

Full year results and update on growth strategy

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Novacyt S.A.

28 April 2022

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

Full year 2021 results and update on growth strategy

Full year revenue and EBITDA in line with market expectations despite challenging and changing COVID-19 testing market

Leveraging core capabilities to become a leading, global clinical diagnostics company targeting annual revenues in excess of £100m in five years

Paris, France and Camberley, UK - 28 April 2022 - Novacyt (EURONEXT GROWTH: ALNOV; AIM: NCYT), an international specialist in clinical diagnostics, announces its audited results for the year ended 31 December 2021 and provides an update on its growth strategy.

David Allmond, Group CEO of Novacyt, commented:

"In 2021, we delivered a financial performance in line with market expectations. The Company responded to a rapidly changing marketplace and diversified from predominately servicing government COVID-19 testing tenders, to the private market for COVID-19 testing in travel, sport, film, media, and workplace settings. Novacyt's reputation for the innovation and high performance of its diagnostic technologies was reinforced throughout the pandemic and the Company has established a strong foundation of R&D, manufacturing, regulatory and commercial capabilities, supported by a strong financial position.

"As a result, Novacyt is well positioned for future growth and value creation and there are exciting times ahead for the Company as we move past the current pandemic and continue our journey to become a leading global clinical diagnostics company focused on unmet needs in infectious diseases. To achieve this, our highly talented team will leverage our proven track record in rapidly responding to disease outbreaks, our agility to meet the needs of a diverse and international customer base, and our suite of products and services that enable precision testing to be deployed on the frontline."

Operational highlights

- Significant diversification managed from predominantly fulfilling central government COVID-19 testing contracts to varied and fast-paced private COVID-19 testing market through relevant product launches (15 new assays) and innovative workflow solutions (including VersaLab™)
- Strengthened R&D capability whilst shifting focus to the post-COVID-19 portfolio and ensuring readiness for new In Vitro Diagnostic Regulation ("IVDR") in Europe effective from May 2022
- Complete integration of IT-IS International, following the acquisition in Q4 2020, supported an increase in the development of end-to-end testing solutions.
- Cemented Novacyt's position as "global first responder" with new contracts secured with WHO and UNICEF for the supply of COVID-19 products
- Key contract wins with major customers:
 - o Private test providers, including travel, sport, film, media, and workplace settings
 - o Inclusion in National Framework Agreement, resulting in a new £4.7m contract with the DHSC for the supply of PROmate® COVID-19 tests to the NHS
- David Allmond appointed as Chief Executive Officer alongside strengthened executive team and commercial operations to support future growth

Financial highlights

£'000	2021	2021	2021	2020
	Results before exceptional items	Exceptional items*	Consol	Consol
Revenue	95,780	-	95,780	277,204
Gross profit	65,448	(35,770)	29,678	211,500
Gross profit %	68%	N/A	31%	76%
EBITDA	37,088	(35,770)	1,318	176,145
EBITDA %	39%	N/A	1%	64%
Recurring operating (loss) / profit **	35,083	(35,770)	(687)	174,843
Operating (loss) / profit	27,975	(35,770)	(7,795)	167,441
(Loss) / profit after tax	19,246	(28,974)	(9,728)	132,423
(Loss) / profit after tax attributable to the owners	19,246	(28,974)	(9,728)	132,423

* Due to the ongoing commercial dispute with the DHSC, £35.8m exceptional cost of sales have been incurred in 2021 (2020: £nil) that are one-off in nature. The two largest items were a £26.1m stock provision, as a result of the Group buying stock to fulfil expected future DHSC orders that did not materialise; and the expensing of £6.9m of stock delivered to the DHSC which has not been paid for as it is now part of the ongoing contract dispute.

** 2021 recurring operating loss is stated before £7.1m of non-recurring charges as follows:

1. A £5.8m impairment charge in relation to the goodwill associated with the Lab21 Products and IT-IS International businesses.

2. £0.8m costs in relation to the ongoing DHSC contract dispute.

3. £0.5m restructuring expenses.

· Group revenue of £95.8m in 2021 compared with £277.2m in 2020, excluding £40.9m of 2021 DHSC revenue under contractual dispute, as previously announced, in line with management guidance

· Revenue derived from COVID-19 products accounted for 86% of total revenue in 2021, compared with 95% in 2020

· Significant shift in 2021 away from large, centralised contracts towards independent testing, focused on private laboratories and non-governmental organisations (NGOs):

o Private laboratory revenues increased by 98% year-on-year from £28.3m to £55.9m, including £10.5m revenue from NGOs

o Private testing accounted for 58% of 2021 revenue at £55.9m, compared with 10% in 2020 at £28.3m

o The UK represented 45% of total revenue in 2021 at £42.7m versus 79% in 2020 at £219.4m

· Cash position at 31 December 2021 was £101.7m, compared with £91.8m at 31 December 2020, and the Company remains debt free

Post-period highlights

· Additional product approvals under the UK Health Security Agency's Medical Device (Coronavirus Test Device Approvals) (Amendment) Regulations 2021 ("CTDA"), including PROMate® COVID-19 2G Real-Time PCR test in February and PROMate® COVID-19 1G (q32) Real-Time PCR test in April. PROMate® COVID-19 1G (q16 and q32) remain on the National Microbiology Framework

· As communicated in January 2022, Novacyt commenced a strategic review of its Lab21 Healthcare and Microgen Bioproducts businesses. Following conclusion of the review, Novacyt is proposing to discontinue both businesses. It is anticipated that the closure of these businesses will be cash neutral in 2022

· On 30 March 2022, Novacyt was granted a key patent in relation to ORF1a/b, which will lead to a corporation tax credit against future profits and is back dated to the original patent submission date in October 2020

· On 25 April 2022, the Company was notified that the DHSC has now issued a claim against Primerdesign Ltd and Novacyt S.A. for £134.6m relating to its second supply contract, announced on 29 September 2020. The claim amount is broadly in line with the disputed Q4 2020 revenue, as previously announced by the Company

Strategy highlights

· Focus set on high growth markets of infectious diseases, respiratory, gastro-intestinal (GI) infections, transplant, and insect-borne pathogens

· Leverage competitive advantages to ensure successful execution:

- o Near patient semi-automated instrumentation solutions for smaller laboratory settings
- o Track record of successful multi-product development
- o Agility as first responder with historical trading relationships with key NGOs
- Use balance sheet to accelerate and enhance the overall strategy:
 - o Invest in early innovation in both test menu and instrumentation, as underlined by development of CO-Prep™
 - o Accelerating non-COVID-19 molecular portfolio through distribution and OEM partnerships
 - o Actively pursue strategic M&A transactions to build for scale and diversify the Novacyt business
- Maximise existing non-COVID-19 portfolio to minimise impact of new product development timelines:
 - o Relaunch existing molecular research-use-only portfolio in H2 2022 and leverage for clinical use through regulatory approval
 - o Upgrade and re-focus distributor network and add direct sales in targeted countries
 - o Expand IT-IS instrument sales using reach of Novacyt distribution channels
- Maintain position as a leading supplier of COVID-19 diagnostics:
 - o Use bioinformatics expertise to track the rapidly evolving nature of SARS-CoV-2 and support continued innovation where required
 - o Developing "dry" versions of key molecular products to enable ambient shipping and convenient storage to developing markets
 - o Launching key Lateral Flow Test (LFT) products to follow the shift towards higher prevalence of antigen testing

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

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About Novacyt Group

The Novacyt Group is an international diagnostics business generating an increasing portfolio of in vitro and molecular diagnostic tests. Its core strengths lie in diagnostics product development, commercialisation, contract design and manufacturing. The Company supplies an extensive range of high-quality assays and reagents worldwide. The Group directly serves microbiology, haematology and serology markets as do its global partners, which include major corporates.

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

Chief Executive Officer's Review

I joined Novacyt at an exciting time. Having built a reputation for the innovation and high performance of its diagnostic technologies in the scientific and clinical community, Novacyt was able to rapidly respond to the pandemic through the development of a reliable COVID-19 PCR testing portfolio. The Company has established a strong foundation of R&D, manufacturing, regulatory and commercial capabilities, as well as an extensive portfolio, track record of innovation, and an exceptional team of talented individuals. This is combined with a strong, leverageable cash position on the balance sheet. As a result, the Company is well positioned for future growth and value creation.

I am excited to combine these core capabilities and strengths with my experience and track record of building global healthcare businesses, supported by Novacyt's expert leadership team, to make a difference to global health through the development of a leading global clinical diagnostics company in the field of infectious diseases.

