NOVACYT

GROUP

Annual Report and Accounts

For the year ended December 2019

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Business Overview

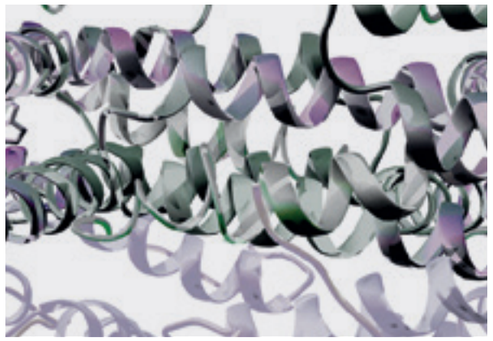
Novacyt is a rapidly growing, international diagnostics group, generating revenues from the sale of diagnostic and pathogen testing kits based on molecular and protein testing technologies and sold into human clinical, life science, food and industrial markets.

Who are we?

Novacyt is focused on developing, manufacturing and commercialising niche clinical diagnostic products to serve the infectious disease market representing the largest segment of the clinical diagnostics market.

Novacyt has a broad product range which is accredited and registered in over 100 countries and has two main product technology platforms which underpin its product portfolio and niche market focus. The two technology platforms are molecular-based products (the fastest growing technology sector) and protein-based diagnostic products (the largest and most established technology sector).

The Company's customers and end-users include universities, hospitals, clinics and testing laboratories (both with healthcare and industrial focus). In markets such as the UK, the Company sells to end-users through its direct sales workforce, whilst in the majority of markets they are reached through an extensive overseas distributor and OEM partner network.



01 Business Overview

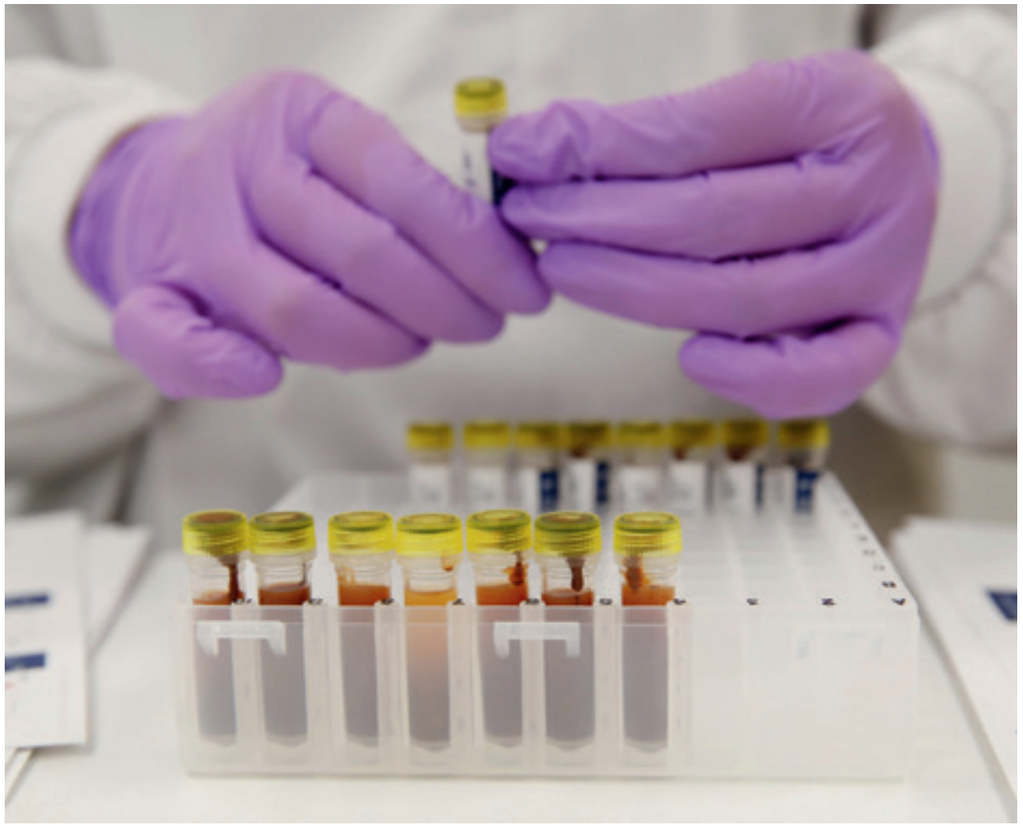
Our strategy

The business is focused on three strategic pillars of growth:

1. Organic Growth

2. Innovative R&D

3. Acquisition



Our market

Academic research is the first step in the life sciences continuum where significant new research is taking place to understand the genetic nature of disease. Novacyt, through its innovative molecular product range, generates revenues from supporting academic researchers with its ability to quickly develop and supply specific DNA and RNA kits for research use. This market requires products developed as Research Use Only (RUO) and does not require the extensive clinical validation necessary for clinical markets. This is a large and important market for Novacyt and currently underpins the core growth of the molecular product range, notwithstanding the effect of COVID-19 on sales experienced in the first half of 2020.

The Company's largest target market is clinical diagnostics where its tests are developed and validated to the standards required for human clinical use. Where appropriate, we also look to utilise the same technologies and products for application in veterinary diagnostics. A critical component of improved clinical care in food and veterinary diagnostics is the accurate diagnosis not only of the disease, but the genetic diagnosis underlying the disease state.

The regulatory accreditations required for these products provide high barriers to entry and include the CE-Mark for many European and international markets, the CFDA for China and the FDA for the US market. Examples of the segments Novacyt's products are used in include syphilis, MRSA, C-Diff and, most recently, coronavirus (COVID-19).

Another key market for some of Novacyt's products is food testing, which is an increasingly stringent market as food safety becomes more important. Novacyt has some market-leading products used in food testing such as Listeria, Salmonella, Campylobacter, E-coli and other bacterial and fungal pathogens.

We have identified specific growth opportunities in the large, fast-growing but fragmented diagnostics market, particularly for the molecular products of Primerdesign, whilst also seeking to strengthen demand for the established protein products of Lab21.

Molecular diagnostics market

The Company estimate that Primerdesign's core target molecular markets for RUO, IVD clinical and food pathogen testing are worth approximately €14.7bn per annum, with an estimated growth of over 4.3% per annum. The RUO market, alone, is estimated to be worth €1.3bn with the clinical market estimated at over €6.0bn.

Protein diagnostics market

Lab21 operates in an estimated €11.7bn total addressable market with a specific focus in microbiology, serology and haematology diagnostic markets.

Novacyt competes in these established markets by offering good quality, high performing reagent products with long recognisable brands.

Primerdesign's core target molecular markets for RUO, IVD clinical and food pathogen testing are worth approximately

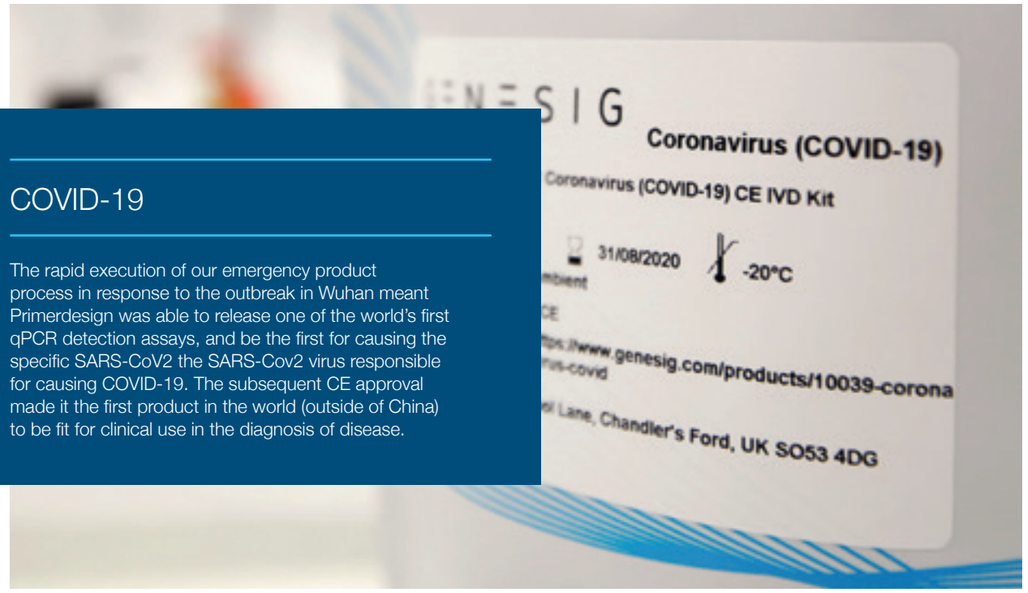
€14.7bn

€11.7bn

Estimated total addressable market Lab21 operates in with a specific focus in microbiology, serology and haematology diagnostic markets

01 Business Overview

Highlights



COVID-19

The rapid execution of our emergency product process in response to the outbreak in Wuhan meant Primerdesign was able to release one of the world's first qPCR detection assays, and be the first for causing the specific SARS-CoV2 the SARS-Cov2 virus responsible for causing COVID-19. The subsequent CE approval made it the first product in the world (outside of China) to be fit for clinical use in the diagnosis of disease.

Launch of multiple Infectious Disease parameters in Microgen Bioproducts with PathFlow™

As part of Novacyt's ongoing efforts to develop cost-effective and accurate diagnostic products that will deliver the fastest and most reliable results possible, Microgen Bioproducts expanded its range of PathFlow™ lateral flow assays with the launch of six additional infectious disease parameters including Clostridium difficile, Helicobacter pylori and a rapid alternative for Influenza testing.

New molecular respiratory panel ready for the US market

The introduction of a Primerdesign-developed respiratory panel for use in the US represents one of our biggest B2B business transactions to date, and highlights the capacity of our scientific and production teams in offering fit-for-purpose solutions to any qPCR market demand.

Next Gen QPCR Instrument Q32

The q32 was the evolution in Primerdesign's instrumentation offering to users of real-time amplification technology. Boasting higher throughput and potentially shorter run times, it offers a powerful solution to new users and customers wishing to upgrade capacity from the original q16.

Immunexpress partnership

Our longstanding relationship with Immunexpress has led to our Primerdesign business providing research and development activities for seven separate projects. These projects have delivered significant benefits to the development of Immunexpress product offerings.

01 Business Overview

Strong
Primerdesign
gross
margin

Year ended with

110

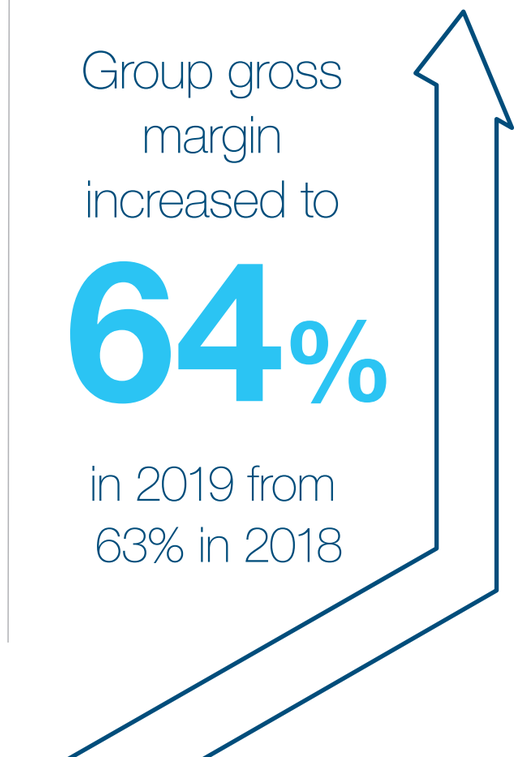
employees

Working towards being an **Employer of Choice 2020**

Group gross margin increased to

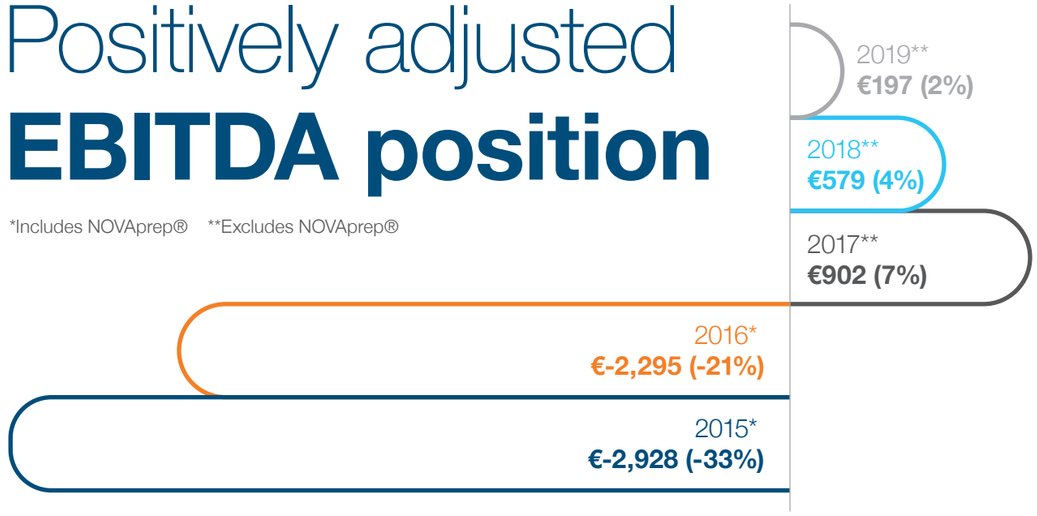
64%

in 2019 from 63% in 2018



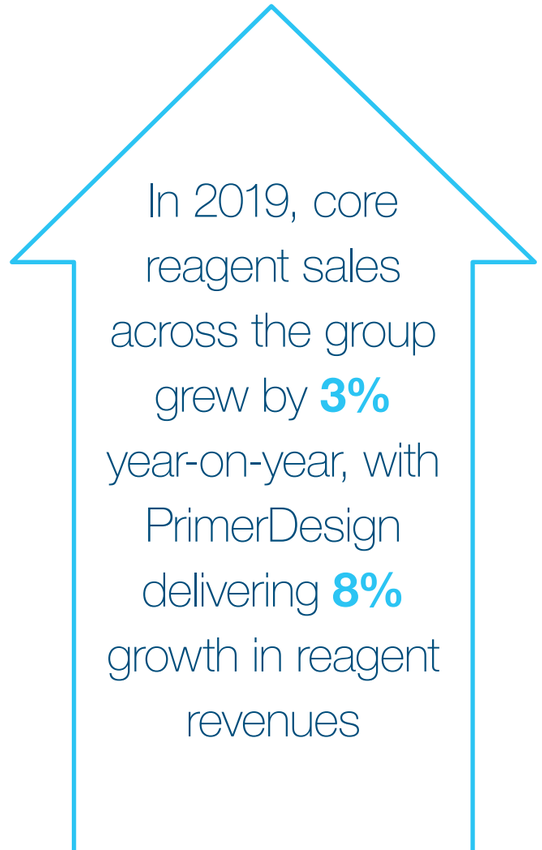
Positively adjusted
EBITDA position

*Includes NOVAprep® **Excludes NOVAprep®



Novacyt recently developed a new test in response to the novel coronavirus (COVID-19) threat emerging from China. The test was launched in late January 2020 to become one of the world's first molecular tests for the SARS-CoV-2 virus. Sales, orders and commitments to purchase the test since the initial launch have significantly exceeded expectations and will be transformational for the Group in 2020.

In 2019, core reagent sales across the group grew by **3%** year-on-year, with PrimerDesign delivering **8%** growth in reagent revenues



01 Business Overview

Group figures*

Number of customers served in 2019

1,006

(UK = 331, International = 675)

Lab21 Healthcare sales revenues of

€3.5m

Primerdesign sales revenues of

€6.3m

Microgen Bioproducts sales revenues of

€2.9m

Number of countries sold into during 2019

130

Clinical Labs sales revenues of

€0.4m**

*NOVAprep® business unit eliminated from the operating results for continuing operations, under the provisions of IFRS 5.

**Figure up until Clinical Labs sale point in July 2019

LAB 21 HEALTHCARE

Largest sales region outside the UK

Asia Pacific

Biggest growth region in 2019

USA

Top 5 export markets in 2019

- Indonesia
- Nigeria
- Bangladesh
- Malaysia
- Iraq

Biggest selling product lines in 2019

- Omega Immutrep
- Blood Grouping Antisera
- Febrile Antigens
- Omega Avitex
- Latex Serology

MICROGEN BIOPRODUCTS

Largest sales region outside the UK

Europe

Biggest growth region in 2019

UK & Ireland

Top 5 export markets in 2019

- Italy
- Japan
- United States
- France
- Spain

Biggest selling product lines in 2019

- Microgen Listeria ID kits
- Microgen Legionella CE kits
- Path-Check Hygiene Listeria Media
- Path-Check Hygiene Swabs
- Double Diffusion Plates

PRIMER DESIGN

Largest sales region outside the UK

Europe

Biggest growth region in 2019

Middle East & Africa

Top 5 export markets in 2019

- United States
- France
- South Africa
- Turkey
- United Arab Emirates

Biggest selling product lines in 2019

- oasig lyophilised qPCR MasterMix
- genesig® q16 real-time PCR machine
- genesig® easy DNA/ RNA extraction kit
- genesig® real-time PCR screening kits
- genesig® q32 real-time PCR machine

02

Strategic Report

Chairman's statement

I am writing this report in unprecedented times for almost everybody worldwide and when the majority of the population, other than those described as "key workers", have been on lockdown and at home for almost three months and only now are certain sectors beginning to re-open.

Due to the nature of our business and our highly experienced staff, we managed to develop a reliable test for COVID-19 very quickly, which has received worldwide recognition and approval in many countries.

As a result, we have all had to rise to the challenge of a very different business with different daily demands, resulting in a significant increase in production capacity to meet weekly demand levels which are greater than we would normally see in a year.

I therefore want to start my report by publicly thanking every member of our team for their contribution and for going "above and beyond" what is normally expected. I also want to thank their families for making this possible. Every situation is different and I know that, at times, this can be difficult and result in significant sacrifices being made.

Following the restructuring of the Group in 2019, we are now focused on the Group's profitable reagent development and manufacturing business units, which we consider to be the key long-term value drivers of the business.

During 2019, we were pleased to announce the sale of the two non-core businesses, NOVAprep® and Lab21 Clinical Lab, which had been identified for disposal following the extensive strategic review undertaken during the latter part of 2018.

Despite working capital constraints, which impacted most of 2019, growth was achieved in key parts of the business. Following the refinancing at the end of the year, we started 2020 in a strong position. Since then, the business has re-positioned its focus to be at the heart of supporting the global pandemic with its COVID-19 test. Our rapid response to this latest COVID-19 virus outbreak is a testament to the Group's core competency of in-vitro diagnostic design, development, manufacturing and commercialisation, and being able to act quickly. I am extremely proud of the Novacyt team who have been able to deliver this new COVID-19 test in such a short period of time for our customers who need fast and reliable diagnostic solutions in these troubling times. Further details are contained in the Chief Executive Officer's review on pages 16 to 21.

During the 2019 period under review, the continuing operations, which include the business units of Primerdesign, Microgen Bioproducts and Lab21 Healthcare (incorporating the infectious disease assets which we acquired from Omega Diagnostics in June 2018), produced revenues of €13.1m. This was a reduction of 5% (6% CER) on a consolidated basis relative to 2018, principally driven by a lack of working capital investment. During November 2019, a major restructure of the balance sheet was completed to provide much needed working capital. In view of the subsequent events during H1 2020, this refinancing has become largely insignificant as the level of cash in the business now materially exceeds the entire capital restructure. As of June 2020 all senior debt was repaid and the Group now has significant cash reserves which are expected to continue to grow. We look forward growing the business from a materially stronger financial position during 2020.

During the first half of 2019, we announced the appointment of SP Angel Corporate Finance LLP as our new Nominated Adviser and Broker. We intend to strive to continue to increase our engagement with our investors as we position ourselves for continued growth. The Board constantly reviews the capital allocation of the Company. Novacyt has historically been loss making and therefore has not paid a dividend, or indeed been in a position to do so commercially from a cashflow perspective or legally from a retained reserves perspective. We are therefore not proposing to pay a dividend for the financial year ended 2019. In the future, our dividend policy will form part of a wider review of capital allocation, which will be formulated in conjunction with the requirements for continued investment in the business for future business growth to maximise shareholder value as well as the prevailing financial conditions in the markets in which the business operates.

The Company is listed on two stock exchanges: Euronext Growth Paris and AIM London. As such, the Board remains committed to maintaining the highest standards of transparency, ethics and corporate governance, whilst also providing leadership, controls and strategic oversight to ensure that we deliver value to all our stakeholders. There were no changes to the Board during the year.

Novacyt remains committed to its core strengths of in-vitro diagnostics product development, commercialisation and contract manufacturing as we focus on driving value from our profitable Primerdesign and Lab21 businesses and the Board will be evaluating longer term strategies to maximise the opportunity and financial transformation that is taking place in the business through COVID-19.

Finally, I would like to take this opportunity of thanking you, the shareholders, for your continued support, and also to thank the Board, the Executive management team and all of our staff for their commitment and contribution to the business and, in particular, to the role that Novacyt is playing in testing during this global pandemic.

Thank you.

James Wakefield
Chairman
Novacyt S.A.

02 Strategic Report

Chief Executive Officer's review

As we publish our FY2019 financial results, Novacyt finds itself at the centre of a global COVID-19 pandemic. The Company is experiencing unprecedented sales demand for its COVID-19 test and, only six months into the financial year, finds itself significantly ahead of its full year 2020 financial plan.

It is the Directors' opinion that demand for the COVID-19 test and the Company's significant increase in financial performance is expected to continue throughout 2020.

Looking back at 2019, the Group completed a strategic review of the business, which started towards the end of 2018 to explore ways to maximise the future value of certain non-core assets within the Group, through which the decision was made to dispose of the NOVAprep® and Lab21 Clinical Lab ("Clinical Lab") businesses.

The Clinical Lab, a small part of Novacyt's Lab21 business based in Cambridge, UK, was deemed to be non-core and not integral to the Company's in-vitro diagnostic products focus. We were, therefore, pleased to announce in July 2019 the successful sale of the Clinical Lab to Cambridge Pathology BV for a total consideration of £400,000 in staged payments, further details of which are contained in the Financial Review on page 24.

NOVAprep® was also deemed to be non-core and outside the Company's in-vitro diagnostic reagent products expertise. At the end of December 2019, we were delighted to announce the sale of NOVAprep® assets to Algimed Trade Ltd for a total consideration of €400,000 in staged payments, and a 20% royalty on sales in certain defined territories. Further details of the transaction are contained in the Financial Review on page 24.

Completion of the sale of the Clinical Lab and NOVAprep® significantly streamlined our operations and strengthened our core financial position by removing loss making business units and reducing overheads associated with those business units. The sale of the Clinical Lab and the NOVAprep® assets could eventually generate in excess of €2.2m cash for the Group during the next five years through a combination of purchase consideration, royalties and the operational cash inflow generated in the second half of 2019.

Organic Growth

The Group's core reagent products are based on molecular and protein diagnostic technologies and an extensive product catalogue generates sales from clinical testing, food testing and animal testing diagnostics. The Group will continue to invest in commercial infrastructure for its clinical and food sales channels.

As previously announced, trading was impacted from the second quarter of 2019 onwards due to working capital constraints. However, following the announcement of a new term loan and cancellation of the convertible bond facility in November 2019, we started to invest funds in the recovery of our supply chain but, due to long manufacturing lead times, it was challenging to achieve any significant recovery in the last few weeks of 2019.

In 2019, core reagent sales across the Group grew by 3% year-on-year, with Primerdesign delivering 8% growth in reagent revenues from €5.6m (£5.0m) in 2018 to €6.1m (£5.4m) in 2019. Primerdesign also achieved 12% international revenue growth from €4.1m (£3.6m) in 2018 to €4.7m (£4.1m) in 2019, despite restricted q16 instrument sales due to lack of stock. This strong international performance was largely offset by weaker sales in the smaller UK direct market (down 13%) following the short-term impact of restructuring the commercial team in the second quarter of 2019.

Microgen Bioproducts sales, part of the Lab21 business, were also robust despite the continued stock shortages, as demonstrated by UK and Ireland direct sales increasing by 13% and Middle East sales increasing by 8% on the prior year.

The Company started 2020 with an order book significantly higher than at the same time last year. Lab21 had confirmed orders of over €1.5m at the end of the year. Of these orders, €1m could not be delivered due to working capital and supply chain issues. The Group expects to fully restore manufacturing output and stock levels to normal during 2020 to meet this demand.

Acquisitive Growth

With the Company's primary focus on operations during the current COVID-19 pandemic, Novacyt has no current plans for further acquisitions but will continue to monitor and assess opportunities that have the potential to benefit the Group, including access to new direct sales channels and the integration of key supply lines.

02 Strategic Report

R&D

In May 2019, Primerdesign launched its next generation genesig® q32 qPCR molecular testing instrument ("q32"). Stated at the time of the AIM IPO, Novacyt utilised some of the funds to focus on product development, and the q32 is a direct result of this investment. The q32 is a larger genesig® real-time qPCR instrument, which provides customers with a faster and higher throughput solution for Novacyt's genesig® real-time PCR kits. The q32 complements the smaller, portable genesig® q16 instrument ("q16"), which is used in laboratories and the field, and provides customers with an alternative instrument when faced with multiple terrain and off-site testing challenges.

The q32 provides test results within 60 minutes using genesig® kits, making it one of the fastest qPCR instruments on the market due to its rapid heating and cooling capabilities and unique lid design. Like the q16, the q32 is robust and, therefore, highly reliable. It allows the analysis of up to 32 patient samples in tube or strip format, using fluorescence detection technologies. The q32 software also allows users to experience a quick and easy operation for all genesig® kit applications with a straightforward setup process.

During the year, Primerdesign also completed the design and development of the molecular respiratory panel based on a 384 well plate format for use by its North American business partner in their CLIA approved diagnostic testing laboratory network. Primerdesign designed the multiplex test to identify 37 respiratory pathogens, which makes it one of the most comprehensive respiratory panels available in the market today. In addition to identifying a large number of respiratory disease pathogens, the new diagnostic product was designed with proprietary freeze-drying technology to stabilise the product to optimise its ease of use and performance.

Primerdesign will supply this product under a five-year manufacturing agreement as its partner launches the new respiratory panel in the US market through its own clinical testing laboratories to provide a Laboratory Developed Diagnostic Test ("LDT") result for its customers.

The global respiratory disease testing market was valued in 2016 at US$5.0 billion[1] and is forecast to grow at a rate of 3.3% per annum. The US market accounts for more than 30% of the global respiratory testing market.

This development marked a significant step forward in the Group's B2B strategy by providing our North American business partner with the opportunity to serve the significant demand for the US seasonal respiratory testing market, which typically runs from September to April. It also demonstrated the capability of Novacyt's R&D team as we broaden our product portfolio and build the skills to develop more complex products. The rapid development of this new multiplex molecular diagnostic panel shows the power of our integrated research, development and commercialisation team.

In addition, during the year, Primerdesign expanded its assay development contract with Immunexpress, Inc., a U.S.-based molecular diagnostic company, with the first FDA cleared host response test for suspected sepsis patients. This is to further support the development of rapid diagnostic assays for the detection of sepsis. Sepsis is a potentially life-threatening complication in which a person's immune system inappropriately responds to an infection by triggering a broader inflammatory response, which can cause damage to multiple organs and ultimately lead to death. Left undiagnosed or untreated, a patient can die within a matter of hours. This contract expansion adds further momentum to our B2B segment and provides further validation of the expertise our clinical assay development service offers.

Lastly, in January 2020, Primerdesign signed an exclusive commercial agreement with Atothis SARL, part of VGS Invest Holding Sarl Group ("VGS Group"), for the distribution of molecular diagnostic products in France for the growing aquaculture and aquamarine markets. France is the second largest aquaculture producer in the EU, with shellfish production alone contributing a total of 155,000 tonnes a year valued at approximately €550 million to the French economy.

The distribution partnership combines the commercial strength of the VGS Group, with Primerdesign's innovative molecular genesig® diagnostic tests and the Company's proprietary q16 instrument. Primerdesign's diagnostic products will be used for the early identification of diseases impacting animal health during food production. The agreement has an initial term of three years and commits VSG to purchase a minimum of €690,000 of Primerdesign products.

[1] Respiratory Disease Testing/diagnostics market, Industry Report, 2025 Grand View Research

02 Strategic Report

Post-period: Development of new coronavirus (COVID-19) test

Through the Group's operations in China, we were aware of the emerging COVID-19 emergency in the Wuhan province during December 2019.

In response, in early January 2020, we made the strategic decision to develop a test for COVID-19, which we launched in late January to become one of the world's first molecular tests to combat the outbreak.

About the Primerdesign COVID-19 test

The COVID-19 test was developed within the Primerdesign business, which is dedicated to the principles of molecular detection of pathogens and boasts one of the world's largest portfolios of pathogen testing products. Primerdesign's experience and expertise in the development of these products allows the team to define a rapid response process in the event of an outbreak. This process is centred around the principle of creating a testing solution for an epidemic pathogen as quickly as possible. Primerdesign has demonstrated its efficiency in such situations, previously with products for Ebola, MERS and SARS, and has now extended that science in developing a leading product for COVID-19.

Severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) is the virus strain that causes coronavirus disease 2019 (COVID-19). The Primerdesign test is a quantitative polymerase chain reaction (qPCR) test designed to detect a specific sequence of genes known to exist only in the SARS-CoV-2 responsible for the COVID-19 outbreak. If the target sequence is present in a patient sample, which is obtained from a mouth or throat swab, the result will be positive indicating the patient is infected with COVID-19.

The Primerdesign test can generate a result in less than two hours meaning that patient samples can be screened quickly. The test is stable at ambient temperatures, which eliminates the need for cold chain shipping in tropical climates and therefore improves the efficiency of the test and reduces transport costs. The test has also been designed to run on multiple molecular testing platforms, including Primerdesign's own genesig® q16 and q32 instruments, which ensures the test can be used by the largest possible number of clinicians.

Surveillance programme – 100% homology with published SARS-CoV-2 sequences

For Primerdesign's test to remain valid for identifying SARS-CoV-2 infections and aiding the diagnosis of COVID-19, the primers and probe within the test must continue to detect all SARS-CoV-2 viral genomes, even when the virus mutates.

The Company continues its extensive surveillance programme to monitor strain evolution of SARS-CoV-2 and the latest update continues to demonstrate a 100% homology of its COVID-19 test. This means comparing the Company's COVID-19 test to genome sequences from more than 33,000 variations of SARS-CoV-2 known to date. The Directors believe this extensive surveillance and performance homology will continue to allow clinicians to use the test with confidence.

Global regulatory recognition

Novacyt launched its COVID-19 test on 31 January 2020 as a research use only (RUO) test. Subsequently, Novacyt received accreditation from a number of leading global regulatory authorities for the clinical use of the test and was Europe's first company to launch a CE-Mark COVID-19 test on 17 February 2020, providing immediate approval for many European and international markets.

As announced on 12 March 2020, Public Health England (PHE) completed a formal evaluation of the Primerdesign COVID-19 test. The data generated from this assessment was an important endorsement of the quality and performance of the test and the report was shared with the NHS to support their decisions for general COVID-19 testing across the UK.

Further important endorsements of the performance and quality of our COVID-19 test, and demonstration of Novacyt's key role in helping to tackle the pandemic, include the issue of an Emergency Use Authorization (EUA) from US Food and Drug Administration (FDA), announced on 23 March 2020, and being listed as eligible for World Health Organization (WHO) procurement under the WHO Emergency Use Listing (EUL) process, announced on 8 April 2020. Novacyt has also received approval of its COVID-19 test from the CNR (Centre National de Référence des Virus des Infections Respiratoires (dont la grippe) of the Institut Pasteur, an internationally renowned centre for biomedical research with a goal of improving public health in France.

