Final Results

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Novacyt S.A.
27 April 2023

Novacyt S.A.

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

Full year 2022 results

Full year revenue and EBITDA in line with guidance

Accelerating product development post-COVID-19 to become a leading global clinical diagnostic company in infectious diseases

Paris, France and Eastleigh, UK 27 April 2023 - Novacyt (EURONEXT GROWTH: ALNOV; AIM: NCYT), an international specialist in clinical diagnostics, announces its audited results for the year ended 31 December 2022.

Operational highlights

Non-COVID-19 assay development

· Completed the development of genesig™PLEX, a multiplex gastrointestinal bacterial assay, available as a research-use-only test (RUO)

· Developed and relaunched two single analyte transplant viral assay panels for the Epstein-Barr virus and BK virus for use on open instrument platforms

· Augmented product portfolio with the addition of over 40 CE marked in vitro diagnostic (IVD) assays, through a third-party distribution agreement with Clonit srl

· International launch and UK Coronavirus Test Device Approvals (CTDA) approval of genesig™ Real-time PCR SARS-CoV-2 genesig™ Winterplex panel covering RSV, Flu A&B and COVID-19

· Relaunched RUO portfolio globally and developed Monkeypox and Adenovirus F41 RUO assays to support infectious disease monitoring

COVID-19 assay development

· Six UK CTDA approvals in the year (including genesig™ Winterplex multiplex panel), taking the total number of Novacyt products approved by the CTDA to seven, the most of any UK-based company

· CE marked two lyophilised PROmate™ products, enabling deployment of near-patient COVID-19 diagnostic solution without the need for cold-chain shipping

· CE marked PathFlow™ COVID-19 Rapid Antigen Self-Test received, one of the first saliva-based COVID-19 assays to be launched in the EEA and providing diagnosis of symptomatic and asymptomatic individuals in approximately 15 minutes

Workflow and instrumentation development

· Launched and CE marked CO-Prep™ Automated Liquid Handling System and completed validation of a nucleic acid extraction system to enhance post-COVID-19 integrated sample-to-result molecular workflow solution

· Launched two new lateral flow test (LFT) readers for use in conjunction with a broad range of assays within Novacyt's Pathflow™ product portfolio, consisting of 18 non-COVID-19 products across sexually transmitted, gastrointestinal, respiratory and insect-borne infections

Commercialisation

· Partnered with a global fisheries company to develop solutions for testing infectious salmon anaemia virus and bacterial kidney disease

· Signed a contract with a leading global non-governmental organisation (NGO) to support the detection of arboviruses, including dengue, Zika and Chikungunya

· Partnered with leading healthcare company in India to develop and supply both reagents and instrumentation

Post-period highlights

· CE marked both q16 and q32 instruments

· Validation of third-party Respiratory Infection Assays largely completed in Q1 as planned

· 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

· Completed the development of several RUO multiplex assays across gastrointestinal, respiratory and insect borne viruses

· Sales to leading global NGO continues to gain momentum covering West Nile Fever, Hepatitis A & E, haemorrhagic fever and arboviruses (CHIK/DENG/ZIKA) with orders in excess of £150k

Financial highlights

· Group revenue for FY2022 was £21.0m, in line with guidance, (FY2021: £92.6m), due to the expected decline in COVID-19 related sales

· Revenue from COVID-19 products in 2022 totalled £14.7m (FY2021: £84.0m)

· Revenue for the non-COVID-19 portfolio in 2022 totalled £6.3m (FY2021: £8.6m). This decline was predominantly driven by lower instrument sales compared to FY2021 which benefited from COVID-19 demand

· Group gross profit totalled £5.7m (27%) in FY2022 (FY2021: £28.2m (30%)). The FY2022 gross profit was reduced as a result of significant stock provisions based on lower forecasted COVID-19 sales in addition to writing-off stock that had not been provided for previously. Excluding the impact of these items, the margin would be in excess of 60%

· Group EBITDA loss in FY2022 is £13.5m before exceptional items (FY2021: £3.1m profit) as a result of the expected decline in revenue and in line with guidance

· Discontinued operations loss of £3.5m in FY2022 (FY2021: £3.7m loss)

· Loss after tax increased to £25.7m in FY2022 (FY2021: £9.7m loss)

· Cash position at 31 December 2022 was £87.0m (2021: £101.7m) and the Company remains debt free

Continuing operations *	2022	2021
	£'000	£'000
Revenue	21,040	92,603
Gross profit **	5,746	28,226
Gross profit %	27%	30%
OPEX	(19,286)	(25,131)
EBITDA	(13,540)	3,095
EBITDA %	n.m.	3%
Adjusted EBITDA **	(13,540)	38,865
Recurring operating (loss) / profit ***	(15,655)	1,305
Operating loss	(23,393)	(3,916)
Other financial income and expenses	3,340	(1,744)
Income tax	(2,148)	(349)
Loss after tax from continuing operations	(22,201)	(6,009)
Loss from discontinued operations	(3,529)	(3,719)
Loss after tax attributable to the owners	(25,730)	(9,728)

* 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 for FY2021 and FY2022 has been reported on a separate line 'Loss from discontinued operations' in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations".

** Due to the ongoing commercial dispute with the DHSC, £35.8m exceptional cost of sales were incurred in FY2021 (FY2022: £nil) that were 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.

*** FY2022 recurring operating loss is stated before £7.7m of non-recurring charges as follows:

1. A £5.2m impairment charge in relation to the goodwill and intangible assets associated with the IT-IS International acquisition.

2. £1.3m restructuring expenses.

3. £0.9m costs in relation to the ongoing DHSC contract dispute.

4. £0.3m of other expenses.

James McCarthy, Acting Group CEO of Novacyt, commented:

"The focus during 2022 has been on expanding our infectious disease product portfolio beyond COVID-19 to sustain the long-term growth of the Company. The distribution agreement with Clonit srl, was an important strategic step, adding over 40 assays focused on our high growth target therapeutic areas of respiratory, gastrointestinal infections, transplant and insect-borne pathogens and also provided access to an additional diagnostic area in sexually transmitted infection (STI). We successfully relaunched our core RUO business, developing important new assays to support infectious disease monitoring and we also strengthened our instrumentation business, which in partnership with our assay development provides customers with a seamless sample-to-result workflow.