Strengthening the core business and team to support continued growth and innovation

During 2021, the Company demonstrated its flexibility and agility to rapidly respond to customer needs for COVID-19 testing, moving from a largely government contract base, to supplying a highly diversified set of customers in the private sector focusing on film and media, events, employee, and travel testing. Taking testing to the front line with highly sensitive, medium throughput, scalable, molecular testing solutions with exceptional customer service and technical support puts Novacyt in a strong position as it looks to continue diversifying beyond COVID-19.

Novacyt is shifting to become market and customer led, as outlined in our strategy update in January 2022, focusing on solutions to serve high unmet needs in infectious diseases. The integrated near-patient workflow the Company has developed, with its proprietary q16 and q32 PCR instruments and user friendly direct-to-PCR assays, has been further enhanced with semi-automation through the recent launch of CO-Prep™. This product automates liquid handling, reducing hands-on time and risk of contamination whilst providing robust sample stewardship to reduce the chance of human error. This workflow platform can, in the future, be used where currently decentralised sample-to-result solutions are not easily scalable, slow, and very costly.

In 2021, the Company continued to diversify its revenue streams beyond the UK, with over half its revenues from international markets. This trend is expected to continue as the Company strengthens its focus in Europe, where CE Mark accreditation applies across the European Economic Area largely without additional regulatory hurdles, and in the Americas and Asia Pacific where Novacyt's distributor network is being refined and enhanced.

With the impending implementation of the European IVDR in late May 2022, the Company is well placed to manage this increased clinical and regulatory complexity where other smaller organisations may struggle. It is anticipated this change will ultimately be a competitive advantage for a mid-size, established clinical diagnostics company which can take advantage of opportunities with lower competition.

In addition to the clinical diagnostics and instrument portfolio, Novacyt has an extensive life sciences portfolio of research-use-only ("RUO") products developed before the pandemic. In 2021 and early 2022, the portfolio has been refreshed and refined to ensure the primers and probes are up to date to reliably target given pathogens. The portfolio will be relaunched in the second half of 2022 to deliver near-term growth to underpin the base business. This portfolio will also act as an innovation engine for future IVD products for use in human health.

To support the Company's growth, the executive team has been reorganised and strengthened and we continue to enhance capability across key areas of the business, including R&D, regulatory and manufacturing/supply. Most notably, in 2021 the Company invested significantly to strengthen the commercial organisation, recruiting commercial leaders with significant diagnostic industry experience to execute on the international growth strategy.

Whilst we note COVID-19 remains with us, and we continue to offer one of the market's best diagnostic portfolios for SARS-CoV-2 enabling our customers to continue tackling the virus on the front line, we are excited by the future of Novacyt as we evolve the business beyond the pandemic.

Lab21 Healthcare and Microgen Bioproducts

As communicated in January 2022, the Company commenced a strategic review of its Lab21 Healthcare and Microgen Bioproducts businesses, which has now concluded. As outlined in the review, the costs associated with updating the existing portfolios in these businesses to comply with IVDR and ISO regulations are prohibitive versus the sales opportunity it presents.

Therefore, Novacyt is proposing to discontinue both businesses, which will be treated as discontinued under IFRS 5 for 2022 accounting. The estimated sales impact of this decision is circa £2.9m in 2022, with a gross margin reduction of £1.45m, which is expected to be fully offset by cost savings. A cash restructuring charge of circa £0.5m is expected, however, this should be fully financed from in-year savings and the release of working capital to make the closure of the businesses cash neutral in 2022.

Ongoing dispute with the DHSC

As previously disclosed, the business remains in dispute with the DHSC in relation to a supply contract entered into in Q4 2020, which has now become a legal claim. The 2021 accounts show the underlying performance of the business by excluding any financial impact of the disputed revenue. The Company is disappointed a satisfactory resolution has not yet been found and continues to believe it has strong grounds to assert its contractual rights in the claim. The Board is determined to carry on with the core business and to use the Company's balance sheet to invest in both continued organic growth and M&A opportunities to support its strategic aims.

Outlook

Group revenues in Q1 2022 were £13.1m (£10.1m COVID-19 related) compared to £34.4m (£31.0m COVID-19 related) in Q1 2021. This shows a 67% decline in COVID-19 related revenues, which is faster than previously anticipated by the Board at the time of the January 2022 trading update. If this rate of COVID-19 related sales decline continues for the remainder of 2022, the Board expects full year revenues of circa £35m-£45m. This assumes expansion of non-COVID-19 revenue in 2022 versus 2021 which, as outlined in this statement, work is ongoing to accelerate through both internal R&D and external partnerships. Opex costs will be managed

aggressively to maintain double-digit underlying EBITDA as a percentage of revenue for the full year.

Looking ahead, Novacyt's management believes it can achieve annual revenue in excess of £100m in five years, while also delivering profit margins comparable to its peer group. This projection is based on the successful implementation of the strategy to deliver material growth in non-COVID-19 revenues.

Strategic Review

Infectious diseases pose a significant burden to populations around the world. Recent examples include the COVID-19 and influenza outbreaks, where viruses cross the animal-human divide to infect people and easily spread from person to person. These are considered novel to humans and have the potential to become global pandemics. Pathogens are also subject to genetic mutations leading to the emergence of new variants, as we have experienced with the COVID-19 pandemic. In addition, the emergence of antimicrobial resistance, where bacteria, viruses, fungi and parasites change over time and no longer respond to medicines, leaves us at significant risk from being unable to treat diseases, leading to significant morbidity and mortality. Climate change also continues to accelerate the spread of vector borne diseases such as Zika, Yellow Fever and Dengue as mosquitos expand their habitats. On a macro level, these issues drive Novacyt to work towards finding solutions and to materially contribute to global health.

The Company's vision is to become a leading global clinical diagnostics company in the fight against infectious diseases by enabling informed clinical decision making through quality diagnostics delivered in the right place at the right time.

Having undergone a period of internal review, Novacyt's management remains focused on the previously announced strategic development pillars of portfolio development, geographic expansion, and business development. This will support the development of a substantive, sustainable base business and will serve to provide financial stability for the Company moving forward. It will also act as an innovation engine so Novacyt can continue to be a global first responder tackling disease outbreaks and neglected tropical diseases, working with the WHO, other NGOs and philanthropic organisations.

The regulatory landscape is evolving towards the implementation of IVDR in Europe and so the stakes are higher in terms of clinical research and regulatory capability. Novacyt believes this is ultimately to its advantage with its scale of operation, leaving smaller companies struggling and therefore leading to potential consolidation and reduced competition. There is no intention to compete head on with the large diagnostic providers but rather focus on attractive opportunities where these firms choose not to focus.

Portfolio development

RUO life sciences portfolio

Novacyt has a broad RUO life sciences portfolio developed prior to the pandemic. In late 2021 and early 2022, this has been refreshed and refined and will be relaunched in the second half of 2022. These are typically used in food, animal health, water and human pathogen testing, and Novacyt plans to commercialise these by revitalising its legacy distributor network which specialises in this kind of portfolio and customer base and via an in-house e-commerce platform to drive near term revenue and contribution. The portfolio consists of a wide range of primers, probes, and master mixes which are used to develop laboratory-based PCR tests in a research context to detect different pathogens.

Importantly, in addition to offering foundational growth for the Company, this broad RUO portfolio also serves as an innovation engine for future IVD products for use in human health.

Clinical diagnostics in human health

As Novacyt diversifies beyond the pandemic, it has conducted extensive market research and advisory boards to determine areas of focus and investment. It is confident it can succeed with these new market opportunities given its track record of agility and responsiveness to develop solutions for its diversifying customer base. The Company also has the necessary technology and product platforms developed to ensure it is best placed to leverage opportunities, including extracted PCR for open systems (genesig®), direct-to-PCR for its q16 and q32 instruments (PROmate®), and semi-automated workflows (CO-Prep™ liquid handling). It has also developed VersaLab® for installation of its workflow solutions where they are needed, regardless of location. Having studied the market research, the Company will initially focus on the following therapeutic areas for organic R&D investment:

- Seasonal respiratory diseases, where the testing market is estimated to be worth approximately \$1.4bn and is growing at a CAGR of approximately 4%. Through its research, Novacyt has confirmed it is already on the right track with its ongoing development of a respiratory panel for COVID-19 combining influenza A/B and RSV A/B (Winterpanel™). The Company is also evaluating the need for additional respiratory panels, including atypical pneumonia to cover bacteria, such as bordetella, legionella and mycoplasma, and panels for other respiratory viruses such as parainfluenza, adenovirus and rhinovirus.
- Gastro-intestinal (GI) infections and is embarking on the development of viral panels covering viruses such as norovirus, rotavirus and adenovirus and a bacterial panel to include bacteria such as clostridium difficile, salmonella, shigella. These panels will be designed for a near-patient workflow that can be deployed in "spoke labs" such as in medium district general hospitals, community hospitals, hospital wards or for example in nursing homes, amongst other possible settings. The global GI testing market is estimated to be worth over \$630m and is growing at a CAGR of approximately 5%.
- The Company had, prior to undertaking its market research, embarked on developing single analyte transplant products for cytomegalovirus, Epstein-Barr virus and BK virus infections on its genesig® platform, which can be run on existing laboratory systems, with extraction, where sample flexibility and sensitivity are key, and quantification of viral load is required. The Company continues to see this as a growth opportunity, with the global transplant market for monitoring viral load in immunocompromised patients estimated to be worth \$151m with a CAGR of approximately 5%.
- Novacyt is embarking on the development of a viral panel for insect borne diseases, such as Dengue, Zika and Yellow fever, where the Company already has RUO assays. As mosquitos' habitats expand, rates of these associated diseases are increasing and have become a priority for the WHO, which has led to the launch of the organisation's Global Arbovirus Initiative. Including this panel in the development strategy not only expands its test menu and serves unmet needs, in combination with its near patient workflow, but also aligns squarely with the

Company's "global first responder" strategy of tackling outbreaks and supporting neglected tropical disease diagnosis. The global market for insect borne viral diseases is estimated to be worth \$156m, growing at a CAGR of approximately 5%.

