of £10.5 million) was paid to shareholders on 15 September 2023.
- ◆ The Board is recommending the payment of a final dividend of 1 pence per share.



A year of continued progress

NIOX is the market leader in point of care FeNO testing for the diagnosis and management of asthma. The NIOX VERO® device is approved and reimbursed in most major markets. FeNO testing rates increased in most major markets as COVID-19 related restrictions were lifted and more patients visited their physicians in person.

2023 saw both strong growth in sales and adjusted EBITDA as a result of disciplined execution of the strategy.

Revenues for the year ended 31 December 2023 were up 18% to £36.8 million (2022: £31.3 million), and up 22% on a constant currency basis. Pleasingly, the year ended having achieved a 31.0% adjusted EBITDA margin (2022: 23.3%) driven by revenue growth and the benefits of outsourcing sales and manufacturing.

NIOX experienced strong demand in the Clinical business (sales to physicians and hospitals for use in clinical practice) which grew by 24% versus 2022 and 29% on a constant currency basis.

APAC clinical sales demonstrated the strongest recovery and grew by 42% versus 2022 on a constant currency basis. Japan, the strongest Asia Pacific market, is our largest market and ended the year with sales 57% higher than 2022 in constant currency terms. This was fuelled in the first half by a post-COVID-19 recovery in FeNO testing and in the second half by broadening the penetration of NIOX® devices into new clinics.

EMEA clinical sales experienced strong growth of 27% versus 2022 on a constant currency basis. The UK is the largest European market driven by continued uptake of FeNO testing in Primary Care. Growth in Spain and Germany were also strong contributors to the EMEA region's performance.

The Americas region grew by 12% on a constant currency basis (compared with previous year growth of 7%). Management made significant changes to the US commercial organisation and distributor network in 2023 with the objective of ensuring that FeNO testing and NIOX reach their considerable full potential in the USA, moving forward.



NIOX® revenues up

▲ 18%

NIOX® revenues on a constant currency basis up

▲ 22%



Research sales for the year (sales generated from contract research organisations (CROs) conducting clinical studies on behalf of pharmaceutical companies) fell by 18% (14% on a constant currency basis). The size of the Research market is driven by the number of clinical trials being conducted at any given time, which is wholly determined by the research pipeline of pharmaceutical companies and is thus outside the control of NIOX. This means that year to year comparisons can fluctuate dependent upon the timing and number of clinical trials involving FeNO testing in a given year.

The Group's strategy of focussing on accelerating the growth of FeNO testing in Primary Care, where most asthmatics are treated, remains unchanged. Third party distributor arrangements are a key enabler of this strategy and have the benefit of not adding fixed costs to the business.

Asthma is one of the biggest healthcare challenges in the world; there are over 340 million asthma sufferers worldwide and this is forecast to grow to more than 400 million by the end of the decade. Asthma causes the loss of 1,000 lives every day and many more suffer asthma attacks that result in emergency call outs and hospital admissions.

To help address these challenges, establishing FeNO testing and NIOX® for asthma diagnosis and management in Primary Care is top priority. Healthcare systems are increasingly seeking strategies to care for patients in non-clinic settings and at home. With this in mind, the Company plans to introduce FeNO testing in other healthcare channels such as pharmacies and occupational health and ultimately to introduce a product for use by patients to manage their condition at home.

Group expenditure (excluding depreciation, amortisation and share option charge) increased slightly to £15.1 million (2022: £14.9 million). Group headcount remained unchanged at 92.

Management expects costs to increase marginally above inflation in 2024 due to investment into the US market. Headcount is also expected to increase slightly during the year.



The business has made a positive start to 2024 and the Board expects another year of solid progress.

Discontinued operations

The transfer of the COPD products back to AstraZeneca completed on 31 March 2021. An operating profit of £1.2 million was generated by this business in 2023 as the rebate and returns accrual was revised down based on claims received during the year and forward-looking assumptions as to the value of claims expected to be received in future financial periods.

NIOX retains legal liability for rebates payable to third parties (primarily Medicaid) and for return of products sold during the period during which it operated the COPD business. NIOX's liability for returns will have been extinguished by 30 April 2024.

The cash outflow during the year for rebates and returns totalled £2.0 million (2022: £nil). Remaining accruals related to the discontinued COPD business were £0.9 million as at 31 December 2023 (2022: £4.6 million).

Russia and Ukraine

NIOX has no operations in Russia and generates no revenue in Russia. In 2023, revenues derived from Ukraine were less than 1% of Group revenues.



Energy prices and inflation

The Group has two strategic manufacturing partners and does not manufacture its own products. The effect of inflationary pressures on purchase prices from its two main suppliers is mitigated both by the Group's high gross margins and its ability to implement price increases in most of its markets. Accordingly, the substantial increase in energy prices has not had a material impact on the Group's operations.

Investments

The Group has commenced development of its new NIOX Pro[®] device. This device will offer improved ergonomics, a larger screen and improved iOS and Android connectivity. It will be fully compatible with existing test kits.

Development costs totalling £0.2 million have been capitalised to date in accordance with the requirements of accounting standards. The aggregate development costs of the NIOX Pro[®], including tooling, should not exceed £2.0 million, with the bulk of these costs being incurred in 2024. During 2024, we expect to incur approximately £0.2 million on preliminary research and development work associated with a home use device.

Beyond Air

As a result of Beyond Air, Inc. ("Beyond Air") receiving approval from the U.S. Food and Drug Administration (FDA) for its LungFit[®] PH device, the Group is entitled to receive payments of \$10.5 million in total, in three instalments as follows:

- ◆ \$2.5 million within 60 days of the approval of LungFit[®] by the FDA ("FDA approval"), which was received on 24 August 2022;
- ◆ \$3.5 million within 60 days of the first anniversary of FDA approval, which was received on 25 August 2023; and
- ◆ \$4.5 million within 60 days of the second anniversary of FDA approval, which is due in August 2024.

In addition, the Group is entitled to a royalty of 5% of net sales of the device, commencing on the second anniversary of FDA approval and capped at a maximum of \$6 million. These royalties have not been recognised due to uncertainties around quantum and timing.

Employees

On behalf of the Board, I would like to thank all employees within the Group for their hard work and commitment.

Board Changes

Jo LeCouilliard will not offer herself for re-election at the forthcoming AGM. Jo has been a Non-Executive Director (and Chair of the Audit and Risk Committee) for six years and I would like to thank her for her significant contribution during that time. A replacement will be announced in due course, and until that time Garry Watts will, in addition to his role as Senior Independent Director, take over as Chair of the Audit and Risk Committee.

Michael Roller, Chief Financial Officer, has agreed with the Board that he will reduce his time commitment to the Group to three days per week with effect from 1 April 2024. Michael is supported by a strong team including the Group's Financial Controller and Company Secretary and the Group Operating Finance Director.

Summary and outlook

2023 was another good year for the Group. The results demonstrate the clear ability of our business model to generate profitable growth.

Management is continuing to implement a growth strategy that will raise the awareness of the benefits of FeNO testing and significantly improve the availability of NIOX[®] worldwide by expanding distribution, optimising reimbursement, and improving patient access.

As first steps on the journey to home FeNO testing, the Company plans to make NIOX[®] available in pharmacies and through occupational health organisations.

The business has made a positive start to 2024 and the Board expects another year of solid progress.

Key strategic drivers of the Group

The opportunity

Asthma affects over 340 million people worldwide with a further 100 million estimated to be affected by 2025. There are an estimated 1,000 deaths globally due to asthma every day. In 50% of cases, asthma is either not diagnosed or is misdiagnosed, which leads to a delay in asthma patients receiving the care that they need. Following a diagnosis of asthma, it is important to be able to regularly monitor the condition to confirm the effectiveness of treatment and adherence by the patient.

In 2023 NIOX, the clear market leader in FeNO testing worldwide, sold approximately five million tests.

FeNO

Asthma is a condition that is characterised by inflammation of the airways and lungs. Nitric oxide is produced by inflammatory cells and can be precisely measured in exhaled breath, this is known as FeNO (fraction of exhaled nitric oxide). Measuring FeNO helps medical professionals to understand the level of inflammation in the lungs of an asthmatic and is a precise biomarker of type 2 airway inflammation. FeNO measurements can improve the chances of a correct diagnosis by up to seven times.

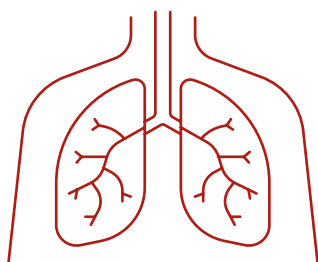
The American Thoracic Society (ATS) recommended that FeNO testing should be part of the ongoing care of asthmatics as well as being used as a tool for diagnosing asthma. This is the latest example from an increasing body of highly credible, influential evidence based medical guidelines around the world that have recommended the use of FeNO testing as a routine part of diagnosing and managing asthma.

The guidelines are based on a substantial body of published clinical trials that demonstrate the benefits of FeNO testing. Measuring FeNO as part of ongoing asthma management has been shown to decrease asthma exacerbations by 50%.

Further impetus is coming from a new class of biologic anti-inflammatory medicines for the treatment of type 2 inflammatory asthma. Biologic medicines are targeted at asthmatics with increased inflammation and therefore elevated FeNO. The cost of these new medicines is significant. This means that some pharmaceutical companies are investing resources to raise the awareness and usage of FeNO testing in order to identify the patients that are most likely to respond to treatment as they seek to establish this new class of drugs as an effective line of therapy.

Asthma affects over

340
million
people worldwide



100
million

more people estimated
to be affected with
asthma by 2025



Measuring FeNO helps understand the level of inflammation in the lungs of an asthmatic and is a precise biomarker of type 2 airway inflammation

Our products

The Company's NIOX VERO® is the market leading device for measuring FeNO. This is a non-invasive, point-of-care system which accurately measures the patient's FeNO level. It is quick, easy to use and reliable.

The system comprises a small portable device and a range of consumables including sensors, individual disposable mouthpieces and breathing handles. The quality and innovation of NIOX VERO® has been recognised with several awards over recent years, including the 2022 Research and Development Award and 2023 Best Asthma Diagnosis and Management Company.

NIOX® is registered and reimbursed in all major markets and available in more than 50 countries via NIOX's international network of distribution partners.

Our business

NIOX VERO® is the market leading device for FeNO testing with more than 50 million FeNO tests sold to date.

NIOX® revenues in 2023 for clinical diagnosis and management of asthma were £32.6 million (2022: £26.2 million). Approximately 90% of these revenues are from recurring sales of consumables used for routine testing.

Revenues in 2023 from CROs were £4.2 million (2022: £5.1 million). A lower proportion of these revenues are from sales of consumables as clinical trial sales are for a defined time period and are typically on a one-time sale basis.

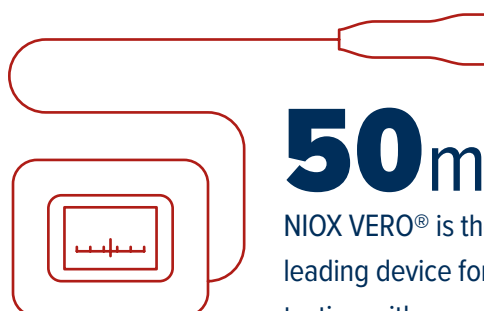
Principal challenges

Today the awareness and usage of FeNO testing and NIOX® amongst the respiratory specialist community is relatively high. The majority of asthmatics are under the care of Primary Care doctors, where the awareness and usage of FeNO is significantly lower than the specialist community. This means that there is huge untapped potential in the FeNO testing market. The primary challenge the NIOX business faces is to increase the awareness and usage of FeNO testing, specifically in the Primary Care customer group.

The Company continues to engage with respiratory professionals to promote the use of FeNO tests in new and under-served customer segments such as primary care settings and pharmacies, which provide a significant opportunity for the Group.

Conclusion

The Company's mission is to improve asthma diagnosis and management by greater patient access to FeNO testing. The Group has a robust strategy in place to expand the business and generate profitable growth from this large underserved market and has the financial resources to achieve its objectives.



50million
NIOX VERO® is the market leading device for FeNO testing with more than 50 million FeNO tests sold to date

Our engagement with shareholders

Section 172(1) Statement

NIOX believes that the success of the Company depends on positive engagement with its stakeholders. Reflecting this importance, the Board carefully considers the interests of its various stakeholder groups in its decision making. Through effective engagement, the Company aims to understand its stakeholders, allowing the Board to include issues that are important to each group in its discussions.

This approach to stakeholder engagement allows NIOX to continue supplying its important healthcare products to its patients and partners, providing high quality employment for colleagues, working effectively with suppliers, respecting the environment and local communities, maintaining high standards of professional conduct and building a sustainable, high value business for shareholders.

Section 172 requires that a director of a company should act in a way that he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole.

In setting strategy, the Board's decision making is focused around ensuring that the Company maintains a reputation for providing high quality services to its customers and the Group's financial performance is sustainable in the long term. The Board makes all decisions with the aim of maintaining the Company's reputation for high standards of business conduct.

The following table sets out NIOX's main stakeholders, the areas of its business relating to each and the Company's engagement on the important issues. While the table provides a comprehensive overview, a number of the areas covered and the progress during the year are explored in more detail in this Annual Report and accounts, in particular in the strategic report and corporate governance sections.

	Patients, healthcare professionals and payers	Distribution partners
STAKEHOLDERS	NIOX provides innovative products to help healthcare professionals around the world improve patients' health. The success of the Company's business is only possible by continuing to meet the high standards expected by these important customers.	In markets where NIOX has no direct presence, its success relies on partners who provide its products to local healthcare professionals.
KEY FACTORS	◆ Effective products ◆ High quality products ◆ Safe products ◆ Increasing the awareness and usage of FeNO testing ◆ Customer experience and support ◆ Providing value	◆ Partnership approach ◆ Promotional support ◆ Robust product supply
ENGAGEMENT	NIOX's products meet stringent regulatory requirements to ensure their safety and efficacy. The Company is increasing the awareness and usage of FeNO testing through high quality educational and awareness initiatives. The Company has dedicated teams of regulatory and quality experts supporting its product supply and provides a customer support service in the markets where it sells directly. NIOX prices its products to reflect the value they provide.	NIOX works with an international network of partners to sell its products. Through its dedicated partner team, the Company provides a range of promotional materials and commercial support, including an annual partnership meeting and holds regular updates to resolve any issues.
2023 PROGRESS	◆ FeNO guidelines in Germany state that FeNO is indispensable as a diagnostic tool. ◆ Blue Cross Blue Shield of Michigan stated that FeNO is now medically necessary. ◆ National FeNO impact report published by the NHS in England reinforcing the importance of FeNO testing. ◆ Further intensified both educational and promotional efforts to teach healthcare professionals of the importance of FeNO testing.	◆ New distribution partners welcomed in several countries including Vitalograph in the UK and US, Adapt in Bulgaria and DistaMED in Morocco.

STRATEGIC REPORT

Our stakeholders

	Employees	Suppliers
STAKEHOLDERS	NIOX's worldwide team of employees drives the Company's business forward. These colleagues provide the broad range of expertise required to build a successful business.	NIOX outsources a number of important functions to a range of suppliers. In particular, the Company's products are manufactured and distributed by third parties.
KEY FACTORS	◆ Opportunity to make a difference ◆ Open communication ◆ Development and progression ◆ Flexible working ◆ Diversity and inclusion	◆ Long-term partnerships ◆ Collaborative approach ◆ Fair terms of business
ENGAGEMENT	NIOX's employees are crucial to the ongoing provision of its important healthcare products and the whole team helps make a difference to patients' lives. The Company holds regular update meetings across the organisation and provides ongoing news updates and a regular newsletter for staff. NIOX supports ongoing development of employees with annual plans and individual targets. The Company operates local flexible working and has a clear diversity and equality policy ensuring recruitment and progression is based on merit alone.	NIOX has a number of long-term collaborations with third parties for the supply of its products. NIOX's supply chain team holds regular meetings with suppliers to ensure close working and treats its partners with respect and fairness.
2023 PROGRESS	◆ Local focus groups for employee feedback. ◆ Training on Code of Conduct and related policies, including diversity and equality. ◆ Annual development plans and flexible working policies implemented. ◆ Regular newsletter for staff.	◆ Long term supply agreement with ITG. ◆ Dedicated supply chain team in place. ◆ Ongoing meetings with suppliers. ◆ Payments on agreed terms.

Local communities and environment	Shareholders	
As a responsible business NIOX recognises the importance of local communities and the global environment to its success.	The support of the Company's shareholders is an important factor in building a strong, sustainable business. Shareholders also play a key role in monitoring and safeguarding NIOX's corporate governance.	STAKEHOLDERS
◆ Quality employer ◆ Contribution to science base ◆ Minimal environmental impact	◆ Strategy and business model ◆ Financial progress ◆ Clear communication	KEY FACTORS
NIOX provides high quality, well remunerated employment in each of its local markets. The Company adheres to high standards of professional conduct and enforces a strict code of conduct. NIOX contributes to science in its area of expertise, providing healthcare training in a number of countries, and supporting clinical research through the provision of its products. As a business focused on commercialisation, the Company has a limited environmental impact, which it endeavours to minimise through a number of initiatives such as local recycling and home working policies.	NIOX meets with shareholders throughout the year to outline its strategy and business plans and provides the market with regular updates on its commercial and financial progress, including via its interim and annual reports. The Company's Executive Chairman is available to meet shareholders and its Annual General Meeting provides all members with the opportunity to meet senior management.	ENGAGEMENT
◆ Broad range of quality employment. ◆ Asthma Masterclass training for health workers. ◆ Recycling maintained across organisation.	◆ Series of investor meetings. ◆ Annual shareholder meeting. ◆ Publication of business updates. ◆ Special dividend paid to shareholders.	2023 PROGRESS

STRATEGIC REPORT

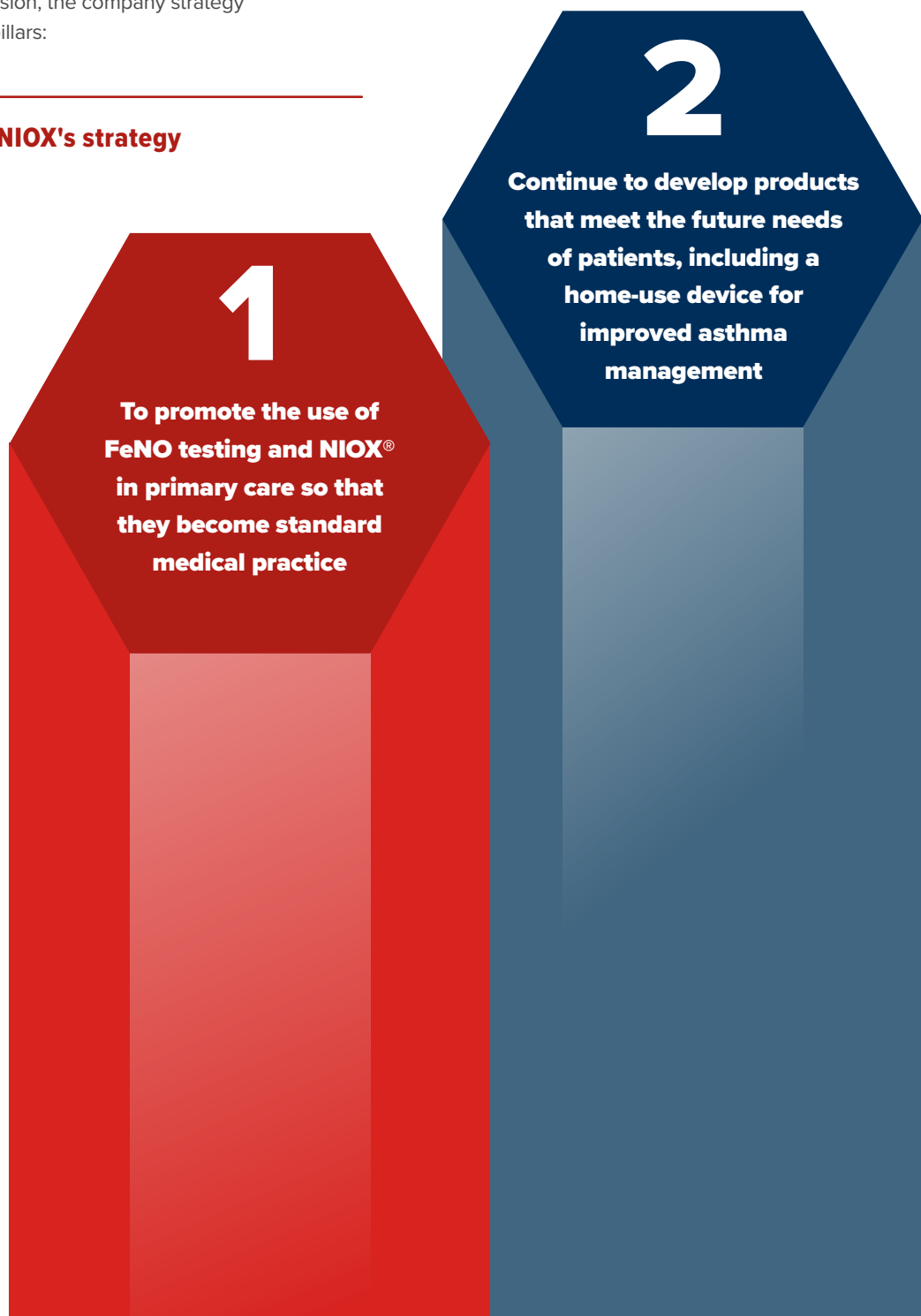
Strategy and business model

Strategy and objectives

The mission of NIOX Group plc is to improve asthma diagnosis and management by greater access to FeNO testing. The NIOX VERO® is the world-wide leading FeNO testing device.

To achieve this mission, the company strategy comprises of two pillars:

Two pillars of NIOX's strategy



Business model

To ensure maximum customer coverage and product availability in the 50 plus markets that NIOX® has regulatory approval, the Company has adopted a distributor led go-to market model.

To provide outstanding distributor and customer service, the Company engages specialist support to the distributor network in the areas of; product training, marketing, sales incentives, technical support, supply-chain, regulatory & quality and medical.

The Group has several strategic partners that are experts in product development, design and manufacturing.

NIOX® is available in over 50 countries



EUROPE

Albania
Austria
Belgium
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany

Greece
Hungary
Iceland
Ireland
Italy
Kosovo
Latvia
Liechtenstein
Lithuania
Luxembourg
Malta
Netherlands

Norway
Poland
Portugal
Romania
Slovakia
Slovenia
Spain
Sweden
Switzerland
Turkey
Ukraine
United Kingdom

AFRICA

Morocco
South Africa

MIDDLE EAST

Israel
Kuwait
United Arab Emirates
Saudi Arabia
Qatar

NORTH AMERICA

Canada
USA
Mexico

SOUTH AMERICA

Brazil
Chile

AUSTRALASIA

Australia
New Zealand

ASIA

China
Hong Kong
Japan
South Korea
Malaysia
Singapore
Taiwan
Thailand
India

This has been a year of continued growth for NIOX

The level of FeNO testing carried out by our customers increased, resulting in higher revenues and adjusted EBITDA, which the Group considers to be key KPI's.