"Following a rightsizing of our cost base, Novacyt is well positioned for future growth and value creation as we move past the pandemic and continue our journey to become a leading global clinical diagnostics company focused on both existing and unmet needs in infectious diseases."

The information contained within this Announcement is deemed by the Company to constitute inside information as stipulated under Article 7 of the Market Abuse Regulation (EU) No. 596/2014 (as amended) as it forms part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended). Upon the publication of this Announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

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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.

Novacyt is headquartered in Vélizy in France with offices in Stokesley and Eastleigh, UK, and is listed on the London Stock Exchange's AIM market ("NCYT") and on the Paris Stock Exchange Euronext Growth ("ALNOV").

Chief Executive's review

In early 2022 the business set out a new strategy to transition to a post-COVID-19 market; this strategy remains in place today and I am pleased to see its successful early execution over the course of last year and Q1 2023. This strategy focussed on the twin objectives of portfolio development and geographic expansion underpinned by our credentials as an agile, world leading provider of integrated RUO and clinical diagnostics. In parallel we continue to evaluate strategic opportunities, which would accelerate the growth of the Company, including potential licensing deals, partnerships and acquisitions.

As part of the transition beyond COVID-19, the Company conducted a foundational piece of market research early in 2022, which directed the organic development of the post-COVID-19 diagnostics portfolio towards high growth infectious disease areas, including respiratory, gastro-intestinal infections, transplant, and insect-borne pathogens.

Whilst our core strategy has not changed, the 2022 trading environment was much more volatile than expected and the Company saw a sharp reduction in COVID-19 sales, falling from £10.6m in Q1 2022 to £4.1m for the total Q2-Q4 period. This decline was much faster than previously expected, prompting management to accelerate our post-COVID-19 product development efforts, both internally and externally. Following a strategic review, we also executed a significant cost rightsizing including the discontinuation of the Microgen Bioproducts and Lab21 Healthcare businesses whilst protecting investment in R&D and commercial activities. As we accelerate our product development it is also worth noting that the application of the In Vitro Diagnostic Regulation (IVDR) from May 2022 means that product development cycles for clinical products from design to launch are now likely to be c.24 months, vs 6 months under the previous IVD process.

Portfolio development

Product development

In July 2022 the Company relaunched its extensive and established research use only (RUO) portfolio, ensuring our primers and probes were best-in-class to reliably target current pathogens. By year-end, the team had optimised and verified the redesigns of 25 RUO products, and also developed new RUO assays for Monkeypox and Adenovirus F41.

As the product development pathway for clinical products has been significantly extended under IVDR, the Company will now develop RUO versions for its target therapeutic areas as a first step. This activity is well

underway targeting the development of up to ten new multiplex products in 2023 in the areas of gastrointestinal, respiratory and insect-borne infections.

Through a combination of internal R&D and third-party sourcing, the Company has already launched a portfolio of CE marked clinical assays in the following areas:

· A winter respiratory panel with the internally developed genesig™ Real-time PCR SARS-CoV- 2 Winterplex launched in Europe and CTDA approved for UK launch in October 2022

· Sexually transmitted infections (STI) (e.g., Chlamydia trachomatis, Neisseria gonorrhoeae, Trichomonas vaginalis)

· Gastrointestinal infections (e.g., Clostridium difficile, Enterovirus)

· Respiratory (RI) (e.g., Mycoplasma pneumoniae)

· Two single analyte transplant viral assay panels for the Epstein-Barr virus and BK virus for use on open instrument platforms during the period.

These products and our enhanced workflow solution will be targeted to indications where there is a need for cost-effective, rapid, accurate and highly precise diagnostic testing. Based on market research, we believe the key market for this offering is in routine testing in mid-to-low volume spoke laboratories and non-routine services in hub laboratories. As identified in April 2022 at the strategy update, we will target these markets due to our differentiated customer offering.

For Europe, which is our initial target geography with CE marked products, the Company estimates a market size of circa £470m growing at a CAGR of 10%. The mid-term goal is to expand our offering to customers worldwide.

Our molecular portfolio is complemented by an extensive range of lateral flow diagnostic tests (LFTs) for clinical use. The range aligns with the target disease areas covered by our molecular portfolio and has been further enhanced with the launch of two new LFT readers for use in conjunction with a number of key assays within Novacyt's Pathflow™ product portfolio. The readers are designed to provide digital test results based on optical imaging technology, thereby removing the ambiguity of manually interpreting a reading. The result is available in a matter of seconds (~10-12 secs) in a digital form that can be exported to other systems.

Instrumentation & workflow

Novacyt has made considerable progress enhancing its post-COVID-19 integrated sample-to-result molecular workflow solution. We have validated a nucleic acid extraction system and have launched an automated liquid handling system (CO-Prep™) for assay setup that complements our proprietary q16 and q32 instruments and user friendly direct-to-PCR assays to deliver an end-to-end, fast scalable workflow solution capable of processing over 1,000 tests per day. The new workflow reduces hands-on time and risk of contamination whilst providing robust sample stewardship to reduce the chance of human error. The complete workflow platform can be used where current decentralised sample-to-result solutions are not easily scalable, slow, and costly.

COVID-19 portfolio

To ensure Novacyt remains well positioned for any future COVID-19 outbreaks in both developed and developing markets, the Company has consolidated its portfolio. To this end, Novacyt secured CE mark accreditation for its saliva-based PathFlow™ COVID-19 Rapid Antigen Self-Test and an ambient version of its PROmate™ COVID-19 2G assay designed for international shipping. Both tests complement the Company's established genesig™ COVID-19 Real-Time PCR portfolio and PROmate™ COVID-19 direct to PCR 1G and 2G assays.