To date, our COVID-19 test has been approved in over 16 countries, as well as being available in markets which directly accept CE-Mark accreditation without the need for further approval.

Significant demand and capacity expansion

As a result of Novacyt's ability to rapidly develop a test for COVID-19, independent endorsements of the high-quality performance of the test, and the pressures on all stakeholders to increase testing capabilities following the WHO's announcement of a pandemic, the Company is experiencing unprecedented global demand for its test. We have therefore increased our manufacturing capacity to meet current and expected demand, and continue to evaluate additional capacity options.

In addition to scaling-up our own production at the Primerdesign site in Southampton, UK, to date, Novacyt has signed six contract manufacturing partnerships. Primerdesign expects to achieve the target run-rate of manufacturing its COVID-19 test at a rate of ten million tests per month from June 2020.

In order to manage and support the planning, procurement and logistics for our capacity increase, Novacyt engaged Chartwell Consulting, a specialist in rapid process improvement, in early April 2020. Chartwell has a team of senior consultants working within Novacyt to assist with the management of the scale-up plans to help deliver the planned increases in Primerdesign's production, and supply chain capacity.

The Company is also expanding its key raw material supplier base for its COVID-19 test. Currently there are a total of 76 components required for its COVID-19 test and Chartwell is helping the Company to identify additional suppliers in order to develop a long-term and sustainable supply of its kits at this volume.

Collaboration with AstraZeneca, GSK and University of Cambridge

On 8 April 2020, as part of the UK government's announcement of a new five pillar plan to increase testing for COVID-19, Novacyt announced a collaboration with AstraZeneca, GSK and the University of Cambridge to take action to support the national effort. A new testing laboratory has been set up at the university's Anne McLaren laboratory for high throughput screening for COVID-19 testing and to explore the use of alternative chemical reagents for test kits in order to help overcome current supply shortages. As part of the collaboration, Novacyt is ensuring an effective workflow process within the facility for COVID-19 testing, as well as providing its COVID-19 test to generate results data.

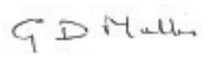
Department of Health and Social Care contract to support the NHS

On 27 April 2020, Novacyt signed a supply contract with the UK Department of Health and Social Care (DHSC) for its COVID-19 test. Under the terms of the agreement, Novacyt will supply its COVID-19 test to the DHSC for an initial term of six months, starting from 4 May 2020. Novacyt has initially committed to supply 40,000 tests per day to the NHS, with the option to expand the agreement. This partnership with the DHSC reinforces Novacyt's existing support of the UK government's five pillar plan to increase testing for COVID-19.

New COVID-19 innovation

In addition to rapidly developing a test for COVID-19, the Company is working on further innovations to support laboratories during the pandemic. These innovations include:

- Direct-to-PCR reagent called Exsig™ Direct to remove the need for RNA extraction reagents containing magneticbeads. This reagent was launched on 18 June 2020 and is expected to significantly improve laboratory workflow, reduce cycle times, increase throughput and reduce costs for COVID-19 testing.
- High throughput COVID-19 tests were launched on 18th June 2020 and are now available in bulk format with each kit containing 1,536 tests for use in 384 well plate format instead of the smaller 96 well plate format. This product will be very helpful for large high-throughput clinical laboratories.
- Mobile COVID-19 testing is being evaluated using the Company's q16 instrument combined with its Exsig™ Direct reagent. Trials in clinical laboratories are expected to complete by the end of July 2020 and, subject to validation, this combination will initially be used in remote locations, such as care homes.



Graham Mullis
Chief Executive Officer
Novacyt S.A.

02 Strategic Report

Our divisions

Molecular products – Primerdesign

Key metrics

Primerdesign is a profitable designer, manufacturer and marketer of molecular 'real-time' qPCR testing devices and reagents in the areas of infectious diseases based in Southampton, UK. With thousands of customers in over 100 countries around the world, Primerdesign has a growing reputation in its field. Primerdesign with its team of dynamic molecular experts is dedicated to giving its customers a fantastic experience in a highly professional environment.

Since its acquisition by the Company in May 2016, Primerdesign has continued to grow and had already established itself as a significant part of the Group before the COVID-19 outbreak. With ambitious growth targets set at the time of acquisition, its direct sales operations and its business-to-business (B2B) pipeline continues to build showing great strength in its product offering and impressive growth.

During the year, Primerdesign expanded its assay development contract with Immunexpress, Inc., a U.S.-based molecular diagnostic company with the first FDA cleared host response test for suspected sepsis patients to further support the development of rapid diagnostic assays for the detection of sepsis. Sepsis is a potentially life-threatening complication in which a person's immune system inappropriately responds to an infection by triggering a broader inflammatory response, which could cause damage to multiple organs and ultimately lead to death. Left undiagnosed or untreated, a patient could die within a matter of hours. This contract expansion adds further momentum to our B2B segment and provides further validation of the expertise our clinical assay development service offers.

During the period, Primerdesign also signed an exclusive commercial agreement with Atothis SARL, part of VGS Invest Holding Sarl Group ("VGS Group"), for the distribution of molecular diagnostic products in France for the growing aquaculture and aquamarine markets. France is the second largest aquaculture producer in the EU, with shellfish production alone contributing a total of 155,000 tonnes a year valued at approximately €550 million to the French economy.

The distribution partnership combines the commercial strength of the VGS Group, with Primerdesign's innovative molecular genesig® diagnostic tests and the Company's proprietary q16 instrument. Primerdesign's diagnostic products will be used for the early identification of diseases impacting animal health during food production. The agreement has an initial term of three years and commits VSG to purchase a minimum of €690,000 of Primerdesign products.

In May 2019, we were pleased to announce that Primerdesign, had launched its next generation genesig® q32 qPCR molecular testing instrument ("q32"). As stated at the time of AIM IPO, Novacyt has utilised some of the funds at that time to focus on product development, and the q32 is a direct result of this investment. The q32 is a larger genesig® real-time qPCR instrument, which provides customers with a faster and higher throughput solution for Novacyt's genesig® real-time PCR kits. The q32 complements the smaller, portable genesig® q16 instrument ("q16"), which is used in laboratories and the field, and provides customers with an alternative instrument when faced with multiple terrain and off-site testing challenges.

The q32 provides test results within 60 minutes using genesig® kits, making it one of the fastest qPCR instruments on the market due to its rapid heating and cooling capabilities and unique lid design. Like the q16, the q32 is robust and, therefore, highly reliable. It allows the analysis of up to 32 patient samples in tube or strip format, using fluorescence detection technologies. The q32 software also allows users to experience a quick and easy operation for all genesig® kit applications with a straightforward setup process.

Novacyt's extensive catalogue of over 550 genesig® real-time PCR kits can be run on the q32 instrument, including human, food pathogens and food speciation testing. As all genesig® kits have an identical running protocol, the q16 and q32 instruments are easy to use for customers of all experience levels and provide results that can be easily compared across the instruments, and across different sites or collaborating groups.

The q32 instrument list price is approximately €13,500 per unit. Since its launch in 2015, Primerdesign has sold over 450 q16 instruments, which lists at €5,500 per unit, and has generated more than €2.0 million in revenues. During 2019, sales of q16 instruments were lower than 2018 due to lack of stock, but are expected to increase significantly in 2020.

This is another important step as we continue to deliver against our growth strategy, which includes product development and is a key focus within our molecular business.

Protein products – Lab21 Products

Key metrics

Lab21 is a developer, manufacturer and distributor of a large range of protein-based infectious disease IVD products with both Microgen Bioproducts Ltd and Lab21 Healthcare Ltd now based in Camberley, UK.

Following the sale of the two non-core businesses in 2019, and as part of the strategy to increase profitability, the company has now closed its manufacturing facility in Bridport and transferred production to its Camberley site which took place during the first quarter of 2020. In addition to the overhead savings that the consolidation of operations has delivered, we are confident that this relocation will also deliver additional operating benefits and profitability to the Group.

Microgen Bioproducts has over 25 years of experience in providing high-quality diagnostic products for clinical and food testing laboratories and has a strong reputation for exceptional customer service and sales support. Its clinical product range supports healthcare providers in improving patient health, whilst its comprehensive food diagnostic range helps manufacturers ensure consumer safety. Microgen exports to more than 80 countries through a network of over 100 dedicated distributors across the globe.

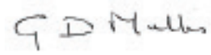
Lab21 Healthcare is the manufacturer and supplier of the well-known Plasmatec and Biotec branded products. The company is recognised by its customers as having a long history of providing quality and affordable solutions to more than 80 countries worldwide.

Specialising in the production and distribution of reagents and test kits for both IVD and blood grouping application, I am very proud of its ability to constantly improve production efficiency in order to offer end users the most cost-effective solutions.

2019 was a solid year for the Lab21 Products business, maintaining the strong position it had built in previous years.

Novacyt's solid operating foundation is its strength in in-vitro diagnostic product design, development, commercialisation and contract manufacturing. Following the refinancing in November 2019 and warrant exercises in February 2020, we look forward to being able to focus again on building this core foundation as we work hard to restore shareholder confidence and deliver value through a profitable, high growth diagnostics company.

In addition, we believe our COVID-19 test will have a positive and transformative, long-term impact on Novacyt as new customers look to purchase our broader product range and the Group is able to build on this interest due to its much improved financial position. We are already seeing an increased demand for our B2B capabilities as customers look to utilise our molecular design and development capabilities and expect the Group's recent international exposure to bring new opportunities for the provision of our leading development and design services. The year ahead promises to be an exceptional one for Novacyt and I look forward to building on the Group's enhanced reputation in the years ahead.



Graham Mullis
Chief Executive Officer
Novacyt S.A.

Lab 21 provides quality and affordable solutions to more than

80 countries

02 Strategic Report

Financial review

Overview

Working capital was a significant factor in the financial performance in 2019 as it was restricted from the second quarter onward.

Demand for many of the Group's products remained strong throughout the year, but the core remaining businesses delivering revenue 2% below the previous year (3% at constant exchange rates ("CER") was due to the impact of working capital on supply chains and stock availability.

For the third consecutive year adjusted EBITDA was positive, delivering €0.2m for the full year, and the Group gross margin increased to 64%, continuing a trend of annual increases which started at 44% in 2014.

In November 2019, Novacyt successfully refinanced the debt on its balance sheet to provide additional working capital to invest in the recovery of the supply chain. The recovery was not immediate as long manufacturing lead times meant that most of the positive effect would be felt in the first half of the following year, setting 2020 up to deliver growth and improved profitability.

Financial performance

Revenue declined by 5% (6% CER) compared to 2018 driven by supply chain issues, predominantly in our Lab21 Products division and working capital constraints that the Group faced in the year. Excluding the Clinical Lab in Cambridge, which was sold in July 2019, Group revenue reduced by 2% (3% CER).

Primerdesign

FY19:
€6.3m (£5.5m)
FY18:
€6.2m (£5.5m)

Lab21 Products

FY19:
€6.8m (£5.9m)
FY18:
€7.5m (£6.6m)

Primerdesign sales grew by 1% (0% CER) driven by an 8% increase in core reagent sales but offset by an 67% reduction in instrument sales as a result of lack of stock which required significant upfront payments to secure manufacturing. The business saw a 12% growth in its international business, but this strong international performance was largely offset by weaker sales in the smaller UK direct market, which fell by 13% following a restructuring of the commercial team in the second quarter of 2019. It took a number of months for the positive effects of a restructured commercial team to deliver increased sales. As sales of core reagents increased, the impact of high margin genesig® testing reagent kits ensured the divisional gross margin remained strong and increased by one percentage point to 85%.

Lab21 sales decreased by 6% (CER) for the full year, after removing the sales generated from the Cambridge Clinical Lab. Working capital restrictions impacted this division the most due to its proportionally higher cost of sales, which had a direct impact on sales. The supply chain could not be fully restored in Q4 and a large order book of over €1.5m was carried into 2020 of which over €1m could not be fulfilled in 2019. Microgen Bioproducts, the Group's microbiology division, saw increased sales in the UK & Ireland of 13% year-on-year and 8% in Asia Pacific, offset by weaker sales in Europe.

Group operating costs increased year-on-year by only 2% (€0.2m) but we still continued to support investment in the core pillars of the business such as R&D, of which the benefits are being seen in early 2020, such as with the release of Primerdesign's COVID-19 product range.

The Group's underlying adjusted EBITDA remained positive in 2019 at €0.2m, €0.4m lower than 2018, due to reduced sales of €0.6m which reduced the amount of gross margin and ultimately impacted EBITDA. In 2019 the NOVAprep® business continued to be reported under IFRS 5 and is disclosed as discontinued operations in the Income Statement and didn't impact EBITDA.

The recurring operating loss increased to €1.2m during 2019 from €0.4m in 2018, an increase of €0.8m. This increase is due to two main factors: i) the €0.4m reduction in EBITDA as explained above, and ii) an annual increase in amortisation and depreciation of €0.4m. Total depreciation charges of €644k (2018: €317k) and amortisation charges of €801k (2018: €685k) are higher than in 2018 due to the full year effect of the amortisation impact of the Omega ID acquisition in June 2018 and the adoption of IFRS 16 in 2019 which resulted in €0.3m of additional depreciation charges.

The operating loss in 2019 increased to €1.8m from €1.4m in 2018 and is stated after non-recurring charges amounting to €0.5m. The 2019 charges comprise €0.3m of business sale (NOVAprep® and Clinical Lab) related expenses and €0.2m of other non-recurring charges, including restructuring costs and UK site closure costs. 2018 saw significant acquisition costs of €0.4m that were not repeated in 2019, reducing year-on-year exceptional costs from €1m in 2018 to €0.5m in 2019.

The total net loss was €6.6m in 2019, increased from €4.7m in 2018, and is stated after €1.1m of gross borrowing costs (2018: €0.7m), other financial expenses and tax of €1.1m (2018: €0.05m) and the loss from discontinued operations of €2.7m (2018: €2.6m). The discontinued operations loss represents the financials of the NOVAprep® business that was sold in December 2019 and is accounted for under IFRS 5 – non-current assets held for sale and discontinued operations. Other financial expenses in 2019 comprised items such as exchange gains €0.1m; a carve out for the HEGC warrants liability (€0.8m); the impact of discounting the long-term receivables due on sale proceeds from NOVAprep® and the Clinical Lab (€0.1m), €0.2m; settlement charges related to the debt restructuring; and €0.1m of additional interest charges in relation to deferring the payment of the Primerdesign contingent consideration fee.

The loss per share has increased slightly in 2019 to €-0.14 compared with €-0.13 in 2018 driven by a larger total net loss, offset by an increased average number of shares.

02 Strategic Report

Financial position

Goodwill has reduced to €15.9m in 2019 from €16.1m in the previous year. This reflects a €216k decrease in the year and results from the adjustment of the acquisition price of the Omega ID business that was acquired in 2018. One of the two components of the contingent consideration, for the amount of €0.2m, will not be paid, as the contractual conditions have not, and will not, be achieved.

Other non-current assets have increased to €8.2m from €6.4m in 2018. Of this €1.9m increase, €2.3m is driven by the adoption of IFRS 16 and the capitalising of specific leasing costs in the UK, €0.2m relates to the deferred payment of the purchase consideration milestones for the NOVAprep® and Clinical Lab business sales, and is offset by a net €0.6m reduction due to the amortisation of other intangible assets.

Trade and other receivables have significantly reduced in the year by €1.7m (44%) to €2.2m. Due to the working capital restrictions in 2019, the Group focused on reducing its debtor balance and consequently saw a significant improvement in days sales outstanding (DSO), which contributed to a lower year end receivables balance. Additionally, supply chain issues in 2019 reduced sales in the final months of the year contributing to the lower year-on-year amount of receivables not past their due date. Focus was directed on collecting the overdue debt, which contributed to the year-on-year reduction in past due debt.

Inventory increased slightly in the year by €0.1m (4%) to €2.4m due to customers not accepting part shipments of orders resulting in a higher stock holding at year end.

The assets of discontinued operations fell to €0.1m from €2.3m in 2018 due to the disposal of the Clinical Lab and NOVAprep® businesses.

Borrowings increased from €5.4m to €11.0m during the year due to issuing a new four year €5.0m bond to HEGC which replaced a €2m convertible bond issued to the Negma Group Ltd earlier in the year, the adoption of IFRS 16 creating a liability of €2.6m and the increased use of short-term financing of €0.7m. This has been offset by capital repayments of €3.3m against outstanding borrowings and the conversion of bonds by the Negma Group Ltd totalling €1.3m. Total borrowings in 2019 include two main items: HEGC bonds totalling €5m (12 month interest only and then capital repayments monthly until October 2023) and Vatel convertible bonds totalling €2.6m (two bonds originally valued at €1.5m and €4.0m, amortising monthly until March 2020 and June 2022 respectively). The outstanding Kreos bonds that Novacyt exited 2018 with were fully repaid in 2019 as part of the refinancing of the balance sheet via the HEGC bond.

The contingent consideration balance reduced from €1.6m in 2018 to nil as the company settled both debts in 2019 relating to the acquisition of Primerdesign and the Omega infectious diseases business. The latter was reduced by €0.2m as the accreditation of the Axminster production facility was not and will not be achieved (initially expected inside 12 months of acquisition date).

Trade and other liabilities were flat year-on-year at €4.6m. The Group saw a €0.7m reduction in its trade payables in 2019 as a result of improved working capital following the drawdown of the HEGC loan, allowing key creditors' aged balances to be reduced in late 2019. This reduction has been offset by the inclusion of the equity warrant liability related to the €5m HEGC bond, that was not present in 2018.

Cash increased by €0.7m to €1.8m during 2019. Net cash used in operating activities decreased slightly from €1.2m to €1.1m.

Net cash outflow from investing activities reduced to €1.3m in 2019 from €2.7m in 2018, a €1.4m (52%) reduction year-on-year. A total of €0.6m of this fall was caused by €1.4m of earn out payments made in relation to the Primerdesign and Omega ID acquisitions compared to the €2m cash consideration paid for the Omega ID assets in 2018. In 2019, €0.4m of cash was received as cash consideration for the sale of NOVAprep® and the Clinical lab. Furthermore, there was a reduction in capital expenditure of €0.4m compared to 2018 as no material infrastructure projects took place in 2019.

Anthony Dyer
Chief Financial Officer
Novacyt S.A.

03

Governance

The Board of Directors

An international, diversified Board.

James Wakefield

Non-Executive Director and Chairman of the Board

James is an experienced private equity investor, having spent over 30 years in the finance industry. He has been involved with over 50 businesses of varying sizes and stages of development across a wide range of sectors, including board representation as Chairman or Non-Executive Director in a number of these. He is also Chairman of WestBridge Capital LLP of which he was a founder partner in 2008. He previously spent 18 years at Bridgepoint (previously NatWest Equity Partners) and prior to that, spent 4 years at NatWest Markets/NatWest Investment Bank. He has been a Non-Executive Director and Chairman of the Novacyt Group since 2014, and is also Chairman of the Nomination Committee. James is a graduate of Harvard Business School (AMP).

Graham Mullis

Chief Executive Officer

Graham was appointed Chief Executive Officer of Novacyt in 2014, having previously been Chief Executive Officer of Lab21 since 2008. He has over 30 years of experience in the diagnostics, pharmaceuticals and medical device markets. Over the years, he has led and been involved in multiple successful exits, including that of Biocompatibles Eyecare, ClearLab International and VisionTec and Lab21. He also founded a pharmaceutical licensing company called Optivue which focuses on repurposed drugs. Previous roles have included acting as a C-level Executive with Biocompatibles International plc, a FTSE 250 company, and 1-800 CONTACTS, a NASDAQ-listed company.

He holds degrees in BSc Biochemistry & Physiology from Southampton University, United Kingdom and an MBA in Business Administration from Warwick Business School, United Kingdom.

03 Governance

Anthony Dyer

Chief Financial Officer and Company Secretary

Anthony joined the Group in 2010 and has been Chief Financial Officer since January 2017. He has 20 years of experience in healthcare, pharmaceuticals and medical devices, working primarily with growth companies and executing capital raising and M&A. Transactions executed include Novacyt's acquisition of Primerdesign, BioFocus' combination with Galapagos and Galapagos' €130 million divestment of its service division to Charles River Laboratories.

He holds a BSc (Hons) degree in Maths and Management Science from University of East Anglia, United Kingdom. He is a Fellow of the Association of Chartered Certified Accountants (FCCA).

Andrew Heath MD, PhD

Independent Senior Non-Executive Director

Andrew is a healthcare and biopharmaceutical Executive with in-depth knowledge of the US and UK capital markets, with international experience in marketing, sales, R&D and business development. In addition to his role as Non-Executive Director for Novacyt since 2015, he is currently Vice Chairman and Senior Independent Director of Oxford Biomedica plc and Chairman of TauC3 Biologics Ltd. He served as Chairman of Shield Therapeutics plc from 2016 to 2018.

From 1999-2008 Andrew was the Chief Executive Officer of Protherics plc, taking the company from 30 to 350 members of staff and managing its eventual acquisition by BTG plc for £220 million. Prior to this, he served as Vice President of marketing and sales for Astra Inc in the US and worked within clinical and academic medicine at Vanderbilt University. He is also a former Director of The BioIndustry Association.

He graduated in medicine from University of Gothenburg, Sweden, where he also completed his doctoral thesis in human toxicology. He is a fellow of the American Academy of Clinical Toxicology and a fellow of the UK Institute of Directors (IOD).

Andrew is Chairman of the Remuneration Committee, and a member of the Audit and Nomination Committees.

Edwin Snape, PhD

Independent Non-Executive Director

Ed has over 40 years of experience in founding, investing in and guiding the development of many public and private healthcare and specialty materials companies. He was a founder of NMT Capital (a successor of Nexus) and continues to serve as one of its Senior Advisers. He is also a Senior Adviser to Maruho Co., Ltd. Prior to NMT Capital, Ed was Managing General Partner of The Vista Group, at the time a leading east coast venture capital firm, Chairman of Orien Ventures, a private equity firm with Pacific Rim affiliations and a Director of the Cygnus Funds, two UK-based private equity firms that specialised in investments throughout Europe. He was also a Founder of a fund based in Indonesia. Early in his career, he founded the Liposome Company, which listed and was later sold to Elan Corporation for over $500 million. Over the years, he has been a recipient of several awards in the material sciences industry, including the AB Campbell Award and the Hunt Silver Medal. He also holds several patents in the advanced materials field where he has pioneered various technological innovations and authored numerous technical papers.

He holds BSc and PhD degrees in Metallurgy from Leeds University, United Kingdom. Ed is a member of the Remuneration Committee.

Jean-Pierre Crinelli

Independent Non-Executive Director

Jean-Pierre is one of Novacyt's founders having established the business in July 2006. He has some 30 years of experience in the car and electrical components industry, with various roles in M&A and business restructuring. During this period, he was located for 10 years to Singapore, North America, Belgium and Italy.

He holds a Diplôme from ESC Le Havre (business school, France) and a DECS (Diplôme d'Etudes Comptable Supérieures, national diploma).

Jean-Pierre is a member of the Audit Committee.

03 Governance

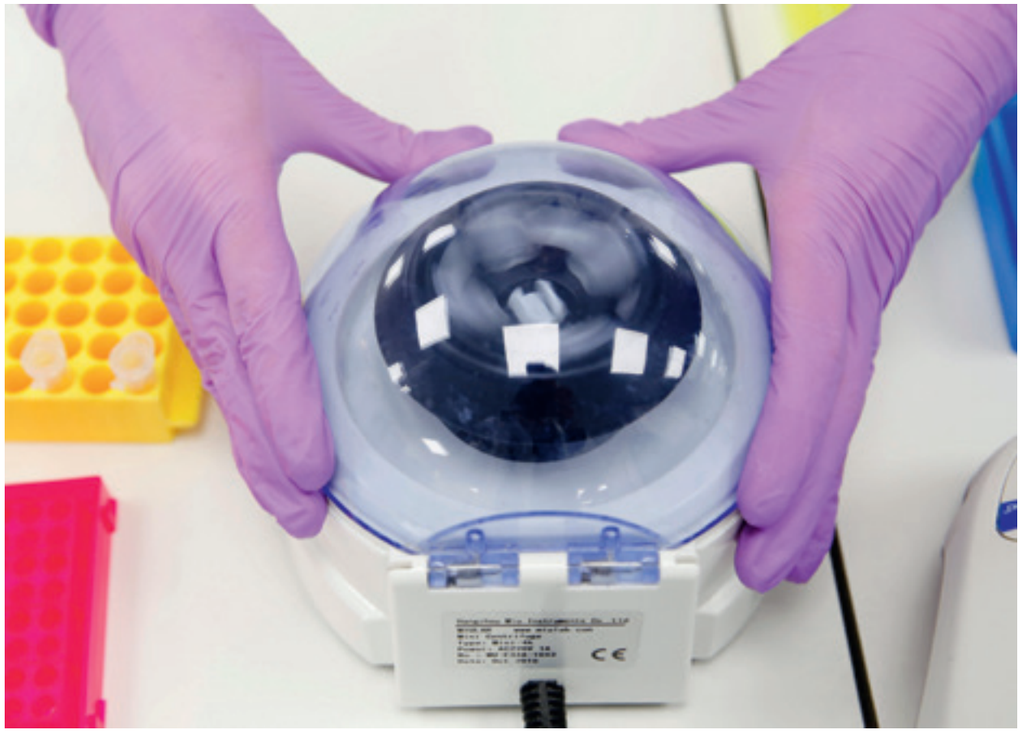
Juliet Thompson

Independent Non-Executive Director

Juliet has 20 years of experience working as an investment banker and strategic adviser to healthcare companies in Europe. She has built a strong track record of advising companies on corporate strategy, equity and debt fundraisings and international M&A. Her experience includes senior roles (Managing Director, Head of Corporate Finance and Partner) at Stifel Financial Corp, Nomura Code Securities and WestLB Panmure. Juliet sits on the Board of Vectura, an industry-leading device and formulation business for inhaled products and GI Dynamics Inc., a US-based company.

She is a member of the Institute of Chartered Accountants in England and Wales (ACA) and holds a BSc degree in Economics from the University of Bristol, United Kingdom.

Juliet is Chairman of the Audit Committee and is a member of the Remuneration and Nomination Committee.



Executive Team

The Executive Team comprises the following individuals:

Graham Mullis

Chief Executive Officer

Wendy Karban

Group HR Manager

Anthony Dyer

Chief Financial Officer and Company Secretary

Lisa Henriet

Group Operations Director

Steve Gibson

Group Finance Director

Paul Eros

Corporate Business Development Director

Mandy Cowling

Corporate and Investor Relations Manager

Navin Nauth-Misir

QA/RA Director

03 Governance

Directors' report

General information and principal activity

Novacyt S.A. is a public limited company incorporated and registered in France with registered number 491 062 527.

Review of business

The Chairman's Statement on page 14, the Chief Executive Officer's review on page 16 and the Strategic Report on pages 14 to 23 provide a review of the business, the Group's trading for the year ended 31 December 2019, key performance indicators and an indication of future developments and risks, and form part of this Directors' Report.

The Company is listed on both Euronext Growth Paris and on the Alternative Investment Market ("AIM") of the London Stock Exchange. Its principal activities in the year under review were specialising in infectious disease diagnostics.

Future developments

Likely future developments in the business of the Group are discussed in the Strategic Report.

Results and dividend

The results for the period and financial position of the Company and the Group are as shown in the financial statements and are reviewed in the Strategic Report.

Since its inception, the Company has not paid any dividends and the Directors do not intend to recommend a dividend at present. In the future, the Company's dividend policy will form part of a wider review of capital allocation, which will be formulated in conjunction with the requirements of the business.

The Directors will only recommend dividends when appropriate, and they may from time to time revise the Company's dividend policy. No dividends will be proposed for the financial year ended 31 December 2019.

Directors

The Directors of the Company who served during the year ended 31 December 2019, and up to the date of this report, were:

Director	Capacity
James Wakefield	Non-Executive Director and Chairman of the Board
Graham Mullis	Chief Executive Officer
Anthony Dyer	Chief Financial Officer and Company Secretary
Dr Andrew Heath	Independent Senior Non-Executive Director
Dr Edwin Snape	Independent Non-Executive Director
Jean-Pierre Crinelli	Independent Non-Executive Director
Juliet Thompson	Independent Non-Executive Director

The brief biographical details of the currently serving Directors are set out on pages 29 to 32.

Directors' interests

The Directors' interests in the Company's shares and the Novacyt LTIP are shown in the Directors' Remuneration Report on pages 50 to 54.

No Director has any beneficial interest in the share capital of any subsidiary or associate undertaking.

Directors' indemnity provisions

The Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by s236 of the Companies Act 2006. The indemnity was in force throughout the financial period and at the date of approval of the financial statements. In addition, the Group has purchased and maintains Directors' and Officers' liability insurance in respect of itself and its Directors.

Political and charitable donations

The Company made no political nor charitable donations during the reporting period.

Financial instruments – risk management

The Group's financial risk management policy is set out in Note 41 to the financial statements.

Share capital structure

The Company's share capital, traded on Euronext Growth Paris and AIM, comprises a single class of ordinary shares each having a nominal value of 1/15th of one Euro. Except as otherwise provided by law, every shareholder has one vote for every fully paid up share of which he is the holder. Each ordinary share creates a share in the Company's assets, profits and in any liquidation surplus. In the event of a liquidation of the Company, any outstanding cash would be distributed to each shareholder in proportion to their holdings in the Company.

The share rights follow the ordinary shares from owner to owner and any transfers of the shares include all dividends due and unpaid, and those due and, where applicable, the share of the reserves (following payment of any outstanding liabilities) of the Company.

Movements in the Company's issued share capital during the year under review are set out in note 31 to the financial statements.

As of 31 December 2019, the Company's share capital of €3,872,983.59 was divided into 58,094,754 shares with a par value of 1/15th of a Euro each.

Major interests

As of 24 April 2020 the Company has no significant shareholders holding 3% or more based on the last notification made to the Company.

03 Governance

Dialogue with shareholders

The Company has a strong commitment to market communication, with the Directors seeking to be accountable against the stated strategic objectives of the Group. The Company maintains regular contact with shareholders through publications such as the annual report and accounts, operational updates, regular press announcements made via a regulatory information system and the Company's website, www.novacyt.com. The Company is responsive to shareholder telephone and email enquiries throughout the year.

The Board regards the annual general meeting as a particularly important opportunity for shareholders, members of the Board and the Executive Team to meet and exchange views.

UK Bribery Act 2010

The Group is committed to complying with the UK Bribery Act 2010, both within its UK and overseas business activities.

As such, the Group has implemented an anti-bribery policy, which has been adopted by the Board, designed to ensure that the Group operates in an open, transparent and ethical manner. This policy applies to the Board and employees of the Group, and to temporary workers, consultants, contractors and agents acting for, or on behalf of, the Group (both in the UK and overseas). The policy generally sets out their responsibilities in observing and upholding a 'zero tolerance' position on bribery in all jurisdictions in which the Group operates, as well as providing guidance to those working within the Group on how to recognise and deal with bribery issues and the potential consequences.

Management at all levels of the Group is responsible for ensuring that those reporting to them, internally and externally, are made aware of and understand this policy.

Significant agreements

The Company is not party to any significant agreement which takes effect, alters or terminates upon a change of control of the Company other than the Directors' service contracts, details of which are set out in the Remuneration Report.

Significant post-balance sheet events

Between January and June 2020 Novacyt's share price increased to over €2 per share, a key contributing factor being the launch of a COVID-19 diagnostic test kit by Primerdesign. This share price increase resulted in all remaining warrant holders exercising their warrants which gave rise to a net cash inflow of €2,400,000 into the business and the warrant overhang has now been removed completely.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing the financial statements.