· Beyond these initial areas of unmet need that we have prioritised, we are evaluating additional areas to develop solutions in areas such as STI, UTI, hospital acquired infections, sepsis and meningitis/encephalitis. The Company will provide more insight on these additional areas as it executes against the initial priorities outlined in this plan.

Novacyt believes that some of these R&D projects will start to be commercialised in 12 months' time, with other developments taking between 18 and 24 months. The Group will also look to supplement these strategic initiatives with opportunistic inorganic growth as outlined below.

Novacyt continues to supply products for COVID-19, with a broad portfolio of frontline molecular diagnostics. The Company also continues to innovate in this area, including the development of a "dry" formulation of PROMate® to enable ambient shipping and convenient storage. Further ahead, its COVID-19 portfolio will expand to include a saliva based lateral flow self-test, pending European regulatory approval and a professional use lateral flow test.

Instrumentation

The Company sees its instrument strategy as integral to its near patient workflow solutions offering to customers. The Company has refined and enhanced its differentiated, mid-size 16 and 32 well PCR instrument portfolio. This q instrument series offers customers a closed system specifically designed to run Novacyt PROMate® direct-to-PCR assays. In addition, Novacyt's MyGo range, acquired as part of IT-IS, offers customers an open instrument platform for which the Company can supply an extensive range of RUO assays.

In addition to hardware and chemistry, Novacyt provides a dedicated field technical team and customer services team who offer exceptional customer support. In Q1 2022, Novacyt launched the CO-Prep™ for automated liquid handling in the PROMate® workflow and plans to diversify this technology to handle additional assays in the near future. This semi-automated near patient workflow introduces labour efficiencies by reducing hands-on time and thus introducing "walk away time" for busy lab technicians, reduces contamination risk and brings sample stewardship in to play to reduce human error.

Moving forward, Novacyt plans to add extraction capability as an option where sample flexibility, high sensitivity and quantification are important for the particular use case. This workflow development was undertaken to serve customer needs during the pandemic and now serves as a highly competitive platform for Novacyt to leverage beyond COVID-19, into new areas of high unmet need in infectious diseases identified elsewhere in this statement.

Geographic expansion

In 2021, Novacyt delivered 55% of its revenues from sources outside the UK, an increase on 21% in 2020. The Company's management expects this trend to continue through diversification of its product offering and as the business grows into a global clinical diagnostics company. To support this ex-UK growth, Novacyt has appointed highly experienced diagnostics leaders across its business, including a global head of marketing, and general managers of EMEA, UK and global key accounts.

New sales leads have also been hired for both northern Europe, based in Germany, and southern Europe to support Novacyt's strengthened focus on Europe, and maximise potential sales in markets where CE Mark accreditation applies without additional regulatory hurdles. Beyond Europe, sales will be managed via Novacyt's distributor network. However, the Company has appointed sales leads in Latin America and the US to ensure this network is efficiently managed and Novacyt can most effectively leverage its product portfolio.

Novacyt remains committed to enhancing its global distributor network, which will be uniquely positioned to support the revitalised RUO and new and existing IVD portfolios. A strengthened distributor network will also be well placed to increase sales of Novacyt's instrument portfolio. Novacyt also intends to ensure that stronger contracting and partnership oversight are applied through this enhanced global distributor network.

These changes, supporting UK, Europe and international growth, positions the Company well as it aims to become a global, leading clinical diagnostic company in the fight against infectious diseases.

Business development

Novacyt is seeking to drive value by deploying its capital to deliver inorganic growth in parallel to its ongoing R&D investments. There are three main pillars to the business development strategy:

- Early innovation, where Novacyt has already proven success by investing in and delivering a viable commercial product in the form of CO-Prep™ for automated liquid handling and enhanced workflow, and where it is investing in the development of an exciting point-of-care biosensor technology. The Company continues to look for potentially disruptive technology where it can support and accelerate development to bring technologies to market
- Accelerating the molecular portfolio beyond COVID-19, including extraction capability, via distribution and OEM deals ahead of organic R&D efforts delivering output
- Strategic M&A transactions to build for scale and diversify its business

Bringing these strategic goals together offers an opportunity to evolve the Novacyt business beyond the pandemic and take it on a journey of sustainable growth through the reignition of its RUO portfolio, leveraging its product platforms and semi-automated workflow solutions to deliver medium throughput, scalable, near patient, high sensitivity testing in the right place at the right time. Novacyt is on the way to becoming a leading clinical diagnostics company in the fight against infectious diseases. The Board estimates that the business will generate in excess of £100m of annual revenues in five years, while also delivering industry standard profit margins.

FINANCIAL REVIEW

Overview

Novacyt's underlying business performed well in a challenging and diverse COVID-19 market in 2021, generating sales of £95.8m and EBITDA of £37.1m, excluding the impact of cost of sales exceptional charges. Group EBITDA was positive for the fifth year running both before and after cost of sales exceptional charges, contributing to the year-on-year cash increase.

Cash at the end of 2021 was £101.7m, providing the Group with a solid foundation for its future strategy.

Revenue performance

The Group delivered revenue of £95.8m in 2021, of which COVID-19 products accounted for 86% of sales, compared with 95% of sales in 2020. Sales to private laboratories increased by 98% year-on-year to £55.9m, compared with £28.3m in 2020. 2021 revenue included £10.5m from NGOs.

· Primerdesign FY21: £89.9m, FY20: £272.8m.

· IT-IS International FY21: £9.3m (before intercompany eliminations*), FY20: £6.9m (post acquisition and before intercompany eliminations*).

· Lab21 Products (including Lab21 Healthcare and Microgen Bioproducts) FY21: £4.6m (before intercompany eliminations*), FY20: £5.2m (before intercompany eliminations*).

*Please note that there were intercompany sales eliminations in 2021 totalling £8.0m and in 2020 totalling £7.7m.

Primerdesign delivered sales of £89.9m (2020: £272.8m) and remains the main generator of revenue for the Group, of which £84.0m (93%) related to COVID-19 sales and £5.0m non-COVID-19 sales (7%). Following the launch of one of the world's first approved polymerase chain reaction (PCR) tests in Q1 2020, the business launched 15 new assays in 2021 to support laboratories, clinicians, and private testing of COVID-19. In addition, the business launched VersaLab™ mobile processing laboratories and VersaLab™ Portable to expand near-patient testing opportunities in private sector testing.

Core distributor and reseller business across UK and international markets delivered £32.2m revenue, with sales to over 80 countries. Despite price erosion and market competition, the distributor business retains a strong global footprint and has increased its contribution from 18% of total sales in 2020 to 36% in 2021.

The private sector testing market delivered £55.9m revenue in 2021, equating to 62% of total sales, compared with £32.1m revenue and 12% of total sales in 2020. 2021 includes £10.5m revenue from NGOs, such as UNICEF, and saw a large shift in market demand, principally in the travel and media sectors.

The Asia-Pacific region saw growth of 37% taking sales to £7.3m for 2021 driven by strong distributor sales. The European region maintained strong sales with revenue of £31.0m in 2021, in line with the prior year. Strong sales of q16/q32 instruments continued in 2021, helping to grow the installed base with over 300 instruments placed during the year.

UK revenues fell significantly in 2021 as a result of significantly lower sales to the DHSC / UK Health and Security Agency compared with 2020.

