2023 Interim Results

RNS Number : 9027N
Novacyt S.A.
28 September 2023

Novacyt S.A.

("Novacyt", the "Company" or the "Group")

2023 Interim Results

Company positioned for long-term sustainable growth following the acquisition of Yourgene Health

Paris, France and Eastleigh, UK - 28 September 2023 - Novacyt (EURONEXT GROWTH: ALNOV; AIM: NCYT), an international specialist in clinical diagnostics, announces its unaudited interim results for the six months ended 30 June 2023.

Operational highlights (including post-period end)

· Completed the strategic acquisition of Yourgene Health plc ("Yourgene"), significantly enhancing Novacyt's global diagnostics business, adding scale and diversification to accelerate long-term growth.

· Successfully developed nine multiplex RUO (research use only) assays in key infectious disease areas.

· IVD certification process: initiated verification and validation activities for two of the Company's developed multiplex products, with the aim of certifying them as in vitro diagnostics (IVD) under the UKCA mark, expected to complete during Q4 2023.

· Instrument sales recovery: Following the market saturation during the COVID-19 pandemic, the Group's instrument sales are returning to normal levels with Q2 2023 sales up by 66% vs Q1 2023.

· Recently launched Co-prep™ extraction system for research use and CE marked both q16 and q32 instruments.

· On track to complete IVDR clinical trial for winter respiratory panel, genesig™ Real-time PCR SARS-CoV-2 Winterplex, in early 2024.

· Exclusive development agreement with Eluceda Ltd to develop novel biosensor technology in the fields of human and animal in vitro diagnostics, life science research and animal speciation.

Financial highlights

· Group revenue for H1 2023 of £3.3m of which £0.5m relates to COVID-19 (H1 2022: £16.5m of which £13.0m was related to COVID-19).

o Revenue for the non-COVID-19 portfolio totalled £2.8m representing 85% of total revenue (H1 2022: £3.5m). As previously signalled, H1 2022 is a high comparator particularly in instrumentation, where sales were linked to COVID-19.

o Non-COVID-19 revenue continues to build with Q2 2023 showing 3% growth over Q1 2023 and 10% growth vs Q4 2022.

· Group gross margin increased to 50% (£1.7m) in H1 2023 (H1 2022: 24% (£4.0m)), due to lower stock write offs, but is still impacted by further stock provisions as a result of lower than anticipated COVID-19 sales.

· Group operating costs fell by £4.1m to £7.0m in H1 2023 compared with £11.1m in H1 2022.

· Group EBITDA loss before exceptionals reduced to £5.4m in H1 2023 (H1 2022: £7.1m loss).

· Loss after tax reduced to £8.3m in H1 2023 (H1 2022: £8.7m).

· Cash position at 30 June 2023 was £81.7m (FY 2022: £87.0m) and the Company remains debt free.

· Acquired the entire share capital of Yourgene on 8 September 2023 for £16.7m, settled in cash.

James McCarthy, Acting Group CEO of Novacyt, commented: "The Company remains focused on building on the strength of its core business to deliver long-term sustainable growth and create a leading global clinical diagnostics company. The acquisition of Yourgene was an important strategic milestone adding scale and diversifying our product portfolio, to create a stronger global diagnostics business and will be a key driver to accelerate sustainable growth of the business going forwards."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

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About Novacyt Group

Novacyt is an international diagnostics business delivering a broad portfolio of in vitro and molecular diagnostic tests for a wide range of infectious diseases, enabling faster, more accurate, accessible testing to improve healthcare outcomes. The Company provides customers with a seamless sample-to-result workflow using its integrated and scalable instrumentation/solutions. The Company specialises in the design, manufacture, and supply of real-time PCR kits, reagents and a full range of laboratory and qPCR instrumentation for molecular biology research and clinical use. Novacyt offers one of the world's most varied and comprehensive range of qPCR assays, covering human, veterinary, biodefence, environmental, agriculture and food testing.

The acquisition of Yourgene in September 2023 added a complementary international genomics technology and services business, focussed on delivering accurate molecular diagnostic and screening solutions, across reproductive health and precision medicine. Yourgene's portfolio of in vitro diagnostic products includes non-invasive prenatal tests (NIPT) for Down's Syndrome and other genetic disorders, Cystic Fibrosis screening tests, invasive rapid aneuploidy tests and DPYD genotyping assays. Yourgene also works in partnership with global leaders in DNA technology to allow its Ranger® Technology to deliver dynamic target enrichment.

Novacyt is headquartered in Vélizy in France with offices in the UK in Stokesley, Eastleigh and Manchester. The Company also has offices in Taipei (divestment pending), Singapore, the US and Canada and is listed on the London Stock Exchange's AIM market ("NCYT") and on the Paris Stock Exchange Euronext Growth ("ALNOV").

For more information, please refer to the website: www.novacyt.com

Chief Executive's review

During the first six months of 2023 we have continued to make good progress expanding our instrumentation and RUO product portfolio and enhancing our workflow to diversify the business away from COVID-19. The recent acquisition of Yourgene was a significant strategic milestone that has significantly enhanced our global diagnostics business. This acquisition not only adds scale but also diversifies our portfolio, reinforcing our position for long-term growth.

Portfolio development

The increase in the incidence of infectious diseases is driving a growing global demand for multiplex diagnostic products that can rapidly and simultaneously detect multiple pathogens in a single test. During the period, the Company successfully developed nine new multiplex RUO assays in key infectious disease areas of respiratory virus, atypical pneumonia, viral and bacterial meningitis, eye infection, joint infection, gastrointestinal viruses and insect-borne viruses.

This expanded portfolio strengthens our diagnostic capabilities, particularly in the gastrointestinal, respiratory, and meningitis markets, as well as other high-growth disease areas. These assays have been specifically designed to seamlessly integrate with our existing instrumentation, including the recently launched Co-prep™ extraction system and our q16 and q32 instruments. The Company expects these products to begin seeing commercial traction in Q4 2023.

As previously announced, the Company is prioritising UK Conformity Assessed (UKCA) marking for its clinical tests, which is replacing the CE mark for all in vitro diagnostic (IVD) products sold in the UK. Under UKCA, IVD manufacturers can continue to self-certify their products, which typically takes six to nine months compared to the 18-24 months to achieve a CE mark under the new European In Vitro Diagnostic Regulation (IVDR). We have initiated verification and validation activities for two of our developed multiplex products, with the aim of certifying them as in vitro diagnostics (IVD) under the UKCA mark:

a. genesig™PLEX Respiratory Virus Real-Time PCR Multiplex Kit II, which complements our existing respiratory portfolio, such as the SARS-CoV-2 Winterplex, and meets the growing demand for decentralised diagnostic solutions within the UK's expanding network of Acute Respiratory Infection Hubs and Community Diagnostic Centres. The validation process for this product is expected to conclude in Q4 2023.

b. genesig™PLEX Insect-Borne Real-Time PCR Multiplex Kit: We have experienced strong customer demand for our existing RUO product, which targets Dengue, Chikungunya, and Zika viruses. The rise in climate change has led to an increase in the incidence of insect-borne infections and as a result there is a growing market demand for an expanded version of this product, which can detect multiple diseases. Our new multiplex product has additional target detection profiles, including West Nile, Tick-Borne Encephalitis, and Yellow Fever viruses. Validation for this product is also expected to be completed in Q4 2023.