The going concern model covers the period up to and including April 2021. In making this assessment the Directors have considered the following elements:

- The working capital requirements of the business;
- A positive cash balance at 31 December 2019 of €1.8m;
- The repayment of the current bond borrowings according to the agreed repayment schedules.

As of June 2020, all senior debt has been repaid and the Group has significant cash reserves which are expected to continue to grow

Independent Auditor

Deloitte LLP has indicated that they are willing to continue in office as the Group's Auditor.

Disclosure of information to the Auditor

As far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's Auditor in connection with preparing their report) of which the Group's Auditor is unaware, and each Director has taken all reasonable steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Annual general meeting

The annual general meeting of the Company will be held on 29th September, a copy of the notice will be available on the Company's website at www.novacyt.com, once released.

By order of the Board

Anthony Dyer,
Chief Financial Officer
Novacyt S.A.

A positive cash balance at 31 December 2019 of

€1.8m

03 Governance

An introduction from the Chairman

Dear Shareholders

As Chairman of Novacyt S.A., I am responsible for leading the Board so as to ensure that the Group has in place the strategy, people, structure and culture to deliver value to shareholders and other stakeholders of the Group as a whole over the medium- to long-term. On behalf of the Board I am, therefore, pleased to present our Corporate Governance Statement for the year ended 31 December 2019.

Novacyt S.A. is incorporated in France and is listed on Euronext Growth Paris and AIM. The Directors recognise the value and importance of high standards of corporate governance. As the Company is traded on AIM, it is not required to comply with the UK Corporate Governance Code. However, the Board has adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework. The Company complies with the provisions of the QCA Code as far as is practicable for a company of Novacyt S.A.'s size, nature and stage of development, and in accordance with the regulatory framework that applies to companies admitted to trading on AIM. The Company also continues to comply with all the requirements of being listed on Euronext Growth Paris.

It is the responsibility of the Board to ensure that the Group is managed for the long-term benefit of all shareholders and stakeholders, with effective and efficient decision-making. Corporate governance is an important aspect of this, reducing risk and adding value to our business. The QCA Code sets out ten principles, in three broad categories, and in this Corporate Governance Statement I have set out the Group's application of the QCA Code, including, where appropriate, cross references to other sections of the annual report and to our website.

James Wakefield,
Non-Executive Director and Chairman of the Board
Novacyt S.A.

QCA Principles

Deliver Growth

1. Establish a strategy and business model which promote long-term value for shareholders

The Board is responsible to shareholders for setting the Group's strategy by maintaining the policy and decision-making process around which the strategy is implemented; ensuring that necessary financial and human resources are in place to meet strategic aims; monitoring performance against key financial and non-financial indicators; providing leadership whilst maintaining the controls for managing risk; overseeing the system of risk management; and setting values and standards in corporate governance matters.

The Board has established a strategy and business model which seek to promote long-term value for shareholders and the business is focused on three strategic pillars of growth:

- Organic Growth
- Innovative R&D
- Acquisition

A fuller explanation of how the strategy and business model are executed is set out on pages 16 to 18 of the Strategic Report.

2. Seek to understand and meet shareholder needs and expectations

The Company has a strong commitment to market communication, with the Directors seeking to be accountable against the stated strategic objectives of the Group. The Company maintains regular contact with shareholders through publications such as the annual report and accounts, operational updates, regular press announcements made via a regulatory information service and the Company's website.

The Company is responsive to shareholder telephone and email enquiries throughout the year and the Board regards the AGM as a particularly important opportunity for shareholders and members of the Board to meet and exchange views.

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

In addition to its shareholders, the Company believes its main stakeholder groups are its employees, clients, suppliers and relevant statutory authorities in its areas of operation.

The Group is committed to maintaining the highest standards of corporate social responsibility in its business activities by; aiming to comply with all applicable laws and regulations, wherever the Group operates; achieve and comply with relevant quality and people management standards; consult with and respond to the concerns of its stakeholders; work towards realising the Group's mission and vision statements; and behave with honesty and integrity in all the Group's activities and relationships with others and reject bribery and corruption in all its forms.

The Board recognises the benefits of a diverse workforce which enables the Group to make better decisions about how to optimise resources and work by eliminating structural and cultural barriers and bias. It allows us to protect and enhance our reputation by recognising and respecting the needs and interests of diverse stakeholders; to deliver strong performance and growth by attracting, engaging and retaining diverse talent; and to innovate by drawing on the diversity of perspectives, skills, styles and experience of our employees and stakeholders.

The Group is committed to ensuring that it treats its employees fairly and with dignity. This includes being free from any direct or indirect discrimination, harassment, bullying or other form of victimisation. The Group has policies in place to encourage employees to speak up about any inappropriate practices or behaviour.

03 Governance

The Group believes that having empowered and responsible employees who display sound judgement and awareness of the consequences of their decisions or actions, and who act in an ethical and responsible way, is key to the success of the business. Feedback from employees is encouraged and, as a result of such feedback, the Group has:

- Improved employee communication
- Improved site meetings
- Introduced a quarterly newsletter
- Encouraged Team Meetings
- More noticeboard announcements
- Introduced state of the art signing in and out for staff to replace outdated manual system
- Introduced Bright HR to replace outdated method of booking holiday and the holiday approval process.

The operation of a profitable business is a priority and that means investing for growth as well as providing returns to its shareholders. To achieve this, the Group recognises that it needs to operate in a sustainable manner and therefore has adopted core principles to its business operations which provide a framework for both managing risk and maintaining its position as a good 'corporate citizen', and also to facilitate the setting of goals to achieve continuous improvement.

Health and safety

The Group is committed to complying with all relevant health and safety regulations to its operations. As such, the Group has adopted a Health & Safety Policy which forms part of the Employee Safety Company Handbook issued to all employees upon commencement of employment within the Group. The policy sets out arrangements and responsibilities across the Group and includes aspects such as: emergency procedures; security recommendations; accidents/incidences and first aid; manual handling/lifting and moving; work-related upper limbs disorders (including strains to hands and arms); display screen equipment/visual display equipment; alcohol and drugs policy; and, smoking policy.

The Group is not aware of any orders made in respect of a breach of health and safety regulation during the period.

Environment

The Directors consider that the nature of the Group's activities is not detrimental to the environment. The Group continues to maintain the necessary levels of quality control and quality assurance through the application of its various quality management systems. All manufacturing facilities have successfully transitioned over to the current revisions of ISO 13485:2016 and ISO 9001:2015 as applicable.

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

The Board has overall responsibility for the Group's system of internal control and for reviewing the effectiveness of internal control to safeguard shareholders' investment and the Group's assets. There is an ongoing process for identifying, evaluating and managing the significant risks the Group faces.

The Board delegates to the Executive Team the responsibility for designing, operating and monitoring both the risk management and internal control systems, and the maintenance of effective internal controls within the Group. The Company also has a whistleblowing policy.

The systems and controls in place include policies and procedures which relate to the maintenance of records which fairly and accurately reflect transactions, correctly evidence and control the Group's assets, provide reasonable assurance that transactions are recorded as necessary to enable the preparation of financial statements in accordance with International Financial Reporting Standards (IFRS), and review and reconcile reported results.

The Group's key internal controls are:

- clear guidelines for the authorisation of significant transactions, including capital expenditure and disposals under defined levels of authority, which are formalised in the Group's Authorisation Policy & Procedures Manual;
- a formal risk register, which is regularly reviewed and updated;
- regular review of the Group's insurance policies with its insurance broker to ensure that the policies are appropriate for the Group's activities and exposures;
- a comprehensive system for consolidating financial results from Group companies and reporting these financial results to the Board;
- cash flow, annual revenue and capital forecasts reviewed regularly during the year, regular monitoring of management accounts and capital expenditure reported to the Board and comparisons with forecasts;
- financial controls and procedures, including in respect of bank payments, bank reconciliations and petty cash;
- outsourcing of payroll;
- monthly review of outstanding debtors;

- regular meetings of the Executive Team; and
- an Audit Committee which approves audit plans and published financial information and reviews reports from the external Auditor arising from the audit and deals with significant control matters raised.

The Board monitors the activities of the Group through regular Board meetings and it retains responsibility for approving any significant financial expenditure or commitment of resources.

Risk management is focused around the operational areas of the Group. The Group has a dedicated Regulatory Affairs and Quality Assurance Director who has extensive operational experience at senior management and board levels, and particularly strong experience in quality system development and regulatory compliance. He is responsible for a Regulatory Team operating across the Group, working at identifying and prioritising operational risks and working with the operational teams to mitigate the identified risks. This work is supported by the Risk Assessment Procedure in place across the Group, with the objective to ensure that risk assessment of the Group's equipment, procedures and processes is approached consistently across the Group.

With the assistance of the Audit Committee, the Board's review process is principally based on reviewing regular reports from the Executive Team to consider whether significant risks are identified, evaluated, managed and controlled effectively, and whether any significant weaknesses are promptly remedied. The system is designed to manage rather than eliminate the risk of failure to achieve the Company's objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of, and benefit from, internal control systems.

Details of the principal risks currently facing the Group and how they are mitigated are set out on pages 60 to 66 of the Governance section.

The Board confirms that it has, during the reporting period, reviewed on an ongoing basis the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems and has reviewed insurance provisions. No significant failing or weaknesses have been identified.

03 Governance

Maintain a Dynamic Management Framework

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

The Chairman, James Wakefield, is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role. The Company is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders.

To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board and Committee meetings. All Directors have access to the advice and services of the Chief Financial Officer and the Company Secretary, who are responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

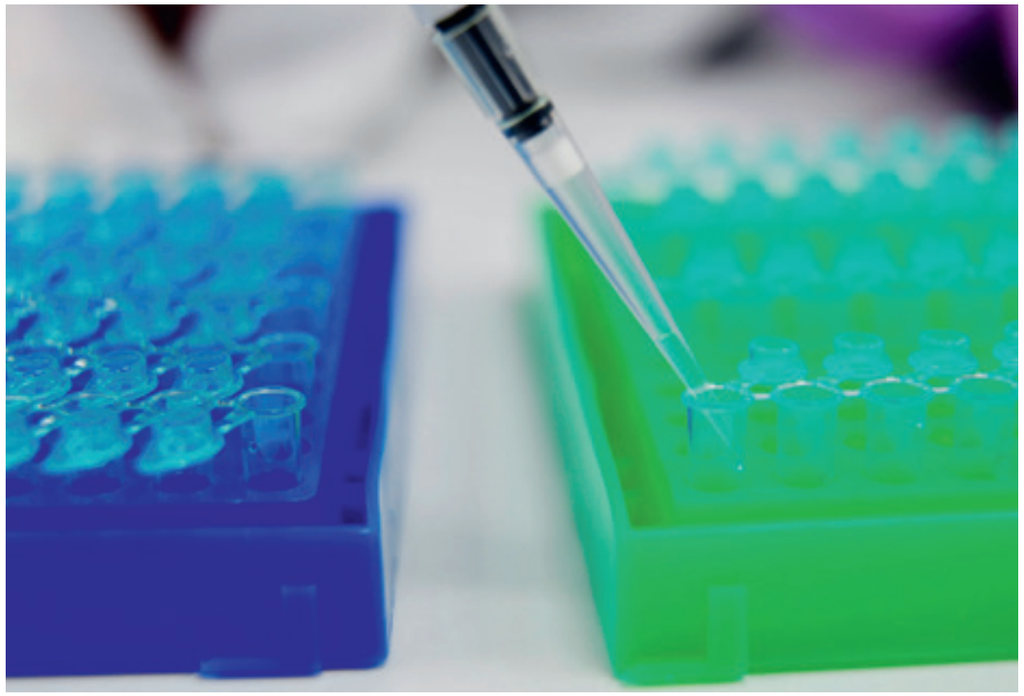
In between Board meetings, the Executive Directors maintain regular informal contact with the Non-Executive Directors. Whilst the Board retains overall responsibility for, and control of, the Group day-to-day management of the business is conducted by the Executive Directors who meet with the senior management team on a weekly basis.

Board of Directors

The composition of the Board during the period is summarised in the table on page 34 of the Directors' Report. As at the date of this report the Board comprises seven members, of which five are Non-Executive Directors, all of whom are independent, namely James Wakefield, Andrew Heath, Dr Ed Snape, Juliet Thompson and Jean-Pierre Crinelli.

Independence of Directors

The Directors acknowledge the importance of the principles of the QCA Code which recommend that a company should have at least two independent non-executive directors. The Board has, therefore, considered and determined that, since the date of their respective appointments, James Wakefield, Dr Andrew Heath, Dr Ed Snape, and Juliet Thompson were, and continue to be, independent of the executive management and free from any relationship which could materially affect the exercise of their independent judgement.



At the time of the AIM listing, Jean-Pierre Crinelli 's role had just changed to that of a non executive director. At that time, the Board did not consider him independent as he was previously an executive director of the Company and one of the founders of the NOVAprep® business. The Board now considers Jean-Pierre Crinelli to be an Independent Non-Executive Director. It has reached this view following the sale of NOVAprep® by the Company in 2019 and because he has now been a non executive Director for over 4 years and has demonstrated his independence over that period through his questioning at Board meetings. All other Non-Executive Directors are considered independent for the purpose of the QCA Code, as none have beneficial or non-beneficial shareholdings in the Company exceeding 3 per cent, nor have an existing tenure of more than 12 years. Dr Ed Snape is a co-owner of Nexus Medical, LLC, the general partner of Nexus Medical Partners II, L.P., which has a current shareholding in the Company of less than 3 per cent. Accordingly, Dr Ed Snape is considered by the Directors to be independent for the purposes of the QCA Code.

All the Non-Executive Directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The Non-Executive Directors are of sufficient experience and competence that their views carry significant weight in the Board's decision-making and when relevant, would record their concerns about the running of the Company. At each meeting the Board considers Directors' conflicts of interest.

The Non-Executive Directors have regular opportunities to meet without Executive Directors being present (including time after Board and Committee meetings).

Time commitments

Non-Executive Directors receive a formal appointment letter on joining the Board which identifies the terms and conditions of their appointment.

A potential director candidate (whether an executive director or non-executive director) is required to disclose all significant outside commitments prior to their appointment.

The Board is satisfied that both the Chairman and the Non-Executive Directors are able to devote sufficient time to the Company's business.

If considered appropriate, the Board may authorise Executive Directors to take non-executive positions in other companies and organisations, provided the time commitment does not conflict with the Director's duties to the Company, since such appointments should broaden their experience. The acceptance of appointment to such positions is subject to the approval of the Chairman.

Attendance at Board and Committee meetings

The Directors meet at least nine times per year for formal Board meetings to discuss and decide the Group's business, financial performance and strategic decisions. In addition, and as required, the Board meets more frequently by conference call to discuss and decide on matters considered more urgent, such as those relating to acquisitive growth.

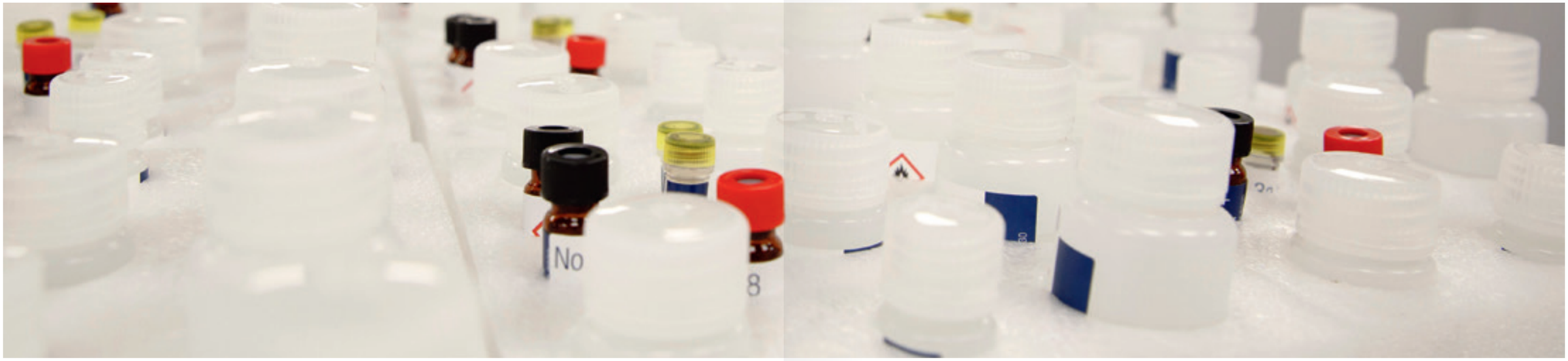
During the reporting period, the Board met in person or via conference calls 12 times.

In advance of each meeting of the Directors, the Board is provided with relevant information to ensure that it can properly carry out its role. For each meeting, the Directors generally consider the minutes of the previous meeting and any action points, recent forecast and operations, cash flows and progress on any particular projects.

The attendance of each Director at Board and Committee meetings during the period is set out in the table below. Attendance is expressed as the number of meetings attended/number eligible to attend. Directors' attendance by invitation at meetings of Committees of which they are not a member is not reflected in the following table.

Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
James Wakefield	12/12	-	3/3	-
Graham Mullis	12/12	-	-	-
Anthony Dyer	12/12	-	-	-
Dr Andrew Heath	12/12	5/5	3/3	2/2
Dr Edwin Snape	12/12	-	-	1/2
Jean-Pierre Crinelli	11/12	5/5	-	-
Juliet Thompson	12/12	5/5	3/3	2/2

03 Governance



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

The Board currently comprises two Executive and five Non-Executive Directors with an appropriate balance of sector, financial and public market skills and experience to deliver the Group's strategy for the benefit of shareholders over the medium to long term. The Board considers that the Non-Executive Directors bring a wide experience at a senior level of business operations and strategy and have an expanse of knowledge and expertise gained from other areas of business.

The skills and experience of the Board are set out in their biographical details on pages 29 to 32. The experience and knowledge of each of the Directors gives them the ability to constructively challenge the strategy and to scrutinise performance. The Board also has access to external advisors where necessary. Neither the Board nor its Committees sought external advice on any significant matter during the reporting period.

New Directors are presented with appropriate levels of background information on the Company, meet the management, visit sites and spend time with the Chairman and other Directors as required. The induction is tailored to meet each new Director's specific needs.

Throughout their period in office the Directors are continually updated on the Group's business, the industry and competitive environment in which it operates, corporate social responsibility matters and other changes affecting the Group by written briefings and meetings with senior executives.

Each Director takes responsibility for maintaining his/her skill set, which includes roles and experience with other boards and organisations as well as attending formal training and seminars. The Executive Directors receive regular and ongoing updates from their professional advisors covering financial, legal, tax and the Euronext Growth Paris and AIM Rules.

The Company Secretary provides information and advice on corporate governance and individual support to Directors on any aspect of their role, particularly supporting the Chairman and those who chair Board Committees. The Company Secretary is also responsible for ensuring that Board procedures are followed, that the Company complies with company law and with the Euronext Growth Paris and AIM Rules.

The Company is a strong supporter of diversity in the boardroom and, during the reporting period, the Board comprised one female and six male Directors. The Company remains of the opinion that appointments to the Board should be made relative to a number of different criteria including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise.

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

Board evaluation

The Board is mindful that it needs to continually monitor and identify ways in which it might improve its performance and recognises that board evaluation is a useful tool for enhancing a board's effectiveness. Alongside the formal annual evaluation, the Chairman routinely assesses the performance of the Board and its members and discusses any problems or shortcomings (if any) with the relevant Directors.

After considering different alternatives, the Board made the decision to undertake the 2019 evaluation internally, using a process led by the Chairman, which included the completion of an annual appraisal form by each Board member reviewing the structure, behaviour, process, Committees and profile of the Board.

The completed questionnaires were analysed and the outcomes were reviewed and considered by the Board as a whole. As in the previous year, there were no significant issues identified during the evaluation process, and any minor areas requiring a level of improvement either have been or will be addressed. It was, therefore, concluded that:

- the Board continued to meet its regulatory requirements and that appropriate processes were in place for setting the strategic direction of the Group;
- each Committee continued to be effective and that all members were considered to have made valuable contributions;
- individual Directors continued to perform effectively; and
- the process for evaluation of the Chairman's performance had been conducted in a professional and thorough manner, and that the Chairman performed his role appropriately.

Succession planning

The Nomination Committee is responsible for succession planning of the executive leadership team and for the appointment and re-appointment of any Non-Executive Directors if and when necessary. Further details of the Company's approach to succession planning are set out in the Nomination Committee Report on page 49.

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

The Company recognises the importance of investing in its employees to provide foundations and leadership to drive performance further regardless of age, race, religion, gender or sexual orientation or disability. Our core company values are the building blocks for developing our dynamic and challenging culture within the Group.

These values represent our philosophy which through our people and organisation will help the business deliver our company goals. The values represent how each of us can contribute to the success of the Company both now and in the future as an individual and also as part of the wider team.

- To treat each other with trust, dignity and respect.
- Enabling, empowering and energising others to make things happen.
- Work as a team with colleagues and across functions.
- Innovation, inspiration and motivation, creating an open culture where people are valued for their contribution.
- Novacyt endeavours to deliver the best quality service to all of our internal and external customers.

The Group recognises the importance of investing in its employees and, as such, the Group provides opportunities for training and personal development and encourages the involvement of employees in the planning and direction of their work. These values are applied regardless of age, race, religion, gender, sexual orientation or disability.

The Group believes that it has robust policies and procedures for combating bribery and corruption. A copy of the Group's Anti-Corruption and Bribery Policy can be found on the Group's website www.novacyt.com.

The Group recognises that commercial success depends on the full commitment of all its employees and commits to respecting their human rights, to provide them with favourable working conditions that are free from unnecessary risk and to maintain fair and competitive terms and conditions of service at all times. The performance and reward system endorses the desired ethical behaviours across all levels of the Group.

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

The Chairman, James Wakefield, is responsible for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the shareholders. Graham Mullis, the Chief Executive Officer, is responsible for the leadership of the business and implementation of the strategy. By dividing responsibilities in this way, no one individual has unfettered powers of decision-making.

The Board reserves for itself a range of key decisions to ensure that it retains proper direction and control of the Group, and a formal schedule of matters reserved for decision by the Board has been adopted by the Board since Admission to AIM a copy of which can be found at www.novacyt.com. Such matters include business strategy and management, financial reporting (including the approval of the annual budget), Group policies, corporate governance matters, major capital expenditure projects, material acquisitions and divestments and the establishment and monitoring of internal controls. This schedule may be updated by the Board and approved by the Board only. The day-to-day management of the business has been delegated to the Chief Executive Officer and the wider Executive Team.

The appropriateness of the Board's composition and corporate governance structures are reviewed through the ongoing Board evaluation process and on an ad hoc basis by the Chairman together with the other Directors, and these will evolve in parallel with the Group's objectives, strategy and business model as the Group develops.

Board Committees

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee, the terms of these Committees reflect market practice on AIM. These Committees of the Board have formally delegated responsibilities.

Copies of each Committee's terms of reference are available on the Company's website at www.novacyt.com.

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Audit Committee

The Audit Committee is chaired by Juliet Thompson, and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on, and for reviewing reports from the Group's auditor relating to the Group's accounting and internal controls, in all cases having due regard to the interests of shareholders. The Audit Committee meets at least twice a year. Dr Andrew Heath and Jean-Pierre Crinelli are the other members of the Audit Committee.

A report on the duties of the Audit Committee and how it discharges its responsibilities is provided on pages 56 to 58.

Remuneration Committee

The Remuneration Committee is chaired by Dr Andrew Heath, and reviews the performance of the Executive Directors, and determines their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of shareholders. The Remuneration Committee meets at least twice a year. Dr Ed Snape and Juliet Thompson are the other members of the Remuneration Committee.

The Directors' Remuneration Report and details of the activities and responsibilities of the Remuneration Committee are set out on pages 50 to 54.

Nomination Committee

The Nomination Committee is chaired by James Wakefield, and identifies and nominates, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee meets at least once a year. Dr Andrew Heath and Juliet Thompson are the other members of the Nomination Committee.

Details of the activities and responsibilities of the Nomination Committee are set out on page 49.

Build Trust

10. Communicate how the Company is governed and is performing

As explained earlier in this Corporate Governance Statement, the Board has established a Nomination Committee, an Audit Committee and a Remuneration Committee. The work of each of the Board Committees undertaken during the year ended 31 December 2019 is detailed on pages 49 to 58.

The Board places its responsibility to the Company's shareholders and setting the Group's strategy for achieving long-term success as a high priority. The Group's website is regularly updated with all press releases, future financial calendar dates, AGM and EGM results and investor presentations.

The results of the proxy votes received in relation to the 2019 AGM are available on the Company's website. All resolutions were passed at the 2019 AGM and no resolution had a significant proportion (>20%) of votes cast against them at that meeting.

The Board maintains a healthy dialogue with all of its stakeholders. Throughout the course of the year the Board communicates with shareholders directly on any views, concerns and expectations they may wish to express.

Nomination Committee Report

The Company established a Nomination Committee during 2017 prior to its admission onto the AIM market

James Wakefield acts as Chairman of the Nomination Committee and its other members are Juliet Thompson and Dr Andrew Heath. All members of the Nomination Committee are considered independent.

The Nomination Committee is responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise, and to ensure that the Board consists of members with the range of skills and qualities needed to meet its principal responsibilities in a way which promotes the protection of the interests of stakeholders and compliance with the requirements of the AIM Rules.

The Nomination Committee will meet at least once a year and at such other times as the Chairman or any other member of the Nomination Committee requires.

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Directors' Remuneration Report

As Chairman of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2019.

This report does not constitute a Directors' remuneration report in accordance with the Companies Act 2006. As a company whose shares are admitted to trading on AIM, the Company is not required by the Companies Act to prepare such a report. We do, however, have regard to the principles of the QCA Code which we consider to be appropriate for an AIM company of our size. The report provides a general statement of policy on Directors' remuneration as it is currently applied, and details the remuneration for all Directors during the year. It also provides a summary of the Novacyt LTIP which was established during 2017.

Dr Andrew Heath,
Chairman of the Remuneration Committee
Novacyt S.A.

Remuneration Committee

Key responsibilities

The Remuneration Committee determines performance-related targets for the members of the Executive Team, reviews their performance and makes recommendations to the Board on matters relating to their remuneration and terms of employment.

The Remuneration Committee also makes recommendations to the Board on proposals relating to all long-term incentive scheme structures and any future option schemes, and the granting of any share options under such schemes. The remuneration and terms and conditions of appointment of the Non-Executive Directors are set by the Board.

Composition and meetings

The Remuneration Committee comprises at least two members, and all members are Non-Executive Directors considered independent. Dr Andrew Heath acts as Chairman of the Remuneration Committee, and Dr Edwin Snape and Juliet Thompson are the other members.

Only members of the Remuneration Committee have the right to attend meetings, but other Directors and external advisers may be invited to attend all or part of any meeting as and when appropriate. No Director may be involved in discussions relating to their own remuneration.

The Remuneration Committee meets as appropriate but not less than twice a year. During the period, the Remuneration Committee duly met twice. Details of meeting attendance are shown in the table in the Corporate Governance Statement on page 43.

1. Adjustments were made to the Company's LTIP scheme to capture changes made to senior management as part of the Group restructure.
2. Executive Team salaries and short-term bonuses were reviewed and agreed.

Policy on executive remuneration

The Remuneration Committee is responsible for determining and agreeing with the Board the framework or broad policy for the remuneration of the Executive Team. In determining such policy, the Remuneration Committee takes into account all factors which it deems necessary including the relevant legal and regulatory requirements and corporate governance guidelines. The Remuneration Committee also takes into account emerging best practice and guidance from major institutional shareholders. The objective of the Company's remuneration policy is to attract, retain and motivate individuals of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders.

The Remuneration Committee recognises that the remuneration policy should have regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals, with a significant proportion of remuneration being structured so as to link rewards to corporate and individual performance, designed to promote the long-term success of the Company.

The Remuneration Committee, when setting the remuneration policy for Executive Directors, also has regard to the pay and employment conditions across the Group, particularly when conducting salary reviews.

The main elements of the remuneration packages of the Executive Directors are as follows.

Basic annual salary and pension

Basic salary is reviewed annually by the Remuneration Committee, usually in February, and takes into account a number of factors, including the current position and progress of the Group, individual contribution and market salaries for comparable organisations.

The Company makes contributions into the private pension schemes of the Executive Directors.

Discretionary bonus

At the discretion of the Remuneration Committee, taking into account performance against certain financial and individual targets, an Executive Director may be entitled to an annual discretionary cash bonus on such terms and subject to such conditions as may be decided from time to time by the Remuneration Committee. In 2018, no discretionary bonuses were awarded to either Graham Mullis, or Anthony Dyer.

The Novacyt LTIP

Due to the complexities of being a French incorporated company with a UK-based management, it has proved difficult to establish a standard equity-based long-term incentive plan. Accordingly, the Board established and adopted the Novacyt LTIP on 17 October 2017 as an alternative to more standard long-term incentive plans.

Executive Directors and employees of the Group are eligible to participate in the Novacyt LTIP.

The Novacyt LTIP is intended to give participants a right to receive a cash amount that is calculated based on the growth in value of a specified number of ordinary shares over a specified period of time. The Novacyt LTIP therefore allows the Company to grant to qualifying employees a phantom award over notional ordinary shares (a "Phantom Award").

Phantom Awards are subject to performance or other conditions so that the Phantom Awards may not vest unless any such condition(s) have been satisfied or waived. Any performance conditions must be objective and will be determined by the Board before Phantom Awards are granted.

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The Board may waive or vary a performance condition or other condition if events happen which cause the Board to consider that it has ceased to be an appropriate or fair measure of performance. A varied performance condition must, in the opinion of the Board, be materially no more difficult to satisfy.

Phantom Awards will vest on the third anniversary of the date of grant ("Vesting Date") provided that any performance condition(s) applying to the Phantom Award have been met or waived. On the Vesting Date, participants will be entitled to be paid an amount equal to the difference between the closing price of an ordinary share on the Vesting Date and the closing price of an ordinary share on the date of grant, multiplied by the number of notional ordinary shares over which the Phantom Award has vested.

Phantom Awards will be satisfied in cash.

However, the Board may, at its discretion, satisfy Phantom Awards (or any part of them) by the allotment and issue of ordinary shares or the transfer of ordinary shares, subject to obtaining any necessary approvals and/or consents.

On the Vesting Date, the amount of the award will be calculated. Payment of the calculated amount will be made in three equal tranches on the third, fourth and fifth anniversary of the date of grant (each, a "Payment Date").

Payment of any tranche of the award will, in each case, be subject to the Company's ability to make the payment and the employee's continued employment on the relevant Payment Date.

There are certain circumstances in which all or some of a Cash Allocation due to an employee may be reduced, or they may need to repay all or some of a Cash Allocation Tranche they have received, as detailed under rule 12 of the Novacyt LTIP.

The Company granted certain Phantom Awards under the Novacyt LTIP on Admission, further details of which are set out on page 54 of this report.