IT-IS International delivered sales of £9.3m in 2021 compared with £6.9m of post-acquisition sales in 2020. The £9.3m included £6.5m intercompany sales that are eliminated in the Group's consolidated accounts. The business placed over 500 instruments in its MyGo product range in over 35 countries. IT-IS International generated sales of £9.3m (before intercompany eliminations) in 2021 compared with £6.9m (before intercompany eliminations) of post-acquisition sales in 2020.

Lab21 Products sales fell by £0.6m in 2021 to £4.6m, compared with sales of £5.2m in 2020. The £4.6m included £1.4m intercompany sales that are eliminated in the Group's consolidated accounts. This intercompany revenue relates to services that Microgen Bioproducts provided to Primerdesign in support of manufacturing COVID-19 kits, rather than outsourcing to a third party and thus diluting the gross profit. The Lab21 Products business continued to be impacted in 2021 by its core customers diverting testing from veterinary and food testing to COVID-19 testing. Lab21 Products revenue of £4.6m (before intercompany eliminations), is down 11% from 2020. The core business continued to be impacted by customers diverting their testing laboratories and procedures from veterinary and food testing to COVID-19 testing, to support the global pandemic efforts.

Gross Profit

The underlying Group business delivered a gross profit of 68% or £65.4m which is below the 2020 gross profit of 76%. This is due to two main factors i) a higher stock provision based on obsolescence of COVID-19 products as variants drove product proliferation; and ii) margin dilution as result of increased instrument sales as the Group builds its installed base.

Due to the ongoing commercial dispute with the DHSC £35.8m of exceptional costs of sales have been incurred in 2021 that are one-off and non-recurring. The two largest items making up the £35.8m are a £26.1m stock provision, as a result of the Group buying stock to fulfil expected future DHSC orders that did not materialise and the expensing of £6.9m of stock delivered to the DHSC which has not been paid for as it is now part of the ongoing contract dispute. This reduces the overall Group gross profit to 31% or £29.7m.

Operating Expenditure

Group operating costs fell by £7.0m year-on-year to £28.4m in 2021, compared with £35.4m in 2020. Further investment was made in the workforce and headcount increased from 237 at the end of December 2020 to 283 at the end of December 2021.

The 2021 fall in operating costs was mainly due to the £19.0m Long Term Incentive Plan ("LTIP") expense in 2020 that was not repeated in 2021. This saving was offset by: higher labour costs as the size of the workforce increased, increased research and development costs to allow the development of new products, higher advertising and marketing costs to support the launch of new products, higher insurance premiums and £0.5m of charitable donations in 2021.

EBITDA

The Group delivered an EBITDA before cost of sales exceptional items of £37.1m (39%) in 2021 compared with £176.1m in 2020, driven mainly by significantly reduced sales. After cost of sales exceptional items the Group EBITDA was £1.3m (1%).

Operating profit/loss

The Group generated a recurring operating profit before cost of sales exceptional items of £35.1m compared with £174.8m in 2020, due to lower year-on-year sales. Amortisation and depreciation increased to £2.0m from £1.3m in 2020. Depreciation charges increased to £1.3m (2020: £0.6m) as a result of increased capital expenditure, as we have in-sourced more manufacturing work and reduced our reliance on sub-contractors, whilst amortisation charges remained flat year-on-year at £0.7m. The 2021 depreciation charge included £0.4m IFRS 16 leasing costs, predominantly covering the rental charges for Novacyt premises. After cost of sales exceptional items the Group moved to a recurring operating loss of £0.7m.

The Group delivered an operating profit before cost of sales exceptional items of £28.0m including non-recurring charges of £7.1m compared with £167.4m in 2020. The 2021 non-recurring charges comprise a £5.8m impairment charge in relation to the goodwill associated with the Lab21 Products and IT-IS International businesses, £0.8m legal and professional costs in relation to the ongoing Department of Health and Social Care contract dispute and £0.5m restructuring costs, predominantly covering redundancy payments. After cost of sales exceptional items the Group moved to an operating loss of £7.8m.

The Group generated a profit after tax before cost of sales exceptional items of £19.2m compared with £132.4m in 2020. After cost of sales exceptional items the Group moved to a loss after tax of £9.7m, stated after charging other financial expenses of £2.0m (2020: £0.9m) and a tax credit of £0.1m (2020: charge of £32.7m). Other financial expenses in 2021 are primarily comprised of foreign exchanges losses which are mainly driven by revaluations of the 2017 to 2020 LTIP scheme and bank and intercompany accounts held in foreign currencies. The tax charge, that mainly represents corporation tax due in the UK, has significantly decreased, moving to a credit position as the Group has swung from a profit before tax position in 2020 to a loss before tax position in 2021. Gross borrowing costs fell to £nil in 2021 from £1.4m as a result of settling all outstanding debt during 2020.

2021 reported a £0.14 loss per share versus a £1.94 profit per share in 2020.

Balance Sheet

£'000	Dec-21	Dec -20	£'000	Dec-21	Dec -20
Goodwill	11,471	17,877	Share capital and premium	54,646	54,675
Right-of-use assets	1,788	2,259	Retained earnings	87,169	96,035
Property, plant and equipment	4,594	1,643	Total equity	141,815	150,710
Deferred tax assets	3,143	3,023			
Other non-current assets	3,918	4,489	Borrowings (> 1 yr)	-	-
Total non-current assets	24,914	29,291	LTIP liabilities long-term	-	5,606
			Lease liabilities long-term	1,446	1,964
			Other provisions and long-term liabilities	1,532	1,854
			Total non-current liabilities	2,978	9,424
Inventories	11,461	29,888			
Trade and other receivables	38,499	79,592	Borrowings (< 1 yr)	-	-
Tax receivables	5,034	-	Trade and other liabilities	17,190	36,784
Other current assets	2,043	3,740	Tax liabilities	-	15,116
Cash and cash equivalents	101,746	91,765	Other provisions and short-term liabilities	21,714	22,242
Total current assets	158,783	204,985	Total current liabilities	38,904	74,142
TOTAL ASSETS	183,697	234,276	TOTAL EQUITY AND LIABILITIES	183,697	234,276

Goodwill has fallen from £17.9m in 2020 to £11.5m in 2021. Following the 2021 impairment review goodwill associated with the acquisition of IT-IS International Ltd has been impaired by £4.0m. The key drivers for this are reduced COVID-19 demand and not receiving further DHSC orders which reduces the future expected cash flow. In addition, the remaining goodwill associated with the Lab21 Products acquisition has been fully impaired resulting in a £1.8m charge to the income statement. The remaining £0.6m goodwill decrease is due to exchange revaluations on balances held in Euros.

A deferred tax asset of £3.1m has been recorded in 2021 compared with £3.0m in 2020. £2.1m of the balance relates to the portion of the Long-Term Incentive Plan charge that was recognised in the accounts in 2020, but that will not be deducted for taxation until the remaining payments are made in 2022. £0.3m arises from the elimination of internal profit on products and services purchased by Primerdesign from Microgen Bioproducts and IT-IS International and still held in stock at the year end. The remaining £0.7m relates to UK losses that can be carried forward to offset future tax liabilities.

Other non-current assets (excluding right-of-use assets) have increased to £8.5m from £6.1m in 2020. Other intangible assets have fallen by £0.6m, but include £0.3m additions predominantly relating to patent filing costs due to the launch of new products, offset by amortisation and foreign exchange revaluations totalling £0.9m. Property, plant and equipment has increased by £3.0m, and includes £3.8m of capital expenditure offset by depreciation totalling £0.8m.

Total inventories and work in progress has fallen significantly to £11.5m at December 2021, predominantly due to the booking of a large stock provision. Inventory levels were built up as a result of the Group's direct response to support the UK Government's call for UK manufacturers to build manufacturing capacity and supply chain flexibility in response to the COVID-19 pandemic and was based on likely demand indicated by the DHSC. As future material contracts were not secured with the DHSC in 2021, a large stock provision was booked. The Group continues to explore opportunities to drive value from this inventory.

Trade and other receivables have fallen to £38.5m from £79.6m in 2020, mainly due to receiving £47.9m from the DHSC in 2021 to clear a 2020 invoice. The closing 2021 trade receivable balance includes a £24.0m DHSC invoice raised in December 2020, in respect of products delivered during 2020, that remains unpaid at the date of signing 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 (2020: £0.3m), that mainly relates to UK VAT paid on sales invoices in dispute with the DHSC. As the associated 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. An expected credit loss provision of only £0.1m (2020: £0.2m) was booked at year-end demonstrating a robust credit control process.

A tax receivables balance of £5.0m existed at the end of 2021 versus a £nil balance in 2020. The main item making up the tax receivable balance is a £4.2m overpayment of 2020 UK corporation tax. The Group received a refund of the overpayment from HMRC in March 2022. The remaining balance predominantly relates to 2021 losses that can be offset against 2020 taxable profits.