Revenue

NIOX® revenues for the year were £36.8 million (2022: £31.3 million). NIOX® clinical revenue of £32.6 million (2022: £26.2 million) represents sales to physicians and hospitals for use in clinical practice and to the Company's distributors. NIOX® research revenue of £4.2 million (2022: £5.1 million) is from pharmaceutical companies and contract research organisations (CROs) for use in clinical studies.

A significant part of the growth in NIOX® revenues was attributable to an increase in testing volumes to more normal levels in Japan and China as COVID-19 related restrictions were removed in these countries. There was also good growth in Europe, in particular the UK and Germany, due to greater focus on increasing the awareness of FeNO testing.

Gross profit

Gross profit on NIOX® revenue was £26.5 million (2022: £22.2 million), with a gross margin of 72% (2022: 71%). Gross margin was higher than the prior period mainly due to product mix. In the year there was a greater proportion of higher margin test kit sales and a reduced proportion of lower margin, device heavy research sales.

Research and development

Research and development costs decreased to £2.3 million (2022: £3.2 million). Included in this category are, £0.2 million of Quality costs (2022: £0.3 million), £0.2 million of Regulatory costs (2022: £0.3 million), £0.1 million of Medical Affairs costs (2022: £0.3 million), £nil Device Development costs (2022: £0.4 million) and £1.8 million of depreciation and amortisation (2022: £1.9 million). The decrease in costs is mainly attributable to lower headcount, particularly in the Device Development department. The development of the new NIOX Pro® device has been outsourced to our manufacturing partner and the costs meeting the eligibility criteria will be capitalised. In the current year, £0.2 million was capitalised.

NIOX® revenues

▲ **£36.8m**

(2022: £31.3 million)

Adjusted EBITDA

▲ **£11.4m**

(2022: £7.3 million)

	2023 £m	2022 £m
Revenue	36.8	31.3
Cost of sales	(10.3)	(9.1)
Gross profit	26.5	22.2
Gross margin	72%	71%
Research and development costs	(2.3)	(3.2)
Sales and marketing costs	(11.2)	(9.7)
Administrative expenses	(8.4)	(7.5)
Adjusted EBITDA¹	11.4	7.3
Operating profit	4.6	1.8
Other (losses) and gains	(1.3)	0.4
Other income	0.2	8.3
Net finance income	0.6	-
Profit before tax	4.1	10.5
Taxation	5.4	3.6
Profit for the financial year from continuing operations	9.5	14.1
Profit for the financial year from discontinued operations ²	1.2	2.0
Profit for the financial year	10.7	16.1
Cash and cash equivalents	19.9	19.4

¹ Earnings before interest, tax, depreciation, amortisation and share option charge. Adjusted EBITDA reconciles to operating profit as shown on page 128.

² On 9 April 2020, the Group announced that the development and commercialisation agreement with AstraZeneca was terminating and as such the results of the COPD business are classified as a discontinued operation.

STRATEGIC REPORT

Financial review

Sales and marketing

Sales and marketing costs increased to £11.2 million (2022: £9.7 million). Costs were higher in the current year mainly on account of a strategic realignment in the US to unlock the full sales potential in both the clinical and research businesses, which has increased headcount. Additionally, global marketing activities are returning to normal levels following the COVID-19 pandemic.

Administrative expenditure

Administrative expenditure, which includes overheads relating to corporate functions, centrally managed support functions and corporate costs, increased to £8.4 million (2022: £7.5 million). This was mainly attributable to a higher share option charge.

Other income

Other income has decreased to £0.2 million (2022: £8.3 million). The current year figure includes £0.2 million (2022: £0.2 million) of sub-lease rental income relating to the Chicago office, which ends in February 2024. The prior year figure includes £8.1 million relating to the one-off recognition of the settlement consideration due from Beyond Air.

Taxation

Taxation for the year was a credit of £5.4 million (2022: £3.6 million). The deferred tax asset recognised in respect of carried trading losses increased due to improved expectations regarding future financial performance.



Earnings per share

Basic earnings per share for the year was 2.55p (2022: 3.84p) and diluted earnings per share for the year was 2.38p (2022: 3.63p) reflecting a profit after tax of £10.7 million (2022: £16.1 million). The decrease in reported earnings per share is largely due to the recognition of the full consideration due from Beyond Air in the prior year.

Excluding the impact of depreciation, amortisation, share option charge and the one-off Beyond Air consideration, adjusted basic earnings per share from continuing operations for the year was 3.87p (2022: 2.73p). See note 13 of the financial statements.

Basic earnings per share from continuing operations was 2.26p (2022: 3.36p) and diluted earnings per share for the year was 2.11p (2022: 3.19p) reflecting a profit from continuing operations for the financial year of £9.5 million (2022: £14.1 million).

Profit from discontinued operations

A profit of £1.2 million (2022: £2.0 million) was generated by discontinued operations in the year as the rebate and returns accrual was revised down based on claims received and forward-looking assumptions as to the value of claims expected to be received in future financial periods.

Statement of financial position

The Group's net assets at 31 December 2023 were £83.8 million (2022: £81.9 million).

Current liabilities at the end of the year were £7.2 million (2022: £9.2 million). The decrease is mainly due to lower trade payables, in particular lower accruals relating to discontinued operations, as £2.0 million of invoices were settled with AstraZeneca in the period.

Share premium reduced significantly to £0.1 million as at 31 December 2023 (2022: £640.3 million). During the year, a Capital Reduction Scheme was concluded by filing an order of the High Court with the Registrar of Companies. This resulted in the share premium of the Company being cancelled.

Other comprehensive expense

The Group's other comprehensive expense of £0.2 million (2022: £1.9 million) relates to exchange differences on the translation of foreign operations into British pound sterling.

The current year expense is mainly due to the strengthening of the British pound against the Swedish krona. It was offset by a £0.5 million (2022: £0.7 million) adjustment to record the net gain on foreign exchange translation on certain intercompany balances through other comprehensive income. During the year, a number of long-term intercompany balances were designated as being in the nature of long-term-investments and as such the associated foreign exchange translation gain was removed from the income statement.

Cash flow

The Group's cash position (including cash and cash equivalents) increased from £19.4 million at 31 December 2022 to £19.9 million at 31 December 2023.

Cash generated from operations during the year amounted to £11.7 million (2022: £6.9 million). Included in this was £2.0 million (2022: £nil) used in the COPD discontinued operations and £2.8 million (2022: £2.0 million) received from Beyond Air under the terms of the relevant settlement agreement.

A special dividend totalling £10.5 million (2022: £nil) was paid to shareholders.

Exchange differences on cash and cash equivalents arose as a result of translation of foreign currency balances at the beginning and end of the relevant period. The exchange loss for the year was £0.3 million (2022: £0.7 million gain).

Michael Roller
Chief Financial Officer
26 March 2024

The Board has responsibility for all matters relating to corporate social responsibility.

The directors recognise the importance of corporate social responsibility and seek to take account of the interests of all the Group's stakeholders, including its investors, customers, suppliers, partners, and employees. The Board believes that fostering an environment in which employees act in an ethical and socially responsible fashion is critical to its long-term success. The Group strives to be a good corporate citizen and respects the laws of the countries in which it operates.

People

Attracting, motivating and retaining a highly skilled workforce is key to the Group's long-term success. The policies put in place by the Group accord with best practice, and stipulate that there should be equal opportunities and an absence of discrimination for all employees.

Values

Our values, and the behaviours that underpin them, describe the culture of our business.

PASSION

Our passion for delivering products to improve patients' lives energises us to attain our goals.

RECOGNITION

We recognise and acknowledge the contribution of teams and individuals in achieving our goals.

INTEGRITY

We act with honesty and fairness at all times and always strive to do the right thing.

DRIVE

We set ambitious goals and go for them, believing this drives extraordinary behaviour.

EFFECTIVENESS

We understand key business drivers and manage our resources effectively.

Employee welfare and involvement

Employees are regularly provided with information about the Group, for example through regular 'open house' sessions at which the Executive Chairman and/or the Chief Operating Officer, and other members of the management team, present on various topics such as strategic and operational progress and employee-related policies. Feedback is frequently sought by line managers and the Executive Leadership Team through team meetings. Feedback is also provided through an annual employee engagement survey.

Employment, training, career development and promotion of disabled persons

The Board recognises the value of diversity at all levels of the Group. The Group has an Equal Treatment, Equal Opportunities and Diversity policy which extends to the Board. This provides that the Group will employ and promote employees on the basis of their abilities and qualifications without regard to age, disability, gender, marriage and civil partnership, pregnancy and maternity, race (including colour, nationality and ethnic or national origins), religion or belief or sexual orientation. The Group appoints, trains, develops and promotes on the basis of merit alone.

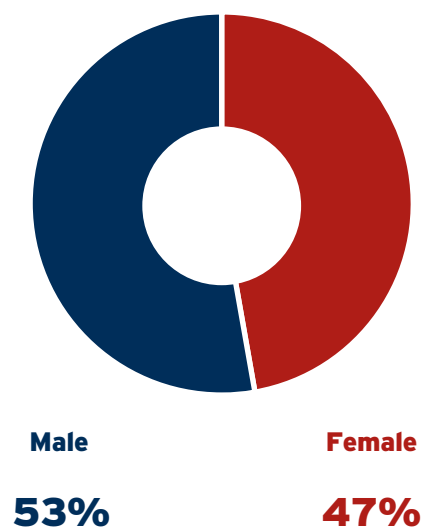
Health and safety

The Group is committed to protecting the health and safety of its employees and endeavours to maintain an effective health and safety culture.

The Group provides ongoing training to individuals who are responsible for health and safety and all staff are notified of health and safety practices. The Group continuously monitors its health and safety policy and practices to ensure they are robust, appropriate, and reflect changes in best practice.

Member	Male	Female	Total	% Male	% Female
Directors of NIOX Group plc	5	2	7	71%	29%
Senior managers of the Group (including directors of subsidiary undertakings)	5	3	8	62%	38%
All other employees of the Group	39	38	77	51%	49%
Total	49	43	92	53%	47%

TOTAL EMPLOYEES



Diversity

The importance of diversity within the Group is also reflected in its policies and procedures. The Group does not have formal diversity quotas but recognises that a diverse employee profile is of significant benefit.

The table above shows the gender profile at different levels of the Group as at 31 December 2023.

Ethics and compliance

The Group operates in a highly regulated ethical framework. It complies fully with applicable laws and regulations. The Group has clear policies, including an anti-bribery policy, which are maintained by the Compliance function.

The Group also has a strong whistleblowing policy and has established an Ethics and Compliance Hotline, which is available 24 hours a day, 7 days a week, to report potential violations of legal obligations and policies.

Sunshine Act and other similar legislation

The Group is committed to promoting transparency of its relationships with healthcare providers. It collects, tracks and reports payments to healthcare professionals and organisations in compliance with the US Physician Payment Sunshine Act and equivalent legislation in other countries such as France.

Human rights

The Group supports the UN Universal Declaration of Human Rights and recognises the obligation to promote universal respect for and observance of human rights and fundamental freedoms for all, without distinction. The Group complies with all applicable human rights laws.

Environment

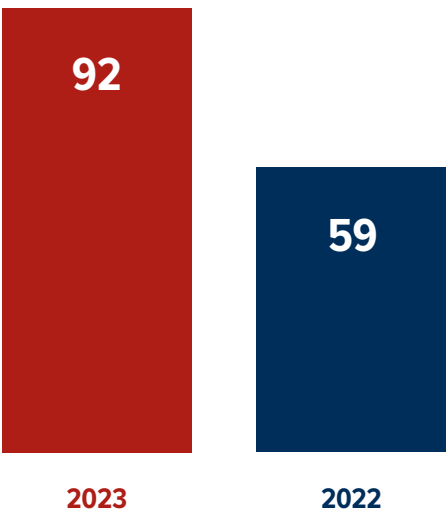
The Group is committed to minimising the impact of its activities on the environment.

The materials used to manufacture the NIOX® products are carefully considered to minimise their environmental impact whilst maintaining maximum functionality. The mouthpieces required to be used with the NIOX VERO® device are single use for hygiene reasons, and not currently recyclable. The development and use of recyclable mouthpieces in the NIOX Pro® was investigated but it is not presently possible.

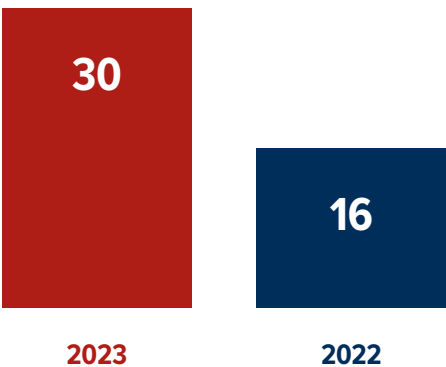
The majority of the Group’s employees operate out of modern office suites, although it also occupies laboratory space in Uppsala, Sweden and has warehouses in Uppsala, Sweden and Morrisville, USA. Accordingly, the Group believes that efficient use of energy and materials in those premises, and responsible disposal of hazardous waste, are the most important means of climate protection currently available to it. Office-based initiatives to reduce waste have also been adopted, which include recycling of paper waste, cans, plastics, batteries, and printer toners/ cartridges.

SCOPE 2 EMISSIONS

CO2 equivalent emissions - scope 2 (tonnes)



Intensity ratio (kg/m² of office space)



Greenhouse gas emissions

Greenhouse gas emissions are reported in line with the UK Government's 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' (dated March 2019). In line with the guidelines, the Group measures greenhouse gas emissions from its main activities categorised as scope 1, 2 and 3 emissions. The Group has no scope 1 direct emissions. Scope 2 comprises indirect emissions associated with the consumption of gas and electricity in leased offices. Scope 3 relates to other indirect emissions, which are outside the control of the Group and therefore cannot be practically measured. The reporting of such emissions is voluntary and has therefore been excluded from this report.

The Group considers that its current activities have a low environmental impact. Nonetheless, it still actively seeks to make energy savings in a fashion which is environmentally responsible and cost effective.

GHG emissions are reported in metric tonnes of carbon dioxide equivalents and calculated using the Defra conversion factors. In order to express annual emissions in relation to a quantifiable factor associated with the Group's business, an intensity ratio has been calculated which shows emissions reported per square metre of the office space occupied by the Group.

Emissions increased in 2023 as operations have returned to a more normal level following the COVID-19 pandemic. The Beijing office was closed during the year after ceasing operations. The impact of this, combined with a full year's effect of moving offices in the UK to smaller premises, has resulted in an increased intensity ratio.

Gas and electricity usage information has been obtained from purchase invoices and verified by reference to meter readings. Where actual data for all of the individual periods that make up the financial year are not available by the reporting date, the Group applies the use of estimates.

The majority of the Group's emissions are generated by the consumption of gas and electricity in leased offices. To ensure that the Group's energy efficiency is at the optimum level, the Group continually monitors the size and use of its offices in conjunction with headcount, and where possible, manages this by relocating to smaller premises.

Political and charitable donations

The Group does not make political or charitable donations, although charitable fundraising by employees is encouraged. All employees are permitted to take a day off as paid leave to pursue charitable initiatives of their own.

Modern slavery and human trafficking statement

The Group is committed to combatting slavery and human trafficking. As part of the initiative to identify and mitigate risks, due diligence is performed on potential suppliers and distributors.

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

The Group's distributors are required to sign a contract which stipulates compliance with NIOX's Partner Code of Conduct. This Code of Conduct requires that they comply with the Modern Slavery Act.

Whistleblowers, who can raise concerns anonymously through an externally provided reporting service, are protected. In addition, there are robust policies in place that ensure equality amongst colleagues, as well as deploying a zero-tolerance approach to harassment and bullying in all areas of the business.

Employees have access to an Ethics Hotline which provides them with a secure way of seeking advice and guidance concerning any issues regarding modern slavery or human trafficking which may be affecting them.

The management of risks is a key responsibility of the Board of Directors.

The Board ensures that the risks taken by the Group are understood and are appropriate in the light of its strategy and objectives, and that internal controls are in place to effectively identify, assess and manage important risks.

The Company is focused entirely on the sale of its NIOX® products, therefore all risks to the NIOX business are risks to the business as a whole.

The risk management strategy adopted by the Group has a number of facets. A risk register is updated annually by those individuals who manage risks on a day-to-day basis. This identifies the risks that may impact the business and assesses the likelihood of their occurrence. This process is coordinated by the Chief Financial Officer. The register is reviewed by the Executive Leadership Team and subsequently reviewed by the Audit and Risk Committee and reported to the Board.

The register sets out activities and controls which are designed to mitigate the identified risks. The Board and the Executive Leadership Team analyse these mitigation strategies and ensure that the approach taken is consistent with the nature and degree of risks which are considered acceptable by the Board. Risk owners across the business are responsible for reporting any significant issues on an ongoing basis to the Executive Leadership Team.

The risk management system is designed to manage risks, rather than eliminate them at the expense of achieving corporate objectives. Accordingly, it can only provide a reasonable and not an absolute assurance against material misstatement or loss.

The principal risks relevant to the Group have been identified on the following pages, together with an explanation of how they are mitigated. These are not listed in order of importance or potential impact. The Group considers these risks relevant to any decision to invest in it.

Cyber security

If the Group fails to sufficiently detect, monitor, or respond to cyber-attacks against its systems this may result in disruption of service, compromise of sensitive data, financial loss and reputational damage.

MITIGATING ACTIVITIES

The IT department continually monitors network traffic for suspicious activity and gathers intelligence on evolving cyber techniques, tactics, and capabilities.

All software, including anti-virus protection, is kept up to date to ensure that systems are reinforced with the latest security and operational patches to resolve the latest known exploits and vulnerabilities.

Multi-factor authentication has been implemented across the Group, which uses a third-party mobile phone to verify the identity of the user when logging into systems. Employees are continually educated about phishing attacks, and how to avoid them.

All critical data is backed-up, which can be rolled back to in case of a major incident.

The Group has cyber insurance. The insurer assists in dealing with the consequences of cyber-attacks as part of the service provided.

Supply chain

The Group relies on third parties for the supply of key materials, finished products and services, including shipping. Some materials may only be available from one source, and regulatory requirements may make substitution costly and time-consuming.

MITIGATING ACTIVITIES

Supply agreements are in place with all significant third-party suppliers and renegotiations of these contracts take place whilst there is still plenty of time remaining on the existing agreement so that supply is not disrupted. Dual sourcing is investigated where this is practicable.

To minimise disruption to the supply chain, the Group works closely with its suppliers and contract manufacturers to identify any components which are at risk and provide long range plans for procurement.

Commercial success

The Group's competitors, many of whom have considerably greater financial and human resources, may develop more effective products, launch similar products at a lower price or be able to compete more effectively in the markets targeted by the Group.

The Group may face issues selling its products if there is no payer coverage or inclusion of these products by health insurance schemes, or if large payers that currently cover FeNO testing shift to a negative coverage policy.

NIOX VERO® is currently the only FeNO measuring device approved and reimbursed in all major markets. Competition is fragmented and as a result, no one competitor competes with NIOX in all major markets.

The competitor devices do not provide results that are more accurate and reproducible and, in some cases, fall short of the performance of the NIOX VERO® providing NIOX with a competitive advantage.

MITIGATING ACTIVITIES

There are significant resources assigned to sales of the NIOX® device and the Group holds a patent portfolio associated with this product range.

There is continual investment in research and development to reduce the cost of materials to manufacture the products, and to enhance the products to include additional features and functionality that competitor devices do not have.

A market access strategy is proactively implemented to provide current research and data to payers to support FeNO testing to ensure continued reimbursement. Review dates are closely monitored and during the review process, clinical compendium and value propositions are provided by NIOX.

There is a secured market access team in place to implement proactive third-party payer strategy. The Group also works closely with Key Opinion Leaders to support discussions about FeNO health outcomes with payers.

STRATEGIC REPORT

Risks and risk management

Compliance with healthcare regulations

The Group must comply with complex regulations in relation to the marketing of its devices. These regulations are strictly enforced. Failure by the Group (or its commercial partners) to comply with relevant legislation and regulations in the countries in which it operates may result in criminal and civil proceedings against the Group.

MITIGATING ACTIVITIES

The Group has an internal Compliance function, which is managed by the Chief Financial Officer, with a direct reporting line to the Chair of the Audit and Risk Committee. Activities in this area are reviewed by the Executive Leadership Team on a regular basis. The Compliance function works with a network of external advisers in the relevant territories to ensure local regulations are understood. Robust processes are in place to ensure that sales compliance requirements are met, and any failures or allegations of failure are swiftly investigated. This includes training of employees, due diligence on distributors and suppliers prior to contracting with them and audits of distributors and suppliers.

Foreign exchange fluctuations

Foreign exchange fluctuations may adversely affect the Group's results and financial condition. The Group records its transactions and prepares its financial statements in British pound sterling, but a significant proportion of its income and expenditure is in United States dollar, Swedish krona, euro and Chinese yuan.

MITIGATING ACTIVITIES

Markets are constantly monitored, and forward purchases of foreign currencies are made when it is considered necessary to do so to mitigate specific foreign exchange risks. These hedged positions are reviewed regularly by the Chief Financial Officer.



Staff retention

Failure to attract, retain and develop people could lead to a lack of critical skills, knowledge and experience, which could hinder both daily operations and growth potential.

MITIGATING ACTIVITIES

NIOX's compensation programmes are competitive and are designed to incentivise performance and staff retention. Long term incentive plans, in the form of share options, are offered to key employees rewarding the achievement of longer-term objectives.

NIOX has robust internal communications and where possible development opportunities are created for high performing individuals.



The competitor devices do not provide results that are more accurate and reproducible and, in some cases, fall short of the performance of the NIOX VERO® providing NIOX with a competitive advantage.



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CORPORATE GOVERNANCE

Board of Directors



Ian Johnson

Executive Chairman

Ian Johnson joined NIOX as Executive Chairman on 5 December 2019.

Ian has spent his business career in life science and was founder and CEO of Biotrace International PLC, which was a listed company until its sale to 3M in December 2006. In addition to his current role as Executive Chairman of NIOX Group plc, Ian is also Senior Independent Director of Induction Healthcare Group plc.

Previous appointments include Executive Chairman of Bioquell PLC, non-executive Chairman of Redcentric plc, Quantum Pharma PLC, Cyprotex PLC and Celsis Group Ltd., Senior Independent Director of Clinigen plc and Non-Executive Director of Ergomed PLC. He has also served on the boards of various other public and private companies including AIM listed companies; Evans Analytical Group and AOI Medical Inc.

Ian studied at Cardiff University obtaining a B.Sc. and M.Sc. in Microbiology. He is a Chartered Biologist, a Fellow of the Royal Society of Biology and a member of the Institute of Directors.



Michael Roller

Chief Financial Officer

Michael Roller joined NIOX as Chief Financial Officer on 9 January 2020.

Michael is a highly experienced Finance Director and life sciences company director. He was previously a Non-Executive Director of Filtronic PLC and Group Finance Director of Bioquell PLC, Corin Group PLC and Genus PLC. In addition, Michael has held a number of senior finance roles in a broad range of public and private companies.