Commercialisation

During the period, Novacyt has focused on deploying talent in key geographies and optimising its global distributor network to ensure optimal commercial coverage for its recently relaunched RUO portfolio and its growing clinical offering. Through this work, coverage has been increased across EMEA and the Company has begun conducting distributor training on its full portfolio, including its expanded clinical portfolio and workflow.

· Commercialised Winterplex panel with sales to hospitals in both the UK and Europe.

· Partnered with a global fisheries company in the development of tests and workflow for more efficient management of fish stocks; initial sales have been focused on their North American subsidiary and we are now engaging with other global sites to identify their testing needs

· As the APAC region begins to open up post-COVID, we are re-engaging with new and existing distributors across the region with the RUO reagent and instrument products

· Signed a contract with a leading global non-governmental organisation (NGO) to support the detection of arboviruses, including dengue, Zika and Chikungunya. This has now been extended to include West Nile fever, hepatitis A & E and haemorrhagic fever, with further orders received. We also anticipate sales of our RSV test to come in the near term and they are currently evaluating our Winterplex product for deployment across Africa

· Partnered with a leading healthcare company in India to supply both reagents and instrumentation

The Company expects to launch an updated customer website in Q3, that will replace and consolidate former legacy sites. All commerce activity will be conducted from this single site, which will include webshop functionality, as well as a customer portal offering instrument registration and software upgrades.

Business development

In addition to the internal development of the new portfolio, the Company continues to assess strategic M&A, partnership and licensing opportunities as a priority to add scale and diversification to support the long-term growth of the business.

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.

DHSC dispute

On 25 April 2022, the Company was notified that the Department of Health and Social Care (DHSC) had issued a claim against Primer Design Ltd and Novacyt S.A. for £134.6m in relation to the contract dispute announced by the Company on 9 April 2021 regarding its second supply contract with the DHSC, announced on 29 September 2020. 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 £81.5m against the DHSC. On 30 January 2023 the UK High Court notified Novacyt that the hearing of the case between Primer Design Ltd / Novacyt 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.

The Company is unable to provide additional comment at this time but will provide further updates as appropriate and to the extent it is permitted to do so.

Current trading and outlook

Group revenue for Q1 2023 is expected to be circa £1.7m of which £0.3m relates to COVID-19 sales. This has been a slower than expected start to the year particularly in instrumentation where we are seeing an over-hang of inventories that customers built up during the pandemic. Looking forward we expect the run-rate for both RUO and instrument sales to increase and we should also observe sales from our clinical portfolio coming through towards the latter part of the year.

Last year we implemented a number of strategic changes to transition the business beyond COVID-19 and position Novacyt for long-term sustainable growth. We are evaluating a number of opportunities that would accelerate this growth and believe we are well placed to build on the strength of our core business as we continue to deliver our strategy, expanding both our product portfolio and geographic footprint, to build a leading global clinical diagnostics company focused on unmet needs in infectious diseases.

FINANCIAL REVIEW

Overview

Novacyt's 2022 performance was impacted by a faster than anticipated decline in COVID-19 related sales, and as such is reporting a loss for the year. During the second half of 2022 the Group made good progress on i) transitioning from its reliance on COVID-19 revenue and ii) right sizing its cost base. During the year the Group carried out a large restructuring exercise to reduce its opex cost base, which saw over 100 employees leave the Group.

Novacyt generated sales of £21.0m, an EBITDA loss of £13.5m and a loss after tax of £25.7m.

Cash at the end of 2022 was £87.0m, which provides the Group with a solid foundation on which to build and execute on its future strategy.

Discontinued operations

In early 2022, Novacyt carried out a strategic review of the Lab21 Healthcare and Microgen Bioproducts 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. Novacyt announced its intention to discontinue both businesses in April 2022, and they had ceased day to day trading as at the end of June 2022.

In accordance with IFRS 5, the net results of Lab21 Healthcare and Microgen Bioproducts have been reported on a separate line "Loss from discontinued operations" in the consolidated income statement for FY 2022 and 2021.

Revenue

Revenue for 2022 fell to £21.0m compared with £92.6m in 2021, driven by reduced demand for COVID-19 testing as we emerge from the pandemic. Primer Design delivered sales totalling £19.6m whilst IT-IS International delivered sales of £1.4m for 2022.

Gross profit

The business delivered a gross profit of £5.7m (27%), compared with £28.2m (30%) in 2021. The margin, at 27%, is significantly below the Group's historic margin (60%+) predominantly due to the impact of stock in the form of i) booking a higher stock provision than normal as a result of lower forecast COVID-19 sales and ii) writing-off stock that had not been provided for previously. Excluding the impact of these items, the margin would be in excess of 60%. The 2021 gross profit was impacted by the £35.8m one-time cost of sales exceptional charge relating to the DHSC dispute.

Operating expenditure

Group operating costs fell by £5.8m to £19.3m in 2022 compared with £25.1m in 2021. Savings are mainly due to lower staff costs, as headcount for the continuing operations has fallen from circa 239 in December 2021 to circa 137 in December 2022 as a result of the Group-wide restructuring programme. Further savings have been made in legal and professional fees, commercial insurance, as the business contracts, and facilities.

The business continued to invest in research and development, which saw a year-on-year increase in expenditure that supported bringing a number of new products to the market.

EBITDA

The Group reported an EBITDA loss of £13.5m for 2022 compared with a profit of £3.1m in 2021. The £16.6m swing from EBITDA profitability in 2021 to an EBITDA loss in 2022 is driven by a reduced gross profit contribution of £22.5m as a result of lower sales, partially offset by a £5.8m fall in operating expenditure.

Operating loss

The Group reported an operating loss of £23.4m compared with a 2021 loss of £3.9m, predominantly driven by lower sales. Year-on-year, depreciation and amortisation charges have increased by £0.3m to £2.1m due to the annualised effect of reporting twelve months of depreciation on a number of material asset additions during late 2021.