We expect both tests to be available for clinical use in the UK during the first half of 2024.

Novacyt is also progressing the clinical trial for its winter respiratory panel, genesig™ Real-time PCR SARS-CoV-2 Winterplex, towards IVDR submission in early 2024.

Commercial progress

During H1 the Company has been focused on reestablishing its RUO and instrumentation businesses to drive growth in the non-COVID portfolio. Although overall growth has been modest, we have started to gain traction in building customer solutions in specific areas, which we believe will drive future growth. Successes in this area include our continuing development of aqua testing to enable more efficient management of fish stocks for both North America and more recently the UK, livestock testing in Latin America and progress with Dengue tenders for emerging markets.

We are currently live with a Winterplex promotional campaign with some promising early opportunities for product validation UK clinical settings.

Instrumentation & workflow

We have seen good growth in instrument sales, with Q2 2023 increasing 66% vs Q1 2023 as the market returns to normal following the saturation that was seen during the COVID-19 pandemic.

During the period we launched our new Co-prep™ extraction system for RUO, which is already gaining traction with a number of customers. This is now available alongside our Co-prep™ automated liquid handling system as part of our integrated sample-to-result molecular workflow solution, which provides an end-to-end, fast scalable solution capable of processing over 1,000 tests per day.

Business Development

Acquisition of Yourgene

On 8 September 2023, we completed the acquisition of Yourgene, creating a stronger global diagnostics company with an expanded geographic commercial footprint, a broader product portfolio and deeper expertise. Yourgene brings a complementary international genomics technology and services business, focussed on delivering accurate molecular diagnostic and screening solutions, across reproductive health and precision medicine. Its portfolio of in vitro diagnostic products includes non-invasive prenatal tests (NIPT) for Down's Syndrome and other genetic disorders, Cystic Fibrosis screening tests, invasive rapid aneuploidy tests and DPYD test to predict patients' toxicity reactions to some chemotherapies. Yourgene's Ranger® Technology offers next generation size selection with a range of sample preparation platforms for dynamic target enrichment and can be utilised to improve workflows and performance in multiple applications including NIPT, oncology, infectious disease testing and gene synthesis.

As part of the acquisition, Yourgene's former Chair, Dr John Brown CBE, and Lyn Rees, Yourgene's former CEO, will join the Novacyt Board, as non-executive and executive director respectively, first as non-voting members, then as full members, subject to shareholder ratification at the next AGM.

Partnerships

In January 2023, Novacyt entered into an exclusive development agreement with Eluceda Ltd, a specialist developer of electrochemical sensors, to develop novel biosensor technology in the fields of human and animal in vitro diagnostics, life science research and animal speciation. Development of two products has started and the

first product is expected to launch early in 2024.

Current trading and outlook

Yourgene's financial year runs from 1 April to 31 March, which is different to the calendar year approach followed by Novacyt. It is our intention to align the accounting periods for the current fiscal year, which would result in a nine-month trading period for Yourgene consolidated with a full 12 months of Novacyt.

Unaudited revenue for Yourgene for the period 1 January to 30 June 2023 totalled £9.1m (including £0.5m of COVID-19 sales), which would give the Group a proforma revenue for H1 of £12.4m (including £1.0m of COVID-19 sales).

Revenue guidance for Novacyt for the full year is in the range of £10m to £13m (including £0.6m of COVID-19 sales), and covers 12 months trading for Novacyt and approximately four months trading for Yourgene post-acquisition. At this early stage we need to do further work on the combined businesses to determine financial/EBITDA expectations for FY 2023.

The disposal of the Taiwan laboratory announced by Yourgene on 13 June 2023 is still progressing subject to regulatory approval from the Taiwanese Government and is now expected to complete by the end of the financial year.

The Company remains focused on building on the strength of its core business to deliver long-term sustainable growth and create a leading global clinical diagnostics company focused on unmet needs in infectious diseases. Over the next six months the Company will be focussed on the integration of Yourgene and will be evaluating the best ways to leverage our combined capabilities to accelerate growth and drive efficiencies and synergies where appropriate. We intend to provide an update to the market on the integration progress at the next trading update in January 2024.

James McCarthy

Acting Chief Executive Officer

28 September 2023

FINANCIAL REVIEW

Overview

Novacyt's H1 2023 performance delivered sales of £3.3m, an EBITDA loss of £5.4m and a loss after tax of £8.3m. Novacyt continued to execute on right sizing its cost base by reducing its opex spend by over £1.0m compared with H2 2022, and will continue to make cost savings where necessary.

Cash at 30 June 2023 was £81.7m, providing the Group with a solid foundation on which to build and execute its future strategy. This allowed the Group to acquire Yourgene on 8 September 2023 for £16.7m, settled in full in cash.

Income statement

Continuing operations *	H1 2023	H1 2022
	£'000	£'000
Revenue	3,339	16,508
Gross profit	1,665	4,010
Gross profit %	50%	24%
OPEX	(7,040)	(11,148)
EBITDA	(5,375)	(7,138)
EBITDA %	n.m.	n.m.
Recurring operating loss**	(6,534)	(8,179)
Operating loss	(8,396)	(8,712)
Other financial income and expenses	83	1,628
Income tax	174	2,041
Loss after tax from continuing operations	(8,139)	(5,043)
Loss from discontinued operations	(209)	(3,656)
Loss after tax attributable to the owners	(8,348)	(8,699)

* Following the 28 April 2022 announcement where Novacyt notified its intention to close Microgen Bioproducts and Lab21 Healthcare, the net results of the Lab21 Products segment have been reported on a separate line 'Loss from discontinued operations' in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations".

** H1 2023 recurring operating loss is stated before £1.9m of non-recurring charges as follows:

1. £0.8m acquisition related expenses.

2. £0.6m costs in relation to the ongoing DHSC contract dispute.

3. £0.5m restructuring expenses.

Revenue

Revenue for H1 2023 fell to £3.3m compared with £16.5m in H1 2022, predominantly driven by reduced demand for COVID-19 testing as we emerge from the pandemic. Primer Design delivered sales totalling £2.8m, whilst IT-IS International delivered sales of £0.5m for H1 2023.

Gross profit

The business delivered a gross profit of £1.7m (50%), compared with £4.0m (24%) in H1 2022. The margin has improved significantly due to lower stock write offs but is still impacted by further stock provisions as a result of lower than anticipated COVID-19 sales.

Operating expenditure

Group operating costs fell by £4.1m to £7.0m in H1 2023 compared with £11.1m in H1 2022. Savings are mainly due to lower staff costs, as headcount for continuing operations fell from circa 210 in June 2022 to approximately 120 in June 2023 as a result of the Group-wide restructuring programme. In addition, non-labour savings have been made in commercial insurance, advertising and marketing, recruitment and facilities.

The business continued to invest heavily in research and development, spending over £1.2m in H1 2023, around 17% of opex costs, to support bringing a number of new products to the market.