Michael completed his training at KPMG and is a Chartered Accountant and member of the Institute of Chartered Accountants in England and Wales. He graduated from Merton College, Oxford with a BA in History.



Jonathan Emms

Chief Operating Officer

Jonathan Emms joined NIOX as Chief Operating Officer on 2 September 2019.

Jonathan brings significant senior-level experience of the global pharmaceutical industry to NIOX. Prior to joining the Company, he was Chief Commercial Officer for Pfizer's Internal Medicines organisation, where he led commercial activities across the company's global operations.

Previously, he held a number of senior positions at Pfizer, including Head of Marketing for its Global Established Pharmaceutical Business and Head of Marketing for Specialty Care, Europe, and oversaw the UK launch of Spiriva® under the company's co-promotion agreement with Boehringer Ingelheim. He was also Country Manager in the UK, Pfizer's largest affiliate outside the United States, where he had responsibility for manufacturing, research and commercial operations and during his tenure was elected President of the Association of the British Pharmaceutical Industry (ABPI).

Prior to his time at Pfizer, Jonathan held several roles of increasing responsibility at GSK, where he gained significant respiratory experience, including leading the UK launch of Serevent® in COPD. He holds a BSc in Materials Technology from Coventry University, UK.



Garry Watts

Senior Independent Director and Non-Executive Director

Garry Watts was appointed to the Board as a Non-Executive Director and Senior Independent Director on 2 March 2020.

Garry brings to the Company extensive Board-level experience gained in the healthcare sector. He was a non-executive member of the Board of the UK Medicines and Healthcare Regulatory Products Agency for over 15 years. He was previously Non-Executive Director of Coca Cola Europacific Partners plc, Chair of Spire Healthcare Group plc, BTG plc, and Foxtons plc, CEO of SSL International plc, Finance Director at Medeva plc and a Director of Celltech Group plc.

Garry is a Chartered Accountant and former partner at KPMG and is a fellow of the Institute of Chartered Accountants in England and Wales.

CORPORATE GOVERNANCE

Board of Directors



Jo LeCouilliard Non-Executive Director

Jo LeCouilliard joined NIOX as an Independent Non-Executive Director on 8 February 2018.

Jo has 25 years' healthcare management experience gained in Europe, the US and Asia. Much of her career has been in pharmaceuticals at GlaxoSmithKline where, amongst other roles, she headed the US vaccines business and Asia Pacific Pharmaceuticals business and led a program to modernise the commercial model. She was previously Chief Operating Officer at the BMI group of private hospitals in the UK. She was a Non-Executive Director at Alliance Pharma PLC, Frimley Park NHS Foundation Trust in the UK, Cello Health PLC and at the Duke NUS Medical School in Singapore.

Jo is currently a Non-Executive Director at Indivior PLC, and at the Italian listed pharmaceutical company, Recordati S.p.a. She is a graduate of Cambridge University and a Chartered Accountant.



Sharon Curran Non-Executive Director

Sharon Curran joined NIOX as an Independent Non-Executive Director on 8 February 2018.

Sharon brings to the Company extensive commercial and launch experience in pharmaceuticals and devices across Europe, US, Asia and emerging markets. Sharon has held numerous senior operational and strategic roles at Eli Lilly, Abbott and most recently as VP Global Marketing and Commercial Operations at AbbVie (US) leading their global specialty franchise and development of global commercial and launch capabilities.

She is also currently a Non-Executive Director with MorphoSys AG and Spinnaker TopCo Limited/Norgine.

Sharon holds an Executive MSc in Business Administration from Trinity College Dublin, BSc in Biotechnology from Dublin City University, and is a qualified Chartered Director.



Nicholas Mills

Non-Executive Director

Nicholas Mills joined NIOX as a Non-Independent Non-Executive Director on 13 November 2020.

Nicholas joined Harwood Capital LLP in 2019 after spending 5 years at Gabelli Asset Management in New York and currently acts as a fund manager. At Gabelli, he acted primarily as a Research Analyst covering the multi-industrial space and gained experience in Merger Arbitrage strategies and marketing Closed End Funds. He has a Bachelor of Science Degree from Boston College's Carroll School of Management.

He is currently a Non-Executive Director with Trifast plc and Hargreaves Services plc.

CORPORATE GOVERNANCE

Corporate governance report

Dear shareholders,

On behalf of the Board, I am pleased to present NIOX's corporate governance report for the year ended 31 December 2023.

High standards of corporate governance are fundamental to our business and are implemented and supported through appropriate internal policies and procedures. The responsibility for ensuring this framework is effective lies with the Board, and we are constantly striving to improve standards while building a successful company. As Chair, it is my role to oversee the adoption, delivery and communication of the Company's corporate governance model.

During the year there have been no key governance related matters, or any changes in governance arrangements.

Ian Johnson
Executive Chairman
26 March 2024

Corporate Governance Statement

Statement of Compliance with the Quoted Companies Alliance (QCA) Corporate Governance Code

The NIOX Group adopts the QCA Corporate Governance Code (the "Code") and confirms that it is fully compliant. This report follows the structure of these guidelines and explains how the guidance has been applied.

1) Establish a strategy and business model which promotes long-term value for shareholders

NIOX's values are stated within the corporate social responsibility report on page 28 and the Group's strategy and business model are explained in detail in the strategic report on page 22.

2) Seek to understand and meet shareholder needs and expectations

The Executive Chairman is responsible for ensuring regular and effective communication with shareholders, brokers and analysts. Shareholders are engaged through regular

reporting on the London Stock Exchange, regulatory announcements through the Company's website and by direct contact. Meetings between major shareholders and the Executive Directors take place throughout the year. The Executive Chairman and other directors are available to meet with major shareholders on request.

The Executive Chairman, the Chief Operating Officer and the Chief Financial Officer give presentations to institutional investors and analysts after both the full year and interim results, as well as on an ad hoc basis at other times.

The Annual General Meeting ('AGM') provides an excellent opportunity for all shareholders to meet Board members and ask about the proposed resolutions and the business in general.

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

NIOX is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Group's employees, partners, suppliers and regulatory authorities. This is discussed further in the section 172(1) statement on page 18.

The Group's operations and working methodologies balance the needs of all stakeholder groups while maintaining focus on the Board's primary responsibility, to promote the success of the Group for the benefit of its members.

The Group endeavours to take account of feedback received from stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's longer-term strategy.

The Group takes appropriate account of any impact that its activities may have on the environment and seeks to minimise this impact wherever possible. Through the various procedures and systems it operates, the Group ensures full compliance with health and safety and environmental legislation relevant to its activities.

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

NIOX's principal risks and a description of the risk

management system is outlined in the strategic report on page 32. The system is designed to manage risks, not to eliminate them completely, and can only provide a reasonable degree of assurance against material misstatement or loss. Inherent in the concept of reasonable assurance is the recognition that the cost of a control procedure should not exceed its anticipated benefits.

The Audit and Risk Committee reviews the Group's risks and mitigating actions on an annual basis and makes recommendations to the Board where improvements are required. The efficacy of control systems is reviewed by the full Board as required by the Code.

The Board confirms that it has conducted a review of the Group's risk management and internal controls systems, including financial, operational and compliance controls and has found them to be effective.

5) Maintain the Board as a well-functioning, balanced team led by the chair

The role of the Board: The Board is responsible for the leadership and long-term success of the business. It has a schedule of matters which are reserved for its review. These include the review and approval of strategic plans, financial statements and budgets, financing, acquisitions and disposals, major capital expenditure, dividend policy, making key risk decisions, monitoring risks and compliance, monitoring health, safety and environmental performance, and executive remuneration and appointments.

Roles and responsibilities: The Board currently comprises the Executive Chairman, two Executive Directors, the Senior Independent Director, two Independent Non-Executive Directors and a third Non-Executive Director who is the representative of a major shareholder and is not considered to be independent. The biographies of the current members of the Board are set out on pages 38 to 41 of this report.

The Executive Directors have direct responsibility for the business operations of the Group. The Non-Executive Directors, by virtue of their wide range of industry experience and skills, bring an informed view to the decision-making process.

The Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties. The Executive Directors are full time employees of the Company.

The Board is supported by three committees (the Audit and Risk Committee; the Nomination Committee; and the Remuneration Committee) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.

Executive Chairman: The Executive Chairman is responsible for the day-to-day management of the Group, for implementing the strategy, which has been reviewed and approved by the Board, and for the leadership of the Board and its effectiveness by ensuring that:

- ◆ the agenda for meetings is appropriate and the Board is provided with the information it needs for high quality decision making in a timely fashion;
- ◆ the Board plays a full and constructive role in shaping the strategy of the Group;
- ◆ the Board environment is productive and utilises the skills and experience of all members;
- ◆ the Board complies with the appropriate standards of corporate governance;
- ◆ the Committees are properly structured and resourced;
- ◆ the performance of the Board, its Committees, and individual directors is evaluated each year; and
- ◆ there is effective communication with shareholders, brokers, and analysts.

Non-Executive Directors: The role of the Non-Executive Directors, and of the Committees of which they are members, is to scrutinise the performance of management, satisfy themselves that the financial and risk control mechanisms are robust, and determine appropriate levels of executive pay. They have wide ranging experience of industry and bring their judgement to bear in the decision-making process of the Board. Their seniority and range of skills ensure that no one individual can dominate this process.

Senior Independent Director: The role of the Senior Independent Director (the "SID") is to act as an intermediary between the Executive Chairman and the other Directors, and if necessary, working with the relevant parties to resolve significant issues to maintain effectiveness and stability. He provides an internal sounding board for the Executive Chairman, providing support in the delivery of objectives. The SID leads the annual evaluation process

CORPORATE GOVERNANCE

Corporate governance report

and seeks to be independent in all matters. He is available to shareholders if they have concerns that cannot be addressed through normal channels.

Company Secretary: The role of the Company Secretary is to ensure the efficient administration of the Company, particularly regarding ensuring compliance with statutory and regulatory requirements, and for ensuring that decisions of the Board of Directors are implemented.

Independence: The Board considers itself to be sufficiently independent. The Code suggests that a board should have at least two independent Non-Executive Directors. As at the date of signing this report, there are four Non-Executive Directors (including the Senior Independent Director), three of whom are deemed to be independent.

Board meetings: The Board aims to meet at least six times during the year and directors are expected to attend all meetings. Additional meetings may be arranged where urgent matters arise. Board meetings may be held by video conference, telephone, or in person as appropriate.

The table below sets out the attendance of the directors, while they were Board members, at scheduled meetings which occurred during the year to 31 December 2023.

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

The directors believe that the Board, taken as a whole, is diverse and has sufficient expertise and a variety of complementary skills for the Company to operate and develop its business satisfactorily. See the diversity section of the corporate social responsibility report showing the gender profile of the Board of Directors. The current Board, although holders of suitably sufficient skill levels in the areas of the business, are always looking to improve and further their knowledge of the industry. All directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the directors in advance of meetings by the Company Secretary.

	Committee Memberships	Independent status	Board	Nomination Committee	Audit and Risk Committee	Remuneration Committee
Executive Directors						
Ian Johnson	n/a	n/a	6 (6)	1 (1) ¹	3 (3) ¹	3 (3) ¹
Michael Roller	n/a	n/a	6 (6)	1 (1) ¹	3 (3) ¹	3 (3) ¹
Jonathan Emms	n/a	n/a	6 (6)	-	-	3 (3) ¹
Non-Executive Directors						
Garry Watts	N(Chair), A, R	Yes	6 (6)	1 (1)	3 (3)	3 (3)
Jo LeCouilliard	N, A(Chair), R	Yes	6 (6)	1 (1)	3 (3)	3 (3)
Sharon Curran	N, A, R(Chair)	Yes	6 (6)	1 (1)	3 (3)	3 (3)
Nicholas Mills	n/a	No	5 (6)	-	-	-

N = Nomination Committee

R = Remuneration Committee

A = Audit and Risk Committee

Figures in brackets represent the total number of meetings occurring during the year when the director was in office.

¹By invitation.

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

Formal Board evaluations are carried out once a year, and informal evaluations are carried out as required throughout the year. The formal evaluation commences with the circulation of a written questionnaire which is prepared by the Company Secretary. This invites directors to rate and comment on the performance of the Board in several areas, including:

- ◆ the conduct of Board meetings;
- ◆ the standard and timeliness of information;
- ◆ the balance of skills of the members of the Board;
- ◆ the roles and responsibilities of individual directors; and
- ◆ compliance with good corporate governance practices.

A detailed, anonymised analysis of these responses is then prepared by the Company Secretary and reviewed and discussed by the Board. Responses are then debated, and any actions required are agreed.

The most recent Board evaluation concluded that the Board was operating effectively. The survey identified a bias in Non-Executive Director experience to pharmaceuticals rather than diagnostic devices. The Board agreed that this would inform future decisions as Non-Executive Directors retire from the Board. It was also noted that Professor Kjell Alving, who was appointed as Scientific Advisor to the Board in the prior year, provides significant knowledge in this area.

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

The Board is committed to promoting a strong ethical and values driven culture throughout the Company. This helps guide decision-making at all levels of the business. The Board aims to lead by example and do what is in the best interests of the Group, its stakeholders and shareholders.

The Executive Directors strive to act in a manner which is professional and ethical. They review and approve the Group's policies that have been implemented, which includes but is not limited to the code of conduct, policies on diversity and inclusion, the prevention of bribery and corruption, conflicts of interest and anti-slavery.

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

Board programme: The Board sets direction for the Company through a formal schedule of matters reserved for its decision. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting and Board and Committee papers are distributed by the Company Secretary several days before the meetings take place.

Any director may challenge Company proposals and decisions are taken after full discussion. Any director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all directors. Any specific actions arising from such meetings are agreed to by the Board or relevant Committee and then followed up.

Board Committees: The Board has three Committees to which it delegates specific responsibilities; the Audit and Risk Committee; the Nomination Committee; and the Remuneration Committee. The reports of these Committees and details of their composition form part of the corporate governance report. Each Committee has full terms of reference which have been approved by the Board and appear on the Group's website. These terms of reference are reviewed as required. The Board provides the Committees with sufficient resources, including access to external advisers, as may be required to fulfil their roles.

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

The Executive Chairman, the Chief Operating Officer and the Chief Financial Officer regularly meet with investors after results announcements have been made and at other times upon request. The presentations used at these meetings are made available on the Group's website under the investors section. They also meet regularly with the Group's Nominated Adviser and brokers and discuss any shareholder feedback and the Board is briefed accordingly.

It is company policy that all directors attend the AGM and engage both formally and informally with shareholders during and after the meeting. The results of voting at the AGM are communicated to shareholders via RNS and on the Group's website.

CORPORATE GOVERNANCE

Audit and Risk Committee report

Dear shareholders,

On behalf of the Board, I am pleased to present the Audit and Risk Committee report for the year ended 31 December 2023.

The Committee plays a key role in the governance of the Group's financial reporting, risk management and the external audit.

This report sets out how the Committee has discharged its responsibilities under the Quoted Companies Alliance Code (the "Code").

Jo LeCouilliard
Chair of the Audit and Risk Committee
26 March 2024

Responsibilities

The Audit and Risk Committee's terms of reference include the following responsibilities:

- ♦ Monitoring the integrity of the Company's financial statements and any other formal announcements relating to the Company's financial performance.
- ♦ Annually considering the need for an internal audit function.
- ♦ Reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration the relevant UK professional and regulatory requirements and the relationship with the auditors, including the provision of any non-audit services.
- ♦ Making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditors and approving the remuneration and terms of engagement of the external auditors.
- ♦ Reviewing the adequacy and effectiveness of the Company's internal financial controls and the Group's internal control and risk management systems.
- ♦ Ensuring that the Company has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.

If necessary, the Committee may appoint external accounting and legal advisers to assist it with its work.

The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required. The terms of reference are available on the Company's website.

Membership

The names of the members of the Committee, their dates of appointment and the number of meetings attended during the year are set out in the table below:

Member	Date appointed	Meetings attended (held)
J LeCouilliard (Chair of the Committee) ¹	30 May 2018	3 (3)
S Curran	30 May 2018	3 (3)
G Watts	2 March 2020	3 (3)

¹ Ms Jo LeCouilliard became Chair of the Committee on 4 February 2019.

The Company Secretary acts as the Secretary to the Committee.

The Executive Chairman, Chief Financial Officer and Chief Operating Officer may attend meetings by invitation.

The Committee meets with the external auditors at least once a year in the absence of management.

The Board considers that the members of the Committee are independent and collectively have the skills and experience required to discharge their duties effectively.

Ms Jo LeCouilliard, Chair of the Audit and Risk Committee, is a Chartered Accountant and a member of the Institute of Chartered Accountants in England and Wales. The Board considers that she has recent and relevant experience which enables her to understand the risks facing the business, be able to challenge the financial position and performance of the Company and make recommendations to the Board.

Matters considered

A summary of the matters considered by the Committee since the last financial statements is shown in the table below and explained in further detail in the subsequent text:

Area of review	Activities undertaken
Financial reporting	◆ Review of the interim and full year results. ◆ Consideration of whether the Annual Report and accounts is fair, balanced and understandable. ◆ Review of the external auditors' report for the full year results. ◆ Review of significant accounting matters, including judgements and estimates (see right). ◆ Review of anticipated changes in accounting standards and their impact. ◆ Review of the going concern basis of preparation of the financial statements.
External auditors	◆ Review of the external auditors' independence. ◆ Review of the external auditors' compliance with ethical and professional guidance on audit partner rotation. ◆ Assessment of the effectiveness of the audit process. ◆ Recommendation to the Board regarding reappointment of the external auditors.
Risk management and internal control	◆ Review of risk and risk management systems, which are outlined on page 32. ◆ Review of internal controls and the whistleblowing policy. ◆ Review of compliance activities.

Significant accounting matters

The following key areas of risk and critical accounting estimates have been identified and considered by the Audit and Risk Committee in relation to the business activities and financial statements of the Group:

- ◆ Recoverability of deferred tax asset for carried-forward tax losses;
- ◆ Recoverability of goodwill and intangible assets; and
- ◆ Recoverability of investments in subsidiaries and intercompany receivables.

The Audit and Risk Committee have considered the measurement of the discontinued COPD rebate and returns accrual and, considering the level of claims received in the year and expectations regarding the value of claims to be received in future periods, have concluded that it does not constitute a critical accounting estimate at the balance sheet date.

Recoverability of deferred tax asset for carried-forward tax losses

The deferred tax asset includes an amount of £23.8 million (2022: £18.4 million) which relates to carried-forward tax losses of Circassia AB (previously known as Aerocrine AB). These losses were generated before the company was acquired by NIOX Group plc.

Management have concluded that the deferred tax asset will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary.

The subsidiary has generated taxable income from the year ended 2017 and is expected to continue doing so for at least the next five years. The losses can be carried forward indefinitely and have no expiry date.

Recoverability of goodwill and intangible assets

In line with IAS 36 Impairment of Assets, the carrying value of each cash generating unit (CGU) including the allocated goodwill was tested for impairment. Impairment assessments were performed at the NIOX® CGU level and at an individual intangible asset level.

CORPORATE GOVERNANCE

Audit and Risk Committee report

During 2023, the NIOX® business continued its recovery following the COVID-19 pandemic. If the Group's sales are significantly lower than forecast, this could result in an impairment of the related goodwill and intangible assets.

Detailed impairment assessments were performed, and the directors concluded that no impairment was required to the NIOX® CGU as the recoverable amount of the CGU was greater than the carrying value of the assets held. See notes 16 and 17 for further details.

Recoverability of investments in subsidiaries and intercompany receivables

In line with IAS 36 Impairment of Assets, the carrying value of each investment held by NIOX Group plc in its subsidiaries was tested for impairment.

The directors concluded that a £40.0 million reduction to the provision against investments was required as the most recent forecasts show higher rates of expected recoverability due to the improved financial performance. See note 18 for further details.

In line with IFRS 9, the carrying value of intercompany receivable balances owed to NIOX Group plc by its subsidiaries was assessed measuring expected credit losses by using a range of probability weighted scenarios for the recoverability of the balances.

The directors concluded that no provision was required as the most recent forecasts show that all intercompany balances are recoverable. See notes 2 and 20 for further details.

Risk management and internal control

The Board has overall responsibility for the review of the Group's risk management framework and the level of risk which is acceptable in order to achieve its strategic objectives. The Committee, on behalf of the Board, undertakes the detailed monitoring of the risk management framework and system of internal controls and reports to the Board on their suitability and efficacy annually.

In order to discharge its duties in this respect, the Committee receives and reviews reports from the Group's management team.

The Committee continues to assess what is an acceptable level of risk in key areas and the best

strategy for mitigating those risks given the cost and time constraints which exist.

During the year, as is required by the Code, the Committee performed a detailed assessment of the principal risks faced by the Group and how these are managed and mitigated. An annual review of the effectiveness of the Group's monitoring and review systems was carried out at the December Committee meeting. The risk and risk management report can be found on page 32.

Whistleblowing

A confidential whistleblowing procedure exists to enable employees to raise concerns regarding possible improprieties in relation to financial or other matters.

This procedure has been communicated to all staff. Reports can be made through an online tool, or a telephone helpline operated by a third-party provider.

The Committee has reviewed these arrangements and is satisfied that the current procedure allows for proportionate and independent investigation of such disclosures and for appropriate follow up actions to be taken. In accordance with the current policy, concerned employees may raise matters directly with the Compliance team or directly with the Chair of the Audit and Risk Committee.

Anti-corruption and anti-bribery

The Group has an anti-corruption and anti-bribery policy which has been communicated to all staff. This policy ensures full compliance with the UK Bribery Act 2010, the US Foreign Corrupt Practices Act and other major anti-corruption legislation. The policy extends to carrying out due diligence on new key business partners who are judged to be acting on behalf of the Group in high-risk areas.

Internal audit

This year, the Committee considered again whether there is a need for an internal audit function and concluded that, given the scale of operations at this time, it is not currently necessary, but this decision will be kept under review.

Internal assurance is received through the thorough review of monthly management accounts, combined with periodic reviews of overseas accounting functions. This does not

affect the work of the external auditors.

The Board accepted this recommendation.

External auditors

Effectiveness

The effectiveness of the external audit process is reviewed annually by the Committee. This review encompasses an examination of the independence, qualifications, capabilities and remuneration of the auditors. If issues are identified which may affect the effectiveness of the process, then actions will be agreed. No such issues were identified in the financial year or up to the date of this report.

At the end of the audit for the year ended 31 December 2023, the Committee formally evaluated the performance of the external auditors, RSM.

To conduct this evaluation, the Committee assesses the robustness of the audit process, quality of its delivery, quality of reporting and quality of the individuals and service. The Committee takes into account the quality of its interactions with the auditors in forming a view on their effectiveness.

Independence

The Group's external auditors, RSM, are engaged to express their opinion on the Group's and the Company's financial statements.

The Committee is responsible for reviewing the independence and objectivity of the external auditors. Each year the external auditors confirm their policies for ensuring their independence and provide the Committee with written confirmation that they continue to be independent.