Benefits in kind

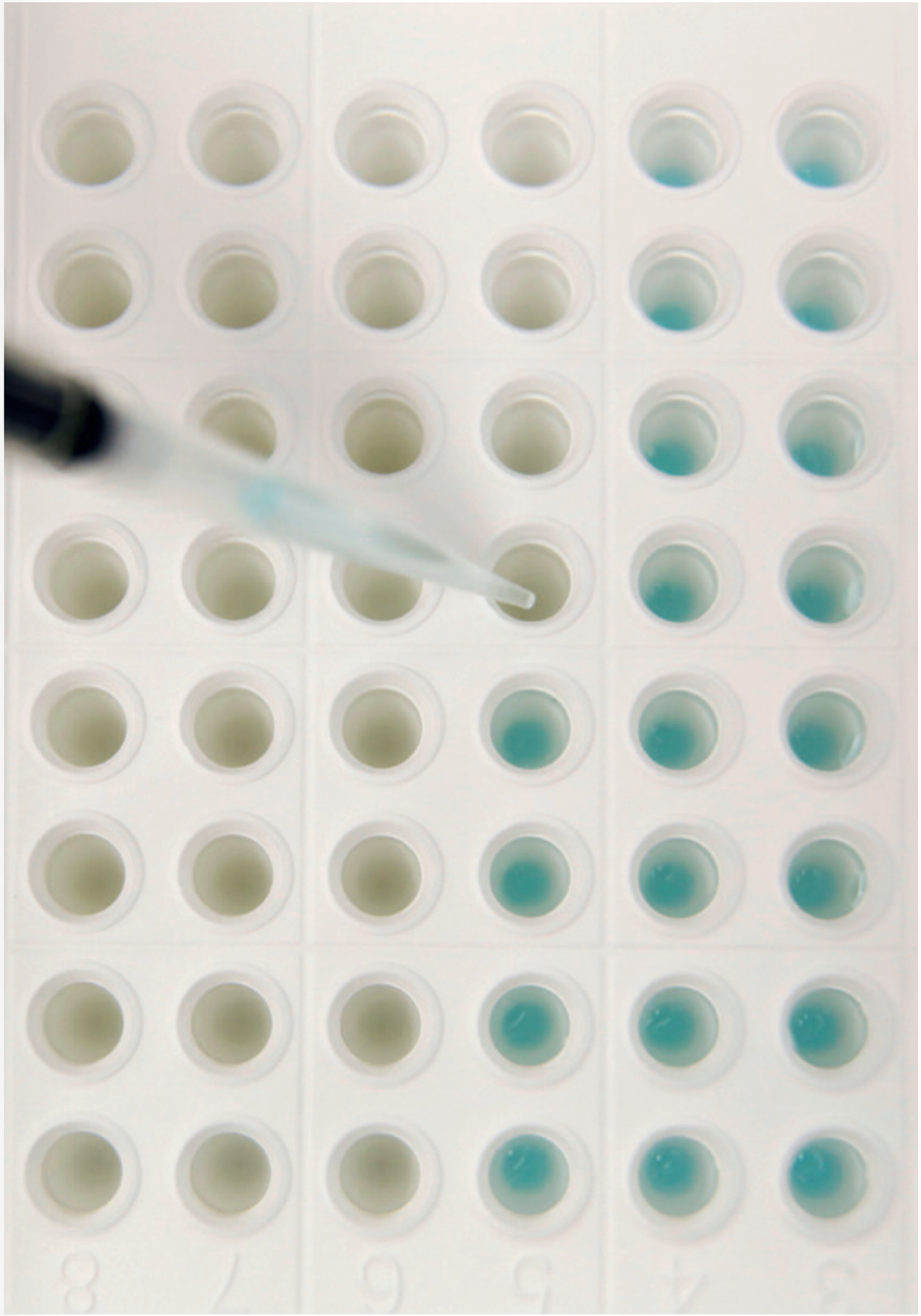
Executive Directors are entitled to benefits in kind commensurate with their position, including company car allowance, private medical and death in service insurance.

Directors' remuneration

The remuneration of the Directors who served on the Company's Board during the year to 31 December 2019 was as follows:

	Year ended 31 December 2019				Year ended 31 December 2018			
	Basic salary and fees	Bonus	Pension	Total	Basic salary and fees	Bonus	Pension	Total
Executive Directors								
Graham Mullis*	302,485	51,329***	17,369	371,183	279,735	113,024****	12,715	405,474
Anthony Dyer*	191,971	17,110***	8,690	217,771	186,490	-	9,647	196,136
Non-Executive Directors								
Jean-Pierre Crinelli	30,000	-	-	30,000	35,500	-	-	35,500
James Wakefield*	62,861	-	-	62,861	62,163	-	-	62,163
Andrew Heath*	45,703	-	-	45,703	45,209	-	-	45,209
Juliet Thompson*	45,703	-	-	45,703	45,209	-	-	45,209
Edwin Snape**	27,197	-	-	27,197	25,426	-	-	25,426

*Salaries paid in GBP and disclosed in Euros, translated at the average exchange rate of 1.140645 in 2019 (2018 : 1.130241)
**Salary paid in USD and disclosed in Euros, translated at the average exchange rate of 0.893351 in 2019 (2018 : 0847551)
***Deferred bonus from 2018 Omega transaction
****Deferred bonus from 2017 IPO



03 Governance

Directors' shareholdings and share interests

The interests of the Directors who served during the year in the share capital of the Company as of 31 December 2019, 31 December 2018 and the date of this report were as follows:

	As at date of report	31 December 2019	31 December 2018
Graham Mullis and family	61,631	52,138	52,138
Anthony Dyer	16,839	16,839	16,839
James Wakefield	36,839	16,839	16,839
Dr Andrew Heath and family	20,000	16,839	16,839
Dr Edwin Snape	16,839	16,839	16,839
Jean-Pierre Crinelli	21,232	15,333	15,151
Juliet Thompson	-	-	-

All interests are beneficially held. There is no requirement for Directors to hold shares in the Company.

Directors' share interests awarded from the Phantom LTIP plan

Details of the number of notional shares under Phantom Awards granted under the Novacyt LTIP to Directors who served during the year are set out in the table below:

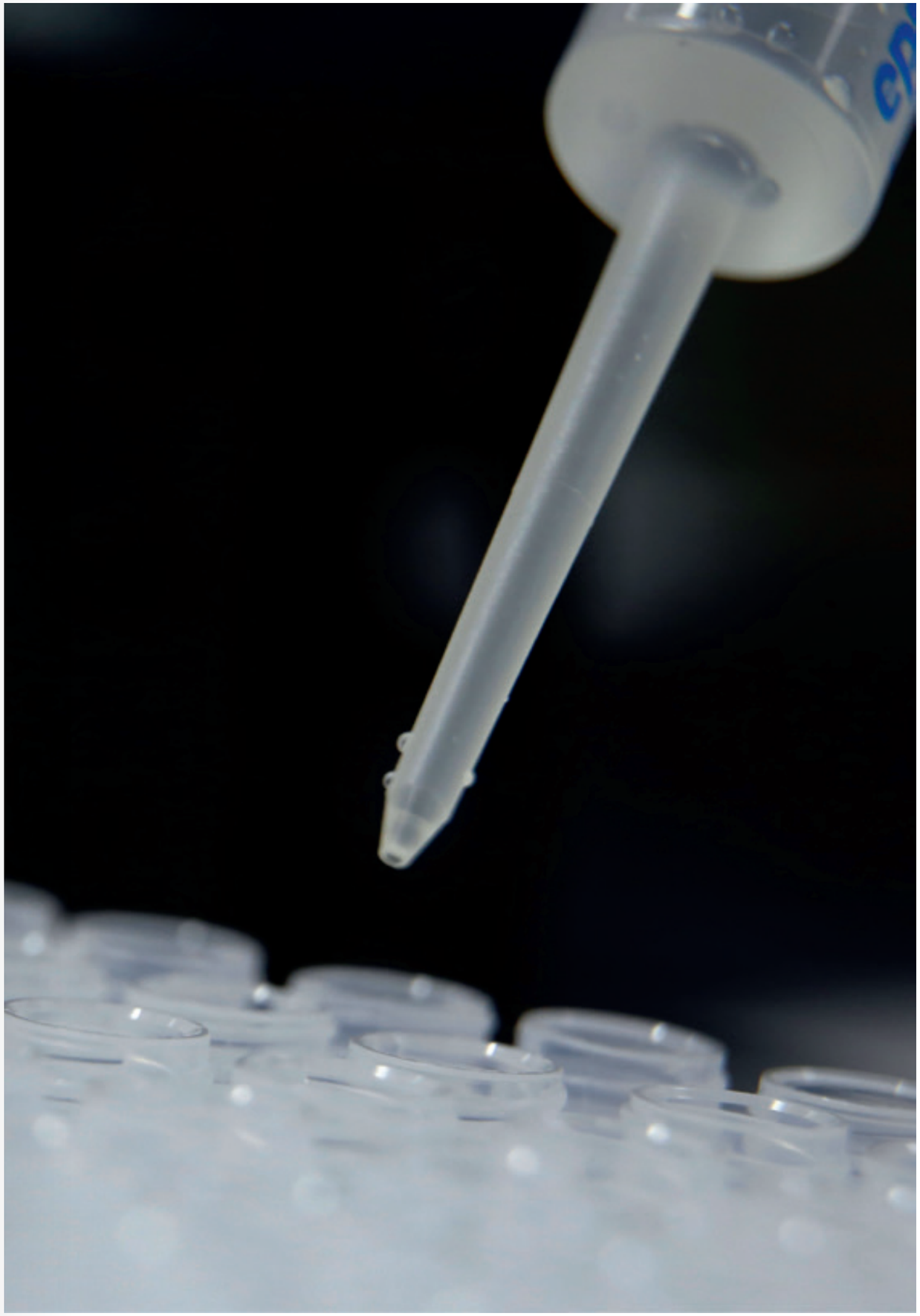
Director	Granted during 2017	Satisfied during the period	Lapsed during the period	As at 31 December 2018	Earliest date from which exercisable	Expiry date	Expiry date
Graham Mullis	1,129,930	-	-	1,129,930	-	-	-
Anthony Dyer	376,643	-	-	376,643	-	-	-

These Phantom Awards will vest if the closing price of an ordinary share averaged over 30 consecutive dealing days prior to the vesting date exceeds €0.66 per share, being the Placing Price.

Conclusion

This report is intended to explain clearly the remuneration approach adopted by the Company and to enable shareholders to appreciate how it underpins the Group's business growth and strategic objectives. The Board considers that the current remuneration policy is fair and is fully aligned with the interests of shareholders.

Dr Andrew Heath,
Chairman of the Remuneration Committee
Novacyt S.A.



03 Governance

Audit Committee Report

The Audit Committee comprises at least two members, with at least one Non-Executive Director considered independent, including the Chairman.

In addition, the Chief Financial Officer and other members of the Executive Team may be invited to attend as required.

Independent Non-Executive Director, Juliet Thompson, being a chartered accountant, acts as Chairman of the Audit Committee, and its other members are Jean-Pierre Crinelli and Dr Andrew Heath.

Summary of the role of the Audit Committee

The Audit Committee's primary responsibility is to monitor the quality of internal controls and ensure that the financial performance of the Group is properly measured and reported on.

It receives and reviews reports from the Executive Team and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group.

The Audit Committee meets as appropriate, but not less than twice a year and minutes are recorded for each meeting by the Chief Financial Officer. The Audit Committee is able to call for information from the Executive Team and has unrestricted access to the Company's external auditors.

The Audit Committee operates within specific terms of reference that include:

- reviewing management procedures to monitor the effectiveness of the accounting systems, accounting policies and internal controls;
- conducting a regular and ongoing process of risk assessment;
- reviewing the scope and planning of the external audit;
- reviewing the findings of the external auditor and management's response;
- reviewing the annual financial statements before their submission to the Board for approval;
- making recommendations to the Board concerning the appointment and remuneration of the external auditor;
- reviewing any profit forecasts or working capital statements published in any bid document or listing particulars as investigated and verified by the Company's auditor and/or reporting accountant;
- reviewing from time to time the cost-effectiveness of the audit including a review of the performance of the external auditor;
- monitoring the fees paid to the external auditor and where the external auditor supplies a substantial volume of non-audit services to the Company, to keep the nature and extent of such services under review, in order to achieve a balance between objectivity and value for money; and
- having the right to obtain outside legal help and any professional advice, at the Company's expense, which might be necessary for the fulfilment of its duties.

The Audit Committee is responsible for ensuring the 'right tone at the top' and that the ethical and compliance commitments of the Executive Team and other employees are understood throughout the Group.

External auditors

The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external Auditor and assesses annually the qualifications, expertise, resources, remuneration and independence of the external Auditor. The Audit Committee receives reports on the external audit firm's own internal quality control procedures and confirmation of the Auditor's independence. The Audit Committee ensures that appropriate plans are in place for the external Auditor each annual cycle.

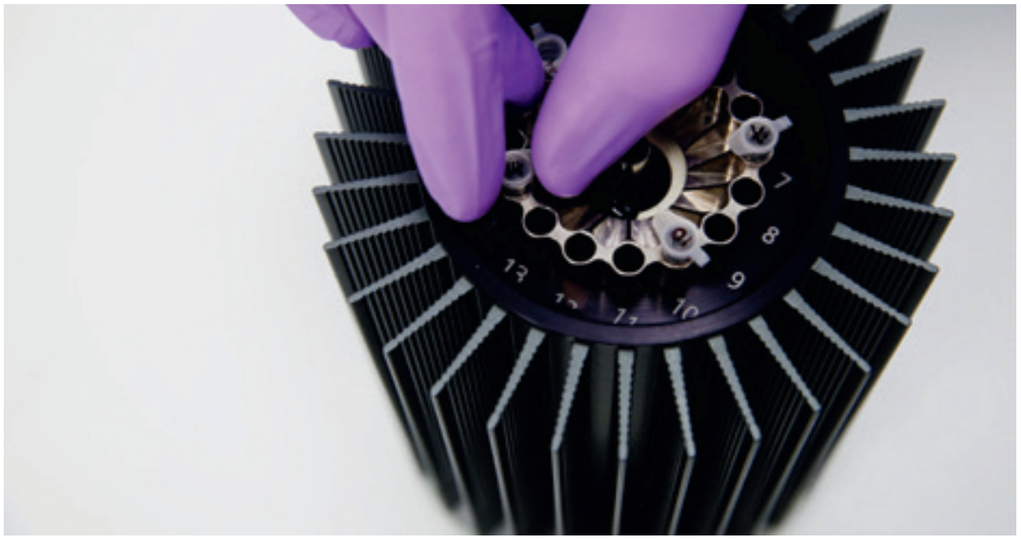
The Group's external Auditor is Deloitte LLP. Under French law, the mandatory term for auditors is six years. Deloitte LLP was re-appointed as external Auditor during the AGM held in 2018 and has now been the auditor for eight years at the end of the audit of the annual accounts for the year ended 31 December 2019.

The Audit Committee annually reviews the effectiveness of the external Auditor. This process involves overseeing the relationship with the group's external auditor, including reporting to the board each year whether it considers the audit contract should be put out to tender, adhering to any legal requirements for tendering or rotation of the audit services contract as appropriate, reviewing and monitoring the external auditor's objectivity and independence, agreeing the scope of their work and fees paid to them for audit, and assessing the effectiveness of the audit process. The external Auditor presents to the Audit Committee the output of its detailed year-end work and the Audit Committee challenges significant judgements (if any). In making its assessment of external Auditor effectiveness, the Audit Committee reviews the audit engagement letters before signature, reviews the external Auditor's summary of Company issues, and conducts an overall review of the effectiveness of the external audit process and the external Auditor. The Audit Committee reports its findings to the Board.

The Audit committee and the Board have been satisfied with the performance of the external Auditor during the year and with the policies and procedures they have in place to maintain their objectivity and independence.

The Audit Committee also approves in advance any non-audit services to be performed by the Auditor such as tax compliance and advisory work, audit-related assurance services (e.g. reviews of internal controls and reviewing the Group's interim financial statements).

Any non-audit services that are to be provided by the external Auditor are reviewed in order to safeguard Auditor objectivity and independence. During the reporting period, non-audit services have been provided in respect of a French limited financial review to secure the refinancing of the Company admission process (Note 44). Accordingly, the Board can confirm that during the reporting period there have been no non-audit services that are considered to have impaired the objectivity and independence of the external Auditor. A full breakdown of payments made to the external Auditor during the financial year is disclosed within Note 44 to the financial statements.



03 Governance

Work undertaken by the Audit Committee during the period

The Audit Committee met five times during the period. Details of meeting attendance are shown in the Corporate Governance Statement on page 43.

Deloitte LLP, as the Auditor, was also present at one of the meetings.

The key matters considered by the Audit Committee whilst discharging its duties and responsibilities are set out below:

- Review of the Annual Report and Accounts for year ended 31 December 2018;
- Consideration and approval of the unaudited interim financial statements for the period ended 30 June 2019;
- Review of the financial integrity of the Group's financial statements including relevant corporate governance statements;
- Review of the Company's interim report for the six months ended 30 June 2019;
- Approval of the audit fees for the financial year ended 31 December 2019;
- Approval of non-audit work to be carried out by the Auditor;
- Consideration of the independence and objectivity of the external Auditor;
- Review of the internal controls and risk management systems within the Group;
- Consideration of the requirement for the Group to have an internal audit function;
- Review of the effectiveness of the external Auditor, as more fully described above;
- Discussions with the Auditor on the audit approach and strategy, the audit process, significant audit risks and key issues of focus for the annual audit; and
- Review and approval of the continuing appointment of Deloitte LLP as the Group's Auditor.

The ultimate responsibility for reviewing and approving the financial statements in the interim and annual reports remains with the Board.

The Audit Committee, in conjunction with the Auditor, has considered there are no significant issues relating to the preparation of the financial statements contained in this Annual Report.

Risk management and internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing the effectiveness of internal control to safeguard shareholders' investment and the Group's assets. There is an ongoing process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the process which has been in place throughout the period and up to the date of approval of the Annual Report and Accounts.

The Board's internal control and risk management review process (conducted with the assistance of the Audit Committee), is outlined on page 60 to 66.

Internal audit

The Board has reviewed the need for a separate internal audit function and concluded that such a function is not currently appropriate for a size of company such as the Group, and because the internal audit principles already fall under the remit of the Audit Committee.

Going concern

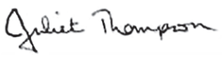
The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they adopt the going concern basis of accounting in preparing the financial statements.

The going concern model covers the period up to and including May 2021. In making this assessment the Directors have considered the following elements:

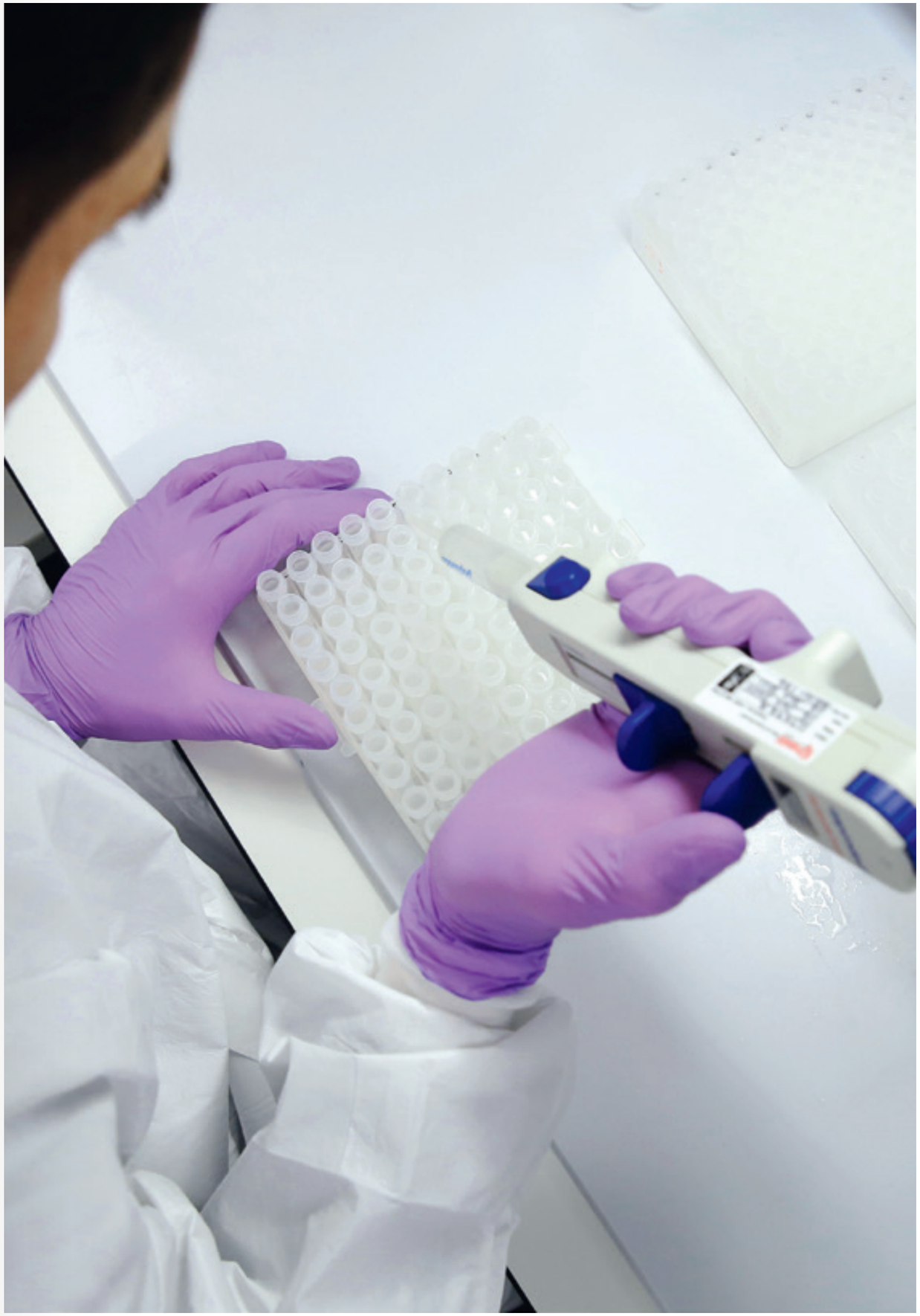
- the working capital requirements of the business;
- a positive cash balance at 31 December 2019 of €1,805,000;
- the repayment of the current bond borrowings according to the agreed repayment schedules;
- the financing cash inflow relating to the exercise of warrants in Q1 2020;
- a payment of the first tranche of the LTIP that commenced in November 2017;
- increased operating cash inflows generated by the COVID-19 pandemic.

The forecast prepared by the company shows that it is able to cover its cash needs during the financial year 2020 and until May 2021 without the raising of any further bank or other financing facility.

Approved by on behalf of the Board.



Juliet Thompson,
Chairman of the Audit Committee
Novacyt S.A.



03 Governance

Principal Risks and Risk Management

The Group's risk management strategy is a key responsibility of the Board of Directors. The Board ensures that all major risks are understood and appropriately managed in light of the Group's strategy and objectives, and is satisfied that the Group's risk management and internal control systems are adequate.

The Group's risk management framework supports the risk assessment procedure across the Group, with the objective of ensuring that the assessment of the strategic, operational, financial and external risks of the Group is approached consistently Group-wide.

At this stage of the Company's development, the Board does not consider it to be appropriate to establish an internal audit function, but this will be kept under review.

The principal risks faced by the Group are set out below.

The pace of development in the healthcare industry

The Group operates within the biotechnology sector, a complex area of the healthcare industry. Rapid scientific and technological change within the biotechnology sector could lead to other market participants creating approaches, products and services equivalent or superior to the diagnostic testing products and services offered by the Group, which could adversely affect the Group's performance and success. If the Group is unable to keep pace with these changes in the biotechnology sector and in the wider healthcare industry, the demand for its technological platforms and associated products and services could fall.

Competitive pressures

Companies operating within the biotechnology sector are subject to competitive forces that may result in price discounting, and may be thinly capitalised and susceptible to product obsolescence.

Better resourced competitors may be able to devote more time and capital towards the R&D process, which, in turn, could lead to scientific and/or technological breakthroughs that may materially alter the outlook or focus for markets in which the Group operates.

In addition, a certain number of the Group's competitors may have significantly greater financial and human resource capacity and, as such, better manufacturing capability or sales and marketing expertise. Competitors could also resort to price discounting or other sales and marketing strategies. Equally, new companies with alternative technologies and products may also emerge.

Geographic markets

The Group is largely based in the UK, with additional operations in France, China, and the US, and its products are distributed to and sold across multiple jurisdictions. In each of these jurisdictions, there may be a number of associated risks in respect of which the Group will have no, or limited, control. These may include: contract re-negotiation, contract cancellation, economic, social or political instability or change, hyperinflation, currency non-convertibility or instability, and changes of laws affecting foreign ownership, taxation, working conditions, rates of exchange, exchange control and licensing.

Product development

Additional products and services developed through the element of the Group's strategy focused on R&D transformation will be required to drive the Group's growth, such as Primerdesign's focus on transferring assays from RUO to clinical CE-IVD products. The development of such additional diagnostic testing products and services may take longer than expected or not be successful at all, which may adversely impact the Group's ability to generate revenues and achieve sustainable profitability. In addition, the value of additional diagnostics tests and products may not prove as robust as currently envisaged by the Group. Any delays or unbudgeted expenditures incurred by the Group could postpone or halt the commercialisation of a particular diagnostics tests and products.

Product liability claims

The Group faces an inherent risk of product liability and associated adverse publicity as a result of the sales of its products.

Criminal or civil proceedings might be filed against the Group by patients, the regulatory authorities, pharmaceutical companies and any other third party using or marketing its products. Any such product liability claims may include allegations of defects in manufacturing, defects in design, negligence, strict liability, a breach of warranties and a failure to warn of dangers inherent in the product.

If the Group cannot successfully defend itself against product liability claims, it may incur substantial liabilities or be required to limit commercialisation of its products, if approved. Even successful defence could require significant financial and management resources.

Although the Group maintains a level of insurance that is customary for its industry to cover its current business, any claim that may be brought against the Group could result in a court judgement or settlement in an amount that is not covered, in whole or in part, by its insurance or that is in excess of the limits of its insurance coverage.

Its insurance policies also have various exclusions and the Group may be subject to a product liability claim for which the Group has no coverage.

03 Governance

Reliance on sole suppliers

Due to the specific and innovative nature of some of the Group's products, there may only be a single supplier of goods or services to the Group in respect of those products or services, which may or may not be pursuant to the terms of exclusive supplier agreements. The Group's purchases may be delayed if that single supplier, in respect of any one product or service, has its own manufacturing difficulties or is not able to meet the purchase requirements of the Group within a reasonable timeframe. Further, any exclusive supplier arrangements may be terminated by either the supplier or the Company on notice. In the event of serious delays or non-performance by such suppliers, or upon such arrangements being terminated, the Group's own stock levels could diminish or be exhausted. The Group may consider expanding its current supplier base so as to reduce the reliance on certain suppliers. However, there is no guarantee that they will be successful in doing so in a manner that complies with regulatory requirements.

Reliance on third party distributors

The Group uses third party distributors in a number of its business areas.

Although the Group enters into agreements with such distributors, it cannot ultimately control their actions and they may underperform or not act in the best interests of the Group. Furthermore, the distribution agreements may be terminated by the distributors or the Group. If so, and if appropriate from the Group's strategy at that time, the Group may seek to find a replacement distributor but there can be no guarantee that they will be successful in doing so.

Acquisition strategy

A core part of the Group's strategy is to undertake acquisitions that are strategically complementary to its existing businesses. The success of such a strategy will depend on the Group's ability to identify potential targets, complete the acquisition of such targets on favourable terms, including securing appropriate financing, and to generate value from the acquired targets. This strategy may not be successful under all or any market conditions. The Group may not be able to acquire targets on attractive terms or to generate resulting returns for shareholders and prospective investors.

Litigation and arbitration

From time to time, the Group may be subject to litigation arising from its operations, distribution and sales. Damages claimed, awarded, settled or paid under any litigation or arbitration may be material or may be indeterminate, and the outcome of such litigation or arbitration may have a material adverse effect on the Group's business, financial condition, capital resources, results and or future operations.

Key personnel

The Group depends on the services of its key personnel, which includes a number of individuals some of whom are currently on a short notice period of three months or less. The Group's ability to manage its R&D and product development activities, wider operations and financing will depend in large part on the efforts of its key personnel. The loss of services of key personnel, the inability to attract, retain and integrate suitably qualified personnel or delays in hiring required personnel, could delay the achievement of the Group's objectives and strategy.

Tenders

A proportion of the Group's revenues stem from tenders awarded to the Group and it is not possible to control and/or predict the outcomes of these tender processes. The success of such tender awards is based upon the ability of the organisation or country to finance tenders, and then it is based upon the historical performance, price and quality of the competitors who have been invited to participate in the tender process. The Group may not be successful in future tender processes.

The failure to gain new business through the award of tender contracts may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.

Regulatory environment

The Group's products are subject to various laws, regulations and standards in each of the jurisdictions in which products are manufactured and distributed. These laws, regulations and standards may change and if the Group fails to meet those regulatory or other requirements, it could face delays or prohibitions on the operation of its business.

The Group's ability to conduct business is predicated on being in compliance with all licence requirements as specified by each relevant jurisdiction. The Group may not continue to hold all of the necessary consents, approvals and licences required to conduct its business, and where new permissions are required, these may be delayed or not forthcoming. If any new approvals or licences are required in order for the Group to carry on its business, the Group could face delays or prohibitions on the development, manufacture, sale or distribution of its products, which may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.

New IVDR regulations

The entire IVD industry within the EU is currently undergoing a significant regulatory transition from the existing In-vitro Diagnostic Directive (IVDD) (98/79/EC) to a new In-vitro Diagnostic Regulation (IVDR) (2017/746). The cumulative effect of the introduction of the new regulation will be a significantly increased burden on the resources of IVD manufacturers to maintain regulatory compliance and this could result in older products being deleted due to costs or products being wasted due to new classifications. It is not certain how the IVDR will apply to the UK as it is due to come into effect in 2022, after the UK is due to leave the EU.

Employment laws

The Group is also subject to various UK, French and EU regulations governing the Group's relationship with employees, including such matters as the treatment of part-time or agency workers, employers' National Insurance Contributions (or equivalent in France), overtime and other working conditions. A failure to comply with one or more regulations could result in the imposition of sanctions, including the closing of facilities for an indeterminate period of time or third-party litigation.

03 Governance

European General Data Protection Regulation

The Group is committed to ensuring compliance with European General Data Protection Regulation (GDPR). We have undertaken significant efforts to implement the requirements of the GDPR and ensure alignment throughout the business. Privacy matters, especially those relating to GDPR compliance, have board and senior executive level attention and relevant department stakeholders have undertaken training to ensure they drive a culture of compliance in their own teams and departments.

We are pleased with our efforts so far. Compliance with GDPR is and will remain an ongoing task for the Group, as it does for any company operating in this regulatory environment. GDPR will be tested and interpreted as time goes on and we are monitoring those developments to make sure we continue to improve our processes and remain compliant.

Information technology

The Group is heavily reliant upon its information technology systems to enable it to manage a growing business and to service its customers online. Information systems are used across all aspects of the Group's business, including but not limited to: R&D, product development, sales, production, stock control, distribution, and accounting and finance. The Group's business would be adversely affected by a material or sustained breakdown in its key computer and communication systems.

In addition, the Group may face online security breaches, including hacking and vandalism. The Group cannot guarantee absolute protection against unauthorised attempts to access its information technology and communication systems, including malicious third-party applications that may interfere with or exploit security flaws in its products and services.

Brexit

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). Following Royal Assent of the European Union (Withdrawal Agreement) Act on 23 January 2020 and ratification of the Withdrawal Agreement by the European Parliament on 24 January 2020, the UK left the EU on 31 January 2020 and became a third country with a transition period running to 31 December 2020. The progress of current negotiations between the UK Government and the EU on their future relationship and the ratification of the outcome of those negotiations will likely determine the future terms of the UK's relationship with the EU following the end of the transition period. Until these negotiations and parliamentary ratification processes are completed, it is difficult to anticipate the potential impact on Novacyt's market share, sales, profitability and results of operations.