EBITDA

The Group reported an EBITDA loss of £5.4m for H1 2023 compared with a loss of £7.1m in H1 2022. The loss has decreased by £1.8m in the first half of 2023 driven by a reduced gross profit contribution of £2.3m as a result of lower sales, offset by a £4.1m fall in operating expenditure.

Operating loss

The Group reduced its operating loss to £8.4m compared with a H1 2022 loss of £8.7m. Year-on-year, depreciation and amortisation charges have increased by £0.2m to £1.2m due to accelerating depreciation on a number of fixed assets.

Other operating expenses have increased from £0.5m to £1.9m in H1 2023. The main items making up the H1 2023 charge are i) £0.8m acquisition related expenses, ii) £0.6m costs in relation to the ongoing DHSC contract dispute and iii) £0.5m restructuring expenses as we continue to lower our cost base.

Loss after tax from continuing operations

The Group reported a loss after tax from continuing operations of £8.1m, compared with a loss of £5.0m in H1 2022. Other financial income and expenses netted to a £0.1m income compared with a £1.6m income in H1 2022. The two key items making up the balance are i) a £1.2m net financial foreign exchange loss, mainly resulting from revaluations of bank and intercompany accounts held in foreign currencies (H1 2022: £1.4m net gain) and ii) offset by £1.5m interest received on deposits held in bank accounts (H1 2022: £0.1m), reflecting rising interest rates. The £0.2m taxation credit is made up of the movement in the current and deferred tax position.

Loss from discontinued operations

In accordance with IFRS 5, the net result of the Lab21 Products business has been reported on a separate line "Loss from discontinued operations" in the consolidated income statements for H1 2023 and H1 2022.

Lab21 Products reported a loss after tax of £0.2m in H1 2023 versus a loss of £3.7m in H1 2022. The H1 2023 result relates to clearing balance sheet items and interest on intercompany balances.

The H1 2022 loss includes closure costs totalling circa £1.8m made up of i) a £1.0m impairment charge on right-of-use assets (Camberley facility lease), ii) £0.6m impairment charge on remaining property, plant and equipment and iii) £0.2m redundancy costs. These costs are not repeated in 2023 as the operations of the business were closed during 2022.

Earnings per share

The H1 2023 loss per share was £0.12 (H1 2022: £0.12 loss).

Statement of financial position

	Jun-23	Dec-22		Jun-23	Dec-22
	£'000	£'000		£'000	£'000
Goodwill	6,482	6,646	Share capital and premium	54,601	54,633
Right-of-use assets	361	521	Retained earnings and reserves	52,709	60,583
Property, plant and equipment	2,242	2,751	Total equity	107,310	115,216
Deferred tax assets	527	624			
Other non-current assets	2,679	3,121	Deferred tax liabilities	893	1,041
Total non-current assets	12,291	13,663	Lease liabilities long-term	219	263
			Other provisions and long-term liabilities	175	145
Inventories	2,459	3,027	Total non-current liabilities	1,287	1,449
Trade and other receivables	33,272	33,662			
Tax receivables	608	1,149	Lease liabilities short-term	170	609
Other current assets	1,784	2,427	Trade and other liabilities	2,959	2,787
Cash and cash equivalents	81,734	86,973	Other provisions and short-term liabilities	20,422	20,840
Total current assets	119,857	127,238	Total current liabilities	23,551	24,236
TOTAL ASSETS	132,148	140,901	TOTAL EQUITY AND LIABILITIES	132,148	140,901

Non-current assets

Property, plant and equipment has fallen by £0.6m from £2.8m at 31 December 2022 to £2.2m at 30 June 2023, driven by two main factors, i) £0.8m depreciation costs, and ii) offset by capital purchases of £0.2m.

Other non-current assets have fallen by £0.4m to £2.7m at 30 June 2023, driven by the amortisation of intangible assets.

Current assets

Inventories and work in progress has fallen from £3.0m at 31 December 2022 to £2.5m at 30 June 2023, as stock built up during the COVID-19 pandemic is wound down to reflect a more normalised expected run-rate.

Trade and other receivables has fallen by £0.4m to £33.3m at 30 June 2023 in line with a decline in sales. The trade receivables balance includes a £24.0m unpaid DHSC invoice raised in December 2020, in respect of products delivered during 2020 that remains unpaid at the date of publishing the accounts. Recovery of the invoice is dependent on the outcome of the contract dispute. Also included in trade and other receivables is a £8.2m VAT receivable balance (December 2022: £8.3m), that mainly relates to UK VAT paid on sales invoices in dispute with the DHSC. As these sales have not been recognised in accordance with IFRS 15, the revenue, trade receivable and VAT element of the transactions have been reversed, resulting in a VAT debtor balance.

Tax receivables has fallen by £0.5m to £0.6m at 30 June 2023, predominantly due to the Group receiving cash from HMRC covering the carry back of tax losses and research and development tax claims. The current balance relates to 2021 losses that can be carried back for relief against 2020 taxable profits totalling £0.1m and research and development tax claim accruals covering 2022 and 2023 totalling £0.5m.

Other current assets have fallen by £0.6m to £1.8m at 30 June 2023, due to a £0.5m fall in prepayments, predominantly driven by unwinding the annual commercial insurance charge, and a £0.1m reduction in short-term deposits driven by the repayment of a rent deposit in connection with settling the Watchmoor facility lease. Prepayments at 30 June 2023 include Group commercial insurance, rent, rates, prepaid support costs and stock that had been paid for but not delivered at the reporting date.

Current liabilities

Short-term provisions fell slightly from £20.3m to £20.0m at 30 June 2023, as a result of unwinding the dilapidations provision associated with the now closed Watchmoor facility. A £19.8m product warranty provision booked in 2020 to cover Management's view of the maximum cost of replacing products in relation to the ongoing commercial dispute with the DHSC remains unchanged at 30 June 2023.

Trade and other liabilities increased from £2.8m to £3.0m at 30 June 2023, largely due to the impact of accruing acquisition costs in late June.

Non-current liabilities

Non-current liabilities fell by £0.1m to £1.3m at 30 June 2023, mainly due to a reduction in the deferred tax liability.

Cash flow

Cash held at 30 June 2023 totalled £81.7m compared with £87.0m at 31 December 2022. Net cash used in operating activities was £5.7m for H1 2023, made up of a working capital outflow of £0.3m and an EBITDA loss of £5.4m, compared with a cash outflow of £1.7m in H1 2022.

Net cash from investing activities has swung from a £0.2m outflow for H1 2022 to a £1.0m inflow in H1 2023, with the Group benefiting from continued interest rate rises, generating £1.1m interest from its cash balances. Capital expenditure remained broadly flat year-on-year with H1 2023 totalling £0.2m compared with £0.3m in H1 2022.

Net cash used in financing activities in H1 2023 totalled £0.5m compared with £0.3m in H1 2022, with the main cash outflow continuing to be lease payments.

The Group remains debt free at 30 June 2023.