Other operating expenses have increased from £5.2m to £7.7m. The main items making up the 2022 charge are i) a £5.2m impairment charge in relation to the goodwill and intangible assets associated with the IT-IS International acquisition due to reduced future expected cash flow generation, ii) £1.3m restructuring expenses predominantly covering redundancy payments, iii) £0.9m costs in relation to the ongoing DHSC contract dispute and iv) £0.3m of other expenses.

Loss after tax from continuing operations

The Group reported a loss after tax from continuing operations of £22.2m, compared with a loss of £6.0m in 2021. Other financial income and expenses netted to a £3.3m income compared with a £1.7m charge in 2021. The two key items making up the balance are i) a £2.4m net financial foreign exchange gain mainly resulting from revaluations of the 2017 to 2020 LTIP scheme liability and bank and intercompany accounts held in foreign currencies and ii) with interest rates rising the Group received £0.6m interest on deposits held in bank accounts. Taxation at £2.1m is predominantly as a result of the movement in deferred tax.

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 statement for 2022 and 2021.

Lab21 Products reported a loss after tax of £3.5m in 2022 versus a loss of £3.7m in 2021. The 2022 loss includes closure costs totalling circa £1.8m made up of i) a £1.0m impairment charge of right-of-use assets (Camberley facility lease), ii) £0.6m impairment charge of remaining property, plant and equipment and iii) £0.2m redundancy costs. The 2022 tax expense of £0.4m is primarily due to the release of all deferred tax balances, as unused tax losses cannot be utilised by the Group post closure.

Earnings Per Share

2022 saw a loss per share of £0.36 compared to a loss per share of £0.14 in 2021, as a result of the loss widening.

Statement of financial position

	Dec-22	Dec-21		Dec-22	Dec-21
	£'000	£'000		£'000	£'000
Goodwill	6,646	11,471	Share capital and premium	54,633	54,646
Right-of-use assets	521	1,788	Retained earnings and reserves	60,583	87,169
Property, plant and equipment	2,751	4,594	Total equity	115,216	141,815
Deferred tax assets	624	3,143			
Other non-current assets	3,121	3,918	Deferred tax liabilities	1,041	1,224
Total non-current assets	13,663	24,914	Lease liabilities long-term	263	1,446
			Other provisions and long-term liabilities	145	308
Inventories	3,027	11,461	Total non-current liabilities	1,449	2,978
Trade and other receivables	33,662	38,499			
Tax receivables	1,149	5,034	Lease liabilities short-term	609	424
Other current assets	2,427	2,043	Trade and other liabilities	2,787	17,190

Cash and cash equivalents	86,973	101,746	Other provisions and short-term liabilities	20,840	21,290
Total current assets	127,238	158,783	Total current liabilities	24,236	38,904
TOTAL ASSETS	140,901	183,697	TOTAL EQUITY AND LIABILITIES	140,901	183,697

Non-current assets

Goodwill has fallen from £11.5m in 2021 to £6.6m in 2022. Following the 2022 impairment review, goodwill associated with the acquisition of IT-IS International Ltd has been impaired by £5.2m as a result of reduced future expected cash flow. The remaining £0.3m is due to exchange revaluations on the acquisition of Primer Design goodwill balance, which is held in Euros.

Right-of-use assets have decreased from £1.8m at 31 December 2021 to £0.5m at 31 December 2022, largely as a result of fully impairing the right-of-use asset associated with the Camberley facility following the closure of the Lab21 Products business that operated from that site.

Property, plant and equipment has decreased by £1.8m from 31 December 2021 to £2.8m at 31 December 2022, driven by four main factors, i) £1.0m depreciation costs, ii) £0.6m impairment costs for fixed assets associated with the Lab21 Products business, iii) £0.4m impairment costs for lab equipment that will not be of use to the Novacyt Group and iv) offset by capital purchases of £0.2m.

Deferred tax assets have decreased from £3.1m at 31 December 2021 to £0.6m at 31 December 2022. The 2022 balance relates to Primer Design, where a £0.6m deferred tax asset, relating to carried forward tax losses, has been recognised to offset its £0.6m deferred tax liability on accelerated capital allowances. The remaining deferred tax assets have not been recognised at 31 December 2022 on the basis that they may not be recoverable in the near-term. At 31 December 2022, the Group has unused tax losses of over £70.9m (covering France & the UK) available for offset against future relevant profits and their period of use is unlimited.

Other non-current assets have reduced by £0.8m to £3.1m as at 31 December 2022 largely driven by the amortisation of intangible assets.

Current assets

Inventories and work in progress has fallen significantly from £11.5m at 31 December 2021 to £3.0m at 31 December 2022, this is mainly due to i) providing for stock that is at risk of not being sold due to the fall in expected future demand for COVID-19 related products and ii) writing off stock that has expired in 2022 that was

not previously provided for.

Trade and other receivables has fallen by £4.8m to £33.7m at 31 December 2022 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 £8.3m VAT receivable balance (December 2021: £8.2m), 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 £3.9m to £1.1m at 31 December 2022, as the Group received a refund for the overpayment of 2020 corporation tax from HMRC in March 2022. The current balance relates to 2021 losses that can be carried back for relief against 2020 taxable profits totalling £0.5m and a Research and Development Expenditure Credit (RDEC) accrual covering 2021 and 2022 totalling £0.6m.

Other current assets have increased to £2.4m from £2.0m in 2021, driven by a £0.2m increase in prepayments and a £0.2m increase in short-term deposits, which includes rent deposits due back to the Group. Prepayments at 31 December 2022 include the annual Group commercial insurance, rent, rates, prepaid support costs and stock that had not been delivered at the reporting date.

Current liabilities

Contingent consideration fell from £0.8m to £nil in 2022 as a result of settling the final earnout milestones associated with the IT-IS International acquisition, concluding the payments for the acquisition.

Short-term provisions remained flat year-on-year at £20.3m (2021: £20.0m). 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 2022.