The extent of the impact of these negotiations on the Group will depend in part on the nature of the arrangements that are put in place between the UK and the EU and the extent to which the UK continues to apply laws and regulations that are based on EU legislation. In addition, the macroeconomic effect of Brexit on the healthcare industry is unknown. It remains unclear how the negotiations will affect the UK's trading relationships, corporate taxation policy, movement of people and other regulatory affairs. As such, it is not possible to state accurately the impact that Brexit will have on the Group and its operations. The UK's future relationship with the EU could also potentially increase the regulatory compliance and/or tax burden on the Group. It could restrict the Group's future activities and may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.

Protection of intellectual property rights

The Group's ability to compete depends, in part, upon the successful protection of its intellectual property, in particular its patents, trademarks, know-how and trade secrets. The Group seeks to protect its intellectual property through the filing of worldwide patent and trademark applications, as well as robust confidentiality obligations on its employees (and any contractors).

Despite these precautions that may be taken by the Group to protect its intellectual technology and products, unauthorised third parties may attempt to copy, or obtain and use, its technology and products.

A third party may infringe upon the Group's intellectual property, release information considered confidential about the Group's intellectual property and/or claim technology that is registered to the Group. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its intellectual property or block sales of its products by alleging a breach of their intellectual property. Applications filed by the Group in respect of new patents and trademarks may also not be granted.

The Directors intend to defend the Group's intellectual property vigorously through litigation and other means.

Infringement of third party patents and other intellectual property rights

The Group's products may infringe or may be alleged to infringe existing patents or patents that may be granted in the future that may result in costly litigation and could result in the Group having to pay substantial damages or limit the Group's ability to commercialise its products.

If the Group is sued for patent infringement, the Group would need to demonstrate that its products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and the Group may not be able to do this. If the Group is found to have infringed a third party's patent, the Group could be required to obtain a licence from such third party to continue developing and marketing its products and technology or the Group may elect to enter into such a licence in order to settle litigation or in order to resolve disputes prior to litigation. However, the Group may not be able to obtain any required licence on commercially reasonable terms or at all. Even if the Group is able to obtain a licence, it could be non-exclusive, thereby giving its competitors access to the same technologies licensed to the Group, and could require the Group to make substantial royalty payments. The Group could also be forced, including by court order, to cease commercialising the infringing technology or products.

A finding of infringement could prevent the Group from commercialising its products or force the Group to cease some of its business operations, which could materially harm its business. Claims that the Group has misappropriated the confidential information or trade secrets of third parties could have a similarly negative impact on its business.

Protection of trademarks

The Group owns certain trademarks that are important to its business and competitive position. Third parties may infringe or misappropriate these rights by, for example, imitating the Group's products, asserting rights in, or ownership of, the Group's trademarks or other intellectual property rights or in trademarks that are similar to trademarks that the Group owns. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its trademarks by alleging a breach of their trademarks and intellectual property.

03 Governance

Applications filed by the Group in respect of new trademarks may not be granted. In addition, some of the Group's intellectual property may not be capable of being registered as belonging to the Group in all types of trademarks and all classes and the Group may, therefore, have difficulty protecting such intellectual property. Further, the Group may not be able to prevent others from using its brands (or other intellectual property which is not registered as belonging to the Group) at all or in a particular market.

If the Group is unable to protect its intellectual property rights against infringement or misappropriation, or if others assert rights in or seek to invalidate its intellectual property rights, this could have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.

Loss making

The Group is loss making and its ability to generate future profits and cash flow will depend inter alia upon its ability to increase sales of its products and control its future expenditures (including those on R&D and other investments such as acquisitions). Failure by the Group to become profitable or cash generative would without access to an alternative finance source impair its ability to expand its business, maintain its R&D efforts or expand its product offerings.

It also puts the Group at risk of bankruptcy and liquidation.

That said with the strong start to 2020 Novacyt expects to be cash positive in 2020 and sees the above as low risk.

Terms of existing indebtedness

The Group's existing debt facilities impose operating and financial restrictions on the Group that could restrict inter alia the payment of dividends, incurring of additional indebtedness and the provision of guarantees. The need to meet such thresholds or observe such restrictions could hinder the Group's ability to carry out its business strategy. In addition, a breach of the terms of the Group's indebtedness could cause some or all of its indebtedness to become due and payable. The Company's and/or its direct and indirect subsidiaries' assets may not be sufficient to generate the funds necessary to repay such indebtedness in the event of its acceleration. Events beyond the Group's control may contribute to the failure of the Group to comply with such covenants.

Pursuant to the terms of the Group's existing debt facilities, certain lenders have been provided with security over certain current and future assets of the Group. A failure to comply with the obligations set out in those debt facilities could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness.

Any such actions could adversely affect the Company's operating results and financial condition.

Repayment of existing indebtedness

The Company expects to meet its re-payments of principal and interest on its existing debt facilities.

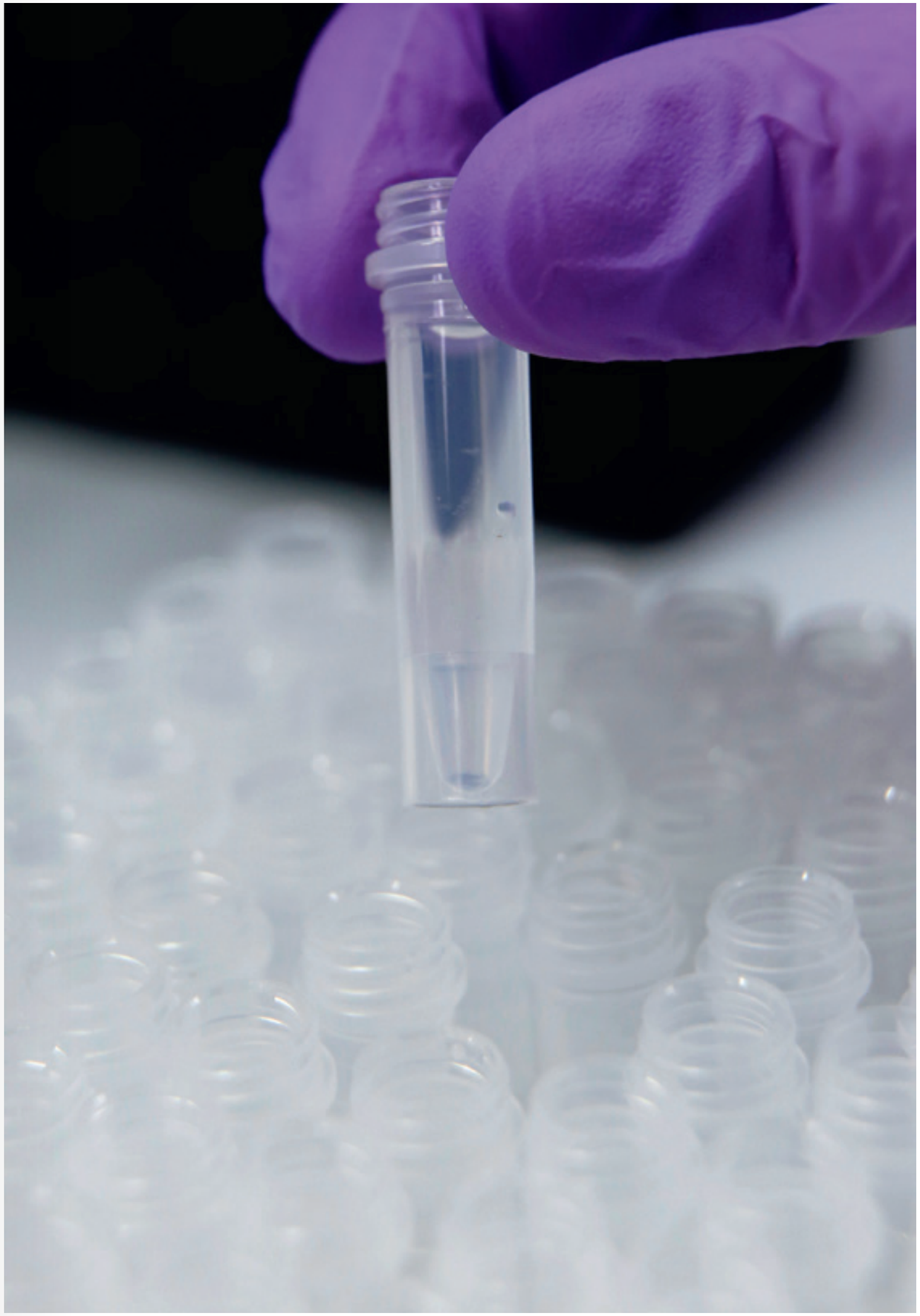
Bad debtors

The Group sells to companies of all sizes from small- to medium-sized enterprises to blue-chip institutions and operates in emerging markets, such as the Middle East, the Asia Pacific region (including China and India), Africa (including Nigeria) and South America (including Venezuela). Whilst the Group has to date successfully managed the risk of being paid for products and services sold into these companies and regions, as the Group grows and its customer base and distribution channels expands, there could be a higher risk that new customers do not pay in a timely manner and that bad debt increases.

Foreign exchange rates

The Group operates on a global basis and it has exposure to foreign exchange risk on purchases and sales that are denominated in currencies other than the Euro, the pound sterling and US dollar, which are the currencies of most of its receivables, expenditures, cash reserves and borrowings. The Euro, the pound sterling and US dollar exchange rates have fluctuated significantly in the past and may do so in the future. Consequently, revenue, expenditure, cash and borrowings may be higher or lower than anticipated by the Group.

In addition, the financial statements of the Group are denominated in Euros which, therefore, give further exposure to foreign exchange rate fluctuations and may impact the financial results reported to its shareholders, particularly as profits and losses arising from foreign currency transactions and on settlement of amounts receivable and payable in foreign currency are dealt with through the profit and loss statement.



04

Financial Statements

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

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

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and applicable law, and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- Prepare the financial statement on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

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

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- The Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

04 Financial Statements

Statutory auditor's report on the consolidated financial statements

Year ended December 31 2019

This is a translation into English of the statutory auditor's report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditor's report includes information required by European regulation and French law, such as information about the appointment of the statutory auditor or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Novacyt Annual General Meeting,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Novacyt for the year ended December 31 2019. These financial statements were approved by the Board of Directors on May 13 2020 based on the information available on that date in the evolving context of the COVID-19 health crisis.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1 2019 to the issue date of our report, and specifically we did not provide any prohibited non-audit services referred to in the French Code of Ethics (Code de déontologie) for statutory auditors.

Observation

Without qualifying the above opinion, we draw your attention to the "Leases" note to the consolidated financial statements, which sets out the impacts of the first-time adoption of IFRS 16 "Leases" as of January 1 2019.

Justification of our assessments

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we hereby inform you of the following assessments that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved under the aforementioned conditions, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

Going concern

The "Going concern" note to the consolidated financial statements sets out the assumptions used by the Board of Directors to approve the financial statements while applying the going concern principle. Based on our work and the information made available to us to date, we assessed the reasonableness and appropriateness of the going concern assumptions used. We also consider that the note provides appropriate disclosure on the Company's position with regard to the going concern principle.

Goodwill

Goodwill was subject to impairment tests according to the procedures described in the "Impairment testing" note to the consolidated financial statements. We reviewed the procedures used to implement these tests as well as the cash flow forecasts and assumptions used for this purpose, and we verified that the "Impairment testing" and "Goodwill" notes provided appropriate disclosures.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by the laws and regulations of the Group information given in the Board of Directors' management report approved on May 13, 2020. Management has informed us that a communication will be issued to the Shareholders' Meeting called to adopt the financial statements on any events and information relating to the COVID-19 health crisis known after the date of approval of the financial statements.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards 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.

As specified in Article L.823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Paris-La Défense, May 13, 2020

The Statutory Auditor
Deloitte & Associés
Benoit PIMONT

05

Accounts and Notes

Consolidated income statement for the years ended 31 December 2018 and 31 December 2019

Amounts in 000' €	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Continuing operations			
Revenue	5	13,081	13,721
Cost of sales	7	-4,709	-5,116
Gross profit	**-**	**8,372**	**8,604**
Sales, marketing and distribution expenses	8	-2,700	-2,454
Research and development expenses	9	-451	-406
General and administrative expenses	10	-6,466	-6,119
Governmental subsidies	11	3	-51
Operating loss before exceptional items	**-**	**-1,242**	**-425**
Other operating income	12	127	-
Other operating expenses	12	-661	-960
Operating loss after exceptional items	**-**	**-1,776**	**-1,385**
Financial income	13	260	225
Financial expense	13	-2,394	-919
Loss before tax	**-**	**-3,910**	**-2,080**
Tax income/(expense)	14	8	-32
Loss after tax from continuing operations	**-**	**-3,902**	**-2,112**
Loss from discontinued operations	37	-2,656	-2,626
Loss after tax attributable to owners of the company (*)	**-**	**-6,558**	**-4,738**
Loss per share (€)	15	-0.14	-0.13
Diluted loss per share (€)	15	-0.14	-0.13
Loss per share from the continuing operations (€)	15	-0.08	-0.06
Diluted loss per share from the continuing operations (€)	-	-0.08	-0.06
Loss per share from the discontinued operations (€)	15	-0.06	-0.07
Diluted loss per share from the discontinued operations (€)	-	-0.06	-0.07

The 2018 / 2019 consolidated income statement is presented to reflect the impacts of the application of IFRS 5 relative to discontinued operations, by stating the NOVAprep® activity on a single line “Loss from discontinued operations”.

Consolidated statement of comprehensive income for the years ended 31 December 2018 and 31 December 2019

Amounts in 000' €	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Loss after tax	**-**	**-6,558**	**-4,738**
Items that may be reclassified subsequently to profit or loss:			
Translation reserves	-	-486	-4
Total comprehensive loss	**-**	**-7,044**	**-4,742**
Comprehensive loss attributable to:			
Owners of the company (*)	**-**	**-7,044**	**-4,742**

(*) There are no non-controlling interests.

05 Accounts and Notes

Statement of financial position for the years ended 31 December 2018 and 31 December 2019

Amounts in 000' €	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Goodwill	16	15,918	16,134
Other intangible assets	17	4,313	4,944
Property, plant and equipment	18	3,478	1,191
Non-current financial assets	19	240	234
Other long-term assets	20	214	-
Non-current assets		**24,163**	**22,503**
Inventories and work in progress	22	2,439	2,347
Trade and other receivables	23	2,168	3,900
Tax receivables	-	4	94
Prepayments	24	406	233
Short-term investments	-	10	10
Cash and cash equivalents	25	1,805	1,132
Current assets	**-**	**6,832**	**7,716**
Assets classified as held for sale	-	70	2,294
Total assets	**-**	**31,065**	**32,513**
Bank overdrafts and current portion of long-term borrowings	26	2,457	3,115
Contingent consideration (current portion)	27	-	1,569
Short-term provisions	28	50	100
Trade and other liabilities	29	4,591	4,647
Other current liabilities	30	591	379
Total current liabilities	**-**	**7,689**	**9,809**
Liabilities classified as held for sale	-	-	85
Net current (liabilities) / assets	**-**	**-857**	**-2,008**
Borrowings and convertible bond notes	26	8,493	2,259
Long-term provisions	28	240	168
Deferred tax liabilities	-	49	54
Total non-current liabilities	**-**	**8,782**	**2,481**
Total liabilities	**-**	**16,471**	**12,375**
Net assets	**-**	**14,594**	**20,138**
Share capital	31	3,873	2,511
Share premium account	32	58,012	58,249
Own shares	-	-174	-178
Other reserves	33	-3,306	-2,820
Equity reserve	34	401	422
Retained losses	35	-44,212	-38,046
Total equity - owners of the company	**-**	**14,594**	**20,138**
Total equity	**-**	**14,594**	**20,138**

Statement of changes in equity for the years ended 31 December 2018 and 31 December 2019

						Other group reserves					
Amounts in 000' €	Notes	Share capital	Share premium	Own shares	Equity reserves	Acquisition of the shares of Primerdesign	Translation reserve	Other comprehensive income on retirement benefits	Total	Retained loss	Total equity
Balance at 1 January 2018	**-**	**2,511**	**58,281**	**- 176**	**422**	**- 2,948**	**143**	**- 11**	**- 2,816**	**- 33,308**	**24,914**
Translation differences	-	-	-	-	-	-	- 4	-	- 4	-	- 4
Loss for the period	-	-	-	-	-	-	-	-	-	- 4,738	- 4,738
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**- 4**	**-**	**- 4**	**- 4,738**	**- 4,742**
Own shares acquired/sold in the period	-	-	-	- 2	-	-	-	-	-	-	- 2
Other changes		-	- 32	-	-	-	-	-	-	-	- 32
Balance at 31 December 2018	**-**	**2,511**	**58,249**	**- 178**	**422**	**- 2,948**	**139**	**- 11**	**- 2,820**	**- 38,046**	**20,138**
Translation differences	-	-	-	-	-	-	- 486	-	- 486	-	- 486
Loss for the period	-	-	-	-	-	-	-	-	-	- 6,558	- 6,558
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**- 486**	**-**	**- 486**	**- 6,558**	**- 7,044**
Issue of share capital	31	-	- 180	-	-	-	-	-	-	-	- 180
Own shares acquired/sold in the period		-	-	4	-	-	-	-	-	-	4
Other changes	32	1,362	-57	-	-21	-	-	-	-	392	1,676
Balance at 31 December 2019	**-**	**3,873**	**58,012**	**- 174**	**401**	**- 2,948**	**- 347**	**- 11**	**- 3,306**	**- 44,212**	**14,594**

05 Accounts and Notes

Statement of cash flows for the years ended 31 December 2018 and 31 December 2019

Amounts in 000' €	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Net cash used in operating activities	**38**	**-1,073**	**-1,246**
Investing activities	-		
Proceeds from disposal of property, plant & equipment	-	27	-
Purchases of patents and trademarks	-	-112	-307
Purchases of property, plant and equipment	-	-224	-377
Purchases of trading investments	-	-	2
Acquisition of subsidiary net of cash acquired	-	-1,353	-2,034
Proceeds from the sale of businesses	-	364	-
Net cash used in investing activities	**-**	**-1,298**	**-2,716**
Investing cash flows from discontinued activities	-	157	-130
Investing cash flows from continuing operations	-	-1,455	-2,586
Repayments of borrowings	-	-3,460	-2,561
Proceeds on issue of borrowings and bond notes	26	6,859	3,960
Proceeds from other short-term financing facilities	26	772	-
Payment of share issuance costs	26	-180	-
Disposal (purchase) of own shares – Net	-	5	-2
Paid interest expenses	-	-1 046	-632
Net cash used in financing activities	**-**	**2,950**	**765**
Financing cash flows from discontinued activities	-	-	-
Financing cash flows from continuing operations	-	2,950	765
Net increase/(decrease) in cash and cash equivalents	**-**	**579**	**-3,197**
Cash and cash equivalents at beginning of year / period	**-**	**1,132**	**4,345**
Effect of foreign exchange rate changes	-	94	-16
Cash and cash equivalents at end of year	**-**	**1,805**	**1,132**

Notes to the Annual Accounts

1. APPLICABLE ACCOUNTING STANDARDS

Novacyt S.A. is incorporated in France and its principal activities are specialising in cancer and infectious disease diagnostics. Its registered office is located at 13 Avenue Morane Saulnier, 78140 Vélizy Villacoublay.

The financial information contained in this report comprises the consolidated financial statements of the Company and its subsidiaries (hereinafter referred to collectively as "the Group"). They are prepared and presented in '000s of Euros.

The consolidated financial statements for the fiscal year ended December 31 2019 were established in accordance with the international accounting standards and interpretations (IAS / IFRS) adopted by the European Union and applicable on December 31 2019.

The 2019 consolidated financial statements were approved by the Board of Directors on 13 May 2020.

2. ADOPTION OF NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

- Standards, interpretations and amendments to standards with mandatory application for periods beginning on or after 1 January 2019.
- IFRS 16: "Leases". The Group has elected to apply the standard using the modified retrospective approach from 1 January 2019, utilising certain of the practical expedients provided within the Standard, and the cumulative effect of initial application will be recognised in retained earnings at 1 January 2019. Comparative figures for the year ended December 31 2018 are not restated to reflect the adoption of IFRS 16 but instead continue to reflect the lessee's accounting policies under IAS 17 Leases. This is disclosed in Note 39.
- The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments.

The group has not elected to take early adoption of any standards or interpretations not mandatorily applicable in 2019.

The texts adopted by the European Union are available on the website of the European Commission at the following address: **http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_en.htm**

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP

The preparation of the financial information under IFRS requires management to exercise judgement on the application of accounting policies, and to make estimates and assumptions that affect the amounts of assets and liabilities, and income and expenses. The underlying estimates and assumptions, made in accordance with the going concern principle, are based on past experience and other factors deemed reasonable in the circumstances. They serve as the basis for the exercise of judgement required in determining the carrying amounts of assets and liabilities that cannot be obtained directly from other sources. Actual amounts may differ from these estimates. The underlying estimates and assumptions are reviewed continuously. The impact of changes in accounting estimates is recognised in the period of the change if it affects only that period, or in the period of the change and subsequent periods if such periods are also affected.

The financial information has been prepared on the historical cost basis except in respect of those financial instruments that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial information is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The areas where assumptions and estimates are material in relation to the financial information are the measurement of goodwill resulting from the Company's acquisition of the Omega infectious diseases business activity (see Note 16), the carrying amounts and useful lives of intangible assets (see Note 17), deferred taxes (see Note 21), trade receivables (see Note 23) and provisions for risks and other provisions related to the operating activities (see Note 28).

05 Accounts and Notes

The accounting policies set out below have been applied consistently to all periods presented in the financial information, except for the adoption of IFRS 16 which is only applied from 1 January 2019 onwards.

Basis of consolidation

The financial information includes all companies under control. The Company does not exercise joint control or have significant influence over other companies. Subsidiaries are consolidated from the date on which the Group obtains effective control.

Controlled companies are consolidated by the full consolidation method with recognition of non-controlling interests. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation. The Company's scope of consolidation included the following companies, all fully consolidated through the current and prior year.

	Closing			Opening		
Companies	**Interest percentage**	**Control percentage**	**Consolidation method**	**Interest percentage**	**Control percentage**	**Consolidation method**
Biotec Laboratories Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Lab21 Healthcare Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Lab21 Ltd	0.00 %	0.00 %	-	100.00 %	100.00 %	FC
Microgen Bioproducts Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Novacyt S.A.	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Novacyt Asia Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Novacyt China Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Novacyt UK Holdings Ltd	100.00 %	100.00 %	FC	0.00 %	0.00 %	-
Primerdesign Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC

FC: Full consolidation

On 4 June 2019 a new UK Holdings company was created called Novacyt UK Holdings Limited, with the ownership of Microgen Bioproducts, Lab21 Healthcare and Biotec Laboratories transferred to Holdings from Lab21 Ltd, prior to the sale of Lab21 Limited on 18 July 2019. The total share capital is five ordinary shares at £1 per share.

Consolidation methods

The consolidated historical financial information is prepared using uniform accounting policies for transactions and other similar events in similar circumstances.

Elimination of intercompany transactions

The intercompany balances arising from transactions between consolidated companies, as well as the transactions themselves, including income, expenses and dividends, are eliminated.

Translation of accounts denominated in foreign currency

The historical financial information is presented in '000 Euros. The financial statements of companies whose functional currency is not the Euro are translated into Euros as follows:

- items in the statement of financial position are translated at the closing exchange rate, excluding equity items, which are stated at historical rates; and
- transactions in the income statement and statement of cash flows are translated at the average annual exchange rate.

Translation differences on earnings and equity are recognised directly in other comprehensive income under "Translation reserve" for the portion attributable to the Group. On disposal of a foreign company, the translation differences relating thereto and recognised in other comprehensive income are reclassified to profit or loss.

Exchange differences arising from intragroup balances are recognised as exchange losses or gains in the consolidated income statement.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they adopt the going concern basis of accounting in preparing the financial statements.

The going concern model covers the period up to and including May 2021. In making this assessment the Directors have considered the following elements:

- the working capital requirements of the business;
- a positive cash balance at 31 December 2019 of €1,805,000;
- the repayment of the current bond borrowings according to the agreed repayment schedules;
- the financing cash inflow relating to the exercise of warrants in Q1 2020;
- a payment of the first tranche of the LTIP that commenced in November 2017;
- increased operating cash inflows generated by the COVID-19 pandemic.

The forecast prepared by the company shows that it is able to cover its cash needs during the financial year 2020 and until May 2021 without the raising of any further bank or other financing facility.

Business combinations and measurement of goodwill

Business combinations

Business combinations are accounted for using the purchase method (see IFRS 3R).

Each time it takes over a company or group of companies constituting a business, the Group identifies and measures the assets acquired and liabilities assumed, most of which are carried at fair value. The difference between the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree and the net amount recognised in respect of the identifiable assets acquired and liabilities assumed measured at fair value, is recognised as goodwill.

05 Accounts and Notes

Pursuant to IFRS 3R, the Group applies the following principles:

- transaction costs are recognised immediately as operating expenses when incurred;
- any purchase price adjustment of an asset or a liability assumed is estimated at fair value at the acquisition date, and the initial assessment may only subsequently be adjusted against goodwill in the event of new information related to facts and circumstances existing at the acquisition date if this assessment occurs within the 12-month allocation period after the acquisition date. Any adjustment of the financial liability recognised in respect of an additional price subsequent to the intervening period or not meeting these criteria is recognised in the Group's comprehensive income;
- any negative goodwill arising on acquisition is immediately recognised as income; and
- for step acquisitions, the achievement of control triggers the re-measurement at fair value of the interest previously held by the Group in profit or loss; loss of control results in the re-measurement of the possible residual interest at fair value in the same way.

For companies acquired during the year, only the results for the period following the acquisition date are included in the consolidated income statement.

Measurement of goodwill

Goodwill is broken down by cash-generating unit (CGU) or group of CGUs, depending on the level at which goodwill is monitored for management purposes. In accordance with IAS 36, none of the CGUs or groups of CGUs defined by the Group are greater in size than an operating segment.

Impairment testing

Goodwill is not amortised, but is subject to impairment testing when there is an indication of loss of value, and at least once a year at the reporting date.

Such testing consists of comparing the carrying amount of an asset to its recoverable amount. The recoverable amount of an asset, a CGU or a group of CGUs is the greater of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset, a CGU or a group of CGUs in an arm's length transaction between well-informed, willing parties, less the costs of disposal. Value in use is the present value of future cash flows expected to arise from an asset, a CGU or a group of CGUs.

It is not always necessary to determine both the fair value of an asset less costs to sell and its value in use. If either of these amounts exceeds the carrying amount of the asset, the asset is not impaired and it is not necessary to estimate the other amount.

Intangible fixed assets

Customer relationships

In accordance with IFRS 3, the Company's acquisition of Primerdesign and the Omega infectious diseases business resulted in the recognition of the value of the acquired customer base on the statement of financial position. The value of these assets was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

Customer relationships will be amortised on a straight-line basis over nine years.

Trademark

The acquisition price of Primerdesign by the Company was also "allocated" in part to the Primerdesign trademark. The value of this asset was determined by discounting the cash flows that could be generated by licensing the trademark, estimated as a percentage of revenue derived from information available on comparable assets.

The acquisition price of the Omega infectious diseases business by the Company led to the recognition of a number of trademarks. The value of this asset was determined by discounting the cash flows that could be generated by licensing the trademark, estimated as a percentage of revenue derived from information available on comparable assets.

Both trademarks are amortised on a straight-line basis over nine years.

Other intangible assets

Intangible assets include licences recognised at cost and amortised over useful lives of between 7 and 20 years.

Property, plant and equipment

Items of property, plant and equipment are recognised at their acquisition cost (purchase price plus incidental expenses and acquisition costs).

Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated or amortised on a straight-line basis, with major components identified separately where appropriate, based on the following estimated useful lives:

- Leasehold improvements: Straight-line basis – 2 to 15 years
- Trademark: Straight-line basis – 9 years
- Customers: Straight-line basis – 9 years
- Industrial machinery and equipment: Straight-line basis – 3 to 6 years
- General fittings, improvements: Straight-line basis – 3 to 5 years
- Transport equipment: Straight-line basis – 5 years
- Office equipment: Straight-line basis – 3 years
- Computer equipment: Straight-line basis – 2 to 3 years

Any leased buildings, equipment or other leases that fall under the scope of IFRS 16 as at the effective date of 1 January 2019 and have been capitalised as a right of use asset will be depreciated on a straight-line basis over the term of the lease as required under IFRS 16.

The depreciation or amortisation of fixed assets begins when they are ready for use and ceases at their disposal, scrapping or reclassification as assets held for sale in accordance with IFRS 5.

Given the nature of its assets, the Group does not recognise residual value on the items of property, plant and equipment it uses.

Depreciation and amortisation methods and useful lives are reviewed at each reporting date and revised prospectively if necessary.

Asset impairment

Depreciable and non-depreciable assets are subject to impairment testing when indications of loss of value are identified. In assessing whether there is any indication that an asset may be impaired, the Company considers the following external and internal indicators:

External indicators:

- drop in the market value of the asset (to a greater extent than would be expected solely from the passage of time or the normal use of the asset);
- significant changes with an adverse effect on the entity, either having taken place during the period or expected to occur in the near future, in the technical, economic or legal environment in which the Company operates or in which the asset is used; and
- increases in market interest rates or other market rates of return during the year when it is likely that such increases will significantly reduce the market value and/or value in use of the asset.

Internal indicators:

- existence of indication of obsolescence or physical damage of an asset unforeseen in the depreciation or amortisation schedule;
- significant changes in the way the asset is used;
- weaker-than-expected performance by the asset; and
- significant reduction in the level of cash flow generated by the asset.

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. The recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of future cash flows expected to flow from an asset over its estimated useful life.

05 Accounts and Notes

The recoverable amount of assets that do not generate independent cash flows is determined by that of the cash-generating unit (CGU) to which it belongs, a CGU being the smallest homogeneous group of identifiable assets generating cash flows that are largely independent of other assets or groups of assets.

The carrying amount of an asset is its gross value less, for depreciable fixed assets, accumulated depreciation and impairment losses.

In the event of loss of value, an impairment charge is recognised in profit or loss. Impairment is reversed in the event of a change in the estimate of the recoverable value or if indications of loss of value disappear. Impairment is recognised under "Depreciation, amortisation and provisions for impairment of property, plant and equipment and intangible assets" in the income statement.

Intangible assets not subject to amortisation are tested for impairment at least once a year.

Leases – After adoption of IFRS 16

IFRS 16 Leases was issued in January 2016 and is effective for an entity's financial statements for annual reporting periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

- The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.
- The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

IFRS 16's transition provisions permit lessees to use either a full retrospective or a modified retrospective approach for leases existing at the date of initial application of the standard, with options to use certain transition reliefs.

The Group has elected to apply the standard using the modified retrospective approach from 1 January 2019, utilising certain of the practical expedients provided within the Standard, and the cumulative effect of initial application will be recognised in retained earnings at 1 January 2019. The Group recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments. Comparative figures for the year ended 31 December 2018, are not restated to reflect the adoption of IFRS 16 but instead continue to reflect the lessee's accounting policies under IAS 17 Leases.