Consolidated income statement as at 30 June 2023

Amounts in £'000	Notes	(Unaudited)Six month30 June2023	(Unaudited)Six month30 June2022
Continuing Operations			
Revenue	4	3,339	16,508
Cost of sales	6	-1,674	-12,498

Gross profit		1,665	4,010
Sales, marketing and distribution expenses		-1,506	-2,887
Research and development expenses		-1,239	-3,271
General and administrative expenses		-5,579	-6,211
Governmental subsidies		125	180
Operating loss before exceptional items		-6,534	-8,179
Other operating income	7	-	2
Other operating expenses	7	-1,862	-535
Operating loss after exceptional items		-8,396	-8,712
Financial income	8	1,994	2,351
Financial expense	8	-1,911	-723
Loss before tax		-8,313	-7,084
Tax income	9	174	2,041
Loss after tax from continuing operations		-8,139	-5,043
Loss from discontinued operations	16	-209	-3,656

Loss after tax attributable to owners of the Company		-8,348	-8,699
Loss per share (£)	10	-0.12	-0.12
Diluted loss per share (£)	10	-0.12	-0.12
Loss per share from continuing operations (£)	10	-0.12	-0.07
Diluted loss per share from continuing operations (£)	10	-0.12	-0.07
Loss per share from discontinued operations (£)	10	-0.00	-0.05
Diluted loss per share from discontinued operations (£)	10	-0.00	-0.05

Consolidated statement of comprehensive income as at 30 June 2023

Amounts in £'000	(Unaudited)Six month30 June2023	(Unaudited)Six month30 June2022
Loss for the period recognised in the income statement	-8,348	-8,699
Items that may be reclassified subsequently to profit or loss:		
Translation reserves	474	-434
Total comprehensive loss	-7,874	-9,133
Comprehensive loss attributable to:		
Owners of the Company (*)	-7,874	-9,133

(*) There are no non-controlling interests.

Statement of financial position as at 30 June 2023

Amounts in £'000	Notes	(Unaudited)Six month30 June2023	(Audited)Year ended31 December2022
Goodwill		6,482	6,646
Other intangible assets		2,679	3,121
Property, plant and equipment		2,242	2,751
Right-of-use assets		361	521
Deferred tax assets		527	624
Total non-current assets		12,291	13,663
Inventories and work in progress	11	2,459	3,027
Trade and other receivables	12	33,272	33,662
Tax receivables		608	1,149
Prepayments and short-term deposits		1,775	2,418
Investments short-term		9	9
Cash and cash equivalents		81,734	86,973
Total current assets		119,857	127,238
Total assets		132,148	140,901
Lease liabilities short-term		170	609

Provisions short-term	13	20,015	20,300
Trade and other liabilities	14	2,959	2,787
Other current liabilities		407	540
Total current liabilities		23,551	24,236
Net current assets		96,306	103,002
Lease liabilities long-term		219	263
Provisions long-term	13	98	95
Deferred tax liabilities		893	1,041
Other long-term liabilities		77	50
Total non-current liabilities		1,287	1,449
Total liabilities		24,838	25,685
Net assets		107,310	115,216

Statement of financial position as at 30 June 2023 (continued)

Amounts in £'000	Notes	(Unaudited)Six month30 June2023	(Audited)Year ended31 December2022
Share capital	15	4,053	4,053
Share premium account		50,671	50,671

Own shares	-123	-91
Other reserves	-1,543	-2,017
Equity reserves	1,155	1,155
Retained earnings	53,097	61,445
Total equity - owners of the Company	107,310	115,216
Total equity	107,310	115,216

Statement of changes in equity as at 30 June 2023

Amounts in £'000					Other Group reserves					
	Share capital	Share premium	Own shares	Equity reserves	Acquisition of the shares of Primer Design	Translation reserve	OCI on retirement benefits	Total	Retained earnings	Total equity
Balance at 1 January 2022	4,053	50,671	-78	1,155	-2,407	1,241	-8	-1,174	87,188	141,815
Translation differences	-	-	-	-	-	-843	-	-843	-	-843
Loss for the period	-	-	-	-	-	-	-	-	-25,730	-25,730
Total comprehensive loss for the period	-	-	-	-	-	-843	-	-843	-25,730	-26,573
Own shares acquired/sold in the period	-	-	-13	-	-	-	-	-	-	-13

Other	-	-	-	-	-	-	-	-	-13	-13
Balance at 31 December 2022	4,053	50,671	-91	1,155	-2,407	398	-8	-2,017	61,445	115,216
Translation differences	-	-	-	-	-	474	-	474	-	474
Loss for the period	-	-	-	-	-	-	-	-	-8,348	-8,348
Total comprehensive loss for the period	-	-	-	-	-	474	-	474	-8,348	-7,874
Own shares acquired/sold in the period	-	-	-32	-	-	-	-	-	-	-32
Balance at 30 June 2023	4,053	50,671	-123	1,155	-2,407	872	-8	-1,543	53,097	107,310

Statement of cash flows as at 30 June 2023

Amounts in £'000	Notes	(Unaudited)Six month30 June2023	(Unaudited)Six month30 June2022
Net cash used in operating activities	17	-5,691	-1,662
Operating cash flows from discontinued operations		-1,287	-1,589
Operating cash flows from continuing operations		-4,404	-73
Investing activities			
Proceeds from sale of property, plant and equipment		13	-
Purchases of patents and trademarks		-35	-119
Purchases of property, plant and equipment		-138	-182

Variation of deposits	120	-36
Acquisition of subsidiaries net of cash acquired	-2	16
Interest received	1,052	122
Net cash from/(used in) investing activities	1,010	-199
Investing cash flows from discontinued operations	88	7
Investing cash flows from continuing operations	922	-206
Financing activities		
Repayment of lease liabilities	-483	-200
Purchase of own shares - net	-32	-14
Interest paid	-19	-67
Net cash used in financing activities	-534	-281
Financing cash flows from discontinued operations	-320	-84
Financing cash flows from continuing operations	-214	-197
Net decrease in cash and cash equivalents	-5,215	-2,142
Cash and cash equivalents at beginning of year	86,973	101,746
Effect of foreign exchange rate changes	-24	37
Cash and cash equivalents at end of period	81,734	99,641

Notes to the interim financial statements for the six month period to 30 June 2023

1. General Information and basis of preparation

Novacyt is an international diagnostics business delivering a broad portfolio of in vitro and molecular diagnostic tests for a wide range of infectious diseases, enabling faster, more accurate, accessible testing to improve healthcare outcomes. The Company provides customers with a seamless sample-to-result workflow using its

integrated and scalable instrumentation/solutions. The Company specialises in the design, manufacture and supply of real-time PCR kits, reagents and a full range of laboratory and qPCR instrumentation for molecular biology research and clinical use. Novacyt offers one of the world's most varied and comprehensive range of qPCR assays, covering human, veterinary, biodefence, environmental, agriculture and food testing. 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 Group and its subsidiaries (hereinafter referred to collectively as the "Group"). They are prepared and presented in Great British Pounds ("GBP"), rounded to the nearest thousand ("£'000s").

This condensed consolidated interim financial information does not constitute full statutory accounts. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the twelve months ended 31 December 2022. Statutory accounts for the year ended 31 December 2022 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified. The financial information for the half years 30 June 2023 and 30 June 2022 is unaudited and the twelve months to 31 December 2022 is audited.