Trade and other liabilities fell to £2.8m at 31 December 2022 from £17.2m at 31 December 2021, predominantly as a result of payments made during the year in relation to the 2017 to 2020 LTIP scheme, together with a £2.6m decrease in trade payables and accrued invoices in line with reduced sales.

Non-Current Liabilities

Non-current liabilities has fallen by £1.5m to £1.4m at 31 December 2022. The main driver for this is the reduction in the long-term lease liability as a result of Microgen Bioproducts negotiating the surrender of its Watchmoor Point leased facility based in Camberley, which was agreed in 2022 and settled in early 2023.

Cash flow

Cash held at the end of 2022 totalled £87.0m compared with £101.7m at 31 December 2021. Net cash used in operating activities was £13.7m for 2022 made up of a working capital outflow of £0.2m and an EBITDA loss of £13.5m, compared to a cash inflow of £15.7m in 2021.

Net cash used in investing activities fell to £0.6m from £5.0m in 2021. Capital expenditure in 2022 fell to £0.4m compared with £4.1m in 2021, when the Group heavily invested in insourcing manufacturing. Acquisition related cash outflows reduced by £0.1m year-on-year as a result of the final earnout milestone associated with the IT-IS acquisition being lower than the previous year's payment. In addition, the Group has benefited from interest rate rises throughout 2022, generating £0.6m interest income from its cash balances.

Net cash used in financing activities in 2022 totalled £0.5m compared with £0.6m in 2021, with the main cash outflow continuing to be lease payments.

The Group remains debt free at 31 December 2022.

Patent Box

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 (FY2022) UK corporation tax rate of 19%.

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.

Announcement Note

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.

Chief Financial Officer

Novacyt S.A.

Consolidated income statement for the years ended 31 December 2022 and 31 December 2021

Amounts in £'000	Notes	Year ended31 December2022	Year ended31 December2021 (*)
Continuing Operations			
Revenue		21,040	92,603
Cost of sales	4	-15,294	-28,607
Cost of sales - exceptional	5	-	-35,770
Total cost of sales		-15,294	-64,377
Gross profit		5,746	28,226
Sales, marketing and distribution expenses		-4,826	-6,225
Research and development expenses		-5,047	-4,645
General and administrative expenses	6	-12,090	-16,359
Governmental subsidies		562	308
Operating (loss) / profit before exceptional items		-15,655	1,305
Other operating income	7	-	65
Other operating expenses	7	-7,738	-5,286
Operating loss after exceptional items		-23,393	-3,916
Financial income	8	3,969	787

Financial expense	8	-629	-2,531
Loss before tax		-20,053	-5,660
Tax expense	9	-2,148	-349
Loss after tax from continuing operations		-22,201	-6,009
Loss from discontinued operations	17	-3,529	-3,719
Loss after tax attributable to owners of the Company (**)		-25,730	-9,728
Loss per share (£)	10	-0.36	-0.14
Diluted loss per share (£)	10	-0.36	-0.14
Loss per share from continuing operations (£)	10	-0.31	-0.09
Diluted loss per share from continuing operations (£)	10	-0.31	-0.09
Loss per share from discontinued operations (£)	10	-0.05	-0.05
Diluted loss per share from discontinued operations (£)	10	-0.05	-0.05

* The 2021 consolidated income statement is presented to reflect the impact of the application of IFRS 5 relative to discontinued operations, by stating the Lab21 Products activity on a single line 'Loss from discontinued operations'.

** There are no non-controlling interests.

Consolidated statement of comprehensive income for the years ended 31 December 2022 and 31 December 2021

Amounts in £'000	Year ended31 December2022	Year ended31 December2021 (*)

Loss for the period recognised in the income statement	-25,730	-9,728
Items that may be subsequently reclassified to profit or loss:		
Translation reserves	-843	862
Total comprehensive loss	-26,573	-8,866
Comprehensive loss attributable to:		
Owners of the Company (**)	-26,573	-8,866

* The 2021 consolidated income statement is presented to reflect the impact of the application of IFRS 5 relative to discontinued operations, by stating the Lab21 Products activity on a single line 'Loss from discontinued operations'.

** There are no non-controlling interests.

Statement of financial position for the years ended 31 December 2022 and 31 December 2021

Amounts in £'000	Notes	Year ended31 December2022	Year ended31 December2021
Goodwill	11	6,646	11,471
Other intangible assets		3,121	3,710
Property, plant and equipment		2,751	4,594
Right-of-use assets		521	1,788
Non-current financial assets		-	144
Deferred tax assets		624	3,143

Other long-term assets		-	64
Total non-current assets		13,663	24,914
Inventories and work in progress	12	3,027	11,461
Trade and other receivables	13	33,662	38,499
Tax receivables		1,149	5,034
Prepayments and short-term deposits		2,418	2,034
Investments short-term		9	9
Cash and cash equivalents		86,973	101,746
Total current assets		127,238	158,783
Total assets		140,901	183,697
Lease liabilities short-term		609	424
Contingent consideration short-term		-	836
Provisions short-term	14	20,300	19,956
Trade and other liabilities	15	2,787	17,190
Other current liabilities		540	498
Total current liabilities		24,236	38,904
Net current assets		103,002	119,879
Lease liabilities long-term		263	1,446
Provisions long-term	14	95	308
Deferred tax liabilities		1,041	1,224

Other long-term liabilities	50	-
Total non-current liabilities	1,449	2,978
Total liabilities	25,685	41,882
Net assets	115,216	141,815

Statement of financial position for the years ended 31 December 2022 and 31 December 2021 (continued)

Amounts in £'000	Notes	Year ended31 December2022	Year ended31 December2021
Share capital	16	4,053	4,053
Share premium account		50,671	50,671
Own shares		-91	-78
Other reserves	16	-2,017	-1,174
Equity reserve		1,155	1,155
Retained earnings	16	61,445	87,188
Total equity - owners of the Company		115,216	141,815
Total equity		115,216	141,815

Statement of changes in equity for the years ended 31 December 2022 and 31 December 2021

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 2021	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 income / (loss) 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
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