The Group has elected to apply for the following practical expedients allowed for entities adopting IFRS 16 using the modified retrospective approach:

- Reassessment of contract – The Group has made use of the possibility not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.
- Discount rate – Instead of requiring a lessee to determine the incremental borrowing rate for every single lease, IFRS 16 allows a lessee to apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
- Initial direct costs – As a practical expedient, IFRS 16 allows a lessee to exclude initial direct costs from the measurement of the ROU asset on transition.
- Use of hindsight for lease term – A lessee is required to determine the lease term at the date of initial application, which includes purchase and renewal options reasonably expected to be exercised and excludes termination options reasonably expected to be exercised. To alleviate the burden of reconstructing a lessee's initial assessment of the lease term and subsequent changes thereafter, IFRS 16 allows a lessee to use hindsight to determine which renewal and termination options to include or exclude.
- Onerous lease determination – Similar to other non-financial assets, ROU assets are subject to impairment testing under IAS 36 Impairment of Assets and a lessee is required to perform an impairment review for each of its ROU assets at date of initial application. IFRS 16 allows a lessee to use its onerous contract assessment under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before transition instead of performing an impairment review under IAS 36. The ROU asset is then reduced by any existing provision for related onerous leases – there were no onerous contracts within the Group at 1 January 2019.
- Short-term leases – For leases with a remaining term of less than one year at the date of initial application, the lessee may choose to apply the short-term lease exemption in IFRS 16 and expense lease payments rather than recognise an ROU asset and a lease liability. When using the short-term lease exemption, a lessee is required to disclose the amount of lease payments expensed as a result of using this expedient.

Leases – Before adoption of IFRS 16

Leases in which the Group is the lessee are analysed on the basis of their substance and financial reality, and are classified either as operating leases or finance leases.

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. It is treated as the acquisition of an asset by the lessee, financed by a loan granted by the lessor.

The Group does not have any finance leases.

Operating leases

An operating lease is a contract that does not transfer substantially all the risks and rewards incidental to ownership to the lessee. Lease payments under an operating lease are expensed on a straight-line basis over the entire lease term, even if payments are not made with the same regularity.

The lease agreement for the Company's offices in Vélizy has been analysed as an operating lease.

A provision for restoration of leased office space to good condition has been set aside to address the contractual obligations arising from lease contracts.

Inventories

Inventories are carried at the lesser of their acquisition cost and their recoverable amount. The acquisition cost of inventories includes materials and supplies, and, where applicable, personnel expenses incurred in transforming inventories into their current state. It is calculated using the weighted average cost method. The recoverable amount represents the estimated selling price less any marketing, sales and distribution expenses.

The gross value of goods and supplies includes the purchase price and incidental expenses.

A provision for impairment, equal to the difference between the gross value determined in accordance with the above terms and the current market price or the realisable value less any proportional selling costs, is recognised when the gross value is greater than the other stated item.

Trade receivables

Trade receivables are recognised upon transfer of ownership, which generally corresponds to delivery for sales of goods and the rendering of the service for services.

Receivables are recorded at their fair value, which corresponds most often to their nominal value. Receivables may be impaired by means of a provision, to take into account any difficulties in recovering the outstanding amounts. Provisions for impairment are determined by comparing the acquisition cost and the likely realisable value, which is defined as the present value of the estimated recoverable amounts.

Trade receivables have not been discounted, because the effect of doing so would be immaterial.

Cash and cash equivalents

Cash equivalents are held in order to meet short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent, it must be readily convertible into a known amount of cash and be subject to an insignificant risk of change in value. Cash and cash equivalents comprise cash funds, current bank accounts and marketable securities (cash Undertakings for Collective Investment in Transferable Securities "UCITS", negotiable debt securities, etc.) that can be liquidated or sold within a very short time (generally less than three months at the acquisition date) and which have a negligible risk of change in value. All such items are measured at fair value, with any adjustments recognised in profit or loss.

05 Accounts and Notes

Financial liabilities

Borrowings are initially recognised at fair value. They are subsequently accounted for using the amortised cost method, based on the effective interest rate. Under this principle, any arranging costs are carried in the financial position item relating to the relevant borrowings and amortised in financial expense over the life of the loan.

Compound financial instruments

Some financial instruments contain both a liability and an equity component. This is notably the case of the convertible bonds with warrants attached (Obligations Convertibles en Actions avec Bons de Souscription d'Actions), "OCABSAs", which are bonds convertible into shares with warrants. The various components of these instruments are accounted for and presented separately according to their substance, as defined in IAS 32 "Financial Instruments: Disclosure and Presentation". The amortised cost is calculated on the basis of the liability only, once the embedded derivatives have been separated.

Primerdesign contingent consideration

The Company negotiated a contingent consideration for the acquisition of the Primerdesign securities with the Primerdesign's former shareholders, subject to the achievement of a revenue target. The final payment was made in November 2019.

In accordance with IAS 39, the financial liability has been re-measured at its fair value as of the balance sheet date to take into account changes in the exchange rate of sterling on the one hand and the discounting of the liability on the other hand.

Omega ID contingent consideration

Under the terms of the asset purchase agreement, the total consideration, to be fully satisfied through cash consideration:

(i) £175,000 paid after 12 months upon completion of technology and services transfer – which was fully paid in 2019.

(ii) £200,000 paid upon the successful accreditation of the Axminster UK production facility to certain standards (expected to be achieved inside 12 months of acquisition date) – which is no longer in scope and thus will not be paid.

Trade payables

Trade payables are obligations to provide cash or other financial assets. They are recognised in the balance sheet when the Group becomes a party to a transaction generating liabilities of this nature. Trade and other payables are recognised in the balance sheet at fair value on initial recognition, except if settlement is to occur more than 12 months after recognition. In such cases, they are measured using the amortised cost method. The use of the effective interest rate method will result in the recognition of a financial expense in the income statement. Trade and other payables are eliminated from the balance sheet when the corresponding obligation is extinguished.

Trade payables have not been discounted, because the effect of doing so would be immaterial.

Provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognised when the Group has a current obligation as of the reporting date in respect of a third party and it is probable or certain that there will be an outflow of resources to this third party, without at least equivalent consideration from the said third party. Provisions for risks and charges cover the amount corresponding to the best estimate of the future outflow of resources required to settle the obligation.

The provisions are for the restoration of leased premises, an industrial relations litigation, and a long-term management incentive plan.

Long-term Incentive Plan

Novacyt granted certain employees to purchase shares under a long-term management incentive plan adopted on 1 November 2017. The exercise price is set at the share price on the grant date and the options will be settled in cash. The options will fully vest on the third anniversary of the grant date. The payment expenses are calculated under IFRS 2 "Share-based payments". The accounting charge is spread across the vesting period to reflect the services received and a liability recognised on the statement of financial position.

Employee benefits

Group employees receive short-term benefits (paid leave, sick leave, etc.) and post-employment benefits via defined contribution and defined benefit plans (retirement bonuses, pensions, etc.).

For defined contribution plans, payments made by the Group are expensed in the period in respect of which they are due.

Post-employment benefits relate mainly to retirement bonuses, and solely cover the Company's employees. Defined benefits are the subject of a calculation performed by an actuary, based on the following parameters:

- retirement at the age of 64 for managers;
- retirement at the age of 62 for non-managers;
- wage increases at a rate of 3% per annum, i.e. the long-term inflation rate plus 1%;
- discount rate of 1.6% in 2018, in line with the average rate of private sector bonds issued in Euros (blue chip) for durations equivalent to the commitments in question;
- staff turnover based on the Group's actual experience: projection of 0.5 resignations over the next 12 months;
- life expectancy based on the Insee 2012-2014 mortality table; and
- average rate of social security contributions of 41.51% in 2018.

Entitlements in months of wages arise from the application of national agreements and the "Pharmaceuticals, pharmacy, veterinary products: production & trade" collective agreement. Retirement benefits are expensed when due. The provision for this expense is reversed in the same period.

Following the announcement of the disposal of the NOVAprep® activity, the provision for retirement benefit obligations was transferred to the line "Liabilities classified as held for sale" at December 2018. There is no provision for employees' benefits at December 2019 as the NOVAprep® business had been sold.

Discontinued operations and assets held for sale

Discontinued operations and assets held for sale are restated in accordance with IFRS 5.

On 11 December 2018, Novacyt announced its intention to sell the NOVAprep® business and thus is presenting its financial results in accordance with the IFRS 5 accounting rule on discontinued operations. As a result, all revenues and charges generated by this activity are presented on a single line, below the net result.

As per IFRS 5 we have presented discontinued operations as follows:

In the statement of profit and loss and other comprehensive income: a single amount comprising the total of:

- the post-tax profit or loss of the discontinued operation;
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell; and
- the post-tax gain or loss recognised on the disposal of assets or the disposal group making up the discontinued operation.

The analysis of the single amount is presented in the note.

In the statement of cash flows: the net cash flow attributable to the operating, investing and financing activities of discontinued operations have been disclosed separately.

In the statement of financial position: the assets and liabilities of a disposal group have been presented separately from other assets. The same applies for liabilities of a disposal group classified as held for sale.

This restatement was made in the accounts in 2018 to reflect the intention to dispose of the NOVAprep® activity (held by Novacyt S.A.), and of the Cambridge Clinical Lab business (held by Lab21 Ltd). This restatement was made in the 2018 accounts and continues to be for 2019 following the NOVAprep® business disposal on 24 December 2019 and the Lab21 Ltd business disposal on 18 July 2019.

05 Accounts and Notes

Consolidated revenue

IFRS 15 Revenue from Contracts with Customers establishes a principles-based approach to recognising revenue only when performance obligations are satisfied and control of the related goods or services is transferred. It addresses items such as the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 replaces IAS 18 Revenue and other related requirements. IFRS 15 applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers except those in the scope of other standards.

- Step 1 Identify the contract(s) with a customer
- Step 2 Identify the performance obligations in the contract
- Step 3 Determine the transaction price
- Step 4 Allocate the transaction price to the performance obligations in the contract
- Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation. The Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant. Therefore, the accounting for revenue under IFRS 15 does not represent a substantive change for recognising revenue from sales to customers.

The group's revenue recognition processes are generally straightforward, with recognition of revenue at the point of sale and little significant judgement required in determining the timing of transfer of control. Given that the Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant.

The activity of NOVAprep®

All the revenues generated by the NOVAprep® activity were reclassified on the line "Loss from discontinued operations". As a result, NOVAprep® no longer contributes to the consolidated revenues of the group.

The activity of the Lab21 Products Group

Lab21 Limited provided laboratory-based diagnostic services. Revenue is recognised when the service is rendered (diagnosis made). This business was sold on 18 July 2019.

Lab21 Healthcare and Microgen Bioproducts manufacture and sell reagents and kits for bacterial and blood tests.

Revenue is recognised upon delivery of products sold and, where appropriate, after formal customer acceptance.

The activity of Primerdesign

Primerdesign designs, manufactures and distributes test kits for certain diseases in humans, animals and food products. These kits are intended for laboratory use and rely on "polymerase chain reaction" technology. Revenue is recognised when the test kits are sold. The company accounts for the sale of the product upon delivery.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the closing reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in the profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current and deferred tax

A deferred tax liability is recognised on timing differences related to accelerated depreciation. It only covers Primerdesign.

Government subsidies

Directly taxed industrial and commercial companies that record research expenditure are entitled to a tax credit in France, which was the case for Novacyt S.A. in 2018. The tax credit is calculated per calendar year and deducted from the tax payable by the company in respect of the year during which research expenses were incurred. Tax credits that cannot be deducted from tax expense are refunded to the Company. The granting of the tax credit is independent of the Group's tax position. The Group has accordingly elected to treat it as a subsidy. It appears in an item covering subsidies in the income statement. Due to the focus on selling the activity NOVAprep®, Novacyt S.A. has not applied for a research tax credit in 2019.

Novacyt UK Holdings Limited subsidiary companies and Primerdesign also benefit from tax credits for their research activities. The tax credit is calculated per calendar year and deducted from the tax payable by the company in respect of the year during which research expenses were incurred. Tax credits that cannot be deducted from tax expense are refunded to the company and are treated as subsidies in the income statement.

In France, the law amending the 2012 budget introduced a new tax credit from 1 January 2013, known as the competitiveness and employment tax credit (crédit d'impôt pour la compétitivité et l'emploi – CICE). Its calculation is based on a portion of the salaries paid to employees of French companies. It is paid by the state, regardless of the position of the entity in respect of corporation tax. It has been decided to classify this income as a reduction in personnel expenses. This tax credit no longer exists as from 1 January 2019.

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Loss per share

The Group reports basic and diluted losses per common share. Basic losses per share is calculated by dividing the profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted losses per share is determined by adjusting the profit attributable to common shareholders by the weighted average number of common shares outstanding, taking into account the effects of all potential dilutive common shares, including options. These options are taken into account for the calculation of the loss per share only if their exercise price is higher than the market price and if they have a dilutive effect on the result per share.

Exceptional items

Exceptional items are those costs or incomes that in the view of the Board of Directors, require separate disclosure by virtue of their size or incidence, and are charged/credited in arriving at operating profit in the historical financial information.

The exceptional items relate to sale costs for the disposal of both the NOVAprep® business and Lab21 Limited, shown in Note 12. They also include acquisition related costs (Omega ID Business) shown in Note 12, one-off restructuring costs and other one-off income and expenses as detailed in Note 12.

Loss from discontinued operations

On 11 December 2018, Novacyt announced its intention to sell the NOVAprep® business and thus is presenting its financial results in accordance with the IFRS 5 accounting rule on discontinued operations. As a result, all revenues and charges generated by this activity are presented on a single line, below the net result. This business was disposed of on 24 December 2019.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

The preparation of the financial information in accordance with IFRS requires management to exercise judgement on the application of accounting policies, and to make estimates and assumptions that affect the amounts of assets and liabilities, and income and expenses. The underlying estimates and assumptions, made in accordance with the going concern principle, are based on past experience and other factors deemed reasonable in the circumstances. They serve as the basis for the exercise of judgement required in determining the carrying amounts of assets and liabilities that cannot be obtained directly from other sources. Actual amounts may differ from these estimates. The underlying estimates and assumptions are reviewed continuously. The impact of changes in accounting estimates is recognised in the period of the change if it affects only that period, or in the period of the change and subsequent periods if such periods are also affected.

Key sources of estimation uncertainty

The Group has a number of key sources of estimation uncertainty as listed below. Of these items only the measurement of goodwill (see Note 16), the measurement of useful lives of intangible assets (Note 17), measurement of fair value of assets and liabilities in business combinations, recognition of deferred taxes (see Note 21), the value of the trade and other receivables (Note 23) and the provisions for risks and other provisions related to the operating activities (see Note 28) are considered likely to give material adjustment. Others are areas of estimates not material.

Measurement of goodwill

Goodwill is tested for impairment on an annual basis. The recoverable amount of goodwill is determined mainly on the basis of forecasts of future cash flows.

The total amount of anticipated cash flows reflects management's best estimate of the future benefits and liabilities expected for the relevant cash-generating unit (CGU).

The assumptions used and the resulting estimates sometimes cover very long periods, taking into account the technological, commercial and contractual constraints associated with each CGU.

These estimates are mainly subject to assumptions in terms of volumes, selling prices and related production costs, and the exchange rates of the currencies in which sales and purchases are denominated. They are also subject to the discount rate used for each CGU.

The value of the goodwill is tested whenever there are indications of impairment and reviewed at each annual closing date or more frequently should this be justified by internal or external events.

The carrying amount of goodwill on the statement of financial position and related impairment loss over the periods are shown below:

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Goodwill Lab21 Products Group	17,709	17,709
Cumulative impairment of goodwill	- 9,101	- 9,101
Net value	**8,608**	**8,608**
Goodwill Primerdesign	7,210	7,210
Cumulative impairment of goodwill	-	-
Net value	**7,210**	**7,210**
Goodwill Omega ID	100	316
Cumulative impairment of goodwill	-	-
Net value	**100**	**316**
Total Goodwill	**15,918**	**16,134**

The decrease of the Omega ID goodwill results from the adjustment of the acquisition price of the business in June 2019. One of the two components of the contingent consideration for the amount of £200,000 will not be paid, as the contractual conditions have not and will not be achieved.

Measurement and useful lives of intangible assets

Other intangible assets (except for goodwill) are considered to have a finite economic useful life. They are amortised over their estimated useful lives that are reviewed at each reporting date. In the event of impairment, an estimate of the asset's recoverable amount is made.

The main intangible assets requiring estimates and assumptions are the Primerdesign and Omega trademarks and the customer relationships attached to the two businesses.

The value of the intangible assets is tested whenever there are indications of impairment and reviewed at each annual closing date or more frequently should this be justified by internal or external events.

Trademark

The value of this asset was determined by discounting the cash flows that could be generated by licensing the trademark, estimated as a percentage of revenue derived from information available on comparable assets.

This asset is amortised on a straight-line basis over a period of nine years, estimated as its useful life. It is also tested for impairment. Its recoverable amount is determined on the basis of forecasts of future cash flows. The total amount of anticipated cash flows reflects management's best estimate of the future benefits and liabilities expected from the operation of the trademark.

The assumptions used and the resulting estimates are subject to discount rate, percentage of revenue and useful life assumptions.

The carrying amount of the trademarks at 31 December 2019 is €611,000 (€700,000 at December 2018) including the new trademark from the Omega business acquired in 2018 for €246,000. The amortisation charge for the period was €102,000 (€87,000 for the year ended 31 December 2018) and the cumulated amortisation is €308,000 (€205,000 at 31 December 2018).

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Customer relationships

The value of this asset was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

Customer relationships are amortised on a straight-line basis over a period of nine years, estimated as its useful life. It is also tested for impairment. Its recoverable amount is determined on the basis of forecasts of future cash flows over an estimated period of time. The total amount of anticipated cash flows reflects management's best estimate of the future benefits and liabilities expected from customer relationships.

The assumptions used and the resulting estimates are subject to assumptions in respect of the discount rate, additional margin generated by customers after remuneration of contributing assets and useful lives.

The carrying amount of the customer relationships at 31 December 2019 is €3,330,000 (€3,823,000 at December 2018) including the new customer relationships from the Omega business acquired in 2018 for €1,291,000. The amortisation charge for the period was €557,000 (€481,000 for the year ended 31 December 2018) and the cumulated amortisation is €1,709,000 (€1,144,000 at 31 December 2018).

Business combinations

As part of the acquisition of the Omega ID business, the identifiable assets and liabilities acquired, including intangible assets, were recognised at their fair value in accordance with IFRS 3 'Business combinations'. The determination of the fair values on acquired assets and liabilities is based, to a considerable extent, on management's estimation.

Deferred taxes

Deferred tax assets are recognised only insofar as it is probable that the Group will have future taxable profits against which the corresponding temporary difference can be offset. Deferred tax assets are reviewed at each reporting date and derecognised if it is no longer probable there will be taxable profits against which the deductible temporary differences can be utilised.

For deferred tax assets on tax loss carry forwards, the Group uses a multi-criteria approach that takes into account the recovery timeframe based on the strategic plan, but which also factors in the strategy for the long-term recovery of tax losses in each country.

On the basis of the analysis performed, considering that the deferred tax losses could not be used within a reasonable period of time, the Group has decided not to recognise any deferred tax asset.

Trade and other receivables

An estimate of the risks of non-receipt based on commercial information, current economic trends and the solvency of individual customers is made in order to determine the need for impairment on a customer-by-customer basis.

Provisions

The carrying amount of provisions as at 31 December 2018 and 2019 are as per the table below:

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Provisions for restoration of premises	226	148
Long-term management incentive plan	14	20
Provisions for litigation	50	100
Total Provisions	**290**	**268**

Provisions for restoration of premises

The amount of provisions is determined by management on the basis of available information, experience and, in some cases, expert estimates.

When these obligations are settled, the amount of the costs or penalties that are ultimately incurred or paid may differ significantly from the amounts initially provisioned and regularly reviewed and may therefore have a significant effect on the Group's future results.

To the Group's knowledge, there is no indication to date that the parameters adopted as a whole are not appropriate, and there are no known developments that could significantly affect the amounts of provisions.

Litigations

Certain of the Group's subsidiaries may be party to regulatory, judicial or arbitration proceedings that, in view of the relating uncertainties, may have a material impact on the Group's financial position.

The Group's management lists current proceedings, regularly reviews their progress and assesses the need to establish appropriate provisions or to change their amount if the occurrence of events during the course of the proceedings necessitates a reassessment of the risk. Internal or external advisors are involved in determining the costs that may be incurred.

The decision to set aside provisions to cover a risk and the amount of such provisions are based on the risk assessment on a case-by-case basis, management's assessment of the unfavourable nature of the outcome of the proceeding in question (probability) and the ability to reliably estimate the associated amount.

5. REVENUE

The table below shows revenue from ordinary operations:

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Manufactured goods	12,310	12,537
Services	355	754
Traded goods	44	77
Other	372	354
Total Revenue	**13,081**	**13,721**

A portion of the Group's revenue is generated in foreign currencies (particularly in sterling). The group has not hedged against the associated currency risk.

The breakdown of revenue by operating segment and geographic area is presented in Note 6.

6. OPERATING SEGMENTS

Segment reporting

Pursuant to IFRS 8, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the Group's chief executive and the managers of the various entities to make decisions regarding the allocation of resources to the segment and to assess its performance;
- for which discrete financial information is available.

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The Group has identified three operating segments, whose performances and resources are monitored separately.

Corporate and Cytology

Previously, this segment represented the NOVAprep® and French Group central costs. Following the disposal of NOVAprep®, this segment now shows the French Group central costs, the results of Novacyt UK Holdings Limited and the results of NOVAprep® are shown in a single line – Discontinued Operations.

Corporate and Diagnostics

This segment corresponds to diagnostic activities in laboratories, and the manufacturing and distribution of reagents and kits for bacterial and blood tests. This is the activity conducted by Microgen Bioproducts & Lab21 Healthcare and also includes UK Group central costs.

Molecular Products

This segment represents the activities of Primerdesign, which designs, manufactures and distributes test kits for certain diseases in humans, animals and food products. These kits are intended for laboratory use and rely on “polymerase chain reaction” technology.

The Chief Operating Decision Maker is the Chief Executive Officer.

Reliance on major customers

The Group is not dependent on one particular customer, there are no customers generating sales accounting for over 10% of revenue.

Breakdown of revenue by operating segment and geographical area

At 31 December 2019

Geographical area	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Africa	-	639	356	995
Europe	-	2,809	2,676	5,485
Asia-Pacific	-	1,744	812	2,556
America	-	738	1,934	2,672
Middle East	-	845	528	1,373
Revenue	**-**	**6,775**	**6,306**	**13,081**

At 31 December 2018

Geographical area	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Africa	-	715	285	1,000
Europe	-	3,304	2,811	6,115
Asia-Pacific	-	1,738	1,282	3,020
America	-	795	1,578	2,373
Middle East	-	951	262	1,213
Revenue	**-**	**7,503**	**6,218**	**13,721**

Breakdown of result by operating segment

Year ended 31 December 2019

Amounts in 000' €	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Revenue	-	6,774	6,307	13,081
Cost of sales	-	-3,787	-922	-4,709
Sales and marketing costs	-	-1,256	-1,444	-2,700
Research and development	-	-38	-413	-451
General & administrative expenses	-1,159	-2,514	-2,793	-6,466
Governmental subsidies	-	3	-	3
Operating (loss)/profit before exceptional items	**-1,159**	**-818**	**735**	**-1,242**
Other operating income	127	-	-	127
Other operating expenses	-391	-208	-62	-661
Operating (loss)/profit	**-1,423**	**-1,026**	**673**	**-1,776**
Financial income	180	80	-	260
Financial expense	-2,097	-146	-151	-2,394
(Loss)/profit before tax	**-3,340**	**-1,092**	**522**	**-3,910**
Tax income/(expense)	-	-	8	8
Loss from discontinued activities	**-2,656**	-	-	-2,656
(Loss)/profit after tax	-5,996	**-1,092**	**530**	**-6,558**
Attributable to owners of the company	**-5,996**	**-1,092**	**530**	**-6,558**
Attributable to non-controlling interests	**-**	**-**	**-**	**-**

Year ended 31 December 2018

Amounts in 000' €	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Revenue	-	7,503	6,219	13,721
Cost of sales	-	-4,147	-969	-5,116
Sales and marketing costs	-	-1,152	-1,302	-2,454
Research and development	-	-162	-244	-406
General & administrative expenses	-959	-2,635	-2,525	-6,119
Governmental subsidies	-	75	-125	-51
Operating (loss)/profit before exceptional items	**-959**	**-519**	**1,054**	**-425**
Other operating income	-	-	-	-
Other operating expenses	-526	-337	-97	-960
Operating (loss)/profit	**-1,486**	**-856**	**957**	**-1,385**
Financial income	290	-144	79	225
Financial expense	-736	-180	-4	-919
(Loss)/profit before tax	**-1,931**	**-1,181**	**1,032**	**-2,080**
Tax income/(expense)	-	-	-32	-32
Loss from discontinued activities	-2,626	-	-	-2,626
(Loss)/profit after tax	**-4,557**	**-1,181**	**1,001**	**-4,738**
Attributable to owners of the company	**-4,557**	**-1,181**	**1,001**	**-4,738**
Attributable to non-controlling interests	**-**	**-**	**-**	**-**

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The consolidated income statement is presented to reflect the impacts of the application of IFRS 5 relative to discontinued operations, by restating the NOVAprep® activity on a single line “Loss from discontinued operations”.

Segment assets and liabilities are not reported to the Chief Operating Decision Maker on a segmental basis and are therefore not disclosed.

7. COST OF SALES

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Purchases and movement in inventories of raw materials and other supplies	2,789	3,804
Purchases and movement in inventories of traded goods	-25	64
Movement in finished goods and work in progress	308	-628
Change in stock provision	-	-2
Non-stock items and supplies	37	68
Freight costs	83	177
Direct labour	1,469	1,584
Other	48	50
Total	**4,709**	**5,116**

8. SALES, MARKETING AND DISTRIBUTION EXPENSES

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Remuneration of intermediaries and fees	3	25
Advertising expenses	183	252
Distribution expenses	381	344
Employee compensation and social security contributions	1,802	1,470
Travel and representation expenses	253	218
Other sales and marketing expenses	78	146
Total	**2,700**	**2,454**

9. RESEARCH AND DEVELOPMENT EXPENSES

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Employee compensation and social security contributions	376	328
Other expenses	75	78
Total	**451**	**406**

10. GENERAL AND ADMINISTRATIVE EXPENSES

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Purchases of non-stored raw materials and supplies	338	243
Subcontracting	39	49
Lease and similar payments	181	418
Maintenance and repairs	121	136
Insurance premiums	114	110
Legal and professional fees	863	875
Travel and entertainment expenses	144	145
Banking services	79	66
Employee compensation and social security contributions	2,522	2,520
Depreciation, amortisation and provisions for impairment of property, plant and equipment and intangible assets	1,880	1,030
Other general and administrative expenses	184	527
Total	**6,466**	**6,119**

11. GOVERNMENTAL SUBSIDIES

Directly taxed industrial and commercial companies that record research expenditure are entitled to a tax credit in France, which was the case of Novacyt S.A. in 2018. Other companies within the Group, located chiefly in the United Kingdom, benefit from a similar scheme. The tax credit is calculated per calendar year and deducted from the tax payable by the company in respect of the year during which research expenses were incurred. Tax credits that cannot be deducted from tax expense are refunded to the company. The granting of the tax credit is independent of the Group’s tax position.

This tax credit is treated as an operating subsidy or, more exactly, as a government subsidy.

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Government subsidies	3	-51
Total	**3**	**-51**

12. OTHER OPERATING INCOME AND EXPENSES

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Litigations with employees	90	-
Other operating income	37	-
Other operating income	**127**	**-**
Litigations with employees	-17	-46
Restructuring expenses	-189	-183
Result of the sale of Lab21	-53	-
Business sale expenses	-289	-104
Acquisition related expenses	-	-379
IPO preparation	-	-87
Other expenses	-113	-161
Other operating expenses	**-661**	**-960**

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Other operating income predominantly relates to the settlement of a legal claim against a third party.

The business sale expenses relate to the disposal of the NOVAprep® business in France and the sale of Lab21 Ltd in the UK.

The restructuring expenses of €189,000 in the year ended 31 December 2019 include costs associated with the closure of the Axminster site, along with other company-wide restructuring fees including redundancy payments.

The acquisition related expenses in 2018 relate to the purchase of the Omega infectious diseases Business in June 2018. The acquisition was accounted for as a business combination under IFRS. Accordingly, the costs related to the acquisition of €201,000 were expensed.

The IPO preparation expenses of €87,000 in 2018 relate to the fees incurred in preparation for the company's AIM listing in late 2017.

13. FINANCIAL INCOME AND EXPENSE

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Exchange gains	228	102
Change in fair value of options	31	122
Other financial income	1	-
Financial income	**260**	**225**
Interest on loans	-1,059	-682
Exchange losses	-131	-190
Variation of the fair values of derivatives	-780	-
Actualisation of the long-term sale receivables	-92	-
Other financial expense	-332	-47
Financial expense	**-2,394**	**-919**

Financial Income:

Exchange gains

Exchange gains resulted from recurring operations and from variations in sterling on the contingent consideration liability related to the Primerdesign acquisition and the intercompany debts denominated in sterling.

Change in fair value of options

The December 2019 balance relates to the revaluation of the Primerdesign warrants liability from €5,000 to €4,000, and of the Negma warrants liability from €236,000 at issuance in April 2019 to €206,000 at year end.

The December 2018 balance relates to the revaluation of the Primerdesign warrants liability from €127,000 to €5,000.

Financial Expense:

Interest on loans

The interest charge is mainly related to the Kreos, Vatel, Negma Group Ltd "Negma" and Harbert European Growth Capital bond notes.

Exchange losses

Exchange losses in 2018 and 2019 were mainly those recorded by Lab21 Ltd prior to its sale and Novacyt UK Holdings Ltd on its operations and relate to the monthly revaluation of the Novacyt loan held in the UK's books.

Change in fair value of options

The December 2019 balance relates to the revaluation of Harbert European Growth Capital warrants liability of €780,000.

Other financial expenses

The costs in 2019 relate to additional interest and settlement fees to fully remove and pay down the monies owed to Negma, Kreos and the original Primerdesign owners.

14. INCOME TAX

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Corporation tax:		
Current year	8	-32
Total tax expenses for the year / period	**8**	**-32**

The charge for the year / period can be reconciled to the profit in the income statement as follows:

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Loss before taxation	-6,559	-4,708
Tax at the French corporation tax rate (2018 & 2019: 28%)	-1,837	-1,318
Impact of the accelerated tax depreciation	-11	-17
Effect of non-deductible expenses	656	10
Other timing differences	-8	15
Tax losses utilised	-	-
Impact of the tax group	113	-159
Research tax expenditure enhancement	-110	-120
Research tax credits	-	32
Losses not recognised for deferred tax	1,567	1,454
Effect of different tax rate of subsidiaries operator of other jurisdictions	-378	71
Total tax expense / income for the year	**8**	**-32**

As at 31 December 2019 the Group has unused tax losses of €62,570,000 (2018: €55,591,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses since visibility as to when taxable profits are available is insufficient.

The main consolidated companies do not pay income taxes, but receive tax credits for their research and development expenditures.

The key items making up the non-deductible expenses are the change in fair value of the warrants recorded in Novacyt and the amortisation of the intangible assets acquired with Primerdesign.

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15. LOSS PER SHARE

Loss per share is calculated based on the weighted average number of shares outstanding during the period. Diluted loss per share is calculated based on the weighted average number of shares outstanding and the number of shares issuable as a result of the conversion of dilutive financial instruments.

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Net loss attributable to owners of the company	**- 6,558**	**- 4,738**
Weighted average number of shares	45,731,091	37,664,342
Impact of dilutive instruments	-	-
Weighted average number of diluted shares	**45,731,091**	**37,664,342**
Earnings per share (in Euros)	**- 0.14**	**- 0.13**
Diluted earnings per share (in Euros)	**- 0.14**	**- 0.13**
Loss per share from the continuing operations (in Euros)	- 0.08	- 0.06
Diluted loss per share from the continuing operations (in Euros)	- 0.08	- 0.06
Loss per share from the discontinued operations (in Euros)	- 0.06	- 0.07
Diluted loss per share from the discontinued operations (in Euros)	- 0.06	- 0.07

Pursuant to IAS 33, options whose exercise price is higher than the value of the Company's security were not taken into account in determining the effect of dilutive instruments.