2. Summary of accounting policies applied by the Group

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

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 (see note 16 of the 2022 Statutory Accounts for further details), the carrying amounts and useful lives of the other intangible assets (see note 17 of the 2022 Statutory Accounts for further details), deferred taxes (see note 20 of the 2022 Statutory Accounts for further details), trade receivables (see note 22 of

the 2022 Statutory Accounts and note 12 of the 2023 Interim Accounts for further details) and provisions for risks and other provisions related to the operating activities (see note 29 of the 2022 Statutory Accounts and note 13 of the 2023 Interim Accounts for further details).

The accounting policies set out below have been applied consistently to all periods presented in the financial information.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are substantially the same as those applied by the Group in its financial statements for the year ended 31 December 2022 and which form the basis of the 2023 financial statements. The methodology for selecting assumptions underpinning the fair value calculations has not changed since 31 December 2022.

Basis of consolidation

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 Group's scope of consolidation included the following companies, all fully consolidated when included in the scope.

	At 30 June 2023		At 30 June 2022	
Companies	Interest percentage	Consolidation method	Interest percentage	Consolidation method
Biotec Laboratories Ltd	100%	FC	100%	FC
IT-IS International Ltd	100%	FC	100%	FC
Lab21 Healthcare Ltd	100%	DO	100%	DO
Novacyt US Inc	100%	FC	100%	FC
Novacyt Inc	100%	FC	100%	FC
Microgen Bioproducts Ltd	100%	DO	100%	DO
Novacyt SA	100%	FC	100%	FC
Novacyt Asia Ltd	100%	FC	100%	FC

Novacyt China Ltd	100%	FC	100%	FC
Novacyt UK Holdings Ltd	100%	FC	100%	FC
Primer Design Ltd	100%	FC	100%	FC

Legend: FC: Full consolidation

DO: Discontinued operation

Discontinued operations and assets held for sale

A discontinued operation is a component that either has been disposed of, or is classified as held for sale, and

(a) represents a separate major line of business or geographical area of operations,

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or

(c) is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are presented in the consolidated income statement as 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.

Where material, the analysis of the single amount is presented in the relevant note (see note 16).

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

No adjustments have been made in the statement of financial position.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group 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 September 2024. In making this assessment, the directors have considered the following elements:

- The working capital requirements of the business;

- A positive cash balance at 30 June 2023 of £81,734,000;

- The costs associated with the acquisition of Yourgene Health plc; and

- The DHSC commercial dispute having a trial date set for June 2024.

If, however, Novacyt had to pay the full value of the DHSC claim in the period up to and including September 2024, which is not the scenario that management considers to be likely, then the Group would not have sufficient funds to settle the liability without agreeing a payment plan or raising additional cash.

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.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost includes materials and supplies, and, where applicable, direct labour costs incurred in transforming them 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

The Group has an established credit policy under which the credit status of each new customer is reviewed before credit is advanced, including external credit evaluations where possible. Credit limits are established for all significant or high-risk customers, which represent the maximum amount permitted to be outstanding without requiring additional approval from the appropriate level of senior management. Outstanding debts are continually monitored by each division. Credit limits are reviewed on a regular basis, and at least annually. Customers that fail to meet the Group's benchmark creditworthiness may only transact with the Group on a prepayment basis.

Trade receivables are recorded initially at fair value and subsequently measured at amortised cost. This generally results in their recognition at nominal value less an allowance for any doubtful debts. Trade receivables in foreign currency are transacted in their local currency and subsequently revalued at the end of each reporting period, with any foreign exchange differences being recognised in the income statement as an income/expense.

The allowance for doubtful debts is recognised based on Management's expectation of losses without regard to whether an impairment trigger happened or not (an "expected credit loss" model). Through implementation of IFRS 9, the Group concluded that no real historical default rate could be determined due to a low level of historical write offs across the business. The Group therefore recognises an allowance for doubtful debts on the basis of invoice ageing. Once an invoice is overdue from its due date, based on agreed credit terms, by more than 90 days, this invoice is then more likely to default than those invoices operating within 90 days of their due date. As such, these invoices will be provided for in full as part of an expected credit loss model, except where Management have reviewed and judged otherwise.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be

no reasonable expectation of recovery may include the failure of the debtor to engage in a payment plan, and failure to make contractual payments within 365 days of the original due date.

Cash and cash equivalents

Cash equivalents are held 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 with original maturities of three months or less) and which have a negligible risk of change in value. All such items are measured at fair value, with any adjustments recognised in the income statement.

Trade payables

Trade payables are obligations to provide cash or other financial assets. They are recognised in the statement of financial position when the Group becomes a party to a transaction generating liabilities of this nature. Trade and other payables are recognised in the statement of financial position 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 statement of financial position when the corresponding obligation is discharged.

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, risks related to litigations and product warranties.

Long-Term Incentive Plan (LTIP)

Novacyt granted shares to certain employees under a LTIP adopted on 1 November 2017. The final tranches were

settled in 2022 and the scheme has now been fully settled.

In December 2021, Novacyt implemented a cash LTIP to qualifying employees, based on achieving certain annual EBITDA targets over a three-year qualifying period. The plan will vest on the third anniversary of the grant date and will be settled in cash.

In February 2022, a Performance Share Awards programme for executive management was created as part of its new LTIP. This LTIP replaced the previous phantom share award scheme which ended in November 2020.

The 2022 Performance Share Awards programme is structured as nil-cost options, giving a right to acquire a specified number of shares at a nil exercise price per share (i.e. for no payment) in accordance with the rules, governed by sections L-225-197-1 and seq. of the French Commercial Code ("actions gratuities").

The awards will vest over a three-year performance period, starting 1 January 2022 and ending on 31 December 2024, subject to the Company achieving certain total shareholder return growth conditions. The baseline for total shareholder return is based on the average closing price of the Company's shares in December 2021 which was £3.54. This will be compared to the equivalent figure in December 2024.

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 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 revenue recognised relating to performance obligations satisfied over time is not significant. As such, revenue is generally recognised at the point of sale, with little judgement required in determining the timing of transfer of control.

Some contracts with customers contain a limited assurance warranty that is accounted for under IAS 37 (see Provisions accounting policy). If a repair or replacement is not possible under the assurance warranty, a full refund of the product price may be given. The potential refund liability represents variable consideration.

Under IFRS 15.53, the Group can use either:

· The expected value (sum of probability weighted amounts); or

· The most likely amount (generally used when the outcomes are binary).

The method used is not a policy choice. Management use the method that it expects will best predict the amount of consideration based on the terms of the contract. The method is applied consistently throughout the contract. Variable revenue is constrained if appropriate. IFRS 15 requires that revenue is only included to the extent that it is highly probable that there will not be a significant reversal in future periods.

In making this assessment, Management have considered the following factors (which are not exclusive):

· If the amount of consideration is highly susceptible to factors outside the Group's influence;

· Whether the uncertainty about the amount of consideration is not expected to be resolved for a long period of time;

· The Group's experience (or other evidence) with similar types of contract;

· The Group has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances; and

· The contract has a large number and broad range of possible consideration amounts.