The Committee pays careful regard to whether non-audit work is carried out by the auditors to ensure that the provision of such additional services does not impair their independence or objectivity.

A formal process exists for approving the use of the auditors for non-audit work. The auditors should not be appointed to provide non-audit services which might put the auditors in the position of auditing their own work or create a mutual interest between the Group and the auditors or result in the auditors acting as an

advocate, manager, or employee of the Group.

The total fees paid to the auditors are shown in note 10 of the financial statements. During the year, the Group did not make any payments to the Group's auditors, RSM, in respect of any non-audit services.

In summary, the Committee confirms that the Group has received an independent audit service in the year to 31 December 2023 and up to the date of this report.

Audit partner rotation

RSM adheres to a rotation policy which complies with the ethical standards of the Financial Reporting Council and the audit partner is rotated every five years. Andrew Williams, the current audit partner, was appointed for the year ending 31 December 2023 and is not due for rotation until after the completion of the audit for the year ending 31 December 2027.

Tendering

RSM were appointed as the Company's auditor during the year ended 31 December 2022 following an audit tender process. The Committee is actively monitoring developments arising from the EU audit reform framework and the Competition and Markets Authority. In view of these developments, the Committee anticipates that the audit will be put out to tender at least every ten years.

Jo LeCouilliard

Chair of the Audit and Risk Committee

26 March 2024

CORPORATE GOVERNANCE

Nomination Committee report

Dear shareholders,

On behalf of the Board, I am pleased to present the Nomination Committee report for the year ended 31 December 2023.

The role of the Committee is to keep the structure, size and composition of the Board and its Committees under review. Our primary objective is to match the skills, knowledge and experience of directors with NIOX's business strategy in order to optimise Board performance, manage risk effectively and foster innovation in the business.

There were no changes to the composition of the Board during 2023.

A summary of the key activities performed by the Committee during the year is set out right.

Garry Watts

Chair of the Nomination Committee
26 March 2024

Responsibilities

The Committee is responsible for considering the composition and efficacy of the Board as a whole and for making recommendations as appropriate to ensure that the Group can perform effectively now and in the future. The Committee also plans for the orderly succession of directors to the Board and recommends to the Board the membership and chairmanship of the Audit and Risk Committee and the Remuneration Committee.

The full terms of reference of the Nomination Committee can be found on the website.

Membership

The names of the members of the Committee, their dates of appointment and the number of meetings attended during the year are set out in the table below:

Member	Date appointed	Meetings attended (held)
G Watts (Chair of the Committee)	2 March 2020 ¹	1 (1)
J LeCouilliard	30 May 2018	1 (1)
S Curran	5 December 2019	1 (1)

¹ Mr Garry Watts became Chair of the Committee on 17 June 2020.

The Company Secretary acts as Secretary to the Committee.

The Executive Chairman, Chief Financial Officer and Senior Vice President of Global Human Resources may be invited to attend meetings where this may assist the Committee in fulfilling its responsibilities.

The Committee is empowered to obtain external professional advice to assist in the performance of its duties. However, during the year the Committee did not require any external services.

Primary responsibilities

In accordance with its terms of reference, the **Nomination Committee's primary responsibilities include:**

- ◆ leading the process for Board appointments and making recommendations to the Board.
- ◆ regularly reviewing the Board structure, size and composition (including skills, knowledge, independence, experience and diversity) and making recommendations for further recruitment to the Board or proposing changes to the existing Board.
- ◆ considering plans for orderly succession for appointments to the Board and to senior management to maintain an appropriate balance of skills and experience within the Company and to ensure progressive refreshing of the Board.
- ◆ keeping under review the leadership needs of the Group, both executive and non-executive, to ensure the organisation competes efficiently in the marketplace.
- ◆ being responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Committee activities during the year

The principal activities during the year were:

- ◆ **Performance evaluation:** The effectiveness of the Board and its committees was reviewed as part of the Board's performance evaluation process which was carried out during the final quarter of the year under review. This evaluation concluded that the Board and its committees were operating effectively
- ◆ **Reviewing Board composition:** The Committee met during the year to discuss the Board's size and composition. Following its deliberations, the Nomination Committee concluded that the composition of the Board was adequate for the status of the Company.

The performance evaluation identified a bias in Non-Executive Director experience to pharmaceuticals rather than diagnostic devices. The Board agreed that this would inform future decisions as Non-Executive Directors retire from the Board. It was also noted that Professor Kjell Alving, who was appointed as Scientific Advisor to the Board in the prior year, provides significant knowledge in this area.

- ◆ **Succession planning:** The Committee continued to focus on succession planning arrangements at both board and executive level. The Committee concluded that the company is too small to have formal succession plans in place for all senior members, however there are informal plans in place for Board members and key employees, and the Committee considers that there is available cover for any member of the Board should he or she be unable to perform their duties for any reason.

CORPORATE GOVERNANCE

Remuneration Committee report

Dear shareholders,

On behalf of the Board, I am pleased to present NIOX's Remuneration Committee report for the year ended 31 December 2023. This report complies with the regime set out in the Quoted Companies Alliance Corporate Governance Code (the "Code").

The Committee has a duty to establish a remuneration policy which will enable it to attract and retain individuals of the highest calibre to run the Group. Its policy is to ensure that the remuneration packages of Executive Directors are appropriate given performance, scale of responsibility and experience.

The remuneration policy aims to reward the Executive Directors for performance, and for delivery of shareholder value judged against transparent and demanding criteria. The policy is consistent with NIOX's current vision, strategy, risk appetite, culture and philosophy. Remuneration packages are structured to motivate executives to achieve the highest level of performance in line with the best interests of shareholders.

The Company, being quoted on AIM, is not required to produce a comprehensive directors' remuneration report or to submit a remuneration policy to a binding vote. However, the Company is mindful of the changes in reporting requirements of the Code which will come into force for financial years starting on or after 1 April 2024.

During the year, our remuneration advisers undertook a review of the current remuneration policy for Executive and Non-Executive Directors, benchmarking total remuneration against similar companies, and provided recommended changes to the policy.

As a result of this review, the Committee agreed that there would be no changes to the base salaries of the Executive Directors, however, the structure of their annual bonus has been updated.

The previous policy stated that the annual bonus was to be paid in shares, with 50% of any award being deferred for two years. The benchmarking exercise found that it was market practice among AIM companies to award bonuses in cash with no deferral as a bonus is a short-term incentive, and long-term incentives are awarded in the form of share options.

Accordingly, the current policy has been revised so that any bonus for the 2023 financial year will continue to be paid in shares, with 25% of the shares being issued immediately and 75% deferred for two years, other than for the sale of shares to satisfy any tax liability created on grant. This change to policy was applied retrospectively from 1 January 2022, and the bonus for the 2022 financial year which was awarded to Executive Directors in March 2023 has been adjusted appropriately to reflect those changes.

From 1 January 2025, i.e., starting with bonus awards for the 2024 financial year, the annual bonus will be paid entirely in cash, with no deferral.

There have been no further substantial changes to the remuneration policy.

We have engaged with and consulted our principal shareholders on these policy changes. I am grateful to those with whom we have engaged for their support, and for their constructive and positive responses.

The Committee will continue its shareholder engagement programme and will consult with our principal shareholders on future material changes in policy.

Sharon Curran

Chair of the Remuneration Committee

26 March 2024

Directors' remuneration report

The policy will be presented at the AGM on 22 May 2024 for an advisory shareholder vote and will be expected to remain in force until the AGM in 2027. This is in line with the QCA Corporate Governance Code which comes into effect for financial years starting on or after 1 April 2024. The Committee has consulted the Company's principal shareholders on its proposals for which it has received a strong positive response.

Remuneration philosophy

The potential levels of remuneration have been set so that they are competitive against those comparator companies with which the Group will compete for talented individuals.

The Committee's goal is to design and implement a remuneration policy which will support and reward Executive Directors for delivering the Group's strategic objectives and ultimately create value for shareholders, whilst adhering to good corporate governance and reflecting best practice.

The Committee annually reviews the operation of the variable incentive plans to ensure they are operating within an acceptable risk profile and that they do not inadvertently encourage any economic, social or governance issues.

Remuneration policy

The total remuneration for each Executive Director is made up of the following elements:

- ◆ Salary;
- ◆ Benefits;
- ◆ Annual bonus;
- ◆ Long-term incentive awards (Performance Share Plan); and
- ◆ Pension.

Recovery and withholding provisions will apply to the bonus and long-term incentive arrangements in specific circumstances as determined appropriate by the Remuneration Committee.

CORPORATE GOVERNANCE

Remuneration Committee report

Remuneration policy		
	Salary	Benefits
Purpose and link to strategy	Provides fixed remuneration in line with market rates that reflects the responsibilities of the role undertaken and the experience of the individual.	Provides market competitive, yet cost-effective employment benefits and helps attract and retain key executives.
Operation	Set at an approximately mid-market level and reviewed annually taking into account individual responsibilities, performance, inflation, and market rates. The Committee will also consider the pay and employment conditions in the wider workforce when determining Executive Directors' salaries. Salary increases are normally effective from 1 January each year. Salaries are periodically benchmarked against a relevant peer group of UK listed companies with similar market capitalisation and operations.	For Executive Directors this includes private medical insurance and life insurance. Other employment benefits may be provided from time to time on similar terms as those of other employees. The Committee may provide additional benefits, where appropriate in the individual's circumstances (for example, relocation costs).
Maximum potential value	The current base salaries are set out in the annual report on remuneration. There is no formal maximum limit, but increases are generally in line with those of the wider workforce. Larger increases may be permitted to reflect a change in responsibilities or a significant increase in the scale or complexity of the role.	There is no formal maximum limit as the value of insured benefits will vary from year to year based on the cost from third-party providers.
Performance metrics	The overall performance of the individual and Company is a key determinant for salary increases.	None.

Annual bonus	Performance share plan (PSP)	Pension
To incentivise and recognise execution of the business strategy and personal objectives on an annual basis.	To align the interests of management with shareholder interests and to enhance retention of staff. To incentivise and recognise achievement of longer-term business objectives and sustained superior shareholder value creation.	To provide a competitive and cost-effective level of retirement provision.
The Executive Directors' bonus is based on the achievement of group corporate objectives, which are issued at the first Board meeting of each year. The objectives are reviewed annually by the Remuneration Committee in consultation with the Executive Directors. Bonuses are paid in shares, with 25% of the shares issued immediately and 75% deferred for two years, other than for the sale of shares to satisfy any tax liability created on grant. Bonuses paid after 1 January 2025 will be paid entirely in cash and there will be no deferral. Malus and clawback provisions apply.	Conditional awards or options from the Performance Share Plan are granted annually. The awards vest provided certain performance conditions, which have been approved by the Board, are achieved over a period of at least three years. Awards have an additional holding period of two years other than for the sale of shares to satisfy any tax liability created on exercise. Performance targets are set at the start of each performance period. Malus and clawback provisions apply.	Executive Directors are eligible to join a defined contribution pension scheme. Alternatively, a cash supplement (or a combination of contribution and cash) can be made.
The maximum payable for all Executive Directors is 100% of salary. 25% of salary is payable at "Threshold", 50% of salary is payable at "Target" and 100% of salary is payable at "Over-performance". This is designed to encourage above-target growth.	Annual awards of up to 150% of salary each year are granted to Executive Directors. The Committee may make an award of up to 300% of salary in exceptional circumstances (for example, if necessary to recruit an additional Executive Director). The Committee has discretion to make adjustments upwards and downwards to ensure the value of vested awards is consistent with the underlying performance of the business. Awards vest subject to share price and vest as follows 33% at "Threshold", 66% at "Target" and 100% at "Over-performance". Shares vest three years from grant date with a two-year holding period other than for the sale of shares to satisfy any tax liability created on exercise. Any other proposed awards are to be notified to the Remuneration Committee for consideration.	The maximum contribution, cash supplement (or combination thereof) payable by the Company is 10% of salary.
Group corporate objectives are set at the start of the year by the Board.	Performance metrics are issued by the Remuneration Committee at time of grant of the awards.	None.

CORPORATE GOVERNANCE

Remuneration Committee report

Annual report on remuneration

This section describes the remuneration outcomes for the Executive Directors for the year ended 31 December 2023 in accordance with the remuneration policy applicable to that year.

Members of the Remuneration Committee

The names of the members of the Remuneration Committee, their dates of appointment, and the number of meetings attended during the year are set out in the table below:

Member	Date appointed	Meetings attended (held)
S Curran (Chair of the Committee) ¹	30 May 2018	3 (3)
J LeCouilliard	30 May 2018	3 (3)
G Watts	2 March 2020	3 (3)

¹ Ms Sharon Curran became Chair of the Committee on 4 February 2019.

All members are independent and therefore the Committee complied with the requirements of the Code that all members of the Remuneration Committee are to be Independent Non-Executive Directors.

No director participates in discussions about his or her own remuneration. No external advisors have been used by the Remuneration Committee to materially assist the Committee with their decisions.

Single total figure of remuneration for each director

The table below shows the remuneration for each person who has served as a director of NIOX Group plc at any time during the year:

Year ended 31 December 2023	Salary and fees £'000	Pension ¹ £'000	Benefits £'000	Bonus ² £'000	Long-term incentives ³ £'000	Total £'000
Executive Directors						
Ian Johnson	309	31	-	309	179	828
Michael Roller	240	24	3	240	151	658
Jonathan Emms	309	31	3	309	1,880	2,532
Non-Executive Directors						
Jo LeCouilliard	70	-	-	-	-	70
Sharon Curran	70	-	-	-	-	70
Garry Watts	74	-	-	-	-	74
Nicholas Mills	47	-	-	-	-	47
Total	1,119	86	6	858	2,210	4,279

¹ Cash payment in lieu of a pension contribution.

² Relates to bonus achieved in relation to the 2023 financial year which will be awarded in shares, with 25% issued after the approval of this annual report, and the remaining 75% deferred for two years, other than for the sale of shares to satisfy any tax liability created on grant.

³ The amount shown relates to the gain, being the market value on date of vesting, less exercise price, on share option awards that vested during the year.

Year ended 31 December 2022	Salary and fees ¹ £'000	Pension £'000	Benefits ² £'000	Bonus ³ £'000	Total £'000
Executive Directors					
Ian Johnson	310	31	-	212	553
Michael Roller ⁴	228	24	1	164	417
Jonathan Emms	309	27	2	212	550
Non-Executive Directors					
Jo LeCouilliard	70	-	-	-	70
Sharon Curran	70	-	-	-	70
Garry Watts	74	-	-	-	74
Nicholas Mills	47	-	-	-	47
Total	1,108	82	3	588	1,781

¹ Includes £10,000 per annum expenses allowance for Ian Johnson and Michael Roller, which was waived from 1 February 2022.

² Cash payment in lieu of a pension contribution.

³ Relates to bonus achieved in relation to the 2022 financial year which will be awarded in shares, with 25% issued on 28 March 2023, and the remaining 75% deferred for two years, other than for the sale of shares to satisfy any tax liability created on grant.

⁴ Salary includes a deduction of £13,200 for unpaid leave.

Annual bonus for the year

Performance objectives are agreed by the Remuneration Committee in the previous year. The Remuneration Committee determines at the beginning of the year following the bonus year, the extent to which the objective has been achieved and the proportion of the bonus earned. The bonus is calculated on base salary.

For the year ended 31 December 2023, Executive Directors could earn bonuses up to a maximum of 100% of base salary, with 100% only payable for over-performance. The bonus achievement for the Executive Directors is as follows:

		Bonus pay-out achievable			Bonus achieved %
		Threshold (£m)	On target (£m)	Over-performance (£m)	
Corporate objectives	Weighting	25%	50%	100%	
Objective 1: Revenue ¹	70%	33.7	35.5	38.0	70%
Objective 2: Adjusted EBITDA	30%	7.4	7.8	8.3	30%
					100%

¹ retranslated at constant exchange rates

The bonus is paid in shares with 25% of shares issued following the date of approval of this annual report and 75% deferred for two years, other than for the sale of shares to satisfy any tax liability created on grant.

CORPORATE GOVERNANCE

Remuneration Committee report

Gain on exercise of share options

The amount shown below relates to the gain, being the market value on date of exercise, less exercise price, on share option awards that were exercised during the year.

Executive Director	Scheme	Number of options exercised	Exercise price per share (pence)	Exercise date	Market value per share at exercise date (pence)	Gain £'000
I Johnson	2022 DBSP	227,597	0.08	28-Mar-23	45.10	102
M Roller	2022 DBSP	176,774	0.08	28-Mar-23	45.10	80
J Emms	2022 DBSP	227,597	0.08	28-Mar-23	45.10	102

The Executive Directors exercised and sold a number of share options granted under the 2022 DSBP scheme to satisfy the tax liability created on grant.

Scheme interests awarded to directors during the financial year

Executive Director	Plan	Type of award	Share price at date of grant (pence)	Number of shares over which award was granted	% of shares granted that vest at threshold performance	Face value of shares over which award originally granted £'000
I Johnson	PSP	Nominal cost option	45.10	996,775	33.00%	450
	DSBP	Bonus issued in shares	45.10	318,636	100.00%	144
	DSBP	Deferred bonus	45.10	136,558	100.00%	62
M Roller	PSP	Nominal cost option	45.10	774,194	33.00%	349
	DSBP	Bonus issued in shares	45.10	254,555	100.00%	115
	DSBP	Deferred bonus	45.10	98,994	100.00%	45
J Emms	PSP	Nominal cost option	45.10	996,775	33.00%	450
	DSBP	Bonus issued in shares	45.10	327,740	100.00%	148
	DSBP	Deferred bonus	45.10	127,454	100.00%	57

Awards made under the Performance Share Plan ("PSP") are nominal cost share options. The options vest three years from the date of grant and are subject to an additional two-year holding period other than for the sale of shares to satisfy any tax liability created on exercise. Malus and clawback provisions apply.

Awards made under the Deferred Share Bonus Plan ("DSBP") are in respect of the previous financial year's bonus. This bonus was paid in shares, with 25% of the shares issued on the approval of the previous year's annual report and 75% were deferred for two years, other than for the sale of shares to satisfy any tax liability created on grant. There are no further vesting criteria attached to these awards other than the passage of time.

Gain on vesting of share options

The amount shown below relates to the gain, being the market value on date of vesting, less exercise price, on share option awards that vested during the year.

Executive Director	Scheme	Number of options granted	Number of options vested	% of shares vested	Exercise price per share (pence)	Vesting date	Market value per share at vesting date (pence)	Gain £'000
I Johnson	2022 DBSP	318,636	318,636	100.00%	0.08	28-Mar-23	45.10	143
	2020 SAYE	81,781	81,781	100.00%	22.01	21-Aug-23	66.00	36
M Roller	2022 DBSP	254,555	254,555	100.00%	0.08	28-Mar-23	45.10	115
	2020 SAYE	81,781	81,781	100.00%	22.01	21-Aug-23	66.00	36
J Emms	2022 DBSP	327,740	327,740	100.00%	0.08	28-Mar-23	45.10	148
	2020 PSP	2,479,339	2,479,339	100.00%	0.08	14-Aug-23	68.50	1,696
	2020 SAYE	81,781	81,781	100.00%	22.01	21-Aug-23	66.00	36

Payments to past directors

No payments to past directors were made during the financial year.

Payments to directors for loss of office

There were no payments to directors for loss of office during the financial year.

Statement of directors' shareholding and share interests

The following table shows the number of shares beneficially owned by the directors who served during the financial year which are not subject to any restrictions on transfer or to forfeiture. The value of the shareholding is calculated using the higher of the share price on 31 December 2023 (67p) and the acquisition price of the shares.

	Shares beneficially owned as at 31 December 2023	Value of owned shares as a % of salary
Executive Directors		
I Johnson	709,820	154%
M Roller	500,122	140%
J Emms	710,086	154%
Non-Executive Directors		
G Watts	477,340	n/a
N Mills	130,000	n/a

CORPORATE GOVERNANCE

Remuneration Committee report

Plan	Date of grant	Awards and options held as at 1 January 2023	Awards and options granted during year	Awards and options exercised during year	Awards and options held at 31 December 2023	
I Johnson						
2019 PSP	19-Dec 2019	4,322,767	-	-	4,322,767	
2019 PSP	01-May 2020	1,677,233	-	-	1,677,233	
2020 SAYE	21-Aug 2020	81,781	-	-	81,781	
2022 PSP ¹	11-Apr 2022	1,331,897	-	-	1,331,897	
2022 DSBP	28-Mar 2023	-	318,636	(227,597)	91,039	
2022 DSBP ²	28-Mar 2023	-	136,558	-	136,558	
2023 PSP ¹	28-Mar 2023	-	996,775	-	996,775	
Total		7,413,678	1,451,969	(227,597)	8,638,050	
M Roller						
2019 PSP	01-May 2020	4,000,000	-	-	4,000,000	
2020 SAYE	21-Aug 2020	81,781	-	-	81,781	
2022 PSP ¹	11-Apr 2022	1,034,483	-	-	1,034,483	
2022 DSBP	28-Mar 2023	-	254,555	(176,774)	77,781	
2022 DSBP ²	28-Mar 2023	-	98,994	-	98,994	
2023 PSP ¹	28-Mar 2023	-	774,194	-	774,194	
Total		5,116,264	1,127,743	(176,774)	6,067,233	
J Emms						
2019 PSP ¹	01-May 2020	1,128,966	-	-	1,128,966	
2020 PSP ¹	13-Aug 2020	2,479,339	-	-	2,479,339	
2020 SAYE	21-Aug 2020	81,781	-	-	81,781	
2022 PSP ¹	11-Apr 2022	1,331,897	-	-	1,331,897	
2022 DSBP	28-Mar 2023	-	327,740	(227,597)	100,143	
2022 DSBP ²	28-Mar 2023	-	127,454	-	127,454	
2023 PSP ¹	28-Mar 2023	-	996,775	-	996,775	
Total		5,021,983	1,451,969	(227,597)	6,246,355	

	Vested during the year	Vested as at year end	Unvested as at year end	Exercise price (pence)	Date from which first exercisable	Expiry date
	-	-	4,322,767	nil	01-May 2025	19-Dec 2029
	-	-	1,677,233	nil	01-May 2025	19-Dec 2029
	81,781	81,781	-	22.01	21-Aug 2023	1-Apr 2024
	-	-	1,331,897	0.08	11-Apr 2025	11-Apr 2032
	318,636	91,039	-	0.08	28-Mar 2023	28-Mar 2033
	-	-	136,558	0.08	28-Mar 2025	28-Mar 2033
	-	-	996,775	0.08	28-Mar 2026	28-Mar 2033
	400,417	172,820	8,465,230			
	-	-	4,000,000	nil	01-May 2025	01-May 2030
	81,781	81,781	-	22.01	21-Aug 2023	1-Apr 2024
	-	-	1,034,483	0.08	11-Apr 2025	11-Apr 2032
	254,555	77,781	-	0.08	28-Mar 2023	28-Mar 2033
	-	-	98,994	0.08	28-Mar 2025	28-Mar 2033
	-	-	774,194	0.08	28-Mar 2026	28-Mar 2033
	336,336	159,562	5,907,671			
	-	-	1,128,966	0.08	01-May 2025	01-May 2030
	2,479,339	2,479,339	-	0.08	14-Aug 2023	13-Aug 2030
	81,781	81,781	-	22.01	21-Aug 2023	1-Apr 2024
	-	-	1,331,897	0.08	11-Apr 2025	11-Apr 2032
	327,740	100,143	-	0.08	28-Mar 2023	28-Mar 2033
	-	-	127,454	0.08	28-Mar 2025	28-Mar 2033
	-	-	996,775	0.08	28-Mar 2026	28-Mar 2033
	2,888,860	2,661,263	3,585,092			

¹ Share options have an additional holding period of two years after the date from which first exercisable, other than for the sale of shares to satisfy any tax liability created on exercise.