Other current assets have fallen to £2.0m from £3.7m in 2020, driven by a £1.7m reduction in prepayments. The key balances at 31 December 2021 include prepayments for the annual Group commercial insurance, rent, rates and prepaid support costs. The balance at 31 December 2020 included a large amount of prepaid stock that was delivered in 2021, which was not repeated in 2021.

All outstanding debt was fully repaid during 2020 using cash generated in the year and as at 31 December 2021 the Group remained debt free.

Contingent consideration fell from £1.8m to £0.8m in 2021 as a result of settling the first of two earnout milestones associated with the IT-IS International acquisition. The final tranche is expected to be paid in late 2022 upon the achievement of certain deliverables.

Short-term provisions remained flat year-on-year at £20.0m (2020: £19.9m). A product warranty provision for £19.8m 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 remained unchanged in 2021.

Trade and other liabilities fell to £17.2m from £36.8m in 2020. Trade payables and accrued invoices have fallen by £8.3m in line with reduced fourth quarter sales. The UK VAT liability has fallen by £16.7m to £0.1m in 2021 due to sales in November and December 2020 being substantially higher than sales in the corresponding months of 2021. These reductions have been offset by the increase in other liabilities, moving from £5.6m to £11.2m, as the balance now includes the two remaining tranches of the LTIP, which are forecast to be paid during 2022.

No corporation tax was due at the end of 2021 as the Group was in a loss-making position, compared with a £15.1m liability in 2020. At the time of signing these accounts a patent had been granted and to the extent there are qualifying profits the Group expects to apply for UK Patent Box relief in the 2022 accounts. 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. Subject to a number of adjustments, the effective rate of tax on profits derived from the sale of products subject to patents is close to 10% rather than the current UK corporation tax rate of 19% (due to rise to 25% in 2023). The Patent Box rate can only be claimed once a patent has been granted, although the benefit can be backdated to the time at which the patent was applied for, and so this is not reflected in the 2021 accounts.

Other long-term liabilities is £nil in 2021, the £5.6m 2020 balance related to the third tranche of the LTIP payment that is due to be paid in November 2022 and has therefore been reclassified to short-term liabilities.

Cash Flow

Cash held at the end of 2021 increased to £101.7m from £91.8m in 2020, driven by the strong underlying trading performance of the business when excluding cost of sales exceptional items. Net cash generated from operating activities was £15.7m compared with £103.0m in 2020 driven by the EBITDA profitability of the business after cost of sales exceptional items of £1.3m combined with a working capital inflow of £14.4m.

Net cash used in investing activities fell to £5.0m from £8.0m in 2020. Capital expenditure increased by £3.0m to £4.1m in 2021, as more manufacturing work has been brought in-house to reduce our reliance on sub-contractor manufacturing. This was offset by a £6.0m reduction in acquisition related cash outflows in 2021. During 2021 £1.0m was paid to settle the first IT-IS International contingent milestone whereas the net cash outflow for the IT-IS International acquisition in 2020 totalled £6.9m, the remaining £0.1m variance was as a result of receiving an earnout milestone payment in 2021 associated with the sale of Lab21 Ltd.

Net cash used in financing activities in 2021 totalled £0.6m versus £5.0m in 2020. The main financing cash outflow in 2021 related to lease payments and the associated interest payments. The year-on-year decrease is due to Novacyt clearing all outstanding debt in 2020. In addition, all warrants had been converted in 2020.

Corporation tax credit

On 30 March 2022 Novacyt received confirmation that the UK Intellectual Property Office had granted the key patent (ORF1a/b), with patent number GB2593010. This means that subject to a number of adjustments, the effective rate of tax on profits derived from the sale of products covered by this patent is close to 10% rather than the current UK corporation tax rate of 19% (due to increase to 25% in 2023) and will be claimed from the time the

patent application was made in October 2020. This will be treated as a corporation tax credit against future profits rather than a refund for prior periods.

The information included in this announcement is extracted from the audited Group Consolidated Accounts. Defined terms used in the announcement refer to terms as defined in the Group Consolidated Accounts unless the context otherwise requires. This announcement should be read in conjunction with, and is not a substitute for, the full Group Consolidated Accounts.

James McCarthy, Chief Financial Officer

Novacyt S.A.

Consolidated income statement for the years ended 31 December 2021 and 31 December 2020

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Continuing Operations		
Revenue	95,780	277,204
Cost of sales	-30,332	-65,704
Cost of sales - exceptional	-35,770	-
Gross profit	29,678	211,500
Sales, marketing and distribution expenses	-7,025	-4,492
Research and development expenses	-4,815	-1,630
General and administrative expenses	-18,833	-30,532
Governmental subsidies	308	-3
Operating (loss)/profit before exceptional items	-687	174,843
Other operating income	65	--
Other operating expenses	-7,173	-7,402
Operating (loss)/profit after exceptional items	-7,795	167,441
Financial income	466	83
Financial expense	-2,500	-2,353
(Loss)/profit before tax	-9,829	165,171
Tax income/(expense)	101	-32,748

(Loss)/profit after tax attributable to owners of the Company (*)	-9,728	132,423
(Loss)/profit per share (£)	-0.14	1.94
Diluted (loss)/profit per share (£)	-0.14	1.94

(*) There are no non-controlling interests.

Consolidated statement of comprehensive income for the years ended 31 December 2021 and 31 December 2020

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
(Loss)/profit for the period recognised in the income statement	-9,728	132,423
Items that may be subsequently reclassified to profit or loss:		
Translation reserves	862	290
Total comprehensive (loss)/income	-8,866	132,713
Comprehensive (loss)/income attributable to:		
Owners of the Company (*)	-8,866	132,713

(*) There are no non-controlling interests.

Statement of financial position for the years ended 31 December 2021 and 31 December 2020

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Goodwill	11,471	17,877
Other intangible assets	3,710	4,255
Property, plant and equipment	4,594	1,643
Right-of-use assets	1,788	2,259
Non-current financial assets	144	138
Deferred tax assets	3,143	3,023
Other long-term assets	64	96
Total non-current assets	24,914	29,291
Inventories and work in progress	11,461	29,888
Trade and other receivables	38,499	79,592
Tax receivables	5,034	-
Prepayments and short-term deposits	2,034	3,731
Investments short-term	9	9
Cash and cash equivalents	101,746	91,765
Total current assets	158,783	204,985
Total assets	183,697	234,276
Lease liabilities short-term	424	414
Contingent consideration short-term	836	1,022
Provisions short-term	19,956	19,856
Trade and other liabilities	17,190	36,784
Tax liabilities	-	15,116
Other current liabilities	498	950
Total current liabilities	38,904	74,142
Net current assets	119,879	130,843
Lease liabilities long-term	1,446	1,964
Contingent consideration long-term	-	812
Provisions long-term	308	242
Deferred tax liabilities	1,224	800
Other liabilities long-term	-	5,606
Total non-current liabilities	2,978	9,424
Total liabilities	41,882	83,566
Net assets	141,815	150,710

Statement of financial position for the years ended 31 December 2021 and 31 December 2020 (continued)

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Share capital	4,053	4,053

Share premium account	50,671	50,671
Own shares	-78	-49
Other reserves	-1,174	-2,036
Equity reserve	1,155	1,155
Retained earnings	87,188	96,916
Total equity - owners of the Company	141,815	150,710
Total equity	141,815	150,710

Statement of changes in equity for the years ended 31 December 2021 and 31 December 2020

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 2020	3,311	46,999	-141	336	-2,407	491	-8	-1,924	-36,119	12,462
Translation differences	-	-	-	-	-	-112	-	-112	-	-112
Profit for the period	-	-	-	-	-	-	-	-	132,423	132,423
Total comprehensive income/(loss) for the period	-	-	-	-	-	-112	-	-112	132,423	132,311
Issue of share capital	567	2,011	-	-	-	-	-	-	-	2,578
Own shares acquired/sold in the period	-	-	92	-	-	-	-	-	-	92
Conversion of warrants and debts	175	1,661	-	819	-	-	-	-	612	3,267
Balance at 31 December 2020	4,053	50,671	-49	1,155	-2,407	379	-8	-2,036	96,916	150,710
Translation differences	-	-	-	-	-	862	-	862	-	862

Loss for the period	-	-	-	-	-	-	-	-	-9,728	-9,728
Total comprehensive (loss)/income for the period	-	-	-	-	-	862	-	862	-9,728	-8,866
Own shares acquired/sold in the period	-	-	-29	-	-	-	-	-	-	-29
Balance at 31 December 2021	4,053	50,671	-78	1,155	-2,407	1,241	-8	-1,174	87,188	141,815

Statement of cash flows for the years ended 31 December 2021 and 31 December 2020

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Net cash from operating activities	15,689	102,976
Investing activities		
Purchases of patents and trademarks	-330	-168
Purchases of property, plant and equipment	-3,770	-1,013
Variation of deposits	16	74
Acquisition of subsidiary net of cash acquired	-943	-6,858
Net cash (used in)/from investing activities	-5,027	-7,965
Financing activities		
Repayments of borrowings	-	-4,592
Repayment of lease liabilities	-432	-303
Proceeds from issue of shares	-	2,577
Disposal/(purchase) of own shares - net	-29	92
Repayment of other short-term financing facilities	-	-720
Negma phantom awards settlement	-	-439
Interest paid	-138	-1,655
Net cash (used in)/from financing activities	-599	-5,040
Net increase in cash and cash equivalents	10,063	89,971
Cash and cash equivalents at beginning of year	91,765	1,542
Effect of foreign exchange rate changes	-82	252
Cash and cash equivalents at end of year	101,746	91,765

Notes

1. CORPORATE INFORMATION

Novacyt S.A is incorporated in France and its principal activities are specialising in invitro and molecular diagnostic tests. Its registered office is located at 13 Avenue Morane Saulnier, 78140 Vélizy Villacoublay.