The decision as to whether revenue should be constrained is considered to be a significant judgement as the term 'highly probable' is not defined in IFRS 15. Management consider highly probable to be significantly more likely than probable.

Taxation

Income tax on profit or loss for the period comprises current 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 end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is the result of the Group's judgement based on the advice of external tax professionals and supported by previous experience in respect of such activities.

· 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 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 in the near-term.

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.

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 income statement, 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.

UK Patent Box regime

The UK Patent Box regime is a special low corporate tax rate used to incentivise research and development by taxing revenues from patented products differently from other revenues. On 30 March 2022 Novacyt (specifically Primer Design Ltd) received confirmation that the UK Intellectual Property Office had granted the key patent (ORF1a/b), with patent number GB2593010. This means that the effective rate of tax on profits (adjusted for certain rules) derived from the sale of products incorporating this patent is close to 10% rather than the current UK corporation tax rate of 25%.

The effective tax rate is given via a tax deduction and, due to the uncertainty over the precise timing of the tax relief available to the company and the complexity involved in making a claim for the first time, a tax asset has not been recognised. The asset will only be recognised when Management can reliably measure and predict the outcome of a Patent Box claim in terms of value and timing.

Research and development tax credits

Primer Design Ltd and IT-IS International Ltd benefit from tax credits in respect of some of their research activities. The tax credit is calculated per financial 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 the tax expense are surrendered for a repayable tax credit and treated as a governmental subsidy in the income statement.

In 2022, Primer Design Ltd and IT-IS International Ltd instead benefitted from an R&D expenditure credit in respect of some of their research activities. The tax credit is calculated per financial year as 13% of the actual expenditure and is shown in the income statement as a governmental subsidy. The credit is taxable and therefore the tax charge on this credit is included in the tax line of the income statement.

Profit/loss per share

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

Diluted profit/loss per share is determined by adjusting the profit/loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, taking into account the effects of all potential dilutive ordinary shares, including options.

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 or credited in arriving at operating profit on the face of the consolidated income statement.

3. Critical accounting judgements and key sources of estimate uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

· Constraint of revenue

Revenue is only constrained if it is highly probable there will not be a significant reversal of revenue in the future. Highly probable is not defined in IFRS 15 and so it is a significant judgement to be exercised by Management. The value of revenue related to performance obligations fulfilled in 2020 to which constraint has not been applied is £130,642,000 and relates to the Department of Health and Social Care "DHSC" dispute, further details of which are disclosed in note 18.

· 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 to determine the need for impairment on a customer-by-customer basis. Management use significant judgement in determining whether a credit loss provision is required.

At 30 June 2023, the Group had trade receivables of £25,209,000 against which a credit loss provision of £248,000 has been applied. At the date of publishing the interim financial statements, £23,957,000 of the 30 June 2023 receivables were overdue due to the contract dispute with the DHSC (see note 18). Management considers it to be more likely than not that the 30 June 2023 balances are recoverable; this is a significant judgement.

· Provisions for product warranty

The value of provision required is determined by Management based on available information, experience and, in some cases, expert estimates. Product warranty provisions are only included if it is considered to be probable that an outflow of economic benefit will be required. Determination of probable is a significant judgement especially in light of the dispute described in note 18.

Key sources of estimation uncertainty

The Group has a number of key sources of estimation uncertainty. Of these items, only the measurement of goodwill is considered likely to result in a material adjustment. Where there are other areas of estimates these have been deemed 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 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.

4. Revenue

The table below shows revenue on a geographical basis:

Amounts in £'000	(Unaudited)Six month30 June2023	(Unaudited)Six month30 June2022
Geographical area		
United Kingdom	814	8,447
France	196	122
Rest of Europe	584	2,851
America	764	3,514
Asia-Pacific	749	1,234
Africa	192	202
Middle East	40	138
Total revenue	3,339	16,508

Revenue has fallen due to a lower demand for COVID-19 tests.

The breakdown of revenue by operating segment and geographic area is presented in note 5.

5. 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 to make decisions regarding the

allocation of resources to the segment and to assess its performance; and

- for which discrete financial information is available.

The Group has identified four operating segments whose performance and resources are monitored separately. Following the Group's decision to discontinue the Microgen Bioproducts and Lab21 Healthcare businesses in 2022, the Lab21 Products segment, which is made up of these businesses, has been treated as a discontinued operation:

o Primer Design

This segment represents the activities of Primer Design Ltd, which is a designer, manufacturer and marketer of molecular 'real-time' qPCR testing devices and reagents in the area of infectious diseases based in Eastleigh, UK.

o IT-IS International

This segment represents the activities of IT-IS International Ltd, a diagnostic instrument development and manufacturing company specialising in the development of PCR devices for the life sciences and food testing industry based in Stokesley, UK.

o Lab21 Products

This segment represents the activities of Lab21 Products, which was a developer, manufacturer and distributor of a large range of protein-based infectious disease IVD products covering Microgen Bioproducts Ltd and Lab21 Healthcare Ltd, both based in Camberley, UK. As these businesses ceased trading in June 2022, this segment has been treated as a discontinued operation.

o Corporate

This segment represents Group central/corporate costs. Where appropriate, costs are recharged to individual business units via a management recharge process.

o Intercompany eliminations

This column represents intercompany transactions across the Group that have not been allocated to an individual operating segment. It is not a discrete segment.

The Chief Operating Decision Maker is the Chief Executive Officer.

Reliance on major customers and concentration risk

In H1 2023 and H1 2022 the Group was not dependent on one particular customer and there were no customers generating sales accounting for over 10% of revenue.

95.0% of receivables are with one counterparty, with whom there is a contract dispute as disclosed in note 18. Management considers it to be more likely than not that the 30 June 2023 balances are recoverable.

Breakdown of revenue by operating segment and geographic area

o At 30 June 2023

Amounts in £'000	Primer Design	IT-IS International	Total
Geographical area			
United Kingdom	796	18	814
France	159	37	196
Rest of Europe	379	205	584
America	689	75	764
Asia-Pacific	555	194	749
Africa	172	20	192
Middle East	28	12	40
Total revenue	2,778	561	3,339

o At 30 June 2022

Amounts in £'000	Primer Design	IT-IS International	Total

Geographical area			
United Kingdom	8,446	1	8,447
France	99	23	122
Rest of Europe	2,606	245	2,851
America	3,271	243	3,514
Asia-Pacific	853	381	1,234
Africa	201	1	202
Middle East	138	-	138
Total revenue	15,614	894	16,508

Breakdown of result by operating segment

o 6 month ended 30 June 2023

Amounts in £'000	Primer Design	IT-IS International	Corporate	Intercompany Eliminations	Total
Revenue	2,778	561	-	-	3,339
Cost of sales	-1,309	-374	-	9	-1,674
Sales and marketing costs	-1,281	-202	-23	-	-1,506
Research and development	-1,047	-192	-	-	-1,239
General and administrative	-3,007	-729	-684	-	-4,420
Governmental subsidies	154	-29	-	-	125