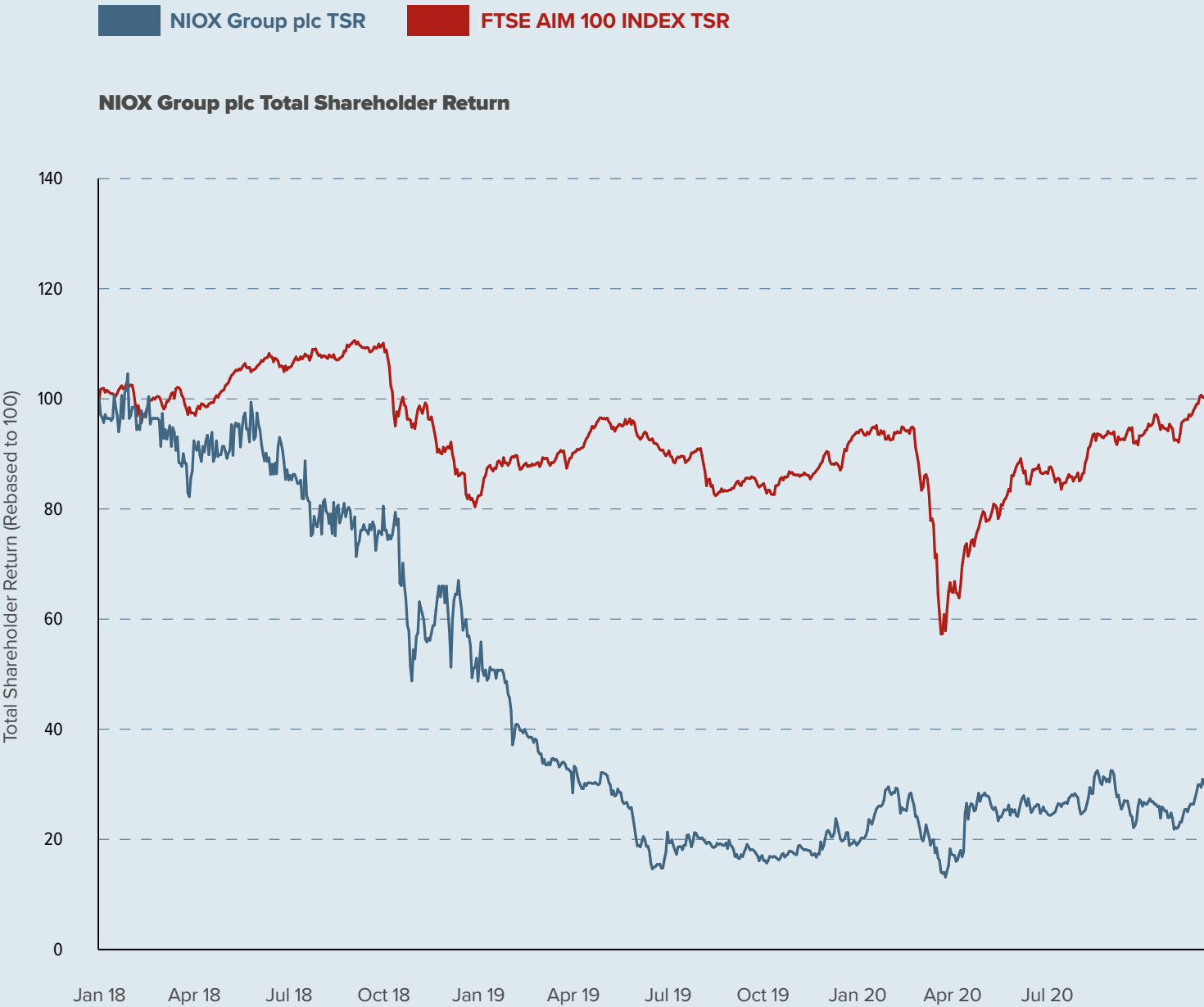
² Share options granted under the DSBP scheme are deferred for two years, other than for the sale of shares to satisfy any tax liability created on grant.

CORPORATE GOVERNANCE

Remuneration Committee report

Performance graph

The performance of the Company’s ordinary shares compared with the FTSE AIM 100 (the “Index”) for the period from 1 January 2018 to 31 December 2023 is shown in the graph below:





CORPORATE GOVERNANCE

Remuneration Committee report

Annual percentage change in remuneration of directors and employees

There was no change to the salaries of the Executive Directors between 31 December 2022 and 31 December 2023, whilst there was on average a 5% increase for employees.

Chief Executive Officer's remuneration

The table below shows the total remuneration of the director undertaking the role of the Chief Executive Officer during the previous six financial years.

The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance during those years and excludes payments for loss of office. The annual bonus and PSP percentages show the amount paid out for each year as a percentage of the maximum.

Relative importance of spend on pay

The table below shows the expenditure by the Company on remuneration paid to all employees of the Group and distributions to shareholders for the financial year.

	2023 £m	2022 £m
Overall expenditure on pay	12.4	10.9
Dividend	10.5	-

Statement of voting at general meeting

The remuneration report was approved by shareholders at the AGM with the following votes cast for and against:

Voting results at AGM	For (%)	Against (%)	Withheld (votes)
2022 AGM on 18 May 2023	93.76	6.24	17,988,576
2021 AGM on 12 May 2022	99.47	0.53	2,750

		2023	2022	2021	2020	2019	2018
I Johnson	(£'000)	828	553	303	310	12	-
S Harris	(£'000)	-	-	-	-	649	669
Total remuneration	(£'000)	828	553	303	310	661	669
Percentage change in total remuneration from the preceding financial year	(%)	173.3%	83.0%	(2.3%)	(53.1%)	(1.2%)	(18.9%)
Bonus awarded	(%)	100.0%	68.5%	-	-	25.0%	40.0%
LTIP vesting	(%)	100.0%	-	-	-	37.5%	20.0%

Directors' remuneration

The remuneration packages for the Executive Directors were determined in 2021 by the Remuneration Committee in consultation with and with support from the principal shareholders in the Company.

As shown below, each package includes a base salary and participation in the Company's equity, in the form of share options. Copies of service contracts and letters of appointment are available for inspection at the registered office.

Details of the service contracts currently in place for directors are as follows:

Statement of implementation of remuneration policy in the following financial year

The Committee considered the base salaries for Executive Directors and confirmed that there would be no changes.

Shareholder approval

The annual report on remuneration will be the subject of an advisory vote at the AGM on 22 May 2024.

Approval

This report was approved by the Board on 26 March 2024 and signed on its behalf by:

Sharon Curran

Chair of the Remuneration Committee

Name	Role	Executive service agreement appointment date	Key current terms	Notice period
Ian Johnson	Executive Chairman	5 December 2019	£309,000 base salary 10% pension ¹ Death in service Private health	Six months
Michael Roller	Chief Financial Officer	9 January 2020	£240,000 base salary 10% pension ¹ Death in service Private health	Six months
Jonathan Emms	Chief Operating Officer	2 September 2019	£309,000 base salary 10% pension ¹ Death in service Private health	Six months

¹ Cash payment in lieu of a pension contribution.

Name	Roles				Non-Executive terms of appointment date	Fee	Notice period
	Board	Nomination Committee	Remuneration Committee	Audit and Risk Committee			
Jo LeCouilliard	NED	M	M	C	8 February 2018	£69,685	Three months
Sharon Curran	NED	M	C	M	8 February 2018	£69,685	Three months
Garry Watts	SID	C	M	M	2 March 2020	£74,165	Three months
Nicholas Mills	NED	-	-	-	13 November 2020	£47,225	Three months

(NED = Non-Executive Director, SID = Senior Independent Director, C = Chair of Committee, M = Member of Committee)

CORPORATE GOVERNANCE

Directors' report

Directors' report

The directors present their Annual Report, together with the audited financial statements of the Company and the Group, for the year ended 31 December 2023.

Information included elsewhere

The table below sets out the location of information required to be disclosed in the directors' report which can be found in other sections of this Annual Report and is incorporated by reference:

Subject matter	Page reference
Future developments	16 to 17
Other stakeholder engagement statement	18 to 21
Employee involvement	28
Streamlined energy and carbon reporting	31
General information (note 1)	87
Financial risk management (note 2)	95
Post balance sheet events (note 35)	127

Corporate governance

The Company's statement on corporate governance can be found in the corporate governance report on pages 42 to 45. The corporate governance report forms part of this directors' report and is incorporated into it by cross-reference.

Dividends

The Board declared a special dividend of 2.5 pence per share (2022: nil), which was paid to shareholders on 15 September 2023.

The directors are recommending a final dividend of 1 pence per share (2022: nil) which, subject to shareholders' approval at the AGM on 22 May 2024, will be paid on 24 June 2024 to shareholders on the register at close of business on 24 May 2024.

Directors and directors' interests

Details of the directors who held office during the financial year ended 31 December 2023 and as at the date of this report can be found on pages 38 to 41.

The beneficial interests of the directors and their connected persons in the ordinary share capital of the Company, together with the interests of the Executive Directors in share options and awards of shares as at 31 December 2023, and as at the date of this report are disclosed in the remuneration report on pages 59 to 61.

Details of the Executive Directors' service contracts and letters of appointment for Non-Executive Directors can be found in the remuneration report on page 65.

All directors put themselves forward for annual re-election at the Company's AGM, with the exception of Jo LeCouilliard, who will not offer herself for re-election at the forthcoming AGM.

Directors' indemnities

The Company has maintained insurance cover for its directors and officers under a Directors' and Officers' Liability Policy. Qualifying third-party indemnity was in force during the financial year and at the date this report was approved.

The directors may exercise their powers pursuant to the Articles of Association, the Companies Act 2006 and related legislation, and any resolution of the shareholders. The Articles are available for review at the registered office.

Treasury shares

On 28 March 2023, the 48,693 ordinary shares held by the Circassia Pharmaceuticals plc Employee Benefit Trust (the "Trust") were transferred out to partially satisfy the share awards made to the Executive Directors in respect of their 2022 bonuses.

On 28 April 2023, a Deed of Termination was signed finalising the closure of the Trust.

Going concern

The financial statements have been prepared on a going concern basis. The budget and five-year plan are prepared on a bottom-up basis and presented to the Board each year for review and approval. The directors have reviewed the current and projected financial position of the Company considering existing cash balances and available financial facilities. As further discussed on page 87, the directors have modelled downside scenarios and have not identified any material uncertainties to the Group's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date of approval of the financial statements.

Employment and environment

The Company's policies on health and safety, the environment, and employee-related matters are disclosed in the report on corporate social responsibility.

Research and development activities

The research and development activities of the Group relate to the ongoing development of its NIOX® products.

Political and charitable donations

There were no charitable or political donations in the year to 31 December 2023 (2022: none).

Disclosure of information to auditors

The auditors, RSM UK Audit LLP ("RSM"), have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the AGM.

The directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps a director ought to have taken to make themselves aware of relevant audit information and to establish that the auditors are aware of that information.

Annual General Meeting (AGM)

The AGM will be held at the offices of NIOX Group plc on 22 May 2024 at 11:00am. Details of the business to be transacted at the forthcoming AGM will be given in a separate circular to shareholders.

Corporate governance

The Company's statement on corporate governance can be found in the corporate governance report on pages 42 to 45 of these financial statements. The corporate governance report forms part of this directors' report and is incorporated into it by cross-reference.

By order of the Board

Sarah Duncan
Company Secretary
26 March 2024

CORPORATE GOVERNANCE

Statement of directors' responsibilities

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the group and company financial statements in accordance with UK-adopted International Accounting Standards.

The group and company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

- a.** select suitable accounting policies and then apply them consistently;
- b.** make judgements and accounting estimates that are reasonable and prudent;
- c.** state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d.** prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

By order of the Board

Sarah Duncan
Company Secretary
26 March 2024

CORPORATE GOVERNANCE

Independent auditors' report

Independent auditor's report to the members of NIOX Group plc

Opinion

We have audited the financial statements of NIOX Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the consolidated statement of comprehensive income, consolidated and Parent Company statements of financial position, consolidated and Parent Company statements of cash flows, consolidated and Parent Company statements of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- ◆ the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- ◆ the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- ◆ the Parent Company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- ◆ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group and Parent Company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Summary of our audit approach

	Group	Parent Company
Key audit matters	Recoverability of deferred tax assets	Impairment of investments in subsidiaries
Materiality	- Overall materiality: £401,000 (2022: £278,000) - Performance materiality: £300,000 (2022: £194,600)	- Overall materiality: £934,500 (2022: £731,000) - Performance materiality: £700,000 (2022: £511,000)
Scope	Our audit procedures covered 83% of revenue, 99% of total assets and 90% of adjusted EBITDA.	

CORPORATE GOVERNANCE

Independent auditors' report

Key audit matter

Recoverability of deferred tax assets (Group)

Refer to the accounting policy on page 91, together with critical judgements and estimates in applying the Group's accounting policies on page 88.

A deferred tax asset of £23.8 million (2022: £18.4 million) was recognised in the consolidated statement of financial position as at 31 December 2023 in respect of carried forward trading losses in Circassia AB, the Swedish subsidiary undertaking.

A deferred tax asset has also been recognised in respect of brought forward losses in NIOX Inc., the US subsidiary undertaking, up to the value of the deferred tax liability which arises on the intangible assets. No further losses have been recognised.

The Group's recognition and recoverability of deferred tax assets is significant to the audit because the amounts are material and there are judgements and estimates in relation to future taxable profits.

How the matter was addressed in the audit

We obtained support in respect of the availability of taxable profits in Sweden and the US with assistance from local tax specialists.

We have assessed the forecasted taxable profits utilised in management's realisability assessment by comparing them to historical actual profits and confirmed they are consistent with evidence obtained from other areas of our audit including our impairment procedures.

We also reviewed the consistency and adequacy of the disclosures in this area.

Key audit matter

Impairment of investments in subsidiaries (Parent Company)

Refer to the accounting policy on page 93, together with critical judgements and estimates in applying the Parent Company's accounting policies on page 88.

The carrying values of the investments in subsidiaries and receivables due from subsidiary undertakings are £174.9 million (2022: £132.5 million).

The key estimate is whether the carrying values of the investments in subsidiaries are supported by the forecast future cash flows of the subsidiary undertakings.

Given the size of the associated balance and the sensitivity of the valuation to the key assumptions, this was identified as a key audit matter.

How the matter was addressed in the audit

We challenged the key assumptions used in the determination of the value in use of the investments, including:

- ◆ **Forecast trading results including growth:**
We challenged the forecasts based on management's historical forecasting accuracy and actual growth rates achieved, external economic and industry data and evidence obtained from other areas of our audit.
- ◆ **Discount rate:** We challenged the discount rate using our own independently determined rate as determined by our internal valuation experts.

We confirmed the net impairment reversal of £40.0 million recognised in relation to the investments in subsidiaries had been calculated correctly.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures.

When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent Company
Overall materiality	£401,000 (2022: £278,000)	£934,500 (2022: £731,000)
Basis for determining overall materiality	3.5% of Adjusted EBITDA (2022: 4% of Adjusted EBITDA)	0.5% of total assets (2022: 0.5% of total assets)
Rationale for benchmark applied	Adjusted EBITDA is deemed to be primary performance measure for the users of the financial statements to review the financial performance of the Group.	Total assets is considered to be the most appropriate benchmark for the holding company.
Performance materiality	£300,000 (2022: £194,600)	£700,000 (2022: £511,000)
Basis for determining performance materiality	75% (2022: 70%) of overall materiality	75% (2022: 70%) of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £20,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £46,725 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

CORPORATE GOVERNANCE

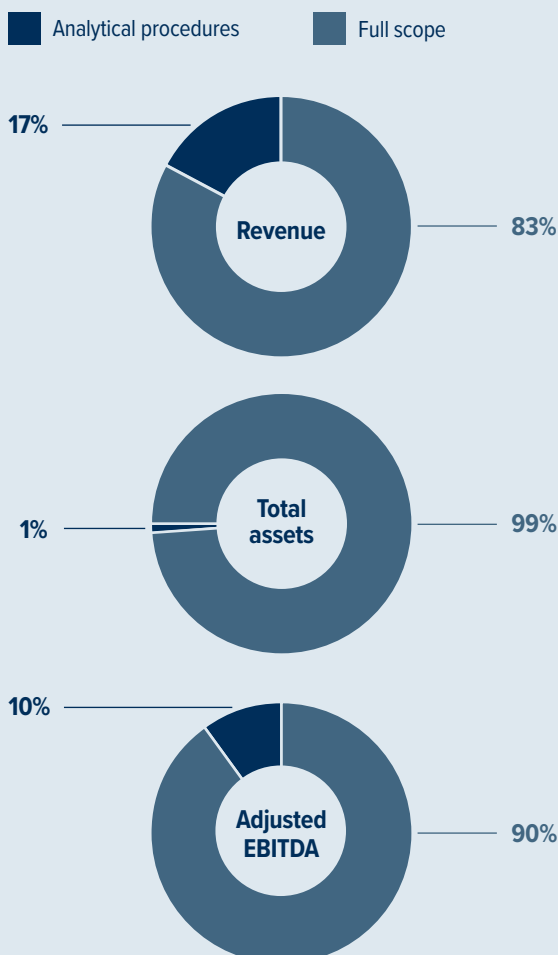
Independent auditors' report

An overview of the scope of our audit

The Group consists of seven components, located in the following countries;

- ◆ United Kingdom
- ◆ Sweden
- ◆ United States of America
- ◆ Germany
- ◆ China

The coverage achieved by our audit procedures was:



Full scope audits were performed for four components and analytical procedures at Group level for the remaining three components.

Of the above, full scope audits for one component were undertaken by component auditors.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- ◆ Understanding how the cash flow forecasts for the going concern period, being the fifteen month period from the date of approval of the financial statements, had been prepared and the assumptions adopted;
- ◆ Testing the integrity of the forecast model to ensure its mathematical accuracy;
- ◆ Comparing management's historical forecasts to actual results to determine whether forecast cash flows are reliable based on past experience;
- ◆ Performing reverse stress testing on the going concern model by understanding what reduction in trading would be required (after taking into account mitigating actions) before liquidity is exhausted and assessing the likelihood of this scenario; and
- ◆ Assessing the going concern disclosures in the financial statements to ensure they are in accordance with UK-adopted International Accounting Standards.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ◆ the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 68, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

CORPORATE GOVERNANCE

Independent auditors' report

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team and component auditors:

- ♦ obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;
- ♦ inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- ♦ discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team and component auditors included:
IFRS/UK-adopted IAS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; and Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of advice received from external tax advisors. Review of information submitted to local tax authorities to check for consistency with other financial information reported.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	Reviewing the design and implementation of key controls in relation to revenue recognition; and Transactions posted to nominal ledger codes outside of the normal revenue cycle were identified for further investigation and testing using a data analytic tool.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Williams

(Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor Chartered Accountants

103 Colmore Row

Birmingham

B3 3AG

26 March 2024

Group Financial Statements

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GROUP FINANCIAL STATEMENTS

Consolidated statement of comprehensive income for the year ended 31 December 2023

		2023	2022
	Notes	£m	£m
Continuing operations			
Revenue from contracts with customers	4	36.8	31.3
Cost of sales		(10.3)	(9.1)
Gross profit		26.5	22.2
Research and development costs		(2.3)	(3.2)
Sales and marketing costs		(11.2)	(9.7)
Administrative expenses		(8.4)	(7.5)
Operating profit	6	4.6	1.8
Other (losses) and gains - net	7	(1.3)	0.4
Other income	8	0.2	8.3
Finance costs	9	(0.2)	(0.3)
Finance income	9	0.8	0.3
Profit before tax		4.1	10.5
Taxation	12	5.4	3.6
Profit from continuing operations		9.5	14.1
Profit from discontinued operations (attributable to equity holders of NIOX Group plc)	11	1.2	2.0
Profit for the year		10.7	16.1
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	28	(0.2)	(1.9)
Other comprehensive expense for the year, net of tax		(0.2)	(1.9)
Total comprehensive income for the year		10.5	14.2

Earnings per share attributable to owners of the parent during the year (expressed in pence per share)

		2023	2022
		Pence	Pence
Basic earnings per share	Notes		
Basic earnings per share for profit from continuing operations	13	2.26	3.36
Basic earnings per share for profit for the year	13	2.55	3.84
Diluted earnings per share			
Diluted earnings per share for profit from continuing operations	13	2.11	3.19
Diluted earnings per share for profit for the year	13	2.38	3.63

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

GROUP FINANCIAL STATEMENTS

Consolidated statement of financial position as at 31 December 2023

		2023	2022
	Notes	£m	£m
Assets			
Non-current assets			
Property, plant and equipment	14	0.3	0.2
Right-of-use assets	15	1.1	0.9
Goodwill	16	4.6	4.7
Intangible assets	17	28.2	32.4
Trade and other receivables	20	-	3.5
Deferred tax assets	24	23.8	25.4
		58.0	67.1
Current assets			
Inventories	19	4.8	4.1
Trade and other receivables	20	8.8	7.9
Cash and cash equivalents	21	19.9	19.4
		33.5	31.4
Total assets		91.5	98.5
Equity			
Share capital	26	0.3	0.3
Share premium	27	0.1	640.3
Other reserves	28	18.2	15.7
Retained earnings/ (accumulated losses)	29	65.2	(574.4)
Total equity		83.8	81.9
Liabilities			
Non-current liabilities			
Lease liabilities	15	0.5	0.4
Deferred tax liabilities	24	-	7.0
		0.5	7.4
Current liabilities			
Trade and other payables	22	6.6	8.6
Lease liabilities	15	0.6	0.6
		7.2	9.2
Total liabilities		7.7	16.6
Total equity and liabilities		91.5	98.5

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 80 to 127 were approved and authorised for issue by the Board of Directors on 26 March 2024 and were signed on its behalf by:

Ian Johnson

Executive Chairman,
NIOX Group plc

Registered number: 05822706

Michael Roller

Chief Financial Officer,
NIOX Group plc

GROUP FINANCIAL STATEMENTS



Parent Company statement of financial position as at 31 December 2023

		2023	2022
	Notes	£m	£m
Assets			
Non-current assets			
Trade and other receivables	20	3.3	6.1
Investments in subsidiaries	18	174.9	132.5
		178.2	138.6
Current assets			
Trade and other receivables	20	0.7	0.3
Cash and cash equivalents	21	8.0	7.3
		8.7	7.6
Total assets		186.9	146.2
Equity attributable to the owners of the Company			
Share capital	26	0.3	0.3
Share premium	27	0.1	640.3
Other reserves	28	17.4	14.7
Retained earnings/ (accumulated losses)	29	134.2	(531.4)
Total equity		152.0	123.9
Liabilities			
Non-current liabilities			
Trade and other payables	22	34.1	21.9
		34.1	21.9
Current liabilities			
Trade and other payables	22	0.8	0.4
		0.8	0.4
Total liabilities		34.9	22.3
Total equity and liabilities		186.9	146.2

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company profit and loss account.