Statement of cash flows for the years ended 31 December 2022 and 31 December 2021

Amounts in £'000	Notes	Year ended31 December2022	Year ended31 December2021
Net cash (used in) / from operating activities	18	-13,729	15,689
Operating cash flows from discontinued operations		-1,955	2,180
Operating cash flows from continuing operations		-11,774	13,509
Investing activities			
Purchases of patents and trademarks		-260	-330
Purchases of property, plant and equipment		-156	-3,770
Variation of deposits		-12	16
Acquisition of subsidiary net of cash acquired		-787	-943
Interest received		638	40
Net cash used in investing activities		-577	-4,987
Investing cash flows from discontinued operations		28	-247
Investing cash flows from continuing operations		-605	-4,740
Financing activities			
Repayment of lease liabilities		-503	-610
Purchase of own shares - net		-13	-29
Net cash used in financing activities		-516	-639
Financing cash flows from discontinued operations		-142	-261

Financing cash flows from continuing operations	-374	-378
Net (decrease) / increase in cash and cash equivalents	-14,822	10,063
Cash and cash equivalents at beginning of year	101,746	91,765
Effect of foreign exchange rate changes	49	-82
Cash and cash equivalents at end of year	86,973	101,746

Notes

1. CORPORATE INFORMATION

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. 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 31 December 2022 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 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 17).

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

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

Comparatives for discontinued operations are restated.

2.3 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 2024. 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 2022 of £86,973,000;

- Payment of the Long-Term cash Incentive Plan ("LTIP") that commenced in 2021 and vests at the end of 2023; and

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

The forecast prepared by the Group shows that it is able to cover its cash needs during the financial year 2023 up until April 2024.

2.4 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.

2.4.1 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 and relates to the DHSC dispute, further details are disclosed in note 20.

· 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 £25,485,000 against which a credit loss provision of £214,000 has been applied. At the date of signing the financial statements, £23,957,000 of the 31 December 2022 receivables, relating to products delivered during 2020, were overdue due to the contract dispute with the Department of Health and Social Care "DHSC" (see notes 20 and 21). Management considers it to be more likely than not that the 31 December 2022 balances are recoverable; this is a significant judgement.

· Provisions

The carrying value of provisions at 31 December 2022 and 2021 are as per the table below:

Amounts in £'000	Year ended31 December2022	Year ended31 December2021
Provisions for restoration of premises	425	308
Provision for litigation	157	157
Provisions for product warranty	19,813	19,799
Total provisions	20,395	20,264

o Provisions for restoration of premises

The value of provision required is determined by Management on the basis of available information, experience

and, in some cases, expert estimates. When these obligations are settled, the amount of the costs or penalties that are ultimately incurred or paid may differ significantly from the amounts initially provisioned. Therefore, these provisions are regularly reviewed and may have an effect on the Group's future results.

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

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 especially in light of the dispute described in notes 20 and 21.

2.4.2 Key sources of estimation uncertainty

The Group has a number of key sources of estimation uncertainty. Of these items, only the measurement of goodwill (see note 11) 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.

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

Amounts in £'000	Year ended31 December2022	Year ended31 December2021

Goodwill Primer Design	6,384	6,053
Cumulative impairment of goodwill	-	-
Net value	6,384	6,053
Goodwill IT-IS International	9,437	9,437
Cumulative impairment of goodwill	-9,175	-4,019
Net value	262	5,418
Total goodwill	6,646	11,471

Sensitivity analysis has been performed on the goodwill balance. There is significant headroom associated with the Primer Design balance, but there is limited headroom on the IT-IS International goodwill balance, which could result in future impairments. The goodwill sensitivity analysis is presented in note 11.

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 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 announcement to discontinue the Microgen Bioproducts and Lab21 Healthcare businesses earlier this year, the Lab21 Products segment, which is made up of these businesses, is being 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 is being 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 represents intercompany transactions across the Group that have not been allocated to an individual operating segment. It 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	2022	2021
Primer Design	141	169
Lab21 Products	21	45
IT-IS International	31	38
Corporate	29	24
Total headcount	222	276

Breakdown of revenue by operating segment and geographic area

o Year ended 31 December 2022

Amounts in £'000	Primer Design	IT-IS International	Total
Geographical area			
United Kingdom	10,051	72	10,123
Europe (excluding UK)	3,372	477	3,849
America	4,134	347	4,481
Asia-Pacific	1,373	479	1,852
Middle East	347	30	377
Africa	357	1	358
Total revenue	19,634	1,406	21,040

o Year ended 31 December 2021

Amounts in £'000	Primer Design	IT-IS International	Total
Geographical area			
United Kingdom	41,944	164	42,108
Europe (excluding UK)	31,045	355	31,400
America	8,047	782	8,829
Asia-Pacific	7,262	1,376	8,638
Middle East	501	17	518
Africa	1,053	57	1,110
Total revenue	89,852	2,751	92,603

Breakdown of result by operating segment

o Year ended 31 December 2022

Amounts in £'000	Primer Design	Lab21 Products	IT-IS International	Corporate	Intercompany eliminations	Total
Revenue	19,634	-	1,417	-	-11	21,040
Cost of sales	-14,710	-	-2,026	-	1,442	-15,294
Sales and marketing costs	-4,231	-	-321	-274	-	-4,826
Research and development	-4,458	-	-589	-	-	-5,047
General and administrative	-7,668	-	-1,046	-1,261	-	-9,975
Governmental subsidies	490	-	72	-	-	562
Earnings before interest, tax, depreciation and amortisation as per management reporting	-10,943	-	-2,493	-1,535	1,431	-13,540
Depreciation and amortisation	-1,699	-	-405	-44	33	-2,115
Operating (loss) / profit before exceptional items	-12,642	-	-2,898	-1,579	1,464	-15,655

o Year ended 31 December 2021

Amounts in £'000	Primer Design	Lab21 Products	IT-IS International	Corporate	Intercompany eliminations	Total
Revenue	89,856	-	9,270	-	-6,523	92,603