Earnings before interest, tax, depreciation and amortisation as per management reporting	-3,712	-965	-707	9	-5,375
Depreciation and amortisation	-935	-209	-33	18	-1,159
Operating (loss)/profit before exceptional items	-4,647	-1,174	-740	27	-6,534

o 6 month ended 30 June 2022

Amounts in £'000	Primer Design	IT-IS International	Corporate	Intercompany Eliminations	Total
Revenue	15,614	902	-	-8	16,508
Cost of sales	-11,125	-1,670	-	297	-12,498
Sales and marketing costs	-2,493	-172	-222	-	-2,887
Research and development	-2,996	-275	-	-	-3,271
General and administrative	-3,780	-520	-870	-	-5,170
Governmental subsidies	163	17	-	-	180
Earnings before interest, tax, depreciation and amortisation as per management reporting	-4,617	-1,718	-1,092	289	-7,138
Depreciation and amortisation	-840	-202	-15	16	-1,041
Operating (loss)/profit before exceptional items	-5,457	-1,920	-1,107	305	-8,179

Please note that in accordance with IFRS 5 the results of the Lab21 Products segment for 2022 and 2023 have been reported on a separate line 'Loss from discontinued operations' which is shown below EBITDA and thus all items above EBITDA have a nil value.

6. Cost of sales

Amounts in £'000	(Unaudited)Six month30 June2023	(Unaudited)Six month30 June2022
Cost of inventories recognised as an expense	1,157	5,530
Change in stock provision	-175	3,923
Freight costs	32	42
Direct labour	664	2,984
Product warranty	-	6
Other	-4	13
Total cost of sales	1,674	12,498

Total cost of sales has declined year on year reflecting the reduction in sales.

In H1 2023 the stock provision relating to continuing operations has decreased by a net £175,000 (H1 2022: increased by £3,923,000, predominantly due to providing for excess stock associated with falling COVID-19 sales). Stock, which had previously been provided for, has been written off and disposed of during H1 2023, with the cost being charged to 'Cost of inventories recognised as an expense' and a corresponding release of the stock provision being made.

Direct labour (including subcontractor costs) has decreased year on year as a result of scaling back production to align to lower sales.

7. Other operating income and expenses

Amounts in £'000	(Unaudited)Six month30 June2023	(Unaudited)Six month30 June2022
Other operating income	-	2
Total other operating income	-	2
Acquisition related expenses	-666	-
DHSC contract dispute costs	-640	-462
Restructuring expenses	-543	-
Other expenses	-13	-73
Total other operating expenses	-1,862	-535

2023 acquisition related expenses are associated with the acquisition of Yourgene Health plc.

DHSC contract dispute costs relate to legal and professional fees and product storage costs incurred in the ongoing commercial dispute.

Restructuring expenses in 2023 relate to Group-wide restructuring charges, as the Group continues to reduce its cost base.

8. Financial income and expense

Amounts in £'000	(Unaudited)Six month30 June2023	(Unaudited)Six month30 June2022

Financial foreign exchange gains	519	2,001
Interest received from discontinued operations	415	216
Other financial income	1,060	134
Total financial income	1,994	2,351
Interest on IFRS 16 liabilities	-19	-24
Financial foreign exchange losses	-1,731	-594
Discount of financial instruments	-3	-19
Interest paid to discontinued operations	-158	-86
Total financial expense	-1,911	-723

Financial foreign exchange gains and losses are driven by revaluations of the LTIP liability and bank and intercompany accounts held in foreign currencies.

Interest received from or paid to discontinued operations relates to interest on intercompany balances with Microgen Bioproducts Ltd and Lab21 Healthcare Ltd.

Other financial income relates to interest received on cash balances.

9. Tax income

The main rate of corporation tax in the UK is 25% for the corporation tax year beginning 1 April 2023 (2022: 19%). From 1 April 2023, a 19% small profits corporation tax rate was introduced for companies whose profits do not exceed £50,000.

The H1 2023 financials have been calculated using a corporation tax rate of 19%.

Taxation for other jurisdictions (mainly France) is calculated at the rates prevailing in the respective jurisdictions.

The Group's tax is the sum of the total current and deferred tax.

Amounts in £'000	(Unaudited)Six month30 June2023	(Unaudited)Six month30 June2022
Current tax income/(expense)		
Current year tax income/(expense)	123	-
Deferred tax income/(expense)		
Deferred tax income/(expense)	51	2,041
Total tax income/(expense) in the income statement	174	2,041

The tax income for the period can be reconciled to the loss before tax as follows:

Amounts in £'000	(Unaudited)Six month30 June2023	(Unaudited)Six month30 June2022
Loss before taxation	-8,313	-7,084
Tax at the UK corporation tax rate (2023: 19%, 2022: 19%)	1,580	1,346

Effect of different tax rates of subsidiaries operating in other jurisdictions	159	61
Change of the tax rate for the calculation of deferred tax	272	888
Effect of non-deductible expenses and non-taxable income	-40	-254
Change in unrecognised deferred tax assets	-1,761	-
Other adjustments	-36	-
Total tax income for the period	174	2,041

10. Loss per share

The loss per share is calculated based on the weighted average number of shares outstanding during the period. The 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. At 30 June 2023, there are no outstanding dilutive instruments.

Amounts in £'000	(Unaudited)Six month30 June2023	(Unaudited)Six month30 June2022
Net loss attributable to owners of the Company	-8,348	-8,699
Weighted average number of shares	70,626,248	70,626,248
Loss per share (£)	-0.12	-0.12
Diluted loss per share (£)	-0.12	-0.12
Loss per share from continuing operations (£)	-0.12	-0.07

Diluted loss per share from continuing operations (£)	-0.12	-0.07
Loss per share from discontinued operations (£)	-0.00	-0.05
Diluted loss per share from discontinued operations (£)	-0.00	-0.05

11. Inventories and work in progress

Amounts in £'000	(Unaudited)Six month30 June2023	(Audited)Year ended 31 December2022
Raw materials	8,977	8,562
Work in progress	1,947	2,854
Finished goods	3,153	3,404
Stock provisions	-11,618	-11,793
Total inventories and work in progress	2,459	3,027

Inventories and work in progress has fallen since December 2022, as stock built up during the COVID-19 pandemic is wound down to reflect a more normalised expected run-rate.

12. Trade and other receivables

Amounts in £'000	(Unaudited)Six month30 June2023	(Audited)Year ended 31 December2022

Trade and other receivables	25,209	25,485
Expected credit loss provision	-248	-214
Tax receivables - Value Added Tax	8,233	8,312
Receivables on sale of businesses	69	69
Other receivables	9	10
Total trade and other receivables	33,272	33,662

The trade receivables balance includes a £23,957,000 unpaid DHSC invoice raised in December 2020, in respect of products delivered during 2020, that remains unpaid at the date of publishing the interim accounts. Recovery of the invoice is dependent on the outcome of the contract dispute.

During 2021, £49,034,000 (including VAT) of products and services were delivered and invoiced to the DHSC which has now been included as part of the ongoing dispute. As these sales have not been recognised in accordance with IFRS 15, the revenue, trade receivable and VAT element of the transactions have been reversed. This accounting treatment does not change the Group's legal position or rights in relation to the dispute with the DHSC.