The profit for the Parent Company for the year was £36.7 million (2022: £36.2 million).

The above statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 80 to 127 were approved and authorised for issue by the Board of Directors on 26 March 2024 and were signed on its behalf by:

Ian Johnson

Executive Chairman,
NIOX Group plc

Registered number: 05822706

Michael Roller

Chief Financial Officer,
NIOX Group plc

GROUP FINANCIAL STATEMENTS

Consolidated and Parent Company statements of cash flows for the year ended 31 December 2023

		Group		Company	
		2023	2022	2023	2022
	Notes	£m	£m	£m	£m
Cash flows from operating activities					
Cash generated from/ (used in) operations	31	11.7	6.9	(4.8)	(1.3)
Interest paid	9	(0.1)	(0.2)	-	-
Net cash generated from/ (used in) operating activities		11.6	6.7	(4.8)	(1.3)
Cash flows from investing activities					
Payments for property, plant and equipment	14	(0.1)	(0.1)	-	-
Payments for intangible assets	17	(0.2)	-	-	-
Investment in subsidiary undertakings	18	-	-	-	(0.4)
Repayment of loans from subsidiary undertakings		-	-	15.6	8.8
Net cash (used in)/ generated from investing activities		(0.3)	(0.1)	15.6	8.4
Cash flows from financing activities					
Interest received	9	0.6	0.1	0.3	-
Principal element of lease payments	15	(0.7)	(0.6)	-	-
Dividends paid	30	(10.5)	-	(10.5)	-
Proceeds received from exercise of share options	27	0.1	-	0.1	-
Net cash used in financing activities		(10.5)	(0.5)	(10.1)	-
Net increase in cash and cash equivalents					
Cash and cash equivalents at 1 January	21	19.4	12.6	7.3	0.2
Effects of exchange rate changes on cash and cash equivalents		(0.3)	0.7	-	-
Cash and cash equivalents at 31 December		21	19.4	8.0	7.3

The above consolidated and company statement of cash flows should be read in conjunction with the accompanying notes.

GROUP FINANCIAL STATEMENTS



Consolidated statement of changes in equity for the year ended 31 December 2023

	Notes	Share capital £m	Share premium £m	Other reserves ¹ £m	(Accumulated losses)/ retained earnings £m	Total equity £m
At 1 January 2022		0.3	640.3	16.7	(590.5)	66.8
Profit for the year	29	-	-	-	16.1	16.1
Exchange differences on translation of foreign operations	28	-	-	(1.9)	-	(1.9)
Total comprehensive (expense)/ income		-	-	(1.9)	16.1	14.2
Transactions with owners: Employee share schemes – value of employee services	25	-	-	0.9	-	0.9
At 31 December 2022		0.3	640.3	15.7	(574.4)	81.9
Profit for the year	29	-	-	-	10.7	10.7
Exchange differences on translation of foreign operations	28	-	-	(0.2)	-	(0.2)
Total comprehensive (expense)/ income		-	-	(0.2)	10.7	10.5
Amounts recycled through profit and loss:						
Share premium ²	27	-	(640.3)	-	640.3	-
Own shares reserve ³	28	-	-	0.9	(0.9)	-
Transactions with owners:						
Issue of new shares	27	-	0.1	-	-	0.1
Dividends	30	-	-	-	(10.5)	(10.5)
Employee share schemes – value of employee services	25	-	-	1.8	-	1.8
At 31 December 2023		0.3	0.1	18.2	65.2	83.8

¹ Other reserves include share option reserve, translation reserve, treasury shares reserve, and transactions with non-controlling interests reserve.

² On 8 February 2023, a Capital Reduction Scheme was concluded by filing an order of the High Court with the Registrar of Companies and the share premium account was recycled through profit and loss.

³ In 2014 the Company set up an employee benefit trust (the "Trust") for the purposes of buying and selling shares on employees' behalf. During the year, all shares remaining in the Trust were sold or transferred out. On 28 April 2023, a Deed of Termination was signed, and the Trust was closed. The balance on the treasury shares reserve was recycled through profit and loss.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

GROUP FINANCIAL STATEMENTS

Parent Company statement of changes in equity for the year ended 31 December 2023

Restated					(Accumulated losses)/ retained earnings	Total equity
	Notes	Share capital £m	Share premium £m	Other reserves ¹ £m	£m	£m
At 1 January 2022		0.3	640.3	13.8	(567.6)	86.8
Profit and total comprehensive income for the year	29	-	-	-	36.2	36.2
Transactions with owners:						
Employee share schemes – value of employee services	25	-	-	0.9	-	0.9
At 31 December 2022		0.3	640.3	14.7	(531.4)	123.9
Profit and total comprehensive income for the year	29	-	-	-	36.7	36.7
Amounts recycled through profit and loss:						
Share premium ²	27	-	(640.3)	-	640.3	-
Own shares reserve ³	28	-	-	0.9	(0.9)	-
Transactions with owners:						
Issue of shares	27	-	0.1	-	-	0.1
Dividends	30	-	-	-	(10.5)	(10.5)
Employee share schemes – value of employee services	25	-	-	1.8	-	1.8
At 31 December 2023		0.3	0.1	17.4	134.2	152.0

¹ Other reserves include share option reserve and treasury shares reserve.

² On 8 February 2023, a Capital Reduction Scheme was concluded by filing an order of the High Court with the Registrar of Companies and the share premium account was recycled through profit and loss.

³ In 2014 the Company set up an employee benefit trust (the "Trust") for the purposes of buying and selling shares on employees' behalf. During the year, all shares remaining in the Trust were sold or transferred out. On 28 April 2023, a Deed of Termination was signed, and the Trust was closed. The balance on the treasury shares reserve was recycled through profit and loss.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

1. Accounting policies and significant judgements

General information

NIOX is a medical device company focused on point of care asthma diagnosis and management.

NIOX Group plc is a public company limited by shares which is listed on the Alternative Investment Market (AIM) and incorporated and domiciled in the United Kingdom. The Company is resident in England and the registered office is Hayakawa Building, Edmund Halley Road, Oxford Science Park, Oxford, England, OX4 4GB.

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

Amounts presented in the financial statements are rounded to the nearest £0.1 million, unless otherwise stated.

Basis of preparation

The consolidated financial statements of NIOX Group plc have been prepared in accordance with UK-Adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The financial statements have been prepared using the historical cost convention and on a going concern basis.

The exemption from audit has been claimed for the individual financial statements of NIOX Healthcare Limited (registered number 03689966) for the year ended 31 December 2023 under section 479A of Companies Act 2006. NIOX Group plc has given the required guarantee under section 479C in respect of the reporting year. The results of NIOX Healthcare Limited are included in these consolidated financial statements.

Going concern

In assessing the appropriateness of the going concern assumption, the Board has considered the availability of funding alongside the possible cash requirements of the Group and Company.

The Board has prepared cash flow forecasts for a period of 15 months from the date of approval of these financial statements. This base case scenario includes the benefits of actions already taken by management to reduce the cost base of the business. This base case assumes that sales of NIOX® will grow at a slower rate than previous

periods. Under this base case scenario, the Group is expected to continue to have sufficient resources beyond 15 months from the approval of the financial statements.

The Board have performed reverse stress testing, which demonstrates that revenues would have to decline by 86% over the going concern period assessed, when combined with mitigating cost reductions that are within the Group's control, to exhaust cash flow liquidity. The Board considers the likelihood of this scenario to be remote given the recent strong trading performance including the historical growth rates achieved.

After due consideration, the directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 15 months from the date of this report.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

- ◆ IFRS 17 Insurance Contracts;
- ◆ Definition of Accounting Estimates – amendments to IAS 8;
- ◆ International Tax Reform – Pillar Two Model Rules – amendments to IAS 12;
- ◆ Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12; and
- ◆ Disclosure of Accounting Policies – amendments to IAS 1 and IFRS Practice Statement 2.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to materially affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations

1. Accounting policies and significant judgements

are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted within the next financial year due to estimates and assumptions turning out to be wrong.

The potential impact of climate change has been considered in preparing these financial statements, in particular as part of cashflow projections within the assessment of deferred tax assets, going concern, impairment assessment and viability. The impact of climate change is not deemed to have a significantly impact on these assessments currently, and therefore they are not considered to be a key source of estimation uncertainty. The Group will continue to monitor the impacts of climate change over the coming years.

The areas involving significant estimates and judgements are detailed below.

Recoverability of deferred tax asset for carried-forward tax losses (estimate and judgement)

In considering the recoverability of deferred tax assets, the Group assesses the likelihood of them being recovered within a reasonably foreseeable timeframe, being a five-year period. This takes into account the future expected profit profile and the current structure of the business model. These five-year forecasts are consistent with those used for going concern and impairment reviews.

The deferred tax asset includes an amount of £23.8 million (2022: £18.4 million) which relates to carried-forward tax losses of Circassia AB (previously known as Aerocrine AB). These losses were generated before the company was acquired by NIOX Group plc. Management have concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary.

Circassia AB has generated taxable income from the year ended 2017, and per management forecasts, the entity is expected to continue being profitable for at least the next five years which has resulted in the full recognition of a deferred tax asset in relation to carried forward trading losses. The losses can be carried forward indefinitely and have no expiry date.

The estimate is how profitable the entity will be in future and therefore how much of the asset can be recognised. If the future profits of Circassia AB were to differ by 10% from management's estimates, the deferred tax asset would be an estimated £2.4 million lower (2022: £1.8 million higher or lower).

Recoverability of goodwill and other intangible assets (estimate)

Goodwill and other intangible assets impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Judgements and estimates are made in respect of the carrying value of the cash generating units (CGUs) containing the goodwill taking into account key assumptions (see note 16) about the NIOX® products. If the Group's sales are lower than forecast, this could result in an impairment of the related goodwill and intangible assets.

Recoverability of investments in subsidiaries and intercompany receivables (estimate)

NIOX Group plc holds a number of investment balances in subsidiary companies along with significant intercompany receivables due from subsidiary companies.

Investment impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Estimates are made in respect of the carrying value of the subsidiary containing the investment. If there is a significant change to a subsidiary's value in use, this could result in an impairment of the investment (see note 18).

In line with IFRS 9, the carrying values of intercompany receivables are assessed using the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Estimates are made in respect of the recoverable amount of each subsidiary. If the recoverable amount of a subsidiary is below the carrying value of NIOX Group plc's intercompany receivable, this could result in an impairment

of the receivable.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group and Parent Company has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. Acquisition-related costs are expensed as incurred.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker, who is responsible for allocating resources, assessing performance and making strategic decisions, has been identified as the Executive Chairman.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that will not be progressed in the future. Discontinued operations are presented on the income statement as a separate line and are shown net of tax. Cash flows relating to discontinued operations are disclosed in the notes.

Previously, the Group sold Tudorza® and Duaklir® in the

United States, where it was indicated for the maintenance treatment of patients with chronic obstructive pulmonary disease ("COPD"). The decision to treat the COPD business as discontinued was made on 9 April 2020 when it was announced that the development and commercialisation agreement with AstraZeneca was terminating.

Revenue from contracts with customers

The Group sells medical technology equipment that enables inflammation of the airways to be measured as well as consumable items and spare parts. Revenue is accounted for under IFRS 15 and is recognised when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control of the product to the customer, substantially all of which is on confirmation of delivery to the customer.

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, trade discounts and rebates, and after elimination of intra-Group sales. Revenue represents net invoice value including fixed and variable consideration.

Variable consideration arises on the sale of goods from discounts and allowances given and accruals for estimated future returns and rebates. Revenue is not recognised until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Cost of sales

Cost of sales includes costs directly associated with the sale of products and is recognised as the associated revenue is recognised. Cost of sales includes purchase costs, movements in provisions for inventories and inventory write-offs.

Employee benefits

The Group makes contributions to defined contribution personal pension schemes for employees. The pension cost charge recognised in the year represents amounts payable by the Group to the funds. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

1. Accounting policies and significant judgements continued

Share-based payments

Share-based compensation benefits are provided to employees via various share schemes.

Under the Group's equity-settled share-based compensation plan, the entity receives services from employees as consideration for options over ordinary shares in NIOX Group plc. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- ♦ including the effect of any market performance conditions (such as the entity's share price);
- ♦ excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified period); and
- ♦ including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period).

Equity settled share-based payments are measured at fair value at the date of grant. The fair value is measured using either the Finnerty model (an at-market put option variant of the Black-Scholes model), the Black-Scholes model or the Monte Carlo Simulation. This is dependent on the conditions attached to each of the issued options. Where conditions are non-market based the Black Scholes or the Finnerty model is used. Where market-based conditions are attached to options, the fair value is determined using the Monte Carlo Simulation.

The total expense is recognised over the vesting period, which is the period over which the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. If there have been modifications to the vesting conditions, the entity will revise its estimates unless the modification is in a manner that is not beneficial to the employee, e.g., by increasing the vesting period or by adding a non-market performance condition. In this instance the modification is ignored. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Liabilities for the Group's cash-settled share-based

compensation plans are recognised as an employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as employee benefit obligations in the balance sheet.

For the share options awarded under the PSP Share Option Scheme (refer to note 25), the Board has discretion to award participants cash or further shares on exercise equal to the value of the dividend, if the record date falls prior to the exercise date. The Group accounts for these payments as an employee benefit as defined by IAS 19, the charge for which is included as a share option charge.

Deferred shares

The fair value of deferred shares granted to employees is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share option reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share option reserve.

Foreign currency translation

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

Monetary assets and liabilities in foreign currencies are translated into British pound sterling at the rates of exchange ruling at the end of the financial year, whereas transactions are translated at the rates of exchange ruling at the date of the transaction. Foreign exchange differences are taken to the income statement in the year in which they arise and presented within 'Other gains and (losses) - net'.

Foreign exchange differences on translation of foreign operations into the Group presentational currency, are recognised as a separate element of other comprehensive income. Cumulative exchange

differences are presented in a separate component of equity entitled 'Translation reserve'.

Taxation including deferred tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax is calculated at the average tax rates that are expected to apply to the period when the asset is realised, or the liability is settled. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated only when a profit is made. Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to account for the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and the weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares and using the treasury stock method.

Dividends

Provision is made for the value of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced parts is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of assets over their estimated useful lives, as follows:

Property, plant and equipment	Depreciation rate
Leasehold improvements	Over the life of the non-cancellable term of the lease
Fixtures and fittings	20%
Plant and equipment	10% - 33%

GROUP FINANCIAL STATEMENTS

Notes to the financial statements

1. Accounting policies and significant judgements continued

Individually significant tangible assets that are intended to be held by the Group for use in the supply of goods and services or for administrative purposes and that are expected to provide economic benefit for more than one year are capitalised. All other assets of insignificant value are charged to the income statement in the year of acquisition.

Costs incurred relating to an asset that is not yet complete are capitalised and held as 'Assets under construction' until they are brought into use. The asset is then transferred to the appropriate asset class and depreciated in line with the policy on the previous page.

Financial instruments

The Group's financial instruments comprise cash and cash equivalents, receivables and payables arising directly from operations, and derivatives. The main risks associated with the Group's financial instruments relate to credit risk and foreign currency risk (note 2).

Where derivatives exist in the financial year, they are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date, with any resulting gain or loss recognised through the income statement.

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed and variable lease payments, less any lease incentives receivable.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate the Group, where possible, uses interest rates of recent third-party financing received, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and

finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, plus any lease payments made at or before the commencement date less any lease incentives received. These assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

Goodwill and Intangible assets

Intangible fixed assets, relating to goodwill, customer relationships, technology, intellectual property rights and currently marketed products acquired through licensing or assigning patents and knowhow are carried at historical cost, less accumulated amortisation, where the useful economic life of the asset is finite, and the asset will probably generate economic benefits exceeding costs.

Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives, as follows:

Intangible asset	Estimated useful lives
Other	5 years
Technology	15 years
Customer relationships	18 years

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

For impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups

of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Expenditure on product development is capitalised as an intangible asset and amortised over the expected useful economic life of the product concerned. Capitalisation commences from the point at which technical feasibility and commercial viability of the product can be demonstrated and the Group is satisfied that it is probable that future economic benefits will result from the product once completed. Capitalisation ceases when the product receives regulatory approval for launch.

Expenditure on research and development activities that do not meet the above criteria, including intellectual property rights generated internally by the Group, is charged to the income statement as incurred. Intellectual property and in-process research and development from acquisitions are recognised as intangible assets at fair value. Any residual excess of consideration over the fair value of net assets in an acquisition is recognised as goodwill in the financial statements.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets

are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Charges or credits for impairment are passed through the income statement.

Investments

Investments in subsidiary companies are recognised and carried at cost less any identified impairment losses at the end of each reporting period. Investments are impaired where there is objective evidence that the estimated future cash flows of the investment have been affected.

Inventories

Inventories are valued at the lower of the acquisition cost and net realisable value. The FIFO (first in, first out) principle is used to calculate the value of inventories. Inventories mainly comprise products for sale and stocks of components for the service activities in Sweden, China and the US. The acquisition value comprises all expenses for purchases. The net realisable value is the expected sale price less expected costs for preparation and selling. Management utilises sales forecasts to calculate the level of inventory required and compares this to current levels of inventory held to assess net realisable value.

Write-downs of inventory generally occur in the ordinary course of business and are recognised in cost of sales. Inventory purchased as sample stock is recognised immediately as a sales and marketing cost.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less credit loss allowance. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery.

1. Accounting policies and significant judgements continued

Other receivables and receivables from subsidiary undertakings are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are initially recognised at fair value and subsequently held at amortised cost. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other payables and payables to subsidiary undertakings are recognised initially at fair value and subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, bank overdrafts and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Share capital

Ordinary shares are classified as equity and have a nominal value of £0.0008. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Other reserves

Share option reserve

The share option reserve is used to recognise:

- ♦ the grant date fair value of options issued to employees but not exercised;
- ♦ the grant date fair value of shares issued to employees;
- ♦ the grant date fair value of deferred shares granted to employees but not yet vested; and
- ♦ the issue of shares held by the Circassia Pharmaceuticals plc Employee Benefit Trust (the "Trust") to employees.

Translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Transactions with non-controlling interests

This reserve is used to record the differences which arise from transactions with non-controlling interests that do not result in a loss of control.

Treasury shares reserve

Treasury shares were shares in NIOX Group plc that were held by the Circassia Pharmaceuticals plc Employee Benefit Trust to satisfy the issue of shares to employees under the Deferred Bonus Share Plan (DBSP) and the Performance Share Plan (PSP) in relation to 2014. Shares issued to employees are recognised on a first in, first out basis. During the year, all shares remaining in the Trust were sold or transferred out. On 28 April 2023, a Deed of Termination was signed, and the Trust was closed. The balance on the treasury shares reserve was recycled through profit and loss.

2. Financial and capital risk management

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and ensure that sufficient capital is in place to fund the Group's activities. The Group's capital is comprised of share capital and share premium, which are disclosed in notes 26 and 27 respectively. The Group's principal method of adjusting the capital available has been through issuing new shares. The Group monitors the availability of capital through forecasting future expenditure on an ongoing basis.

Financial risk management

Monitoring of financial risk is part of the Board's ongoing risk management, the effectiveness of which is reviewed annually.

Foreign exchange risk

Foreign exchange fluctuations may adversely affect the Group's results and financial condition. The Group prepares its financial statements in British pound sterling, but a significant proportion of its expenditure and subsidiary results are in various currencies including United States dollar, Swedish krona, euro and Chinese yuan. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Instruments used by the Group

The Group's policy is to hedge 75% of the forecast British pound sterling, Swedish krona and euro cash flows up to six months in advance.

The Group uses foreign currency forward exchange contracts to hedge its exposure to foreign currency risk. These foreign currency contracts are accounted for as financial assets or liabilities at fair value. The initial fair value of these assets is £nil as no money has changed hands and therefore no value can be attributed to the contract. These are subsequently remeasured at each year end at the spot rate, with gains and losses recognised in profit or loss.

	2023	2022
Notional amount	£3.9 million	£3.9 million
Maturity date	January 2024 – June 2024	January 2023 – June 2023

The carrying amount of the financial asset as at 31 December 2023 was £0.1 million (2022: £0.1 million liability) and the net fair value profit in the year was £nil (2022: £0.1 million loss).

Sensitivity

The change in foreign exchange rates that is assessed to be reasonably likely for each currency in 2023 is 10% (2022: 10%).

As at 31 December 2023, if the euro had weakened/strengthened by 10% against sterling with all other variables held constant, the profit for the year would have been £0.4 million (2022: £0.4 million) lower/higher. Similarly, if the US dollar had weakened/strengthened by 10%, the profit for the year would have been £0.6 million (2022: £0.3 million) lower/higher. This is as a result of net foreign exchange gains/losses on translation of euro and US dollar denominated payables, receivables and bank balances.

The impact on profit for the year and equity is immaterial for the remaining currencies.

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2. Financial and capital risk management continued

Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

i) Risk management

The Group's policy generally is to place funds with financial institutions which have a minimum credit rating with Fitch IBCA of BBB long-term/F1 short-term.

During 2023 the Group placed funds on deposit with 5 banks (2022: 6 banks). The Group does not allocate a quota to individual institutions but seeks to diversify its investments, where this is consistent with achieving competitive rates of return. It is the Group's policy to place not more than £8.0 million (or the equivalent in other currencies) with any one counterparty.

The value of financial instruments held represents the maximum exposure that the Group has to them. There is no collateral held for this type of credit risk. Management does not expect any material losses from non-performance by these counterparties.

ii) Impairment of financial assets

The Group and Parent company each have only one type of financial asset that is subject to the expected credit loss model, being trade receivables and receivables from subsidiary undertakings, respectively. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2023 and 2022 was determined as follows:

Group	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	£m	£m	£m	£m	£m
31 December 2023					
Expected loss rate	0.4%	11.1%	20.8%	14.7%	1.5%
Gross trade receivables carrying amount	8.0	0.1	0.1	0.1	8.3
Loss allowance	-	-	-	(0.1)	(0.1)
Restated¹					
31 December 2022					
Expected loss rate	0.4%	8.6%	12.1%	5.9%	1.4%
Gross trade receivables carrying amount	10.2	0.2	0.1	0.2	10.7
Loss allowance	-	(0.1)	-	-	(0.1)

¹ Restated to include other receivables (note 20).