Cost of sales	-27,582	-	-5,131	-	4,106	-28,607
Cost of sales - exceptional	-37,192	-	-3,984	-	5,406	-35,770
Sales and marketing costs	-5,659	-	-228	-338	-	-6,225
Research and development	-4,148	-	-497	-	-	-4,645
General and administrative	-12,439	-	-1,493	-637	-	-14,569
Governmental subsidies	254	-	54	-	-	308
ADJUSTED Earnings before interest, tax, depreciation, amortisation and cost of sales - exceptional, as per management reporting	40,282	-	1,975	-975	-2,417	38,865
Earnings before interest, tax, depreciation and amortisation as per management reporting	3,090	-	-2,009	-975	2,989	3,095
Depreciation and amortisation	-1,372	-	-404	-24	10	-1,790
Operating profit / (loss) before exceptional items	1,718	-	-2,413	-999	2,999	1,305

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

Please note that in accordance with IFRS 5 the results of the Lab21 Products segment for 2022 and 2021 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.

4. Cost of sales

Amounts in £'000	Year ended31 December2022	Year ended31 December2021

Cost of inventories recognised as an expense	17,509	20,373
Change in stock provision	-6,473	-10,404
Freight costs	73	405
Direct labour	4,141	17,624
Product warranty	14	11
Other	30	598
Total cost of sales	15,294	28,607

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

In 2022 the stock provision relating to continuing operations decreased by a net £6,473,000 (2021: £10,404,000). A large amount of stock, which had previously been provided for, was written off and disposed of during 2022, 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.

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

5. Cost of sales - exceptional

Amounts in £'000	Year ended31 December2022	Year ended31 December2021

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

During 2022 no costs were classified as cost of sales - exceptional relating to the DHSC dispute.

Due to the DHSC dispute mentioned in note 20, Management booked a number of one-off, non-recurring cost of sales charges in 2021. Two of the key 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 of stock delivered to the DHSC which has not been paid for as it is now included in the ongoing contract dispute.

6. General and administrative expenses

Amounts in £'000	Year ended31 December2022	Year ended31 December2021
Purchases of non-stored raw materials and supplies	323	376
Lease and similar payments	477	397
Maintenance and repairs	370	499
Insurance premiums	1,024	1,451
Legal and professional fees	1,622	2,404
Banking services	55	88
Employee compensation and social security contributions	5,144	7,890

Depreciation and amortisation of property, plant and equipment and intangible assets	2,115	1,790
Other general and administrative expenses	960	1,464
Total general and administrative expenses	12,090	16,359

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

Labour costs have reduced year on year predominantly as a result of the restructuring programming undertaken by the Group in 2022 to reduce its cost base.

Depreciation and amortisation of property, plant and equipment and intangible assets increased in 2022 due to the annualised effect of reporting twelve months of depreciation on a number of material asset additions during late 2021.

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

7. Other operating income and expenses

Amounts in £'000	Year ended31 December 2022	Year ended31 December 2021
Other operating income	-	65
Total other operating income	-	65
Impairment of IT-IS International goodwill	-5,156	-4,019
DHSC contract dispute costs	-927	-802
Restructuring expenses	-1,255	-422
Acquisition related expenses	-325	-

Other expenses	-75	-43
Total other operating expenses	-7,738	-5,286

Operating income

Other operating income in 2021 predominantly relates to the settlement of a legal claim against a third party.

Operating expenses

Goodwill associated with the IT-IS International Ltd acquisition was impaired in 2022 and 2021 due to reduced future expected cash flow generation.

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

Restructuring expenses have increased in 2022 driven by the Group restructuring programme.

Acquisition related expenses primarily include costs associated with potential merger and acquisition targets.

8. Financial income and expense

Amounts in £'000	Year ended31 December 2022	Year ended31 December 2021
Financial foreign exchange gains	2,506	337
Discount of financial instruments	3	33
Interest received from discontinued operations	779	363

Other financial income	681	54
Total financial income	3,969	787
Interest on IFRS 16 liabilities	-45	-66
Financial foreign exchange losses	-139	-2,214
Discount of financial instruments	-31	-54
Interest paid to discontinued operations	-413	-150
Other financial expense	-1	-47
Total financial expense	-629	-2,531

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. 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 2022 (due to rise to 25% on 1 April 2023). It was 19% for the year 2021.

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.

Amounts in £'000	Year ended31 December 2022	Year ended31 December 2021
Current tax expense		
Current year (expense) / income	-224	411
Deferred tax expense		
Deferred tax expense	-1,924	-760
Total taxation expense in the income statement	-2,148	-349

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

Amounts in £'000	Year ended31 December2022	Year ended31 December2021
Loss before taxation	-20,053	-5,660
Tax at the UK corporation tax rate (2022 and 2021: 19%)	3,810	1,075
Effect of different tax rates of subsidiaries operating in other jurisdictions	95	115
Change of the tax rate for the calculation of the deferred tax	3,571	-
Effect of non-deductible expenses and non-taxable income	-1,224	-822
Derecognition of deferred tax assets	-8,047	-
Change in unrecognised deferred tax assets	-287	-712
Other adjustments	-66	-5
Total taxation expense for the year	-2,148	-349

At 31 December 2022, the Group has unused tax losses of £70,909,000 (2021: £9,432,000) available for offset against future relevant profits and their period of use is unlimited.

The key item making up the non-deductible expenses in 2022 and 2021 is the impairment of goodwill.

Matters affecting the tax charge

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 19%.

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.

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 31 December 2022 there are no outstanding dilutive instruments.