The 'Tax receivables - Value Added Tax' balance of £8,233,000 mainly relates to VAT paid in the UK on sales invoices in dispute with the DHSC. As these sales have not been recognised in accordance with IFRS 15, the revenue, trade receivable and VAT element of the transactions have been reversed, resulting in a VAT debtor balance.

Trade receivables balances are due within one year. Once an invoice is more than 90 days overdue, it is deemed more likely to default and as such, these invoices have been provided for in full as part of an expected credit loss model, except where Management have reviewed and judged otherwise.

13. Provisions

The table below shows the nature of and changes in provisions for risks and charges for the period from 1 January 2023 to 30 June 2023:

Amounts in £'000	(Audited) At 1 January2023	Increase	Reduction	(Unaudited) At 30 June2023
	-			
Provisions for restoration of premises	95	3	-	98
Provisions long-term	95	3	-	98
Provisions for restoration of premises	330	-	-285	45
Provision for litigation	157	-	-	157
Provisions for product warranty	19,813	-	-	19,813
Provisions short-term	20,300	-	-285	20,015

The provision for product assurance warranties predominantly relates to the notification of a product warranty claim with the DHSC (see note 18). Management have assessed the DHSC product warranty provision held at 31 December 2022 and have deemed that it is still appropriate at 30 June 2023.

14. Trade and other liabilities

Amounts in £'000	(Unaudited)Six month30 June2023	(Audited)Year ended 31 December2022
Trade payables	354	278
Accrued invoices	2,154	2,035
Social security liabilities	436	455
Tax liabilities - Value Added Tax	4	6

Other liabilities	11	13
Total trade and other liabilities	2,959	2,787

15. Share capital

	Amount of share capital in £'000	Amount of share capital in €'000	Unit value per sharein €	Number of shares issued
(Audited) At 31 December 2022	4,053	4,708	0.07	70,626,248
(Unaudited) At 30 June 2023	4,053	4,708	0.07	70,626,248

As of 30 June 2023 and 31 December 2022, the Company's share capital of €4,708,416.54 was divided into 70,626,248 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.

16. Discontinued operations

In early 2022, Novacyt commenced a strategic review of the business, which included a review of the Microgen Bioproducts and Lab21 Healthcare businesses to consider the merits of maintaining multiple company entities/names under the Novacyt Group umbrella versus a simplified business model and brand, which the directors believed could be more impactful.

In April 2022, Novacyt announced its intention to discontinue both businesses, and as at the end of June 2022 they had ceased day to day trading operations.

In accordance with IFRS 5, the net result of the Lab21 Products business has been reported in the line 'Loss from discontinued operations' on the consolidated income statement.

The table below presents the detail of the loss generated by these two businesses as of 30 June 2023 and 2022:

Amounts in £'000	(Unaudited)Six month30 June2023	(Unaudited)Six month30 June2022
Discontinued Operations		
Revenue	-	1,349
Cost of sales	2	-979
Gross profit	2	370
Sales, marketing and distribution expenses	-	-300
Research and development expenses	-	-17
General and administrative expenses	3	-2,839
Operating profit/(loss) before exceptional items	5	-2,786
Other operating expenses	-	-173
Operating profit/(loss) after exceptional items	5	-2,959
Financial income	15	86
Financial expense	-229	-371
Loss before tax	-209	-3,244
Taxation (expense)/income	-	-412
Loss after tax from discontinued operations	-209	-3,656

2023 balances relate to clearing balance sheet items and interest on intercompany balances.

17. Notes to the cash flow statement

Amounts in £'000	(Unaudited)Six month30 June2023	(Unaudited)Six month30 June2022
Loss for the period	-8,348	-8,699
Loss from discontinued operations	-209	-3,656
Loss from continuing operations	-8,139	-5,043
Adjustments for:		
Depreciation, amortisation, impairment loss and provisions	877	2,841
Losses on disposal of assets	89	60
Income tax credit	-299	-1,809
Operating cash flows before movements of working capital	-7,681	-7,607
Decrease in inventories (*)	568	7,264
Decrease in receivables	908	3,561
Increase/(decrease) in payables	758	-9,069
Cash used in operations	-5,447	-5,851
Income taxes received	789	4,244
Finance income	-1,033	-55
Net cash used in operating activities	-5,691	-1,662
Operating cash flows from discontinued operations	-1,287	-1,589

Operating cash flows from continuing operations	-4,404	-73

(*) The variation of the inventories value results from the following movements:

Amounts in £'000	(Unaudited)Six month30 June2023	(Unaudited)Six month30 June2022
Decrease in the gross value of inventory	743	3,218
(Decrease)/increase in the stock provision	-175	4,046
Total variation of the net value of inventories	568	7,264

The details for the change in the stock provision are covered in notes 6 and 11.

18. Contingent liabilities

During 2021, the Group received notification of a contract dispute between its subsidiary, Primer Design Ltd, and the DHSC related to revenue totalling £129,125,000 in respect of performance obligations satisfied during the financial year to 31 December 2020.

During 2021, a further £49,034,000 (including VAT) of products and services were delivered and invoiced to the DHSC which have subsequently been included as part of the ongoing dispute. Management made the judgement that in accordance with IFRS 15, Revenue from Contracts with Customers, it was not appropriate at that stage in the dispute to recognise as revenue, any sales invoices raised to the customer in 2021 that were in dispute. However, Management remains committed to obtaining payment for these goods and services.

Payment for £23,957,000 of invoices in respect of products delivered during 2020 remains outstanding at the date of publishing the interim accounts and recovery of the debt is dependent on the outcome of the dispute.

On 25 April 2022, legal proceedings were issued against Novacyt and Primer Design Ltd in respect of amounts paid to Primer Design Ltd totalling £134,635,000 (including VAT) by the DHSC. This refers to £132,814,000 (including VAT) of reagent sales out of a total disputed amount of £154,950,000 (£129,125,000 excluding VAT as previously reported) plus £1,821,000 (£1,517,000 excluding VAT) of q16 instruments which have been added to the dispute. This takes the total 2020 revenue in dispute to £130,642,000.

On 15 June 2022, Novacyt and Primer Design Ltd filed a defence of the claim received on 25 April 2022, and Primer Design Ltd made a counterclaim of circa £81,500,000 including interest and VAT against the DHSC.

On 30 January 2023, Novacyt announced that the UK High Court had directed Novacyt that the hearing of the case between Primer Design Ltd / Novacyt SA and the DHSC has been listed to commence on 10 June 2024 and is expected to last 16 days.

The Group remains committed to defending the case and asserting its contractual rights, including recovering outstanding sums due from the DHSC.

Management have reviewed the position at 30 June 2023 and deem this to be an appropriate reflection of the current commercial dispute.

Management and the Board of Directors have reviewed the product warranty provision totalling £19,753,000 booked in 2020 in relation to the DHSC dispute and have deemed that it remains appropriate at 30 June 2023.

19. Subsequent events

On 3 July 2023, Novacyt announced the proposed cash acquisition of Yourgene Health plc, which subsequently completed on 8 September 2023.

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