Company	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
	£m	£m	£m	£m	£m
31 December 2023					
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%
Gross receivables from subsidiary undertakings carrying amount	0.5	-	-	3.3	3.8
Loss allowance	-	-	-	-	-
31 December 2022					
Expected loss rate	91.4%	0.0%	0.0%	0.0%	33.3%
Gross receivables from subsidiary undertakings carrying amount	3.5	-	-	6.1	9.6
Loss allowance	(3.2)	-	-	-	(3.2)

The closing loss allowance for trade receivables reconciles to the opening loss allowance as follows:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Opening loss allowance as at 1 January	(0.1)	(0.1)	(3.2)	(2.7)
Increase in loss allowances recognised in profit or loss during the year	-	-	-	(1.3)
Unused amount reversed	-	-	3.2	0.8
At 31 December	(0.1)	(0.1)	-	(3.2)

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented within operating expenditure. Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash flow and liquidity risk

Liquidity risk is managed through maintaining sufficient cash and the availability of funding to meet obligations when due. Management monitors rolling forecasts of the Group's cash based on expected cash flows. The directors do not consider that there is presently a material cash flow or liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 1 year 2023 £m	Over 1 year 2023 £m	Less than 1 year 2022 £m	Over 1 year 2022 £m
At 31 December				
Lease liabilities	0.6	0.5	0.6	0.4
Trade and other payables	6.6	-	8.6	-
Total	7.2	0.5	9.2	0.4

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Notes to the financial statements

3. Operating segments

The chief operating decision-maker, the Executive Chairman, examines the Group's performance from a product perspective, and has identified one reportable segment in the continuing business:

- ◆ NIOX® relates to the portfolio of products used to improve asthma diagnosis and management by measuring fractional exhaled nitric oxide (FeNO).

The COPD business has been classified as a discontinued operation. Information about the results of this segment is provided in note 11; information regarding its assets is presented below.

The table below presents operating profit/ (loss) information regarding the Group's operating segments for the years ended 31 December 2023 and 2022. Only the results for the Group's continuing activities are included in order to aid comparison.

Segment operating profit / (loss)

Year ended 31 December 2023	NIOX® £m	Head office £m	Total £m
Revenue (from external customers, based on the destination of the customer)			
US	8.7	-	8.7
UK	3.3	-	3.3
EU	10.3	-	10.3
Asia Pacific	13.8	-	13.8
Rest of world	0.7	-	0.7
Total segment revenue	36.8	-	36.8
Cost of sales	(10.3)	-	(10.3)
Research and development costs	(2.3)	-	(2.3)
Sales and marketing costs	(11.2)	-	(11.2)
Administrative expenses	(3.9)	(4.5)	(8.4)
Operating profit/ (loss) from continuing operations	9.1	(4.5)	4.6
Depreciation and amortisation included above	(4.4)	-	(4.4)

Year ended 31 December 2022	NIOX® £m	Head office £m	Total £m
Revenue (from external customers, based on the destination of the customer)			
US	8.1	-	8.1
UK	2.8	-	2.8
EU	9.5	-	9.5
Asia Pacific	10.7	-	10.7
Rest of world	0.2	-	0.2
Total segment revenue	31.3	-	31.3
Cost of sales	(9.1)	-	(9.1)
Research and development costs	(3.2)	-	(3.2)
Sales and marketing costs	(9.7)	-	(9.7)
Administrative expenses	(4.5)	(3.0)	(7.5)
Operating profit/ (loss) from continuing operations	4.8	(3.0)	1.8
Depreciation and amortisation included above	(4.6)	-	(4.6)

GROUP FINANCIAL STATEMENTS

Notes to the financial statements

3. Operating segments continued

Assets by segment

As at 31 December 2023	NIOX®	Head office	Total
	£m	£m	£m
Cash and cash equivalents	19.9	-	19.9
Property, plant and equipment	0.3	-	0.3
Right-of-use assets	1.1	-	1.1
Goodwill	4.6	-	4.6
Intangible assets	28.2	-	28.2
Deferred tax assets	23.8	-	23.8
Inventories	4.8	-	4.8
Trade and other receivables	5.4	3.4	8.8
Total assets	88.1	3.4	91.5
As at 31 December 2022			
Cash and cash equivalents	19.4	-	19.4
Property, plant and equipment	0.2	-	0.2
Right-of-use assets	0.9	-	0.9
Goodwill	4.7	-	4.7
Intangible assets	32.4	-	32.4
Deferred tax assets	25.4	-	25.4
Inventories	4.1	-	4.1
Trade and other receivables	5.1	2.8	7.9
Trade and other receivables – non-current	-	3.5	3.5
Total assets	92.2	6.3	98.5

4. Revenue from contracts with customers

The Group derives only one type of revenue:

	2023 £m	2022 £m
Sale of goods	36.8	31.3
Total revenue from contracts with customers	36.8	31.3

5. Employees and directors

Monthly average number of people (including Executive and Non-Executive Directors) employed:

	Group		Company	
	2023 Number	2022 Number	2023 Number	2022 Number
Office and management	27	28	7	7
Sales and marketing	63	62	-	-
Research and development	4	9	-	-
Average headcount	94	99	7	7

The Group's total headcount at 31 December 2023 was 92 (2022: 92).

Employee benefit costs

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Wages and salaries	8.4	8.4	1.1	1.1
Social security costs	1.1	1.1	0.4	0.2
Other pension costs	0.5	0.5	0.1	0.1
Share option charge	2.4	0.9	-	-
Total employee benefit costs	12.4	10.9	1.6	1.4

Key management personnel

Key management personnel during the year included directors (Executive and Non-Executive), Regional VP APAC, Senior VP Americas and Research, VP Supply Chain and Technical Operations, Regional VP EMEA, and Senior VP Global Human Resources. Key management personnel in the prior year included the VP of Product Development. The compensation paid or payable to key management is set out below.

	2023 £m	2022 £m
Short-term employee benefits (including bonus)	3.2	3.3
Share option charge	2.2	0.9
Total key management remuneration	5.4	4.2

GROUP FINANCIAL STATEMENTS

Notes to the financial statements

5. Employees and directors continued

Other remuneration information

The table below sets out the location of information required to be disclosed in the notes to the financial statements which can be found in the remuneration report and is incorporated by reference:

Subject matter	Page reference
Single total figure of remuneration for each director (including remuneration for the highest-paid director)	56
Scheme interests awarded to directors during the financial year	58
Gain on exercise of share options	58
Payments to past directors	59
Payments to directors for loss of office	59
Statement of directors' shareholding and share interests	59 to 61

6. Breakdown of expenses by nature

	Notes	2023 £m	2022 £m
Employee benefit costs	5	12.4	10.9
Depreciation charge of property, plant and equipment	14	-	0.1
Depreciation charge of right-of-use assets	15	0.7	0.6
Amortisation charge of intangible assets	17	3.7	3.9

7. Other (losses) and gains - net

	2023 £m	2022 £m
Net foreign exchange (losses)/ gains	(1.3)	0.5
Fair value losses	-	(0.1)
Total other (losses) and gains - net	(1.3)	0.4

8. Other income

	2023 £m	2022 £m
Sub-lease rental income	0.2	0.2
Beyond Air consideration	-	8.1
Total other income	0.2	8.3

Beyond Air was granted FDA approval of the LungFit® PH product on 28 June 2022, and therefore other income and a corresponding receivable was recognised for the total consideration of \$10.5 million (£8.1 million). The consideration was measured by discounting the asset to its present value, with the unwinding of the discount recognised as finance income.

9. Finance costs and income

	2023 £m	2022 £m
Finance costs:		
Bank charges	(0.1)	(0.2)
Interest charges for lease liabilities	(0.1)	(0.1)
Total finance costs	(0.2)	(0.3)
Finance income:		
Bank interest receivable	0.6	0.1
Discount unwind on Beyond Air consideration	0.2	0.2
Total finance income	0.8	0.3

10. Auditors' remuneration

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors and its associates:

	2023 £m	2022 £m
Fees payable to the Group's auditors and its associates for the audit of the Parent Company and consolidated financial statements	0.1	0.1
Fees payable to the Group's auditors and its associates for other services: - Audit of the financial statements of the Company's subsidiaries	0.1	0.1
Total auditors' remuneration	0.2	0.2

There were no non-audit fees paid to the Group's auditors, RSM, in the current year. In the prior year, the Group paid £14,042 to RSM in respect of advice relating to the formation of Circassia (Shanghai) Medical Device Co. Ltd.

GROUP FINANCIAL STATEMENTS

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11. Discontinued operations

On 9 April 2020, an agreement was signed to hand back the Tudorza® and Duaklir® licences to AstraZeneca and as such, the results of the COPD operating segment are reported as a discontinued operation. There were no assets or liabilities classified as held for sale in relation to the discontinued operation.

Profit for the year	2023 £m	2022 £m
Revenue	1.2	2.0
Profit from discontinued operations	1.2	2.0

Cash flow	2023 £m	2022 £m
Net cash outflow from operating activities	(2.0)	-
Net cash used in discontinued operations	(2.0)	-

Revenue relates to a revision of the rebate accrual based on information and claims received during the year and forward-looking assumptions as to the value of claims expected to be received in future financial period.

The cash outflow relates to the settlement of certain contractual liabilities relating principally to rebates and returns, which were accrued for at the time the business was discontinued. Remaining accruals related to the discontinued operation totalled £0.9 million at 31 December 2023 (31 December 2022: £4.6 million).

12. Taxation

	2023 £m	2022 £m
Deferred tax		
Deferred tax credit (note 24)	(5.4)	(3.6)
Tax is attributable to:		
Profit from continuing operations	(5.4)	(3.6)

The tax credit (2022: credit) for the year is lower (2022: lower) than the standard rate of corporation tax in the UK of 23.52% (2022: 19.00%). The differences are explained below:

	2023 £m	2022 £m
Profit from continuing operations before tax	4.1	10.5
Profit from discontinued operations before tax	1.2	2.0
Profit before tax	5.3	12.5
Tax at the UK tax rate of 23.52% (2022: 19.00%)	1.2	2.4
Expenses not deductible for tax purposes	1.0	0.1
Employee share options	0.4	0.2
Tax losses for which no deferred income tax asset was recognised	(8.0)	(6.3)
Tax credit for the year	(5.4)	(3.6)

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. For the financial year ended 31 December 2023, the current weighted averaged tax rate was 23.52%. Deferred taxes at the balance sheet date have been measured using the substantially enacted tax rates in the relevant jurisdictions in which the Group operates.

At 31 December 2023, the Group has tax losses to be carried forward of approximately £491.0 million (2022: £510.4 million). These can be utilised against future taxable profits with no restrictions, except as stated below. A proportion of these tax losses has been recognised as a deferred tax asset. See note 24.

NIOX Group plc and NIOX Healthcare Limited had tax losses to be carried forward of approximately £169.4 million (2022: £163.2 million). These losses have no expiry date, however, the utilisation of these losses will be restricted to 50% of profits in excess of £5.0 million generated in the United Kingdom.

NIOX Inc. had federal tax losses to be carried forward of approximately £123.1 million (2022: £129.4 million). Federal losses generated after 1 January 2018 have no expiry date, however, the utilisation of these losses will be restricted to 80% of profits generated in the United States. Federal losses generated before 1 January 2018 expire after 20 years. NIOX Inc. also had state losses to be carried forward of approximately £82.4 million (2022: £87.2 million) which have been generated across multiple states and have a range of expiry periods from 5 to 20 years.

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13. Earnings per share

Basic earnings per share	2023 Pence	2022 Pence
From continuing operations	2.26	3.36
From discontinued operations	0.29	0.48
Total basic earnings per share attributable to the ordinary equity holders of the Company	2.55	3.84
Diluted earnings per share	2023 Pence	2022 Pence
From continuing operations	2.11	3.19
From discontinued operations	0.27	0.44
Total diluted earnings per share attributable to the ordinary equity holders of the Company	2.38	3.63
Reconciliation of earnings used in calculating earnings per share	2023 £m	2022 £m
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic and dilutive earnings per share:		
From continuing operations	9.5	14.1
From discontinued operations	1.2	2.0
Profit used as the basis of calculating basic and diluted earnings per share	10.7	16.1

The earnings used in calculating basic and diluted earnings per share is the same.

Adjusted basic earnings per share eliminates depreciation, amortisation, share option charge and the impact of the Beyond Air settlement consideration. The prior year signed financial statements only excluded the impact of the Beyond Air settlement consideration. The comparatives have been restated.

Adjusted basic earnings per share	2023 Pence	2022 Pence
From continuing operations	3.87	2.73
From discontinued operations	0.29	0.48
Total adjusted basic earnings per share attributable to the ordinary equity holders of the Company	4.16	3.21

Reconciliation of earnings used in calculating adjusted earnings per share	2023 £m	2022 £m
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	9.5	14.1
From discontinued operations	1.2	2.0
Deduct Beyond Air settlement consideration	-	(8.1)
Add back		
Depreciation	0.7	0.7
Amortisation	3.7	3.9
Share option charge	2.4	0.9
Adjusted profit used as the basis of calculating adjusted basic earnings per share	17.5	13.5
Weighted average number of shares	2023	2022
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	420,205,077	419,199,013
Adjustments for calculation of diluted earnings per share:		
Share options	28,443,873	23,799,062
Deferred shares	629,308	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	449,278,258	442,998,075

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14. Property, plant and equipment

	Leasehold improvements	Fixtures and fittings	Plant and equipment	Total property, plant and equipment
	£m	£m	£m	£m
At 1 January 2022				
Cost	0.9	0.8	1.8	3.5
Accumulated depreciation and impairment	(0.9)	(0.6)	(1.8)	(3.3)
Net book amount	-	0.2	-	0.2
Year ended 31 December 2022				
Opening net book amount	-	0.2	-	0.2
Additions	-	0.1	-	0.1
Depreciation charge	-	(0.1)	-	(0.1)
Closing net book amount	-	0.2	-	0.2
At 31 December 2022				
Cost	0.9	0.9	1.8	3.6
Accumulated depreciation and impairment	(0.9)	(0.7)	(1.8)	(3.4)
Net book amount	-	0.2	-	0.2
Year ended 31 December 2023				
Opening net book amount	-	0.2	-	0.2
Additions	-	-	0.1	0.1
Closing net book amount	-	0.2	0.1	0.3
At 31 December 2023				
Cost	0.9	0.9	1.9	3.7
Accumulated depreciation and impairment	(0.9)	(0.7)	(1.8)	(3.4)
Net book amount	-	0.2	0.1	0.3

15. Leases

The consolidated statement of financial position shows the following amounts relating to leases:

	2023 £m	2022 £m
Right-of-use assets		
Leasehold properties	1.1	0.9
Total	1.1	0.9
Lease liabilities		
Current	(0.6)	(0.6)
Non-current	(0.5)	(0.4)
Total	(1.1)	(1.0)

Additions to the right-of-use assets during the financial year were £0.9 million (2022: £0.4 million).

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Notes	2023 £m	2022 £m
Depreciation charge of right-of-use assets	6	(0.7)	(0.6)
Interest expense (included in finance costs)	9	(0.1)	(0.1)
		(0.8)	(0.7)

The total cash outflow for leases was £0.7 million (2022: £0.6 million).

The lease commitments for short-term and low-value leases that are recognised as an expense on a straight-line basis are immaterial for both financial years ended 31 December 2023 and 31 December 2022.

The contractual undiscounted cash flows in respect of payments to be made to settle lease liabilities in future periods is £1.2 million (2022: £1.1 million). This is split as follows:

	2023 £m	2022 £m
Within 1 year	0.5	0.6
Between 1 and 5 years	0.7	0.5

The total of future minimum sublease payments expected to be received for the Chicago property no longer utilised by the Group is £nil (2022: £0.3 million).

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16. Goodwill

	2023 £m	2022 £m
At 1 January		
Cost	4.7	4.8
Net book amount	4.7	4.8
Year ended 31 December		
Opening net book amount	4.7	4.8
Exchange differences	(0.1)	(0.1)
Closing net book amount	4.6	4.7
At 31 December		
Cost	4.6	4.7
Net book amount	4.6	4.7

The carrying value of goodwill is allocated to the NIOX® CGU and was generated in June 2015 on the acquisition of Aerocrine.

The recoverable amount of a CGU is assessed using a value in use model. The value in use for the NIOX® CGU was calculated over a five-year period using a discount factor of 12.7% (being a weighted average cost of capital rate for the CGU).

The calculations use post-tax cash flow projections. Cash flows over five years have been considered appropriate based on the product lifecycle. Cash flows beyond the five-year period were extrapolated using the estimated terminal growth rate stated below.

The growth rate does not exceed the long-term average growth rate for the business. The discount rate used is post-tax and reflects specific risks relating to the Group and uncertainties surrounding the cash flow projections.

The key assumptions used for the valuation of the NIOX® CGU are as follows:

Assumption	Approach used to determine values
Valuation basis	Value in use
Sales	Based on past performance and management's expectations of market development. The growth rate for 2024-2028 reflects a more cautious growth level than historical CAGR.
Gross margin	Based on past performance and management's expectations for the future.
Operating costs	Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost-saving measures.
Period of specified projected cash flows	2023 – 5 years 2022 – 5 years
Long-term growth rate	Terminal growth rates based on management's estimate of future long-term average growth rate. 2023 – 1% 2022 – 1%
Discount rate	Reflects specific risks relating to the relevant segments and the countries in which they operate. 2023 – 12.7% 2022 – 13.1%

Impact of possible changes in key assumptions - NIOX® CGU

The level of headroom available before sensitivities were applied was £130.9 million. Management's estimates of NIOX® sales in the value in use calculation would have to be greater than 38% lower than the forecasted amounts as at 31 December 2023 in order for an impairment to be recognised. This steep hypothetical reduction in sales represents significantly slower growth than historic levels.

Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of goodwill and intangible assets to exceed its recoverable amount.

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17. Intangible assets

	Customer relationships	Technology	Intellectual property	Total intangible assets
	£m	£m	£m	£m
At 1 January 2022				
Cost	31.4	28.5	4.4	64.3
Accumulated amortisation and impairment	(11.3)	(12.4)	(3.3)	(27.0)
Net book amount	20.1	16.1	1.1	37.3
Year ended 31 December 2022				
Opening net book amount	20.1	16.1	1.1	37.3
Amortisation charge	(1.7)	(1.8)	(0.4)	(3.9)
Exchange differences	(0.5)	(0.5)	-	(1.0)
Closing net book amount	17.9	13.8	0.7	32.4
At 31 December 2022				
Cost	30.6	27.7	4.4	62.7
Accumulated amortisation and impairment	(12.7)	(13.9)	(3.7)	(30.3)
Net book amount	17.9	13.8	0.7	32.4
Year ended 31 December 2023				
Opening net book amount	17.9	13.8	0.7	32.4
Additions	-	-	0.2	0.2
Amortisation charge	(1.6)	(1.8)	(0.3)	(3.7)
Exchange differences	(0.5)	(0.2)	-	(0.7)
Closing net book amount	15.8	11.8	0.6	28.2
At 31 December 2023				
Cost	30.0	27.2	4.6	61.8
Accumulated amortisation and impairment	(14.2)	(15.4)	(4.0)	(33.6)
Net book amount	15.8	11.8	0.6	28.2

The amortisation charge of £3.7 million (2022: £3.9 million) is included on the face of the statement of comprehensive income. £1.8 million (2022: £1.9 million) is included within research and development costs, £1.5 million (2022: £1.7 million) is included within sales and marketing costs and £0.4 million (2022: £0.3 million) is included within administrative expenses.

The Group tests at least annually whether intangible assets have suffered any impairment. Key assumptions and sensitivities used in the impairment review at a CGU level are disclosed in note 16.

Customer relationships

Customer relationships represent the existing customers as at June 2015, being the date of the acquisition of Aerocrine, that are expected to continue to support the NIOX business. A remaining useful life of 18 years was determined at acquisition. Amortisation has been calculated on a straight-line basis over this period from the date of acquisition.

Technology

Aerocrine developed its technology to measure fractional exhaled nitric oxide ("FeNO") in the mid-1990s. The company was the first to develop an instrument for the measurement of FeNO as a valuable tool in the management of airway inflammation. This technology is used by the Group in its NIOX[®] devices. The valuation of the Technology was based on a pre-determined hypothetical royalty rate attributable to the use of the Technology. A remaining useful life of 15 years was determined at acquisition in June 2015. Amortisation has been calculated on a straight-line basis over this period from the date of acquisition.

Other

Other intangible assets relate to ERP software and development costs relating to the NIOX Pro[®], which meet the criteria for capitalisation under IAS 38. Amortisation on the ERP software has been calculated on a straight-line basis over the period from which the software was fully developed and operational. Amortisation on the NIOX Pro[®] development costs will commence on the date from which the NIOX Pro[®] device is available for use.

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18. Investments in subsidiaries

Company	2023 £m	2022 £m
Investments in subsidiaries at 1 January	132.5	92.3
Capital contribution relating to share-based payments	2.4	0.9
Investment in Circassia (Shanghai) Medical Device Co. Limited	-	0.4
Decrease in provision held against investments	40.0	38.9
Investments in subsidiaries at 31 December	174.9	132.5

Investments in subsidiaries are recorded at cost less impairment, which is the fair value of the investment.

On 23 August 2023, the 100% owned entity Circassia (Beijing) Medical Device Co. Ltd was sold to an external party for nominal consideration. The investment was fully impaired and therefore had a fair value of £nil.

The investments in subsidiaries are assessed annually to determine if there is any indication that any of the investments might be impaired. An impairment test is based on the value in use of the subsidiaries. Key assumptions and sensitivities used in the impairment review are disclosed in note 16.

Management concluded that a £40.0 million reduction was required to the provision in the investments as the most recent forecasts show higher rates of expected recoverability due to improved expectations regarding the future financial performance and the value in use of the NIOX CGU since the prior period.

Changes in the value in use of the subsidiaries might result in a significantly higher or lower fair value of investments. 10% higher or lower value in use would result in a £14.2 million (2022: £11.6 million) change to the fair value of investments.

The capital contribution relating to share-based payments relates to options granted by the Company to employees of subsidiary undertakings in the Group. Further details on the Group's share option schemes can be found in note 25.

The Group's subsidiaries at 31 December 2023 and 2022 are set out opposite. Unless otherwise stated, they have share capital consisting solely of ordinary shares and the proportion of ownership interest held equals the voting rights held by the Group. The country of incorporation is also the principal place of business.

The following company names were changed during the year:

- ◆ Circassia Limited was changed to NIOX Healthcare Limited with effect from 28 July 2023.
- ◆ Circassia GmbH was changed to NIOX GmbH with effect from 11 August 2023.
- ◆ Circassia Inc. was changed to NIOX Inc. with effect from 17 October 2023.

All subsidiary undertakings are included in the consolidation.