2. BASIS OF ANNOUNCEMENT

2.1 Basis of Preparation

The consolidated financial statements for the fiscal year ended December 31, 2021 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. They are prepared and presented in Great British Pounds ("GBP"), rounded to the nearest thousand ("£'000s").

2.2 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 April 2023. 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 2021 of £101,746,000;
- Full payment of the remaining Long-Term Incentive Plan ("LTIP") that commenced in November 2017 and vested in November 2020;
- Payment of the final earn-out milestone related to the IT-IS International acquisition; and
- Management's expectation of in settling the outstanding commercial dispute.

In the event the current dispute is fully settled in favour of the counterparty, the forecast prepared by the Group shows that it is able to cover its cash needs during the financial year 2022 and up to April 2023 without raising any banking or other financing facility.

2.3 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.

2.3.1 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.

· 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 the year end, the Group had trade receivables of £30,279,000 against which a credit loss provision of £89,000 has been applied. At the date of signing the financial statements, £23,957,000 of the 31 December 2021 receivables were overdue due to the contract dispute with the Department of Health and Social Care "DHSC". Management considers it to be more likely than not that the 31 December 2021 balances are recoverable; this is a significant judgement.

· Provisions

The carrying value of provisions at 31 December 2021 and 2020 are as per the table below:

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Provisions for restoration of premises	308	242
Provisions for litigation	157	68
Provisions for product warranty	19,799	19,788
Total provisions	20,264	20,098

o 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.

2.3.2 Key sources of estimation uncertainty

· 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.

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

Amounts in £'000	Year ended31 December2021	Year ended31 December2020
Goodwill Lab21 Products	14,868	16,022
Cumulative impairment of goodwill	-14,868	-14,105
Net value	-	1,917
Goodwill Primer Design	6,053	6,523
Cumulative impairment of goodwill	-	-
Net value	6,053	6,523
Goodwill Omega Infectious Diseases	-	85
Cumulative impairment of goodwill	-	-85
Net value	-	-
Goodwill IT-IS International	9,437	9,437
Cumulative impairment of goodwill	-4,019	-
Net value	5,418	9,437
Total goodwill	11,471	17,877

Sensitivity analysis has been performed on the goodwill balance and there is significant headroom associated with the Primer Design balance, but there is limited headroom on the IT IS Internal goodwill balances, which could result in future impairments.

3. 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; and
- for which discrete financial information is available.

The Group has identified four operating segments, whose performances and resources are monitored separately:

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 Southampton, UK.

o Lab21 Products

This segment represents the activities of Lab21 Products, which is 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.

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 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, but is not a discreet segment.

The Chief Operating Decision Maker is the Chief Executive Officer.

Headcount

The average headcount by segment is presented in the table below:

Segment	2021	2020
Primer Design	169	81
Lab21 Products	45	47
IT-IS International	38	36
Corporate	24	10
Total headcount	276	174

Breakdown of revenue by operating segment and geographic area

o At 31 December 2021

Amounts in £'000	Primer Design	Lab21 Products	IT-IS International	Total
Geographical area				
United Kingdom	41,944	624	164	42,732
Europe (excluding UK)	31,045	1,077	355	32,477
America	8,047	270	782	9,099
Asia-Pacific	7,262	856	1,376	9,494
Middle East	501	200	17	718
Africa	1,053	151	56	1,260
Total revenue	89,852	3,178	2,750	95,780

o At 31 December 2020

Amounts in £'000	Primer Design	Lab21 Products	IT-IS International	Total
Geographical area				
United Kingdom	218,552	591	246	219,389
Europe (excluding UK)	30,917	1,058	56	32,031
America	9,655	340	316	10,311
Asia-Pacific	5,305	920	453	6,678
Middle East	5,492	250	-	5,742
Africa	2,896	151	6	3,053
Total revenue	272,817	3,310	1,077	277,204

Breakdown of result by operating segment

o Year ended 31 December 2021

Amounts in £'000	Primer Design	Lab21 Products	IT-IS International	Corporate	Intercompany eliminations	Total
Revenue	89,856	4,621	9,270	-	-7,967	95,780
Cost of sales	-27,582	-3,169	-5,131	-	5,550	-30,332
Cost of sales - exceptional	-37,192	-	-3,984	-	5,406	-35,770
Sales and marketing costs	-5,659	-800	-228	-338	-	-7,025
Research and development	-4,148	-170	-497	-	-	-4,815
General and administrative	-12,448	-2,259	-1,494	-637	10	-16,828
Governmental subsidies	254	-	54	-	-	308
ADJUSTED Earnings before interest, tax, depreciation, amortisation and cost of sales - exceptional, as per management reporting	40,273	-1,777	1,974	-975	-2,407	37,088
Earnings before interest, tax, depreciation and amortisation as per management reporting	3,081	-1,777	-2,010	-975	2,999	1,318
Depreciation and amortisation	-1,362	-215	-404	-24	-	-2,005
Operating (loss)/profit before exceptional items	1,719	-1,992	-2,414	-999	2,999	-687

o Year ended 31 December 2020

Amounts in £'000	Primer Design	Lab21 Products	IT-IS International	Corporate	Intercompany eliminations	Total
Revenue	272,817	5,203	6,905	-	-7,721	277,204
Cost of sales	-63,987	-3,088	-1,627	-	2,998	-65,704
Sales and marketing costs	-3,550	-929	9	-22	-	-4,492
Research and development	-1,515	-3	-112	-	-	-1,630
General and administrative	-25,133	-2,138	-245	-1,725	11	-29,230
Governmental subsidies	-	-3	-	-	-	-3
Earnings before interest, tax, depreciation and amortisation as per management reporting	178,632	-958	4,930	-1,747	-4,712	176,145
Depreciation and amortisation	-795	-416	-70	-21	-	-1,302
Operating profit/(loss) before exceptional items	177,837	-1,374	4,860	-1,768	-4,712	174,843

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

4. Cost of sales

Amounts in £'000	Year ended31 December2021	Year ended31 December2020
Cost of inventories recognised as an expense	20,697	20,113
Change in stock provision	-10,063	2,978
Non-stock items and supplies	203	2,088
Freight costs	462	284
Direct labour	18,423	20,243
Product warranty	11	19,753
Other	599	245
Total cost of sales	30,332	65,704

Total cost of sales has fallen significantly year on year in line with reduced revenue.

After making a full stock provision against 'Cost of sales - exceptional' for stock bought to fulfil expected future DHSC orders that did not materialise, all other stock provision movements are part of the normal course of business.

A large amount of stock, which had previously been provided for, was written off and disposed of during late 2021, with the cost being charged to 'Cost of inventories recognised as an expense' and a corresponding release of the stock provision being made.

A product warranty provision was booked in 2020 in relation to the ongoing commercial dispute with the DHSC. This has been reviewed by Management in 2021 with no change to the provision being made.

5. Cost of sales - exceptional

Amounts in £'000	Year ended31 December2021	Year ended31 December2020
Cost of inventories recognised as an expense	4,802	-
Change in stock provision	26,098	-
Direct labour	4,133	-
Other	737	-
Total cost of sales - exceptional	35,770	-

Due to the ongoing commercial dispute with the DHSC, Management have booked a number of one-off, non-recurring cost of sales charges. The two largest items were a £26,098,000 stock provision, as a result of the Group buying stock to fulfil expected future DHSC orders that did not materialise; and the expensing of £6,884,000 (split across direct labour costs and cost of inventories recognised as an expense) of stock delivered to the DHSC which has not been paid for as it is now part of the ongoing contract dispute.