The calculation of earnings per share does not take into account potential anti-dilutive actions, which would have the effect of increasing earnings per share.

The table below presents outstanding stock options that could dilute the result in the future but were not taken into account in the calculation of diluted earnings because they are anti-dilutive for the periods presented.

Beneficiary	Kreos	Primerdesign	Yorkville	Negma	Harbert	Total
Grant date	12 May 2016	12 May 2016	31 July 2015 to 18 July 2017	25 April 2019	5 November 2019	-
Number of warrants	353,536	1,000,000	1,501,427	2,979,544	6,017,192	-
Exercise price	€1.45	€1.16	From €5.511 to €0.946	€0.20	€0.0698	-
Exercise deadline	1 November 2022	12 May 2021	3 years after issuance	25 April 2024	5 November 2026	-
Accounting	Equity	Derivative financial liability	Equity	Derivative financial liability	Derivative financial liability	-
Number of warrants on 1 January 2018	353,536	1,000,000	1,501,427	2,979,544	6,017,192	11,851,699
Warrants exercised in 2018	-	-	-	-	-	-
Warrants cancelled in 2018	-	-	-22,681	-	-	-
Warrants outstanding on 1 January 2019	353,536	1,000,000	1,478,746	2,979,544	6,017,192	11,829,018
Warrants exercised in 2019	-	-	-	-	-	-
Warrants cancelled in 2019	-	-	-625,530	-1,300,000 (*)	-	-1,925,530
Warrants outstanding on 31 December 2019	353,536	1,000,000	853,216	1,679,544	6,017,192	9,903,488
Number of additional shares	353,536	1,000,000	853,216	1,679,544	6,017,192	9,903,488
Share capital increase	€512,627	€1,160,000	€875,000	€335,909	€420,000	3,303,536

(*) In exchange for the cancellation of 1,300,000 warrants giving access to the share capital of Novacyt S.A., Negma was granted 1,300,000 "phantom" warrants that do not give access to the capital. This instrument gives the right to receive, for each "phantom" warrant exercised, an amount equal to the profit resulting from the difference between the exercise price of €0.20 and the share price on the day before the exercise date.

This instrument is recorded as a derivative financial liability.

16. GOODWILL

Goodwill is the difference recognised, upon consolidation of a company, between the fair value of the purchase price of its shares and the net assets acquired and liabilities assumed, measured in accordance with IFRS 3.

Cost	€
At 1 January 2018	**26,252**
Recognised on acquisition of the Omega infectious diseases business	322
Exchange differences	-6
Classified as a discontinued operation	-1,333
At 31 December 2018	**25,235**
Derecognition on acquisition of the Omega infectious diseases business	-228
Exchange differences	12
At 31 December 2019	**25,019**
Accumulated impairment losses	
At 1 January 2018	9,786
Exchange differences	-
Impairment losses for the period	-
Classified as a discontinued operation	-685
At 31 December 2018	**9,101**
Exchange differences	-
Impairment losses for the period	-
At 31 December 2019	**9,101**
Carrying value at 31 December 2018	**16,134**
Carrying value at 31 December 2019	**15,918**

Omega

On 28 June 2018, the UK Company Lab21 Healthcare Ltd completed an asset purchase agreement for the Infectious Diseases business of the company called Omega Diagnostics Ltd. The infectious diseases business specialises in the manufacture of a range of diagnostic kits, in particular for syphilis and febrile antigens, as well as a range of latex serology tests for rheumatoid factor, C-reactive protein, antistreptolysin and systemic lupus erythematosus.

Under IFRS requirements, this acquisition is considered as a business. It includes various assets, such as equipment, stock, trademarks and patents. It also includes two employees, whose employment contracts were transferred to Lab21 Healthcare Ltd via the TUPE process under which employees in the UK transfer with the activity on the same employment terms.

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The purchase price was £2,175,000 (€2,456,000) broken down as follows:

Cash disbursed	€2,032,000
Deferred consideration for successfully supporting and handling over manufacturing	€198,000
Deferred consideration for successfully achieving a Category 3 facility accreditation	€226,000
Total purchase price	**€2,456,000**

The purchase price was adjusted in 2019 to reflect the fact that the second deferred consideration of €226,000 (£200,000) will not be payable as the facility accreditation was not and will not be obtained.

As a result, the purchase price is restated at €2,230,000 (£1,975,000).

The assets acquired and the liabilities assumed are as follows:

	Final PPA in £'	Final PPA in €'
Net property, plant and equipment and intangible assets	£41,000	€46,000
Inventories	£463,000	€523,000
Customer relationship	£1,164,000	€1,314,000
Trademark	£222,000	€251,000
Fair value of assets acquired and liabilities assumed	**£1,890,000**	**€2,134,000**
Goodwill (initial estimate – EUR / GBP rate at 30 June 2018)	**£285,000**	**€322,000**
Goodwill (adjusted – EUR / GBP rate at 31 December 2019)	**£85,000**	**€100,000**

Goodwill is a residual component calculated as the difference between the purchase price for the acquisition of control and the fair value of the assets acquired and liabilities assumed. It includes unrecognised assets such as the value of the personnel and know-how of the acquiree.

The value of "customer relationships" was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

The value of the trademark was determined by discounting the cash flows that could be generated by licensing the Omega trademark, estimated as a percentage of revenue derived from information available on comparable assets.

IFRS 3 provides for a period of 12 months from the takeover to complete the identification and measurement of the fair value of assets acquired and liabilities assumed. Therefore, the gross amount of goodwill is no longer subject to adjustment.

Lab21 Products

The impairment testing of the CGU as of 31 December 2019 was conducted by the DCF (discounted cash flow) method, with the key assumptions as follows:

- Five-year business plan
- Extrapolation of cash flows beyond five years based on a growth rate of 1.5%.
- Discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 15%.

The implementation of this approach demonstrated that the value of the Enterprise Value amounted to €11,420,000, which is greater than the carrying amount of this asset. As such, no impairment was recognised in the year ended 31 December 2019.

Sensitivity of the value derived from the Discounted Cash Flow model to change in the assumptions used for Lab21 acquisition

WACC rates \ Terminal growth rates	11,420	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
12.5%	13,102	13,480	13,891	14,339	14,830	15,370	15,967	
13.0%	12,536	12,879	13,250	13,653	14,093	14,574	15,104	
13.5%	12,013	12,324	12,660	13,024	13,420	13,851	14,324	
14.0%	11,528	11,811	12,116	12,446	12,803	13,192	13,615	
14.5%	11,076	11,335	11,613	11,913	12,237	12,587	12,968	
15.0%	10,655	10,892	11,147	11,420	11,714	12,032	12,376	
15.5%	10,262	10,480	10,713	10,962	11,230	11,519	11,831	
16.0%	9,894	10,094	10,308	10,537	10,782	11,045	11,328	
16.5%	9,548	9,733	9,930	10,140	10,365	10,605	10,864	

This sensitivity table shows the difference in the recoverable amounts of the Enterprise Value depending on change in the discount rate (WACC) and the perpetual growth rate. The sensitivity analysis shows that an increase of 1% in the WACC would not result in the need to impair the Lab21 goodwill.

Primerdesign:

The impairment testing of the CGU as of 31 December 2019 was conducted by the DCF (discounted cash flow) method, with the key assumptions as follows:

- Five-year business plan.
- Extrapolation of cash flows beyond five years based on a growth rate of 1.5%.
- Discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 19.8%.

The implementation of this approach demonstrated that the value of the Enterprise Value amounted to €19,628,000 which is greater than the carrying amount of this asset. As such, no impairment was recognised in the year ended 31 December 2019.

Sensitivity of the value derived from the Discounted Cash Flow model to change in the assumptions used for Primerdesign acquisition

WACC rates \ Terminal growth rates	19,628	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
15.0%	22,330	22,573	22,832	23,111	23,412	23,736	24,088	
16.0%	21,538	21,743	21,961	22,195	22,445	22,714	23,004	
17.0%	20,839	21,014	21,199	21,397	21,608	21,833	22,074	
18.0%	20,219	20,369	20,527	20,696	20,875	21,065	21,268	
19.0%	19,664	19,794	19,931	20,075	20,229	20,391	20,653	
19.8%	19,262	19,378	19,500	19,628	19,764	19,908	20,060	
20.0%	19,166	19,279	19,397	19,522	19,654	19,794	19,942	
21.0%	18,716	18,815	18,918	19,027	19,141	19,262	19,389	
22.0%	18,308	18,394	18,485	18,580	18,680	18,785	18,895	

This sensitivity table shows the difference in the recoverable amounts of the Enterprise Value depending on change in the discount rate (WACC) and the perpetual growth rate. The sensitivity analysis shows that an increase of 1% in the WACC would not result in the need to impair the Primerdesign goodwill.

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17. OTHER INTANGIBLE ASSET

Amounts in 000' €	At 1 January 2019	Additions	Disposals	Reclass	Charge for the period	FX impact	At 31 December 2019
Cost							
Development costs	441	61	-	-	-	26	528
Concessions, patents and similar rights	101	42	- 1,544	1,469	-	5	73
Software	271	10	- 96	73	-	12	270
Trademark	905	-	-	-	-	14	919
Customer base	4,967	-	-	-	-	72	5,039
Other intangible assets	-	-	- 3	3	-	-	-
	6,685	**113**	**- 1,643**	**1,545**	**-**	**129**	**6,829**
Amortisation							
Development costs	- 126	-	-	-	- 87	- 9	- 222
Concessions, patents and similar rights	- 77	-	858	- 640	- 193	- 4	- 56
Software	- 189	-	91	- 73	- 41	- 8	- 220
Trademark	- 205	-	-	-	- 102	- 2	- 309
Customer base	- 1,144	-	-	-	- 557	- 8	- 1,709
Other intangible assets	-	-	3	- 3	-	-	-
	- 1,741	**-**	**952**	**- 716**	**- 980**	**- 31**	**- 2,516**
Carrying amount	**4,944**	**113**	**- 691**	**829**	**- 980**	**98**	**4,313**

Amounts in 000' €	At 1 January 2018	Additions	Disposals	Reclass	Charge for the period	FX impact	At 31 December 2018
Cost							
Development costs	199	139	-	111	-	- 8	441
Concessions, patents and similar rights	1,810	82	-	- 1,789	-	- 2	101
Software	164	87	- 44	67	-	- 3	271
Trademark	659	251	-	-	-	- 5	905
Customer base	3,676	1,316	-	-	-	- 25	4,967
Other intangible assets	113	-	-	- 114	-	-	-
	6,621	**1,875**	**- 44**	**- 1,725**	**-**	**- 43**	**6,685**
Amortisation							
Development costs	- 60	-	-	- 15	- 54	2	- 126
Concessions, patents and similar rights	- 785	-	-	929	- 222	1	- 77
Software	- 137	-	41	- 36	- 58	2	- 188
Trademark	- 119	-	-	-	- 87	-	- 206
Customer base	- 664	-	-	-	- 481	1	- 1,144
Other intangible assets	- 18	-	-	18	-	-	-
	- 1,783	**-**	**41**	**896**	**- 902**	**6**	**- 1,741**
Carrying amount	**4,838**	**1,875**	**- 3**	**- 829**	**- 902**	**- 37**	**4,944**

18. PROPERTY, PLANT AND EQUIPMENT

Amounts in 000' €	At 1 January 2019	Additions	Disposals	Charge for the period	Adoption of IFRS 16	FX impact	Reclass. & transfers	At 31 December 2019
Cost								
Buildings	-	-	-	-	2,569	69	-	2,637
Technical facilities, equipment and tools	1,109	173	- 1,532	-	60	68	1,464	1,342
Office equipment	53	-	- 3	-	-	3	3	56
Transport equipment	2	1	- 20	-	-	-	35	18
Computer equipment	314	24	- 168	-	-	16	51	238
Leasehold improvements	1,019	26	- 89	-	-	58	66	1,080
Property, plant and equipment under construction	-	-	-	-	-	-	-	-
	2,497	**224**	**- 1,812**	**-**	**2,629**	**214**	**1,619**	**5,371**
Accumulated depreciation								
Buildings	-	-	-	- 266	-	- 7	-	- 273
Technical facilities, equipment and tools	- 770	-	1,514	- 467	-	- 49	- 1,209	- 982
Office equipment	- 47	-	2	- 3	-	- 3	- 2	- 53
Transport equipment	- 1	-	19	- 6	-	-	- 29	- 17
Computer equipment	- 247	-	169	- 43	-	- 13	- 45	- 179
Other property, plant and equipment	- 241	-	73	- 139	-	- 18	- 65	- 389
Property, plant and equipment under construction	-	-	-	-	-	-	-	-
	- 1,306	**-**	**1,777**	**- 924**	**-**	**- 90**	**- 1,350**	**- 1,893**
Carrying amount	**1,191**	**224**	**- 35**	**- 924**	**2,629**	**124**	**269**	**3,478**

Amounts in 000' €	At 1 January 2018	Additions	Disposals	Charge for the period	FX impact	Reclass. & transfers	At 31 December 2018
Cost							
Technical facilities, equipment and tools	2,339	290	-	-	- 17	- 1,503	1,109
Office equipment	197	3	-	-	-	- 147	53
Transport equipment	36	1	-	-	-	- 35	2
Computer equipment	303	74	- 1	-	- 5	- 57	314
Leasehold improvements	1,030	54	- 129	-	- 16	79	1,019
Property, plant and equipment under construction	348	-	- 348	-	-	-	-
	4,254	**423**	**- 478**	**-**	**- 39**	**- 1,663**	**2,497**
Accumulated depreciation							
Technical facilities, equipment and tools	- 1,723	-	-	- 287	12	1,228	- 770
Office equipment	- 74	-	-	- 15	1	41	- 47
Transport equipment:	- 24	-	-	- 6	-	29	- 1
Computer equipment	- 254	-	1	- 44	4	45	- 247
Leasehold improvements	- 258	-	129	- 141	4	26	- 241
Property, plant and equipment under construction	- 348	-	348	-	-	-	-
	- 2,681	**-**	**478**	**- 493**	**20**	**1,369**	**- 1,306**
Carrying amount	**1,573**	**423**	**-**	**- 493**	**- 18**	**- 293**	**1,191**

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19. NON-CURRENT FINANCIAL ASSETS

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Rental deposits	128	127
Liquidity contract	11	9
Guarantee deposit	94	94
Other	7	4
Total	**240**	**234**

20. OTHER LONG-TERM ASSETS

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Long-term receivable from the sale of the NOVAprep® business	101	-
Long-term receivable from the sale of Lab21 Limited	113	-
Total	**214**	**-**

Lab21 Limited was sold in July 2019. The purchase consideration was split into milestone payments and the long-term portion of the sale price has been discounted for actualisation down to €113,000.

The assets of NOVAprep® were sold in December 2019. The purchase consideration was split into milestone payments and the long-term portion has been discounted for actualisation down to €101,000.

21. DEFERRED TAX ASSETS

Most of Group's major companies have tax losses carried forwards. Their period of use is unlimited. No deferred tax assets have been recognised in the accounts since visibility as to when it will be possible to utilise the carry forwards against taxable profits is insufficient.

The following table shows the deferred tax assets not presented in the statement of financial position.

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Novacyt S.A.	9,702	8,386
Lab21 Ltd	-	4,637
Lab21 Healthcare Ltd	1,185	913
Microgen Bioproducts Ltd	160	83
Novacyt UK Holdings Ltd	76	-
Total unrecognised deferred tax assets	**11,123**	**14,019**

22. INVENTORIES AND WORK IN PROGRESS

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Raw materials	1,399	1,044
Work in progress	282	564
Finished goods	780	739
Traded goods	82	-
Stock provisions	-104	-
Total Inventories	**2,439**	**2,347**

23. TRADE AND OTHER RECEIVABLES

Trade and other receivables

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Trade and other receivables	2,014	3,332
Allowance for doubtful debts	-464	-47
Accrued income	18	98
Tax receivables (excluding income tax)	392	492
Receivables on sale of businesses	178	-
Other receivables	30	24
Total Trade and other receivables	**2,168**	**3,900**

Due to working capital restrictions in 2019, the Group focused on reducing its debtor balance and thus saw a significant improvement in days sales outstanding, which contributed to a lower year end receivables balance. Additionally, supply chain issues in the final quarter of 2019 impacted sales in the final months of the year contributing to the lower year-on-year amount of receivables not past due. Focus was put on collecting the overdue debt and that contributed to the year-on-year reduction in past due debt.

Amount receivable from the sale of goods can be analysed as follows:

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Amount receivable not past due	876	1,481
Amount receivable past due but not impaired	674	1,805
Amount receivable impaired (gross)	464	47
Less impairment	-464	-47
Total	**1,550**	**3,285**

The impairment provision booked in 2019 predominantly relates to a single customer based in China, who we continue constructive dialogue with over receiving payment.

Ageing of past due but not impaired receivables

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Not more than 3 months	565	1,059
More than 3 months but not more than 6 months	13	65
More than 6 months but not more than 1 year	7	69
More than 1 year	89	612
Total	**674**	**1,805**

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Movement in the allowance for doubtful accounts

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Balance at the beginning of the period	47	92
Impairment losses recognised	448	39
Amounts written off during the year as uncollectible	-14	-25
Amounts recovered during the year	-17	-55
Impairment losses reversed	-	-4
Balance at the end of the period	**464**	**47**

As mentioned above a bad debt provision has been booked in 2019 for a single customer in China, that makes up the majority of the impairment provision.

24. PREPAYMENTS

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Prepaid expenses	406	233
Balance at the end of the period	**406**	**233**

The balances at December 2018 and December 2019 cover items such as rent, insurances and prepaid support agreements. The year-on-year increase is predominantly driven by a prepayment for Primerdesign stock that was not delivered in 2019 and a higher rent prepayment due to expanding our facility floorspace in Primerdesign.

25. CASH AND CASH EQUIVALENTS

The net cash available to the Group includes the following items:

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Money market deposits	12	13
Available cash	1,793	1,119
Cash and cash equivalents	**1,805**	**1,132**

26. BORROWINGS

The following tables show borrowings and financial liabilities carried at amortised cost.

Maturities as of 31 December 2019

Amounts in 000' €	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total
Bond notes	1,307	6,136	7,443
Accrued interest on borrowings	39	-	39
Liabilities IFRS 16	268	2,356	2,624
Short-term financing facilities	844	-	844
Total financial liabilities	**2,458**	**8,492**	**10,950**

Maturities as of 31 December 2018

Amounts in 000' €	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total
Bond notes	2,976	2,239	5,216
Accrued interest on borrowings	72	-	72
Bank borrowings	67	20	87
Total financial liabilities	**3,116**	**2,259**	**5,375**

Change in borrowings and financial liabilities in 2019

Amounts in 000' €	At 31 December 2018	Increase	Repayment	Adoption of IFRS 16	Conversion / other non cash movements	FX impact	At 31 December 2019
Bond notes	5,216	6,151	- 3,050	-	- 999	125	7,443
Accrued interest on borrowings	72	39	- 72	-	-	-	39
Liabilities IFRS 16	-	104	- 209	2,662	-	68	2,624
Short-term financing facilities	87	842	-106	-	-	21	844
Total financial liabilities	**5,375**	**7,136**	**- 3,437**	**2,662**	**- 999**	**214**	**10,950**
Reconciliation with the cash-flow statement							
Accrued interest on borrowings	-72	-39	72	-	-	-	-39
Issuance Negma conversion options	-	298	-95	-	-203	-	-
Negma warrants	-	236	-	-	-30	-	206
As per cash-flow statement	**-**	**7 631**	**- 3 460**	**-**	**-**	**-**	**-**

Change in borrowings and financial liabilities in 2018

Amounts in 000' €	At 31 December 2017	Increase	Repayment	Renegotiation	At 31 December 2018
Bond notes	3,692	4,019	- 2,554	59	5,216
Bank borrowings	153	-	- 66	-	87
Accrued interest on borrowings	49	72	- 49	-	72
Total financial liabilities	**3,894**	**4,091**	**- 2,669**	**59**	**5,374**

Bond notes

As of 31 December 2019, the Group's financing primarily comprised:

Vatel Bonds

- A convertible bond subscribed by Vatel in the amount of €1.5 million issued on 31 March 2017, with an effective interest rate of 12.7% for a term of 3 years. The Vatel Bonds are convertible at the option of Vatel into 1.25 Shares for each bond of €1 of nominal value only where the Company fails to comply with its payment obligations of the principal or the interest amounts due under the loan agreement within 15 days of receipt of a notice of an event of default.
- A convertible bond subscribed by Vatel in the amount of €4.0 million issued on 29 May 2018, with an effective interest rate of 8.5% for a term of 3 years. The Vatel Bonds are convertible at the option of Vatel into 1.429 Shares for each bond of €1 of nominal value only where the Company fails to comply with its payment obligations of the principal or the interest amounts due under the agreement within 15 days of receipt of a notice of an event of default.
- Both conversion options granted to Vatel have not been recorded in the accounts, as the probability of a default was not considered as material.

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Harbert Bonds

- A bond subscribed by Harbert European Growth Capital in the amount of €5.0 million issued on 5 November 2019, with an effective interest rate of 13.5% for a term of 4 years. The Harbert bonds are issued by Novacyt UK Holdings simultaneously with warrants giving access to the share capital of Novacyt S.A. The number of shares for which the holder of the warrants can subscribe and the subscription price can be either:
  - Subscription for 6,017,192 shares at a subscription price of € 0.0698 per share (i.e. an overall subscription price of €420,000); or
  - Subscription at a price of €0.0667 per share for a number of shares equal to :

$$6{,}017{,}192 - \left[\frac{6{,}017{,}192 \text{ X } (0.0698 \neq 0.0667)}{\text{30 day average of Novacyt share price on exercise date}}\right]$$

The warrants are accounted for as derivative liabilities in "Trade and other liabilities".

As of 31 December 2018, the Group's financing primarily comprised:

Kreos bonds

- A bond subscribed by Kreos Capital IV Ltd in the amount of €3.5 million on 15 July 2015, which was subsequently fully repaid in November 2019;
- A bond subscribed by Kreos Capital V Ltd in the amount of €3 million issued on 12 May 2016, which was subsequently fully repaid in November 2019;

Vatel Bonds

- A convertible bond subscribed by Vatel in the amount of €1.5 million issued on 31 March 2017, with an effective interest rate of 12.7% for a term of 3 years. The Vatel Bonds are convertible into Shares only where the Company fails to comply with its payment obligations under the agreement within 15 days of receipt of a notice of an event of default.
- A convertible bond subscribed by Vatel in the amount of €4.0 million issued on 29 May 2018, with an effective interest rate of 8.5% for a term of 3 years. The Vatel Bonds are convertible into Shares only where the Company fails to comply with its payment obligations under the agreement within 15 days of receipt of a notice of an event of default.

Short-term financing facilities

In addition to the bond notes above, the Group financed its short-term working capital needs through convertible notes issued with warrants. On 18 April 2019, Novacyt S.A. entered into an agreement with the Negma Group ("Negma") under which Negma were granted warrants (the Tranche Warrants) that gave it the right to subscribe for convertible loan notes issued by Novacyt S.A. with attaching warrants (the Attaching Warrants). The Company can issue the loan notes over the subsequent 36 months, in several successive tranches representing bond debt in a maximum amount of €5 million.

The convertible loan notes (Obligations Convertibles en Actions – "OCA") are issued at par, i.e. €2,500 each, with no interest rate, and have a maturity of one year from issue. The Company must redeem unconverted OCAs upon maturity.

The bond debt represented by the OCAs (par value of an OCA) can be converted into shares at the request of the holder, on the basis of the following conversion rate: 88% of the lowest of the fifteen (15) average daily prices of the Company's share weighted by volume (as reported by Bloomberg) immediately preceding the request for the conversion of the relevant OCA, without it being possible for this amount to be lower than the par value of the Company's share, i.e. 1/15th of a Euro. The OCAs are transferable subject to the Company's prior written consent.

The number of Attaching Warrants to be issued upon each issuance of OCAs is that which will be multiplied by the exercise price of the equity warrants (determined under the terms set out below). The amount received will be equal to 30% of the par value of the OCAs issued, i.e. €655,500 for the first tranche.

The Attaching Warrants will be immediately detached from the OCAs and will be transferable from issue. They may be exercised from issue until the 60th month inclusive following their issue date (the "Exercise Period"). Each Attaching Warrant will entitle the holder thereof, during the Exercise Period, to subscribe for one (1) new Novacyt S.A. share.

The exercise price of the equity warrants is equal to 115% of the average price of the Novacyt share on the day immediately preceding the Warrant exercise request date giving rise to the issuance of the OCAs from which the Attaching Warrants will be detached (or the issue date of the OCAs for the first tranche of OCAs, i.e. 25 April 2019).

The loan agreement offers protection to the Negma Group in the event of the modification by Novacyt S.A. of the allocation of its profits as a result of the issue of preference shares. A similar protection is not afforded to the Ordinary shareholders and therefore this would change the relative rights of the shareholders and warrant holders. As nothing prevents Novacyt S.A. from issuing preference shares, therefore the Attaching Warrants fail the fixed to fixed test and were accounted for as derivative liabilities in the line "Trade and other liabilities".

The OCAs and the Attaching Warrants will not be the subject of a request for admission to trading on Alternext Paris, and as such will not be listed.

In accordance with IAS 32, the first tranche of the bond issued on 25 April in the amount of €2,000,000 (tranche 1) breaks down as follows:

- the conversion option, treated in this case as an embedded derivative under IAS 32, worth €297,955, was recorded at "fair value through profit or loss" in current borrowings;
- the attaching warrants, valued at €236,365 overall, were treated as an embedded derivative and were recorded at "fair value through profit or loss" in current borrowings;
- lastly, the residual amount, €1,465,680, was recognised at amortised cost under current financial liabilities.

On 25 April 2019, the Company exercised some of its Tranche Warrants resulting in the issuance of 800 OCAs in a total of €2,000,000, an additional 74 OCAs as settlement of issuance fees and 2,979,544 Attaching Warrants.

Between 25 April 2019 and 2 October 2019, the Company has converted 596 OCAs. The remaining 278 OCAs were redeemed by anticipation as a result of a supplementary agreement dated 8 November 2019. Besides, the Company and Negma group agreed that the additional Tranches Warrants in the amount €3,000,000 were cancelled and that the exercise price of each Attaching Warrant was changed to €0.20 per share.

27. CONTINGENT CONSIDERATION

The contingent consideration related to the acquisition of the Primerdesign shares and the Asset Purchase Agreement of the infectious diseases business from Omega Diagnostics Ltd.

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Contingent consideration (current portion)	-	1,569
	-	**1,569**

The company has settled in 2019 both debts related to the acquisition of Primerdesign and to the Omega infectious diseases business. The latter was reduced by €226,000 as the accreditation of the Axminster production facility was not and will not be achieved (initially expected inside 12 months of acquisition date).

28. PROVISIONS

Nature of and change in provisions for risks and charges for the period from 1 January 2019 to 31 December 2019

Amounts in 000' €	At 1 January 2019	Increase	Reduction	Adoption	Change in exchange rates	At 31 December 2019
Provisions for restoration of premises	147	7	- 25	87	10	226
Long-term management incentive plan	20	-	- 6	-	-	14
Long-term provisions	**167**	**7**	**- 31**	**87**	**10**	**240**
Provision for litigation	100	-	- 50	-	-	50
Short-term provisions	**100**	**-**	**- 50**	**-**	**-**	**50**

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Nature of and change in provisions for risks and charges for the period from 1 January 2018 to 31 December 2018

Amounts in 000' €	At 1 January 2018	Increase	Reduction	FX impact	At 31 December 2018
Provisions for restoration of premises	140	17	- 7	- 2	147
Long-term management incentive plan	18	2	-	-	20
Long-term provisions	**158**	**19**	**- 7**	**- 2**	**167**
Provision for litigation	50	50	-	-	100
Short-term provisions	**50**	**50**	**-**	**-**	**100**

Provisions chiefly cover:

- risks related to litigations with personnel;
- the restoration expenses of the premises as per the lease agreements;
- a long-term incentive plan to the management of the group.

The provisions for the restoration of the premises should generate a cash payment at the end of the rental periods, thus at the following dates:

- Lab21 Healthcare Ltd: August 2025
- Microgen Bioproducts Ltd: May 2032
- Primerdesign Ltd: November 2025

The provision for litigations may generate a cash payment during 2020. The provision for the long-term incentive plan generates a cash payment in November 2020.

29. TRADE AND OTHER PAYABLES

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Trade payables	2,091	2,769
Accrued invoices	858	1,189
Social security liabilities	473	298
Tax liabilities	142	281
Other liabilities	37	104
Options classified as liabilities	990	5
Total Trade and other payables	**4,591**	**4,647**

Trade payables have decreased year-on-year as a result of improved working capital following the Harbert European Growth Capital loan, allowing key creditors aged balances to be reduced.

Options classified as liabilities relate mainly to the Company's equity warrants granted to Harbert European Growth Capital in connection with the subscription of the €5,000,000 bond issued by Novacyt UK Holdings and to the equity warrants attached to the OCABSAs subscribed by Negma.

30. OTHER CURRENT LIABILITIES

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Customers – advances and down payments received	270	-
Deferred income	321	379
	591	**379**

The €270,000 customer advances balance relates to the NOVAprep® business where payments were made upfront but the products could not be delivered until early 2020. Payment terms for the NOVAprep® business were changed during 2019 to payment upfront with an order compared to on credit in 2018.

31. SHARE CAPITAL

As of 1 January 2018, the Company's share capital of €2,510,956.06 was divided into 37,664,341 shares with a par value of 1/15th of a Euro each.

The transactions on share capital from this date are summarised below:

- On 26 April 2019, the Company completed a capital increase by conversion of 1 convertible bond Negma from €2,510,956.06 to €2,511,997.73 through the issue of 15,625 shares at a price of €0.160 per share, with a share premium of €1,458.33.
- On 2 May 2019, the Company completed a capital increase by conversion of 7 convertible bonds Negma from €2,511,997.73 to €2,519,775.46 through the issue of 116,666 shares at a price of €0.150 per share, with a share premium of €9,722.27.
- On 14 May 2019, the Company completed a capital increase by conversion of 33 convertible bonds Negma from €2,519,775.46 to €2,559,061.13 through the issue of 589,285 shares at a price of €0.140 per share, with a share premium of €43,214.33.
- On 16 May 2019, the Company completed a capital increase by conversion of 27 convertible bonds Negma from €2,559,061.13 to €2,596,561.06 through the issue of 562,499 shares at a price of €0.120 per share, with a share premium of €30,000.07.
- On 12 June 2019, the Company completed a capital increase by conversion of 5 convertible bonds Negma from €2,596,561.06 to €2,605,820.26 through the issue of 138,888 shares at a price of €0.090 per share, with a share premium of €3,240.80.
- On 18 June 2019, the Company completed a capital increase by conversion of 17 convertible bonds Negma from €2,605,820.26 to €2,637,301.73 through the issue of 472,222 shares at a price of €0.090 per share, with a share premium of €11,018.53.
- On 19 June 2019, the Company completed a capital increase by conversion of 22 convertible bonds Negma from €2,637,301.73 to €2,678,042.46 through the issue of 611,111 shares at a price of €0.090 per share, with a share premium of €14,259.27.
- On 21 June 2019, the Company completed a capital increase by conversion of 7 convertible bonds Negma from €2,678,042.46 to €2,691,005.39 through the issue of 194,444 shares at a price of €0.090 per share, with a share premium of €4,537.07.
- On 24 June 2019, the Company completed a capital increase by conversion of 8 convertible bonds Negma from €2,691,005.39 to €2,705,820.19 through the issue of 222,222 shares at a price of €0.090 per share, with a share premium of €5,185.20.
- On 28 June 2019, the Company completed a capital increase by conversion of 2 convertible bonds Negma from €2,705,820.19 to €2,709,986.86 through the issue of 62,500 shares at a price of €0.080 per share, with a share premium of €833.33.
- On 8 July 2019, the Company completed a capital increase by conversion of 1 convertible bond Negma from €2,709,986.86 to €2,712,367.79 through the issue of 35,714 shares at a price of €0.070 per share, with a share premium of €119.07.