Name of entity	Address of the registered office	Country of incorporation	Principal activities	Ownership interest held by NIOX Group plc		Ownership interest held by the Group	
				2023	2022	2023	2022
NIOX Healthcare Limited	Hayakawa Building, Edmund Halley Road, Oxford Science Park, Oxford, OX4 4GB, UK	UK	Sale of devices for management of asthma	100%	100%	100%	100%
Circassia AB	Hansellisgatan 13, 754 50, Uppsala, Sweden	Sweden	Development and sale of devices for management of asthma	-	-	100%	100%
NIOX GmbH	Louisenstraße 21, 61348, Bad Homburg, Germany	Germany	Sale of devices for management of asthma	-	-	100%	100%
NIOX Inc.	1100 Perimeter Park Drive, Suite 114 Morrisville, North Carolina 27560, USA	USA	Sale of devices for management of asthma	100%	100%	100%	100%
Circassia (Shanghai) Medical Device Co. Limited	Rm 2002A 20F Bld. B, Dawning Center, 500 Hongbaoshi Rd, Changning Dist, Shanghai PR China	China	Sale of devices for management of asthma	100%	100%	100%	100%
Circassia (Beijing) Medical Device Co. Limited	Room 269, 2/F, People's Daily Printing Plant, Wangsiying Township, Chaoyang District, Beijing	China	Sale of devices for management of asthma	-	100%	-	100%

19. Inventories

	2023 £m	2022 £m
Finished goods	4.8	4.1

Inventories recognised as an expense during the year ended 31 December 2023 amounted to £9.6 million (2022: £8.5 million). These were included in cost of sales.

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20. Trade and other receivables

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Receivables due within one year				
Trade receivables	4.1	3.7	-	-
Prepayments and accrued income	0.6	0.7	0.2	-
Other receivables	4.1	3.5	-	-
Receivables from subsidiary undertakings	-	-	0.5	0.3
Total current trade and other receivables	8.8	7.9	0.7	0.3
Receivables due after more than one year				
Other receivables	-	3.5	-	-
Receivables from subsidiary undertakings	-	-	3.3	6.1
Total non-current trade and other receivables	-	3.5	3.3	6.1

Due to the short-term nature of current trade and other receivables, their carrying amount is considered to be the same as their fair value.

Included within trade receivables is £0.3 million (2022: £0.3 million) of invoices that were more than 30 days past due at the end of the reporting year, but which have not been impaired.

Other receivables include £3.4 million (2022: £6.3 million) in relation to the consideration due from Beyond Air. Included in current other receivables is £3.4 million (2022: £2.8 million) and included in non-current other receivables is £nil (2022: £3.5 million). See note 8 for further detail.

Receivables from subsidiary undertakings are amounts provided by the Company to its subsidiaries in order to undertake commercial operations. All receivables are unsecured, some have fixed contractual repayment dates and others are repayable on demand. Interest is charged at a rate 4% above the relevant risk-free rate. Recoverability of the amounts is dependent on the future profitability of subsidiary undertakings. As at 31 December 2023, an expected credit loss of £nil (2022: £3.2 million) was recognised against receivables from subsidiary undertakings.

The carrying amounts of the Group and Company receivables, excluding prepayments and recoverable taxes, are denominated in the following currencies:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
British pound sterling	0.3	0.2	3.4	6.1
United States dollar	5.3	7.8	0.4	0.3
Euro	2.0	2.0	-	-
Total	7.6	10.0	3.8	6.4

21. Cash and cash equivalents

The Group and Company cash and cash equivalents are held with institutions with the following Fitch IBCA long-term rating:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
AA-	3.5	12.2	-	0.2
A+	15.6	-	8.0	-
A	0.2	-	-	-
A-	0.6	7.2	-	7.1
Total cash and cash equivalents	19.9	19.4	8.0	7.3

The Group and Company cash and cash equivalents are held in the following currencies at 31 December:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
British pound sterling	14.0	9.4	6.8	6.0
United States dollar	3.1	5.7	1.2	1.3
Euro	2.1	4.0	-	-
Swedish krona	0.5	0.2	-	-
Chinese yuan	0.2	0.1	-	-
Total cash and cash equivalents	19.9	19.4	8.0	7.3

22. Trade and other payables

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Trade payables	1.1	0.5	-	0.1
Social security and other taxes	0.8	0.8	-	-
Accruals	4.3	6.8	0.8	0.3
Other payables	0.4	0.5	-	-
Payables to subsidiary undertakings	-	-	-	-
Total current trade and other payables	6.6	8.6	0.8	0.4

Payables due after more than one year

Payables to subsidiary undertakings	-	-	34.1	21.9
Total non-current trade and other payables	-	-	34.1	21.9

Trade payables are unsecured and are usually paid within 30 days of recognition.

Due to the short-term nature of current trade and other payables, their carrying amount is considered to be the same as their fair value. Interest on payables to subsidiary undertakings is charged at a rate 4% above the relevant risk-free rate.

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23. Financial assets and financial liabilities

The Group holds the following financial instruments at 31 December each year:

	2023 £m	2022 £m
Financial assets		
Financial assets at amortised cost		
Trade and other receivables (excluding prepayments and recoverable taxes)	7.6	10.0
Cash and cash equivalents	19.9	19.4
	27.5	29.4
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	6.6	8.6
Lease liabilities	1.1	1.0
	7.7	9.6

The Company had the following financial instruments at 31 December each year:

	2023 £m	2022 £m
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	8.0	7.3
Receivables from subsidiary undertakings	3.8	6.4
	11.8	13.7
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	0.8	0.3
Payables to subsidiary undertakings	34.1	21.9
	34.9	22.2

The Group's exposure to various risks associated with the financial instruments is discussed in note 2.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

The directors consider that the fair values of the Group's financial instruments do not differ significantly from their book values.

24. Deferred taxation

	Intangible assets	Tax losses	Net deferred tax asset/ (liability)
	£m	£m	£m
As at 1 January 2022	(7.9)	23.1	15.2
Credited to the income statement	0.9	2.7	3.6
Charged to other comprehensive income	-	(0.4)	(0.4)
As at 31 December 2022	(7.0)	25.4	18.4
At 1 January 2023	(7.0)	25.4	18.4
Credited to the income statement	0.7	4.7	5.4
As at 31 December 2023	(6.3)	30.1	23.8
		2023	2022
		£m	£m
Deferred tax liabilities		-	(7.0)
Deferred tax assets		23.8	25.4
Net deferred tax asset		23.8	18.4

On consolidation, a deferred tax asset in respect of deductible temporary differences relating to tax losses is recognised to the extent of the relevant deferred tax liability relating to intangible assets. These balances relate to the same taxation authority and have therefore been offset.

The Group has the following unrecognised potential deferred tax assets as at 31 December:

	2023	2022
	£m	£m
Losses	90.9	75.5
Total unrecognised deferred tax asset	90.9	75.5

Of the total net deferred tax asset, £3.9 million (2022: £2.7 million) is expected to be recovered within 12 months and £19.9 million (2022: £15.7 million) is expected to be recovered beyond 12 months.

Swedish deferred tax assets and liabilities are recognised at a rate of 20.6% (2022: 20.6%).

	Expiring within 5 years	Expiring beyond 6 years	Unlimited	Total
	£m	£m	£m	£m
As at 31 December 2023				
Losses for which a deferred tax asset is recognised	-	-	115.4	115.4
Losses for which no deferred tax asset is recognised	1.8	121.5	252.3	375.6
Total	1.8	121.5	367.7	491.0
As at 31 December 2022				
Losses for which a deferred tax asset is recognised	-	-	123.3	123.3
Losses for which no deferred tax asset is recognised	16.4	121.5	249.2	387.1
Total	16.4	121.5	372.5	510.4

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25. Share-based payments

Share options have been awarded under the Save As You Earn Scheme (the "SAYE Scheme") and the PSP Share Option Scheme (the "PSP Scheme").

The contractual life of the options granted under the PSP Scheme is 10 years and under the SAYE Scheme is 3.5 years. Options cannot normally be exercised before the third anniversary of the date of grant.

The share options outstanding can be summarised as follows:

	2023 Number of ordinary shares ('000)	2022 Number of ordinary shares ('000)
SAYE Scheme ¹	730	929
PSP Scheme ²	28,174	23,543
Total share options outstanding at 31 December	28,904	24,472

¹ Options granted under the SAYE Scheme have a fixed exercise price based on a discounted market price at the date of grant. Exercise of options under this scheme is subject to continued employment. Options typically vest over a period of 3 years.

² Options granted under the PSP Scheme have a fixed exercise price of £0.0008 per share and are subject to additional vesting performance conditions. Exercise of options under this scheme is subject to continued employment and achievement of both market and non-market performance targets. Options typically vest over a period of 3 years.

The movement in share options outstanding is summarised in the following table:

	2023 Number of options '000	2023 Weighted average exercise price per share option £	2022 Number of options '000	2022 Weighted average exercise price per share option £
Outstanding at 1 January	24,472	0.01	23,213	0.01
Granted	5,247	0.0155	7,421	0.0039
Forfeited/ lapsed	(69)	0.2237	(5,819)	0.0079
Exercised	(746)	0.0957	(343)	0.0313
Outstanding at 31 December	28,904	0.01	24,472	0.01
Vested and exercisable at 31 December	16,287	0.01	1,155	0.01

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

Scheme	Grant year	Expiry year	Exercise price £	Share options 2023 '000	Share options 2022 '000
PSP 2015	2015	2025	0.0008	12	12
PSP 2016	2016	2026	0.0008	58	58
PSP 2017	2017	2027	0.0008	80	92
PSP 2019	2019	2029	0.0008	11,128	11,128
PSP 2020	2020	2030	0.0008	4,971	5,390
PSP 2022	2022	2032	0.0008	6,863	6,863
PSP 2023	2023	2033	0.0008	5,062	-
SAYE 2020	2020	2023	0.2201	419	774
SAYE 2021	2021	2024	0.2875	47	76
SAYE 2022	2022	2025	0.2919	79	79
SAYE 2023	2023	2027	0.5277	185	-
Total share options outstanding at 31 December				28,904	24,472

The weighted average remaining contractual life of share options outstanding at the end of the year was 7.4 years (2022: 8.2 years).

Options exercised in 2023 resulted in 746,259 (2022: 292,201) shares being issued at a weighted average price of £0.0957 (2022: £0.0313) each. The exercise of nil (2022: 50,835) options was satisfied by transferring shares out of the Trust.

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25. Share-based payments continued

Valuation models

The fair value of PSP and SAYE share options granted during the year was determined using the Monte Carlo Simulation model and the Black Scholes Model dependent on the vesting period. The Finnerty Model was used in the previous year.

Monte Carlo Simulation

The Monte Carlo Simulation model has been used to value the portion of the awards which have a market performance vesting condition. The model incorporates a discount factor reflecting this performance condition into the fair value of this portion of the award.

The model inputs for options granted during the year ended 31 December 2023 and 2022 included:

	2023	2022
Exercise price	£0.0008	£0.0008
Share price	£0.45 / £0.66	£0.35
Expected volatility	50.07% / 41.21%	64%
Expected life	3 years	3 years
Expected dividends	0.00%	0.00%
Risk free interest rate	3.37% / 3.29%	1.56%

The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The weighted average fair value of options granted during the year determined using the Monte Carlo Simulation model at the grant date was £0.25 per option (2022: £0.17).

The Finnerty Model

For LTIP awards that are subject to an additional two-year post-vesting holding period, the Finnerty model (an at-market put option variant of the Black-Scholes model) has been used to determine a discount for the lack of marketability.

The model inputs for options granted during the year ended 31 December 2023 and 2022 included:

	2023	2022
Exercise price	£0.0008	£0.0008
Share price	£0.45	£0.35
Expected volatility	40.98%	50.00%
Expected life	5 years	5 years
Expected dividends	0.00%	0.00%
Risk free interest rate	3.29%	1.59%

This discount has only been applied to the shares that are subject to the sales restriction (i.e., post any permitted sales for tax/legal purposes and any lapses from failing to meet performance conditions).

The weighted average fair value of options granted during the year determined using the Finnerty model at the grant date was £0.22 (2022: £0.07) per option.

The Black Scholes Model

The Black Scholes model has been used to value the SAYE scheme options as they are not subject to market-based performance conditions and have a fixed term.

The model inputs for options granted during the year ended 31 December 2023 and 2022 included:

	2023	2022
Exercise price	£0.5277	£0.3540
Share price	£0.63	£0.29
Expected volatility	43.44%	63%
Expected life	3.34 years	3.34 years
Expected dividends	0.00%	0.00%
Risk free interest rate	4.14%	1.58%

The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The weighted average fair value of options granted during the year determined using the Black Scholes model at the grant date was £0.27 per option (2022: £0.18).

Deferred shares

Under the Group's long term incentive scheme, Executive Directors receive their annual bonus in shares, with 25% granted following the year end, and the remaining 75% are deferred for a further two years, other than for the sale of shares to satisfy any tax liability created on grant. They automatically convert into one ordinary share on vesting, at an exercise price of 0.08 pence per share. The following table shows the deferred shares granted and outstanding at the beginning and end of the reporting period:

	2023 Number '000	2022 Number '000
As at 1 January	-	-
Granted	1,264	-
Exercised	(632)	-
As at 31 December	632	-

Income statement

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2023 £m	2022 £m
Options issued under the SAYE scheme	-	0.1
Options issued under the PSP scheme	1.6	0.5
Dividend equivalent to be paid under the PSP scheme	0.2	-
Deferred shares to be issued under the deferred bonus scheme	0.5	0.3
Deferred shares issued under the deferred bonus scheme	0.1	-
Total share based payment expense	2.4	0.9

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26. Share capital

	2023 £m	2022 £m
Authorised, called up and fully paid		
420,907,123 (2022: 419,577,589) ordinary shares of 0.08p each	0.3	0.3

Movements in ordinary shares

	2023		2022	
	Number of shares	Par value £m	Number of shares	Par value £m
As at 1 January	419,577,589	0.3	418,461,921	0.3
Share issued to employees in lieu of bonus	583,275	-	823,467	-
Employee share scheme issues	746,259	-	292,201	-
As at 31 December	420,907,123	0.3	419,577,589	0.3

27. Share premium

Group and Company	2023 £m	2022 £m
At 1 January	640.3	640.3
Capital reduction scheme	(640.3)	-
Proceeds received from exercise of share options	0.1	-
At 31 December	0.1	640.3

On 8 February 2023, a Capital Reduction Scheme was concluded by filing an order of the High Court with the Registrar of Companies and the share premium account was recycled through profit and loss.

28. Other reserves

Group	Share option reserve £m	Translation reserve £m	Treasury shares reserve £m	Transactions with non- controlling interests £m	Total other reserves £m
At 1 January 2022	15.0	8.7	(0.9)	(6.1)	16.7
Employee share option scheme	0.9	-	-	-	0.9
Exchange differences on translation of foreign operations	-	(1.9)	-	-	(1.9)
At 31 December 2022	15.9	6.8	(0.9)	(6.1)	15.7
Employee share option scheme	1.8	-	-	-	1.8
Exchange differences on translation of foreign operations	-	(0.2)	-	-	(0.2)
Reclassification of foreign exchange	(0.3)	0.3	-	-	-
Closure of the Employee Benefit Trust	-	-	0.9	-	0.9
At 31 December 2023	17.4	6.9	-	(6.1)	18.2

Company	Share option reserve	Treasury shares reserve	Total other reserves
	£m	£m	£m
At 1 January 2022	14.7	(0.9)	13.8
Employee share option scheme	0.9	-	0.9
At 31 December 2022	15.6	(0.9)	14.7
Employee share option scheme	1.8	-	1.8
Closure of the Employee Benefit Trust	-	0.9	0.9
At 31 December 2023	17.4	-	17.4

See the accounting policy on page 94 for a description of each reserve.

29. Retained earnings/ (accumulated losses)

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
At 1 January	(574.4)	(590.5)	(531.4)	(567.6)
Profit for the year	10.7	16.1	36.7	36.2
Capital reduction scheme	640.3	-	640.3	-
Closure of the Employee Benefit Trust	(0.9)	-	(0.9)	-
Dividends	(10.5)	-	(10.5)	-
At 31 December	65.2	(574.4)	134.2	(531.4)

Given that the Company had no distributable reserves at the end of the prior year, in accordance with sections 836 and 838 of the Companies Act 2006, the directors prepared and filed interim accounts at Companies House on 31 July 2023, demonstrating the Company had sufficient distributable reserves at that date, prior to paying the dividend shown above.

30. Dividends

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Special dividend for the year ended 31 December 2023 of 2.5 pence (2022: nil) per fully paid share	10.5	-	10.5	-

In addition to the above dividend, since year end the directors have recommended the payment of a final dividend of 1 pence per fully paid ordinary share (2022: £nil). The aggregate amount of the proposed dividend expected to be paid after the reporting date, out of retained earnings at 31 December 2023, but not recognised as a liability at year end is £4.2 million (2022: £nil).

GROUP FINANCIAL STATEMENTS

Notes to the financial statements

31. Cash generated from/ (used in) operations

Reconciliation of profit before tax to net cash generated from/ (used in) operations:

	Notes	Group		Company	
		2023 £m	2022 £m	2023 £m	2022 £m
Profit from continuing operations before tax		4.1	10.5	36.7	36.2
Profit from discontinued operations before tax	11	1.2	2.0	-	-
Profit before tax		5.3	12.5	36.7	36.2
Adjustments for:					
Finance income	9	(0.8)	(0.3)	(0.4)	-
Finance costs	9	0.2	0.3	2.4	0.8
Depreciation charge of property, plant and equipment	14	-	0.1	-	-
Depreciation charge of right-of-use assets	15	0.7	0.6	-	-
Amortisation charge of intangible assets	17	3.7	3.9	-	-
Movement in provision against investments	18	-	-	(40.0)	(38.9)
Share-based payment charge	5	2.4	0.9	-	-
Foreign exchange on non-operating cash flows		0.8	(0.4)	-	-
Changes in working capital:					
Decrease/ (increase) in trade and other receivables		2.7	(6.7)	(0.2)	-
(Decrease)/ increase in credit loss provision	2	-	-	(3.2)	0.5
Increase in inventories		(0.8)	(1.4)	-	-
(Decrease)/ increase in trade and other payables		(2.5)	(2.6)	(0.1)	0.1
Cash generated from/ (used in) operations		11.7	6.9	(4.8)	(1.3)

32. Contingent liabilities and assets

There were no contingent liabilities as at 31 December 2023 or at 31 December 2022. The Group is entitled to receive royalties from Beyond Air equal to 5% of net sales of the LungFit® PH device, commencing on the second anniversary of FDA approval and capped at a maximum of \$6 million. A contingent asset has not been recognised as a receivable at 31 December 2023, because the timing and quantum of those royalties is not virtually certain.

33. Commitments

There were no capital commitments as at 31 December 2023 or at 31 December 2022.

34. Related party transactions

Group

There is no ultimate controlling party of the Group as ownership is split between the Company's shareholders. The most significant shareholders as at 31 December 2023 and 2022 are as follows:

	Ownership interest	
	2023	2022
Griffiths R I	23.94%	27.77%
Harwood Capital LLP*	18.48%	18.54%
AstraZeneca PLC	16.89%	16.94%

* Harwood Capital LLP acts as investment manager to North Atlantic Smaller Companies Investment Trust plc

Company

The following transactions with subsidiaries occurred in the year:

	2023 £m	2022 £m
Sale of management services to NIOX Healthcare Limited ¹	1.3	1.1
Net transfer of funds to subsidiaries	(15.6)	(8.8)
	(14.3)	(7.7)

¹ Remuneration costs (excluding share option charges) relating to the Executive Directors of NIOX Group plc in respect of services rendered to NIOX Healthcare Limited.

There were no transactions with related parties during the years ended 31 December 2023 and 2022 as classified under IAS24.

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Balances due from subsidiary companies	2023 £m	2022 £m
At 1 January	6.4	11.2
Loans repaid	(5.8)	(4.5)
Interest received	-	0.2
Movement in loss allowance	3.2	(0.5)
At 31 December	3.8	6.4

Balances due to subsidiary companies		
At 1 January	(21.9)	(16.6)
Loans advanced	(9.8)	(4.3)
Interest charged	(2.4)	(1.0)
At 31 December	(34.1)	(21.9)

Interest is charged at a rate 4% above the relevant risk-free rate.

Employee benefit trust

In 2014 the Company set up an employee benefit trust (the Trust) for the purposes of buying and selling shares on employees' behalf. During the year, all shares remaining in the Trust were sold or transferred out. On 28 April 2023, a Deed of Termination was signed, and the Trust was closed. The balance on the treasury shares reserve was recycled through profit and loss.

35. Events occurring after the reporting date

Refer to note 30 for details of the final dividend recommended by the directors which is to be paid after the reporting date.

OTHER INFORMATION

Reconciliation of alternative performance measures

Total expenditure

Total expenditure excludes depreciation, amortisation and share option charge.

Total expenditure is an alternative performance measure, and reconciles to the consolidated statement of comprehensive income as below:

	2023 £m	2022 £m
Research and development costs	(2.3)	(3.2)
Sales and marketing costs	(11.2)	(9.7)
Administrative expenses	(8.4)	(7.5)
Add back:		
Depreciation	0.7	0.7
Amortisation	3.7	3.9
Share option charge	2.4	0.9
Total expenditure	(15.1)	(14.9)

Adjusted EBITDA

Adjusted EBITDA excludes items of income and expenditure which might have an impact on the quality of earnings, such as the share option charge.

Adjusted EBITDA is an alternative performance measure, and reconciles to operating profit as below:

	2023 £m	2022 £m
Adjusted EBITDA	11.4	7.3
Depreciation	(0.7)	(0.7)
Amortisation	(3.7)	(3.9)
Share option charge	(2.4)	(0.9)
Operating profit	4.6	1.8

Financial calendar

- ◆ Annual General Meeting: 22 May 2024
- ◆ Interim results for the six months ending 30 June 2024: Q3 2024

Registrars

All administrative enquiries relating to shareholdings and requests to receive corporate documents by email should, in the first instance, be directed to Equiniti. Shareview is Equiniti's shareholder portal offering access to services and information to help manage your shareholdings and inform your important investment decisions.

Shareview Portfolio

Shareview Portfolio is an online portfolio management tool which enables you to view and manage all the shareholdings you have, where Equiniti is the Registrar, in one place. It is free to use and provides access to a wide range of market information and investment services. Please visit www.shareview.co.uk.

This is not a recommendation to buy or sell shares. The price of shares can go down as well as up, and you are not guaranteed to get back the amount that you originally invested.

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Forward-looking statements

This report contains certain projections and other forward-looking statements with respect to the financial condition, results of operations, businesses and prospects of NIOX.

The use of terms such as “may”, “will”, “should”, “expect”, “anticipate”, “project”, “estimate”, “intend”, “continue”, “target” or “believe” and similar expressions (or the negatives thereof) are generally intended to identify forward-looking statements. These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Any of the assumptions underlying these forward-looking statements could prove inaccurate or incorrect and therefore any results contemplated in the forward-looking statements may not actually be achieved. Nothing contained in this report should be construed as a profit forecast or profit estimate. Investors or other recipients are cautioned not to place undue reliance on any forward-looking statements contained herein. NIOX undertakes no obligation to update or revise (publicly or otherwise) any forward-looking statement, whether as a result of new information, future events or other circumstances.



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NIOX Group plc

Annual Report & Accounts
YEAR ENDED 31 DECEMBER 2023

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