6. Gross Profit

The table below provides a view of the underlying business gross profit performance when adjusting for one-off exceptional items:

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Revenue	95,780	277,204
Cost of sales	-30,332	-65,704
Cost of sales - exceptional	-35,770	-
Gross profit	29,678	211,500
Add back cost of sales - exceptional	35,770	-
Underlying business gross profit	65,448	211,500
Underlying business gross profit percentage	68%	76%

The 2021 underlying business gross profit of 68% is below the Group's historic margin. This is due to two main factors i) a higher stock provision based on obsolescence of Covid-19 products as variants drove product proliferation; and ii) margin dilution as result of significantly higher instrument sales as the Group builds its installed base.

7. General and administrative expenses

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Purchases of non-stored raw materials and supplies	451	373
Lease and similar payments	445	337

Maintenance and repairs	576	278
Insurance premiums	1,453	574
Legal and professional fees	2,484	2,350
Banking services	100	231
Employee compensation and social security contributions	8,896	23,904
Depreciation and amortisation of property, plant and equipment, and intangible assets	2,006	1,302
Other general and administrative expenses	2,422	1,183
Total general and administrative expenses	18,833	30,532

2020 Employee compensation and social security contributions include a significant charge for the 2017 to 2020 LTIP scheme for senior management that is not repeated to the same extent in 2021, reducing the costs substantially.

Legal and professional fees include advisors' fees, auditor fees and legal fees.

Other general and administrative expenses include costs such as building rates, regulatory fees, IT expenses and approximately £500,000 charitable donations in 2021.

8. Other operating income and expenses

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Other operating income	65	-
Total other operating income	65	-
Impairment of IT-IS goodwill	-4,019	-
Impairment of Lab21 Products goodwill	-1,822	-5,768
DHSC contract dispute costs	-802	-
Impairment of Omega Infectious Diseases business intangible assets	-	-1,111
Restructuring expenses	-487	-106
Business sale expenses	-	-79
Acquisition related expenses	-	-187
Other expenses	-43	-151
Total other operating expenses	-7,173	-7,402

Operating income

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

Operating expenses

Goodwill associated with the IT-IS International Ltd acquisition has been impaired in 2021 due to reduced future expected cash flow generation.

The remaining goodwill associated with Lab21 Products has been fully impaired in 2021, following a large impairment in 2020, due to reduced future expected cash flow generation.

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

The remaining intangible assets associated with the Omega Infectious Diseases business were fully written down in 2020.

Restructuring expenses in 2021 include redundancy payments.

Acquisition related expenses relate to the October 2020 purchase of IT-IS International Ltd.

9. Financial income and expense

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Financial foreign exchange gains	379	32
Discount of financial instruments	33	46
Other financial income	54	5
Total financial income	466	83
Interest on IFRS 16 liabilities	-178	-184
Interest on loans	-	-1,417
Financial foreign exchange losses	-2,214	-353
Discount of financial instruments	-61	-12
Other financial expense	-47	-387
Total financial expense	-2,500	-2,353

Interest on loans

The decrease in loan interest in 2021 is due to the settlement of all outstanding debts, predominantly the €5,000,000 Harbert European Growth Capital bond and its associated interest charges, in 2020.

Financial foreign exchange losses

Financial foreign exchanges losses in 2021 are mainly driven by revaluations of the 2017 to 2020 LTIP scheme and bank and intercompany accounts held in foreign currencies.

Other financial expense

In November 2019, Novacyt SA granted Negma 1,300,000 phantom warrants, i.e. warrants that do not give access to the share capital of the Company, in exchange for the cancellation of 1,300,000 warrants giving access to the share capital of Novacyt SA. The phantom warrants guaranteed to pay Negma the profit from the difference between the €0.20 exercise price and the share price on the day before the exercise date. This instrument was recognised as a derivative financial liability at 31 December 2019 for a value of £77,000. Negma exercised the phantom warrants in February 2020, which resulted in a payment to Negma of £439,000. The charge at 31 December 2020 is the difference between these two amounts.

10. Income tax

The standard rate of corporation tax applied to reported profit is 19%, which is the tax rate applicable to the companies in the United Kingdom for the financial year 2021. It was 19% for the year 2020.

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

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

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Current tax expense		
Current year income/(expense)	411	-35,605
Deferred tax expense		
Deferred tax	-310	2,857

Total income tax income/(expense) in the income statement 101

-32,748

The income/(expense) for the period can be reconciled to the (loss)/profit before tax as follows:

Amounts in £'000	Year ended31 December 2021	Year ended31 December 2020
(Loss)/profit before taxation	-9,829	165,171
Tax at the UK corporation tax rate (2021 and 2020: 19%)	1,868	-31,382
Effect of different tax rates of subsidiaries operating in other jurisdictions	115	727
Effect of non-deductible expenses and non-taxable income	-1,179	-1,696
Change in unrecognised deferred tax assets	-712	-669
Research tax expenditure enhancement	-	169
Other adjustments	9	103
Total tax income/(expense) for the year	101	-32,748

At 31 December 2021, the Group has unused tax losses of £9,432,000 (2020: £8,148,000) available for offset against future relevant profits and their period of use is unlimited.

The key item making up the non-deductible expenses in 2020 and 2021 is the impairment of goodwill.

Matters affecting the tax charge

During 2020 and 2021, Novacyt applied for a number of patents for technology it developed during the two periods. Patents can take several years to be granted, if at all, and at the 2021 year end all the patents were still going through the process for approval. At the time of signing these accounts a patent had been granted and to the extent there are qualifying profits the Group expects to apply for UK Patent Box relief in the 2022 accounts.

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. Subject to a number of adjustments, the effective rate of tax on profits derived from the sale of products subject to patents is close to 10% rather than the current UK corporation tax rate of 19% (due to rise to 25% in 2023). The Patent Box rate can only be claimed once a patent has been granted, although the benefit can be backdated to the time at which the patent was applied for, and so this is not reflected in the 2021 accounts.

11. (LOSS)/Profit per share

The loss or profit per share is calculated based on the weighted average number of shares outstanding during the period. The diluted profit or 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 31 December 2021 there are no outstanding dilutive instruments.

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Net (loss)/profit attributable to owners of the Company	-9,728	132,423
Impact of dilutive instruments	-	-
Net diluted (loss)/profit attributable to owners of the Company	-9,728	132,423
Weighted average number of shares	70,626,248	68,187,101
Impact of dilutive instruments	-	-
Weighted average number of diluted shares	70,626,248	68,187,101
(Loss)/profit per share (£)	-0.14	1.94
Diluted (loss)/profit per share (£)	-0.14	1.94

The table below presents the movements of stock options during 2020. They were not taken into account in the calculation of diluted earnings because they were anti-dilutive for the year ending 31 December 2019, and were all exercised or elapsed at 31 December 2020.

Beneficiary	Kreos	Primer Design	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 2020	353,536	1,000,000	853,216	1,679,544	6,017,192	9,903,488
Warrants exercised in 2020	-353,536	-1,000,000	-528,541	-1,679,544	-6,017,192	-9,578,813
Number of additional shares	353,536	1,000,000	528,541	1,679,544	6,017,192	9,578,813
Share capital increase	€512,627	€1,160,000	€500,000	€335,909	€420,000	€2,928,536
Warrants cancelled in 2020	-	-	-324,675	-	-	-324,675
Warrants outstanding on 31 December 2020	-	-	-	-	-	-

12. 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	£'000
At 1 January 2020	21,364

Write-off of the Omega Infectious Diseases goodwill	-85
Recognition of goodwill on acquisition of IT-IS International	9,437
Exchange differences	1,266
At 31 December 2020	31,982
Exchange differences	-1,624
At 31 December 2021	30,358
Accumulated impairment losses	
At 1 January 2020	7,772
Impairment of the Lab21 Products goodwill	5,767
Exchange differences	566
At 31 December 2020	14,105
Impairment of the IT-IS International goodwill	4,019
Impairment of the Lab21 Products goodwill	1,822
Exchange differences	-1,059
At 31 December 2021	18,887
Carrying value at 31 December 2019	13,592
Carrying value at 31 December 2020	17,877
Carrying value at 31 December 2021	11,471

Lab21 Products

The remaining goodwill associated with the acquisition of the Lab 21 Products business, totalling £1,917,000 at 31 December 2020 has been fully impaired in 2021 as the discounted cash flow ("DCF") model prepared does not provide sufficient coverage.

Omega Infectious Diseases

The goodwill associated with the acquisition of the Omega Infectious Diseases business was fully written off in 2020.

Primer Design

The impairment testing of the CGU as at 31 December 2021 was carried out using the DCF method, with the key assumptions as follows:

- o Five-year business plan;
- o Extrapolation of cash flows beyond five years based on a growth rate of 1.5%; and
- o Discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 12.1%.