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- On 15 July 2019, the Company completed a capital increase by conversion of 30 convertible bonds Negma from €2,712,367.79 to €2,783,796.32 through the issue of 1,071,428 shares at a price of €0.070 per share, with a share premium of €3,571.47.
- On 16 July 2019, the Company completed a capital increase by conversion of 10 convertible bonds Negma from €2,783,796.32 to €2,807,605.79 through the issue of 357,142 shares at a price of €0.070 per share, with a share premium of €1,190.53.
- On 1 August 2019, the Company completed a capital increase by conversion of 100 convertible bonds Negma from €2,807,605.79 to €3,057,855.99 through the issue of 3,753,753 shares at a price of €0.070 per share, with a share premium of €-250.20.
- On 6 August 2019, the Company completed a capital increase by conversion of 51 convertible bonds Negma from €3,057,855.99 to €3,185,483.59 through the issue of 1,914,414 shares at a price of €0.070 per share, with a share premium of €-127.60.
- On 12 August 2019, the Company completed a capital increase by conversion of 51 convertible bonds Negma from €3,185,483.59 to €3,312,983.59 through the issue of 1,912,500 shares at a price of €0.070 per share, with no share premium.
- On 23 August 2019, the Company completed a capital increase by conversion of 40 convertible bonds Negma from €3,312,983.59 to €3,412,983.59 through the issue of 1,500,000 shares at a price of €0.070 per share, with no share premium.
- On 28 August 2019, the Company completed a capital increase by conversion of 60 convertible bonds Negma from €3,412,983.59 to €3,562,983.59 through the issue of 2,250,000 shares at a price of €0.070 per share, with no share premium.
- On 11 September 2019, the Company completed a capital increase by conversion of 20 convertible bonds Negma from €3,562,983.59 to €3,612,983.59 through the issue of 750,000 shares at a price of €0.070 per share, with no share premium.
- On 12 September 2019, the Company completed a capital increase by conversion of 18 convertible bonds Negma from €3,612,983.59 to €3,657,983.59 through the issue of 675,000 shares at a price of €0.070 per share, with no share premium.
- On 18 September 2019, the Company completed a capital increase by conversion of 12 convertible bonds Negma from €3,657,983.59 to €3,687,983.59 through the issue of 450,000 shares at a price of €0.070 per share, with no share premium.
- On 23 September 2019, the Company completed a capital increase by conversion of 10 convertible bonds Negma from €3,687,983.59 to €3,712,983.59 through the issue of 375,000 shares at a price of €0.070 per share, with no share premium.
- On 25 September 2019, the Company completed a capital increase by conversion of 38 convertible bonds Negma from €3,712,983.59 to €3,807,983.59 through the issue of 1,425,000 shares at a price of €0.070 per share, with no share premium.
- On 27 September 2019, the Company completed a capital increase by conversion of 18 convertible bonds Negma from €3,807,983.59 to €3,852,983.59 through the issue of 675,000 shares at a price of €0.070 per share, with no share premium.
- On 2 October 2019, the Company completed a capital increase by conversion of 8 convertible bonds Negma from €3,852,983.59 to €3,872,983.59 through the issue of 300,000 shares at a price of €0.070 per share, with no share premium.

Amounts in 000' €	Amount of share capital	Unit value per share	Number of shares issued
At 1 January 2018	**2,511**	**0.07**	**37,664,341**
At 31 December 2018	**2,511**	**0.07**	**37,664,341**
Capital increase by conversion of OCABSA	1,362	0.07	20,430,413
At 31 December 2019	**3,873**	**0.07**	**58,094,754**

As of 31 December 2019, the Company's share capital of €3,872,983.59 was divided into 58,094,754 shares with a par value of 1/15th of a Euro each.

The Company's share capital consists of one class of share. All outstanding shares have been subscribed, called and paid.

32. SHARE PREMIUM

Amounts in 000' €	
Balance at 1 January 2018	**58,281**
Expenses of issue of equity shares	- 32
Balance at 31 December 2018	**58,249**
Premium arising on issue of equity shares	128
Expenses of issue of equity shares	- 365
Balance at 31 December 2019	**58,012**

33. OTHER RESERVES

Amounts in 000' €	
Balance at 1 January 2018	**- 2,815**
Translation differences	- 4
Balance at 31 December 2018	**- 2,819**
Translation differences	- 487
Balance at 31 December 2019	**- 3,306**

34. EQUITY RESERVE

Amounts in 000' €	
Balance at 1 January 2018	**422**
Balance at 31 December 2018	**422**
Issuance and conversion of the OCABSA Negma	- 21
Balance at 31 December 2019	**401**

This reserve represents the equity component of warrants and loans.

35. RETAINED LOSSES

Amounts in 000' €	
Balance at 1 January 2018	**- 33,308**
Net loss for the year	- 4,738
Balance at 31 December 2018	**- 38,046**
Net loss for the year	- 6,558
Other variations	392
Balance at 31 December 2019	**- 44,212**

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36. BUSINESS COMBINATIONS

Acquisition of Omega ID

On 28 June 2018, the UK Company Lab21 Healthcare Ltd completed an asset purchase agreement for the infectious diseases business of the company called Omega Diagnostics Ltd. The infectious diseases business specialises in the manufacture of a range of diagnostic kits, in particular for syphilis and febrile antigens, as well as a range of latex serology tests for rheumatoid factor, C-reactive protein, antistreptolysin and systemic lupus erythematosus.

It includes various assets, such as equipment, stock, trademarks and patents. It also includes two employees, whose employment contracts were transferred to Lab21 Healthcare Ltd via the TUPE process under which employees in the UK transfer with the activity on the same employment terms.

The purchase price was £2,175,000 (€2,456,000) broken down as follows:

Cash disbursed	€2,032,000
Deferred consideration for successfully supporting and handing over manufacturing	€198,000
Deferred consideration for successfully achieving a Category 3 facility accreditation	€226,000
Total purchase price	€2,456,000
Cancellation of the second deferred consideration	€-226,000
Total adjusted purchase price	€2,230,000

The assets acquired and the liabilities assumed are as follows:

Net property, plant and equipment and intangible assets	€46,000
Inventories	€523,000
Customer relationship	€1,314,000
Trademark	€251,000
Fair value of assets acquired and liabilities assumed	**€2,134,000**
Goodwill: opening estimate	**€322,000**
Goodwill: final adjusted amount	**€96,000**

The information above shows how the goodwill figure of €96,000 is arrived at after allocating the purchase price accordingly. The residual goodwill arising from the acquisition reflects the future growth expected to be driven by new customers, the value of the workforce, technical files and know-how.

The value of "customer relationships" was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

The value of the trademark was determined by discounting the cash flows that could be generated by licensing the Omega trademark, estimated as a percentage of revenue derived from information available on comparable assets.

IFRS 3 provides for a period of 12 months from the takeover to complete the identification and measurement of the fair value of assets acquired and liabilities assumed. Therefore, the gross amount of goodwill is not subject to any further adjustment.

Goodwill is a residual component calculated as the difference between the purchase price for the acquisition of control and the fair value of the assets acquired and liabilities assumed. It includes unrecognised assets such as the value of the personnel and know-how of the acquiree.

The acquisition costs amounted to €201,000. They are included on the statement of comprehensive income in the year ended 31 December 2018 as "other operating expenses".

Omega contributed €1,030,000 to consolidated revenue in the year ended 31 December 2018 and €45,000 to net profit or loss attributable to owners of the company between its consolidation on 1 July 2018 and 31 December 2018.

If the acquisition of the Omega business was deemed to have been completed on 1 January 2018, the opening date of the Group's 2018 financial year, consolidated revenue would have amounted to €14,751,000 and net profit or loss attributable to owners of the company to a loss of €4,695,000.

The table below presents the group income statement for the 12 months' period ended on 31 December 2018 as if the acquisition of Omega had been completed on 1 January 2018.

Amounts in 000' €	31 December 2018 pro forma
Revenue	2,455
Cost of sales	-1,612
Gross profit	**843**
Sales and marketing costs	-70
General & administrative costs	**-532**
Recurring operating profit	**242**
Costs related to acquisitions	**-**
Other operating expenses	-131
Operating profit	**111**
Financial expenses	**-1**
Loss before tax	**110**
Tax expense	**-**
Loss after tax	**110**
Total net loss	**110**
Attributable to owners of the company	110

37. DISCONTINUED OPERATIONS

Novacyt had begun the formal sale process for the NOVAprep® (Cytology businesses) and Cambridge Clinical Labs businesses in late 2018. The Cambridge Clinical Lab business was a non-core service business and did not fit in with the long-term high margin growth strategy for the Group. NOVAprep® was being sold as it continued to be loss making and was a drain on working capital while it was non-profit making and as such the decision was made to dispose of the business in late 2018.

The NOVAprep® business was sold in December 2019 via an Asset Purchase Agreement. The Cambridge Clinical Labs business was sold in July 2019 through the sale of the shares of Lab21 Ltd.

The assets and liabilities available for sale were transferred on the lines "Assets of the discontinued activities" and "Liabilities of the discontinued activities" in the 2018 financial results. The value of these assets and liabilities at December 2018 are presented in the table below:

Amounts in 000' €	Clinical Lab	NOVAprep®	Total
Goodwill	648	-	648
Other intangible assets	-	829	829
Property, plant and equipment	3	281	284
Non-current assets	**651**	**1,110**	**1,761**
Inventories and work in progress	24	459	483
Trade and other receivables	49	-	49
Current assets	**73**	**459**	**532**
Total assets held for sale	**725**	**1,569**	**2,294**
Trade and other liabilities	43	18	61
Total current liabilities	**43**	**18**	**61**
Long-term provisions	7	17	24
Total non-current liabilities	**7**	**17**	**24**
Total liabilities held for sale	**50**	**35**	**85**

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In accordance with the IFRS 5, the net result of the NOVAprep® business was transferred on the line "Loss from the discontinued activities".

The table below presents the detail of the loss generated by this business in 2018 and 2019.

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Revenue	1,337	974
Cost of sales	-762	-719
Gross profit	**575**	**255**
Sales, marketing and distribution expenses	-880	-1,169
Research and development expenses	-156	-189
General and administrative expenses	-1,911	-1,563
Governmental subsidies	-	88
Operating loss before exceptional items	**-2,372**	**-2,578**
Other operating income	-284	-48
Operating loss after exceptional items	**-2,656**	**-2,626**
Loss before tax	**-2,656**	**-2,626**
Tax (expense)/income	-	-
Loss after tax from discontinued operations	**-2,656**	**-2,626**

38. NOTES TO THE CASH FLOW STATEMENT

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Loss for the year	-6,558	-4,738
Loss from the discontinued activities	-2,656	-2,626
Loss from the continuing operations	-3,902	-2,112
Adjustments for:		
Depreciation, amortisation and impairment loss	1,812	1,469
Unwinding of discount on contingent consideration	92	42
(Increase) / decrease of fair value	749	-63
Gains / (losses) on disposal of fixed assets	343	3
Operating cash flows before movements of working capital	**-3,563**	**-3,286**
(Increase) / decrease in inventories	424	-397
(Increase) / decrease in receivables	1,748	101
Increase / (decrease) in payables	-858	1,463
Cash used in operations	**-2,248**	**-2,119**
Changes in debt issues expenses	-	-1
Income taxes paid/received	82	192
Finance costs	1,093	682
Net cash used in operating activities	**-1,073**	**-1,246**
Operating cash flows from the discontinued activities	-1,282	-1,806
Operating cash flows from the continuing operations	209	560

39. LEASES

The Group has elected to apply the standard using the modified retrospective approach from 1 January 2019, utilising certain of the practical expedients provided within the Standard.

In application of IFRS 16 as from 1 January 2019, the group has recognised on the statement of financial position some "right-of-use" assets and lease liabilities.

Novacyt S.A.

Most of the leases contracted by Novacyt S.A. were related to the NOVAprep® business. As a result of the disposal, the charges are reclassified on a single line called "Loss from discontinued operations". Novacyt S.A. still rents its office in Velizy until the end of the year 2020.

Primerdesign Limited

An operating lease currently exists for the York House site which is currently a mixed use for office, storage, and laboratory purposes. The lease originally commenced in November 2015 for a five-year period to November 2020. This was originally for the majority of the ground floor of the building. This area incurred a charge of £79,883 per annum (including service charges) and a £4,717 rent-free period. A variation to the lease was signed in March 2017 to enable increased capacity at the site and the use of all of the upstairs of the York House site. This was led to an additional annual charge of £22,560 (including service charges). The annual charge for the site (with service charges) is now £107,160 per annum. A further variation to the lease was signed in January 2019 to again increase capacity at the site. This has led to an additional annual charge of £74,369 (including service charges). The annual charge for the site (with service charges) is now £176,813, with all leases running to November 2025.

Microgen Bioproducts Ltd

An operating lease exists at Watchmoor Park which has a mixed use for office, storage, and laboratory purposes. This commenced in May 2017 and will run until May 2032. There are rent review clauses in May 2022 and 2027. The charge for the site is £173,173 per annum (including service charges).

Lab21 Healthcare Ltd

An operating lease currently exists for the Bridport site which is currently used for manufacturing, storage, and laboratory purposes. The lease originally commenced in October 2013 for a five-year period to September 2018. The charge for the site is £38,903 per annum. In October 2018 the operating lease for the Bridport site was extended for a further seven years to August 2025. The charge for the site is now £81,844 per annum. The asset purchase agreement of the Omega Diagnostic infectious diseases business also included an operating lease for the Axminster site, used for manufactory and laboratory purposes. The current lease ran until October 2019 with a charge of £7,272 per annum. Total charge for both operating leases is £89,116 per annum.

In application of IFRS 16 as from 1 January 2019, the group has recognised on the statement of financial position some "right-of-use" assets and lease liabilities.

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The table below presents by nature the “right-of-use” assets included in the fixed assets of the Group in 2019:

Amounts in 000' €	At 1 January 2019	Charge for the period	Adoption of IFRS 16	Reclass. & transfers	FX impact	At 31 December 2019
Cost						
Buildings	-	-	2,569	-	69	2,638
Technical facilities, equipment and tools	-	-	61	94	4	159
Total	**-**	**-**	**2,630**	**94**	**73**	**2,797**
Accumulated depreciation						
Buildings	-	- 265	-	-	- 7	- 272
Technical facilities, equipment and tools	-	- 35	-	-	- 1	- 36
Total	**-**	**- 300**	**-**	**-**	**- 8**	**- 308**
Carrying amount	**-**	**- 300**	**2,630**	**94**	**65**	**2,489**

The liabilities recognised for the application of IFRS 16 at December 2019 amount to €2,624,000. To determine the amount of these liabilities, future lease payments were discounted at the incremental borrowing rate of the companies concerned, which varies between 7.5% and 11.2%.

The table below presents the reconciliation from the commitments related to non-cancellable contracts as at December 2018 to the amount of the lease liabilities at December 2019:

Amounts in 000' €	
Commitments related to non-cancellable contracts at December 2018	2,167
Commitments to future payments after 5 years	1,650
Short term / low value contracts	-38
FX impact	230
Commitments related to non-cancellable contracts at December 2018	4,009
Discount at the weighted average incremental borrowing rate of 7.6%	-1,509
Lease liabilities at 1 January 2019	2,500
New commitments: extension of existing contracts	220
New commitments: new contracts	119
Repayment of lease liabilities	-210
FX impact on repayment of lease liabilities	-5
Lease liabilities at 31 December 2019	**2,624**

The information below presents the impacts of the leases in the consolidated income and cash-flow statements of the financial year 2019:

Amounts in 000' €	At 31 December 2019
Interest expense on lease liabilities	198
Total cash outflows for leases accounted for as per IFRS 16	408
Expenses related to short-term and low-value leases	100
Total cash outflows for leases	**508**

40. RETIREMENT BENEFIT OBLIGATIONS

Following the announcement of the disposal of the NOVAprep® business, the provision was reclassified to the line “Liabilities of discontinued operations”.

The cost of defined-benefit plans is determined at the end of each year in accordance with the projected unit credit method. The calculation is based on an actuarial method using assumptions with regard to future salary and retirement age.

The Group’s defined benefit plan relates to bonuses payable under collective agreements in a lump sum on retirement and concerns only the employees of the French company Novacyt S.A. Pursuant to the law and collective agreements, the Group gives a bonus to each employee upon retirement, expressed in number of months’ salary (calculated on the basis of the wages paid during the 12 months preceding retirement) and seniority within the Group.

As the NOVAprep® business was sold in December 2019, the provision for retirement benefit obligations was entirely reversed at that date.

Net expense for the year / period

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Service cost	-17	3
Expense (income)	**-17**	**3**

Change in the actuarial liability

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Obligation – beginning of year	**17**	**13**
Service cost	-17	3
Obligation – end of year	**-**	**17**

Actuarial assumptions

The assumptions used for measuring change in obligations in respect of retirement benefits are presented in the table below:

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Retirement age – managers	n/a	64
Retirement age – non-managers	n/a	62
Wage increases	n/a	3.00%
Rate of social security contributions	n/a	41.51%
Discount rate	n/a	1.60%

05 Accounts and Notes

41. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of debt and equity balances. The Group's overall strategy is to ensure there is sufficient working capital to optimise the performance of the business.

The capital structure of the Group consists of net debt (borrowings disclosed in Note 26 after deducting cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained losses in Notes 31 to 35).

The Group is not subject to any externally imposed capital requirements.

The Group's focus is on cash management and this is reviewed on a regular basis by the Group Financial Controller and the Chief Financial Officer. The funding mix of the business is reviewed and managed regularly by the CFO and the CEO.

Gearing ratio

The gearing ratio at the year-end is as follows:

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Debt	10,950	5,374
Cash and cash equivalents	- 1,805	-1,132
Net debt	**9,145**	**4,242**
Equity	**14,594**	**20,138**
Net Debt to Equity ratio	**63%**	**21%**

Debt is defined as long-term and short-term borrowings (excluding derivatives and financial guarantee contracts) as detailed in Note 26.

Equity includes all capital, premiums and reserves of the Group that are managed as capital.

Significant accounting policy

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

Categories of financial instruments

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Financial assets		
Cash & cash equivalents	1,805	1,132
Loans and receivables	2,026	3,658
Financial liabilities		
Fair value through profit and loss	990	5
Amortised cost	14,205	11,005

Financial risk management objectives

The Group's Finance function is responsible for managing the financial risks relating to the running of the business. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

If there are any material risks then the Group would look to mitigate that risk through the appropriate measure such as hedging against currency fluctuations.

The Group does not use complex derivative financial instruments to reduce its economic risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are not managed utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets		Net exposure	
Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
GBP	-4,869	-4,603	1,508	1,915	-3,361	-2,647
USD	-860	-616	1,602	1,469	742	882

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the UK entities that are included in all three operating segments.

The following table details the Group's sensitivity to a 5% increase and decrease in Euros against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity.

	Net exposure	
Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
GBP	-3,361	-2,647
Conversion rate	0.85391	0.90171
Impact EUR strengthening : FX + 5 %	160	126
Impact EUR weakening : FX - 5 %	-177	-139
USD	742	882
Conversion rate	1.11998	1.14430
Impact EUR strengthening : FX + 5 %	-35	-42
Impact EUR weakening : FX - 5 %	39	46

Interest rate risk management

The Group borrows funds at fixed interest rate and therefore it is not exposed to significant interest rate risk.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers' risk levels. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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The Group uses debt collection agencies and government backed schemes to collect difficult aged debts as a last resort.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of the financial assets recorded in the historical financial information, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is based on the earliest date when the Group may be required to pay.

Amounts in 000' €	Effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
31 December 2019							
Variable interest rate instruments	-	-	-	-	-	-	-
Fixed interest rate instruments	10,4%	348	427	1 707	9 043	1 926	13 451
31 December 2018							
Variable interest rate instruments	-	-	-	-	-	-	-
Fixed interest rate instruments	12,4%	173	654	2 199	2 326	-	5 352

The following table details the Group's expected maturity for its non-derivative financial assets. The table below have been drawn up based on the undiscounted contractual maturities of the financial assets including any interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Amounts in 000' €	Effective interest rate (%)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
31 December 2019						
Non-interest bearing	-	2,926	449	48	230	3,653
31 December 2018						
Non-interest bearing	-	3,688	749	122	225	4,784

Fair value measurements

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The following information provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 31/12/18	Fair value as at 31/12/19	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1. Receivable from the sale of the NOVAprep® business	-	201	3	Discount was applied on the payments due in December 2021 and 2022	-	-
2. Receivable from the sale of the Lab21 shares	-	191	3	Discount was applied on the payments due in July 2021 and 2022	-	-
3. Contingent consideration (current portion)	1,569	-	3	No discount was applied on the cash flows as the payment is due in less than 1 year	-	-
4. Trade and other payables : Options classified as liabilities - Warrant Primerdesign	5	4	2	Monte Carlo simulation model	Expected volatility of 84.3% used for December 2019	If the expected volatility was 5% higher or lower while other variables were held constant, the carrying amount would respectively increase by 5 K€ and decrease by 3 K€ as at December 2019
5. Trade and other payables : Options classified as liabilities - Warrant Harbert	-	780	2	Monte Carlo simulation model	Expected volatility of 65.9% used for December 2019	If the expected volatility was 5% higher or lower while other variables were held constant, the carrying amount would respectively increase by 354 K€ and decrease by 316 K€ as at December 2019
6. Trade & other payables: Options classified as liabilities – warrants Negma	-	206	2	Black and Scholes model	Expected volatility of 59.7% used for December 2019	-

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Fair value measurements recognised in the statement of financial position

	Year ended 31 December 2019			
Amounts in 000' €	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Receivables from the sale of businesses	-	-	392	392
Total assets at FVTPL	**-**	**-**	**392**	**392**
Financial liabilities at FVTPL				
Derivatives financial liabilities	-	990	-	-
Total liabilities at FVTPL	**-**	**990**	**-**	**990**

	Year ended 31 December 2018			
Amounts in 000' €	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivatives financial liabilities	-	5	1,153	1,158
Total liabilities at FVTPL	**-**	**5**	**1,153**	**1,158**

There were no transfers between Levels during the current or prior year.

Fair value of financial liabilities that are not measured at fair value (but fair value disclosures are required)

	Carrying amount	
Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Financial liabilities		
Bonds	4,811	1,057
Convertible loan notes	2,633	4,159
Short-term financing facilities	844	87
Liabilities as per IFRS 16 Adoption	2,624	-

	Fair value	
Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Financial liabilities		
Bonds	4,819	1,057
Convertible loan notes	2,386	4,035
Short-term financing facilities	844	87
Liabilities as per IFRS 16 Adoption	1,646	-

The fair value of the debts that are not measured at fair value were determined by discounting the future cash flows at a rate of 13.5% that is the effective rate of the most recent borrowing secured by the Group.

Fair value hierarchy of financial liabilities that are not measured at fair value (but fair value disclosures are required)

Amounts in 000' €	Fair value hierarchy
Bonds	3
Convertible loan notes	3
Bank loans at fixed interest rate	3
Accrued interest	3

There were no transfers between levels during the current or prior years.

42. COMMITMENTS GIVEN AND RECEIVED

On 5 November 2019, the Harbert European Specialty Lending Company has granted a loan of €5,000,000 to Novacyt UK Holdings, a 100% subsidiary of Novacyt S.A.

On the same day, Novacyt S.A. agreed to grant Harbert European Specialty Lending Company an autonomous first-demand guarantee (as per article 2321 of the French Civil Code) as a guarantee of perfect repayment of all amounts requested, up to a maximum of €5,000,000.

The payment shall be made within the 15 business days following the payment request made by Harbert European Specialty Lending Company.

43. RELATED PARTIES

Parties related to Novacyt S.A. are:

- the managers, whose compensation is disclosed below, and
- the directors of Novacyt S.A.

Remuneration of key management personnel

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Fixed compensation and company cars	1,129	1,107
Variable compensation	129	113
Social security contributions	159	151
Contributions to supplementary pension plans	54	55
Total	**1,471**	**1,426**

Aggregate directors' remuneration

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Fixed compensation and company cars	674	674
Variable compensation	68	113
Social security contributions	114	100
Contributions to supplementary pension plans	30	22
Fees	27	6
Total	**913**	**915**
Number of people concerned	7	7

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

05 Accounts and Notes

44. AUDIT FEES

Amounts in 000' €	Year ended 31 December 2019	Year ended 31 December 2018
Fees payable to the Company's auditor and its associates in respect of the audit		
Group audit of these financial statements	96	66
Audit of the Company's subsidiaries' financial statements	108	125
Total audit remuneration	**204**	**191**
Fees payable to the Company's auditor and its associates in respect of non-audit related services		
Audit-related assurance services	8	18
All other services	21	45
Total non-audit related remuneration	**29**	**63**

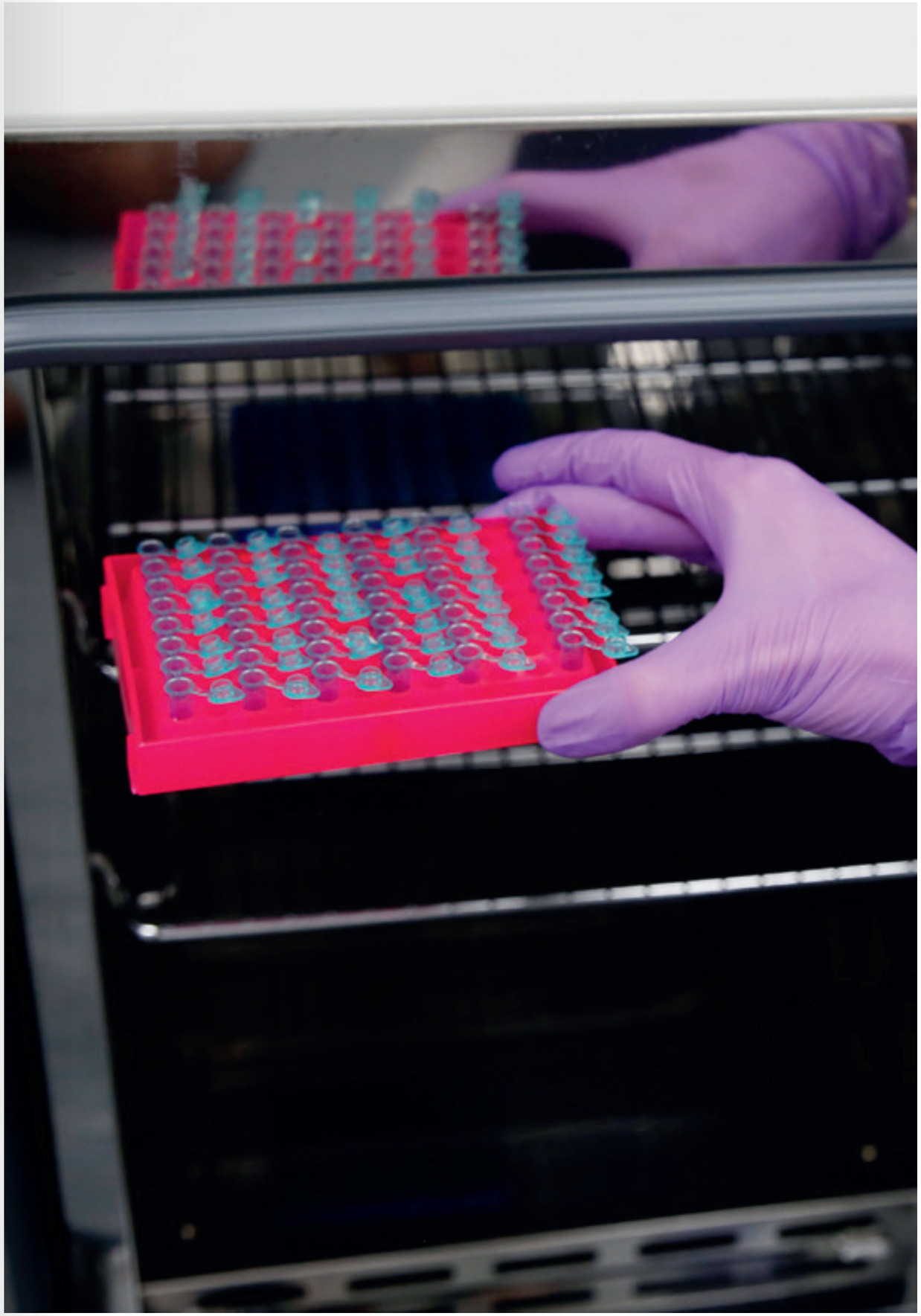
45. IMPACT OF BREXIT ON THE GROUP'S ACTIVITY

It is difficult to anticipate the impact of Brexit as trade negotiations continue and the final trade agreements and regulatory landscape is unknown. The tax consequences depend on the outcome of negotiations between Europe and the United Kingdom, and to date are undetermined.

Management is continually monitoring the situation and continues to identify market, operational and legal risks and to take the appropriate mitigation measures as deemed necessary.

46. SUBSEQUENT EVENTS

During January and February 2020 Novacyt's share price increased to over €2 per share, a key contributing factor being the launch of a COVID-19 diagnostic test kit by Primerdesign. This share price increase resulted in all remaining warrant holders exercising their warrants which gave rise to a net cash inflow of €2,400,000 into the business and the warrant overhang has now been removed completely.



06 Company Information

Directors	James Wakefield Graham Mullis Anthony Dyer Dr Andrew Heath Dr Edwin Snape Jean-Pierre Crinelli Juliet Thompson
Company Secretary	Anthony Dyer
Registered office	**Novacyt S.A.** 13 Avenue Morane Saulnier 78140 Vélizy-Villacoublay France
Registered number	491 062 527 (France)
Company website	www.novacyt.com
Nominated Adviser and Sole Broker to the Company	**S. P. Angel Corporate Finance LLP*** Prince Frederick House 35-39 Maddox Street London W1S 2PP United Kingdom
French Listing Sponsor	**Allegra Finance** 213 Boulevard Saint-Germain 75007 Paris France
Legal advisers to the Company	**English law:** **Stephenson Harwood LLP** 1 Finsbury Circus London EC2M 7SH United Kingdom **Pitmans LLP** 47 Castle Street Reading RG1 7SR United Kingdom **French law:** **Stance Avocats** 37-39 Avenue de Friedland Paris 75008 France

WG Partners were joint broker to the company until 2nd August 2019

Auditors	**Deloitte & Associés** 185 Avenue Charles du Gaulle 92524 Neuilly-sur-Seine Cedex France **Constantin Limited** Statutory Auditor 25 Hosier Lane London EC1A 9LQ United Kingdom
Bankers	**Banque Populaire Val de France** Accueil Entreprises Trs 2 Avenue De Milan 37924 Tours Cedex 9 **BNP Paribas** Centre d'Affaires Innovation Paris IDF 37/39 Rue d'Anjou 75008 Paris **Barclays Bank plc** Town Gate House Church Street East Woking Surrey GU21 6AE **National Westminster Bank plc** Southampton University Southampton Customer Service Centre Brunswick Gate 23 Brunswick Place SO15 2AQ **HSBC** Bonham Strand Commercial Service Centre 35-45 Bonham Strand Sheung Wan Hong Kong **Bank of China** First Floor No. 50 Tai Nan Road Pudong Shanghai 200131

Deloitte were also auditors for the Company in the UK until the end of 2019.

Notes

NOVACYT
GROUP

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