The implementation of this approach demonstrated that the value of the Enterprise Value amounted to £178,529,000, which is greater than the carrying amount of this asset. As such, no impairment was recognised in

the year ended 31 December 2021.

IT-IS International

The impairment testing of the CGU as at 31 December 2021 was carried out using the DCF method, with the key assumptions as follows:

- o Five-year business plan;
- o Extrapolation of cash flows beyond five years based on a growth rate of 1.5%; and
- o Discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 12.1%.

The implementation of this approach demonstrated that the value of the Enterprise Value amounted to £5,418,000, which is lower than the carrying amount of this asset. As such an impairment charge has been recognised in the year ended 31 December 2021.

13. Inventories and work in progress

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Raw materials	19,382	14,406
Work in progress	3,350	8,999
Finished goods	7,831	9,550
Stock provisions	-19,102	-3,067
Total inventories and work in progress	11,461	29,888

Total inventories and work in progress has decreased significantly since December 2020 predominantly due to the booking of a large stock provision. Inventory levels were built up as a result of the Group's direct response to support the UK Government's call for UK manufacturers to build manufacturing capacity and supply chain flexibility in response to the COVID-19 pandemic and was based on likely demand indicated by the DHSC. As future material contracts were not secured with the DHSC in 2021, a large stock provision was booked in 2021.

The Group continues to look for ways to utilise any value from stock that has been provided for.

14. Trade and other receivables

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Trade and other receivables	30,279	79,341
Expected credit loss provision	-89	-160
Tax receivables - Value Added Tax	8,213	343
Receivables on sale of businesses	66	67
Other receivables	30	1
Total trade and other receivables	38,499	79,592

The main driver for the reduction in the trade receivables balance is a £47,927,000 receipt from the DHSC clearing a 2020 invoice. The current 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 signing the 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 £8,213,000 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.

The movement in the expected credit loss provision is shown below:

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Balance at the beginning of the period	160	397
Impairment losses recognised	100	163
Amounts written off during the year as uncollectible	-44	-400
Amounts recovered during the year	-127	-
Balance at the end of the period	89	160

The split by maturity of the clients' receivables is presented below:

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Less than one month	5,818	77,944
Between one and three months	217	1,364
Between three months and one year	24,200	6
More than one year	44	27
Balance at the end of the period	30,279	79,341

15. Provisions

The table below shows the nature of and changes in provisions for risks and charges for the period from 1 January 2021 to 31 December 2021:

Amounts in £'000	At1 January2021	Increase	Reduction	Other movements	Change in exchange rates	At 31 December2021
Provisions for restoration of premises	242	117	-67	16	-	308
Provisions long-term	242	117	-67	16	-	308
Provision for litigation	68	157	-65	-	-3	157
Provisions for product warranty	19,788	11	-	-	-	19,799
Provisions short-term	19,856	168	-65	-	-3	19,956

The nature of and changes in provisions for risks and charges for the period from 1 January 2020 to 31 December 2020 are as follows:

Amounts in £'000	At1 January2020	Increase	Reduction	Business Combinations Impact	Change in exchange rates	At 31 December2020
Provisions for restoration of premises	192	37	-	13	-	242
Long-term management incentive plan	13	19,006	-19,018	-	-1	-
Provisions long-term	205	19,043	-19,018	13	-1	242
Provision for litigation	43	22	-	-	3	68
Provisions for product warranty	-	19,753	-	35	-	19,788
Provisions short-term	43	19,775	-	35	3	19,856

Provisions chiefly cover:

- Risks related to litigations;
- The restoration expenses of the premises as per the lease agreements; and
- Product assurance warranties.

The provisions for the restoration of the premises are an estimation of the cash payable to cover dilapidations at the end of the rental periods, thus at the following dates:

- Microgen Bioproducts Ltd: May 2032
- Primer Design Ltd: November 2025
- IT-IS International Ltd: September 2022 and December 2023, as there are two sites that do not have co-terminus leases

The provision for product assurance warranties predominantly relates to the notification of a product warranty claim with the DHSC.

The liability for the 2017 to 2020 long-term management incentive plan scheme crystallised in November 2020 with the remaining costs associated with that scheme shown against other liabilities.

16. Trade and other liabilities

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Trade payables	1,363	5,228
Accrued invoices	3,534	8,016
Social security liabilities	954	1,082
Tax liabilities - Value Added Tax	115	16,831
Other liabilities	11,224	5,627
Total trade and other liabilities	17,190	36,784

Trade payables and accrued invoices have fallen in line with reduced sales in late 2021 versus late 2020.

The closing 2020 'Tax liabilities - Value Added Tax' balance predominantly related to UK VAT payable to HMRC covering the months of November and December 2020. This was paid in January and February 2021.

The other liabilities balance relates to the second and third tranches of the 2017 to 2020 LTIP scheme, which are forecast to be paid during 2022.

17. Issued capital and reserves

17.1 Share capital

As of 31 December 2021, 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.

	Amount of share capital £'000	Amount of share capital €'000	Unit value per share €	Number of shares issued
At 1 January 2020	3,311	3,873	0.07	58,094,754
Capital increase by exercise of warrants	567	638	0.07	9,578,813
Capital increase by conversion of bonds	175	197	0.07	2,952,681
At 31 December 2020	4,053	4,708	0.07	70,626,248
At 31 December 2021	4,053	4,708	0.07	70,626,248

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

17.2 Other reserves

Amounts in £'000

Balance at 1 January 2020	-1,924
Translation differences	-112
Balance at 31 December 2020	-2,036
Translation differences	862
Balance at 31 December 2021	-1,174

17.3 Retained earnings/losses

Amounts in £'000

Balance at 1 January 2020	-36,119
Profit for the year	132,423
Other variations	612

Balance at 31 December 2020	96,916
Loss for the year	-9,728
Balance at 31 December 2021	87,188

18. Notes to the cash flow STATEMENT

Amounts in £'000	Year ended31 December2021	Year ended31 December2020
(Loss)/profit for the year	-9,728	132,423
Adjustments for:		
Depreciation, amortisation, impairment loss and provisions	7,882	8,196
Product warranty provision	-	19,753
Unwinding of discount on contingent consideration	-17	-114
Losses on disposal of assets	75	407
Income tax charge (credit)/charge	-101	32,751
Operating cash flows before movements of working capital	-1,889	193,416
Decrease/(increase) in inventories (*)	18,427	-25,966
Decrease/(increase) in receivables	42,754	-80,773
(Decrease)/increase in payables	-23,996	34,838
Cash used in operations	35,296	121,515
Income taxes paid	-19,745	-20,574
Finance costs	138	2,035
Net cash from operating activities	15,689	102,976

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

Amounts in £'000	Year ended31 December2021	Year ended31 December2020
Decrease/(increase) in the gross value of inventories	2,392	-28,941
Variation of the stock provision	16,035	2,975
Total variation of the net value of inventories	18,427	-25,966

19. Related parties

Parties related to Novacyt SA are:

- the managers, whose compensation is disclosed below, and
- the directors of Novacyt SA.

Remuneration of key management personnel

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Fixed compensation and company cars	2,176	867
Variable compensation	590	495
Social security contributions	412	899
Contributions to supplementary pension plans	48	40
Termination benefits	371	-
Share-based payment benefits - LTIP	-	14,233
Total remuneration	3,597	16,534

Aggregate Directors' remuneration

Amounts in £'000	Year ended 31 December 2021	Year ended 31 December 2020
Fixed compensation and company cars	897	705
Variable compensation	350	330
Social security contributions	181	658
Contributions to supplementary pension plans	11	29
Fees	32	33
Share-based payments - LTIP	-	11,110
Total remuneration	1,471	12,865

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

20. 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. Following the issuance of legal proceedings on 25 April 2022 by the DHSC, this figure has now increased by £1,517,000 due to the inclusion of q16 instruments, taking the total 2020 revenue in dispute to £130,642,000. Payment for £23,957,000 of invoices in respect of products delivered during 2020 remains outstanding at the date of signing the financial statements and recovery of the invoice is dependent on the outcome of the dispute.

Management have reviewed the position at 31 December 2021 and deem this to still be an appropriate reflection of the current commercial dispute.

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

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 31 December 2021.

21. Subsequent events

On 25 April 2022, legal proceedings were issued by the DHSC to the Group for amounts paid to Novacyt totalling £134,635,000 (including VAT). 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) plus £1,821,000 (£1,517,000 excluding VAT) of q16 instruments which have been added to the dispute.

The Group continues to believe it has strong grounds to defend the claim and assert its contractual rights, including in relation to recovering outstanding sums due from the DHSC.

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