Amounts in £'000	Year ended31 December2022	Year ended31 December2021
Net loss attributable to owners of the Company	-25,730	-9,728
Impact of dilutive instruments	-	-
Net diluted loss attributable to owners of the Company	-25,730	-9,728
Weighted average number of shares	70,626,248	70,626,248
Impact of dilutive instruments	-	-
Weighted average number of diluted shares	70,626,248	70,626,248

Loss per share (£)	-0.36	-0.14
Diluted loss per share (£)	-0.36	-0.14
Loss per share from continuing operations (£)	-0.31	-0.09
Diluted loss per share from continuing operations (£)	-0.31	-0.09
Loss per share from discontinued operations (£)	-0.05	-0.05
Diluted loss per share from discontinued operations (£)	-0.05	-0.05

11. 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 2021	31,982
Exchange differences	-1,624
At 31 December 2021	30,358
Exchange differences	1,144
At 31 December 2022	31,502
Accumulated impairment losses	
At 1 January 2021	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
Impairment of the IT-IS International goodwill	5,156
Exchange differences	813
At 31 December 2022	24,856
Carrying value at 31 December 2020	17,877
Carrying value at 31 December 2021	11,471
Carrying value at 31 December 2022	6,646

Primer Design

The impairment testing of the CGU as at 31 December 2022 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 in use amounted to £36,112,000, which is greater than the carrying amount of this asset. As such, no impairment was recognised in the year ended 31 December 2022.

IT-IS International

The impairment testing of the CGU as at 31 December 2022 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 in use amounted to £1,992,000, which is lower than the carrying amount of this asset. As such an impairment charge has been recognised in the year ended 31 December 2022 due to reduced future expected revenue generation.

12. Inventories and work in progress

Amounts in £'000	Year ended31 December2022	Year ended31 December2021
Raw materials	8,562	19,382
Work in progress	2,854	3,350
Finished goods	3,404	7,831
Stock provisions	-11,793	-19,102
Total inventories and work in progress	3,027	11,461

Total inventories and work in progress has reduced significantly since December 2021, predominantly as a result of providing for, writing off and disposing of stock that had either expired or is deemed excess stock as a result of lower future forecasted COVID-19 sales.

Stock provisions have fallen as a result of provided for stock being written off and disposed of during 2022.

13. Trade and other receivables

Amounts in £'000	Year ended31 December2022	Year ended31 December2021
Trade and other receivables	25,485	30,279
Expected credit loss provision	-214	-89

Tax receivables - Value Added Tax	8,312	8,213
Receivables on sale of businesses	69	66
Other receivables	10	30
Total trade and other receivables	33,662	38,499

Trade receivables have decreased since 31 December 2021 in line with falling monthly sales.

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 annual 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 £8,312,000 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 ended31 December2022	Year ended31 December2021
Balance at the beginning of the period	89	160

Impairment losses recognised	453	100
Amounts written off during the year as uncollectible	-14	-44
Impairment losses derecognized	-157	-
Amounts recovered during the year	-157	-127
Balance at the end of the period	214	89

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

Amounts in £'000	Year ended31 December2022	Year ended31 December2021
Less than one month	970	5,818
Between one and three months	143	217
Between three months and one year	121	24,200
More than one year	24,251	44
Balance at the end of the period	25,485	30,279

14. Provisions

The table below shows the nature of and changes in provisions for risks and charges for the period from 1 January 2022 to 31 December 2022:

Amounts in £'000	At1 January2022	Increase	Reduction	Other movements	Reclass	At 31 December2022

Provisions for restoration of premises	308	-	-	117	-330	95
Provisions long-term	308	-	-	117	-330	95
Provisions for restoration of premises	-	-	-	-	330	330
Provision for litigation	157	-	-	-	-	157
Provisions for product warranty	19,799	14	-	-	-	19,813
Provisions short-term	19,956	14	-	-	330	20,300

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

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 amounts payable to cover dilapidations at the end of the rental periods, thus at the following dates:

- Microgen Bioproducts Ltd: January 2023 (lease surrender date);

- Primer Design Ltd: May 2023 and November 2025 as there are two sites that do not have co-terminus leases;

- IT-IS International Ltd: December 2023 and September 2025, 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 (see notes 20 and 21). Management have assessed the DHSC product warranty provision held at 31 December 2021 and have deemed that it is still appropriate at 31 December 2022.

15. Trade and other liabilities

Amounts in £'000	Year ended31 December2022	Year ended31 December2021
Trade payables	278	1,363
Accrued invoices	2,035	3,534
Social security liabilities	455	954
Tax liabilities - Value Added Tax	6	115
Other liabilities	13	11,224
Total trade and other liabilities	2,787	17,190

Trade payables and accrued invoices have decreased in line with reduced sales.

Other liabilities have fallen as a result of settling all outstanding liabilities in relation to the 2017 to 2020 LTIP

scheme during 2022.

16. ISSUED CAPITAL and reserves

16.1 Share capital

As of 31 December 2022 and 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.

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

	Amount of share capital £'000	Amount of share capital €'000	Unit value per share €	Number of shares issued
Balance at 1 January 2021	4,053	4,708	0.07	70,626,248
Balance at 31 December 2021	4,053	4,708	0.07	70,626,248
Balance at 31 December 2022	4,053	4,708	0.07	70,626,248

16.2 Other reserves

Amounts in £'000	
Balance at 1 January 2021	-2,036
Translation differences	862
Balance at 31 December 2021	-1,174

Translation differences	-843
Balance at 31 December 2022	-2,017

16.3 Retained earnings/Losses

Amounts in £'000	
Balance at 1 January 2021	96,916
Loss for the year	-9,728
Balance at 31 December 2021	87,188
Loss for the year	-25,730
Adjustment of the LTIP contribution	-13
Balance at 31 December 2022	61,445

17. 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 segment 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 31 December 2022 and 2021:

Amounts in £'000	Year ended31 December2022	Year ended31 December2021
Revenue	1,448	3,177
Cost of sales	-1,102	-1,725
Gross profit	346	1,452
Sales, marketing and distribution expenses	-320	-800
Research and development expenses	-22	-170
General and administrative expenses	-3,059	-2,474
Operating loss before exceptional items	-3,055	-1,992
Other operating expenses	-290	-1,887
Operating loss after exceptional items	-3,345	-3,879
Financial income	1,181	192
Financial expense	-953	-482
Loss before tax	-3,117	-4,169

Taxation (expense) / income	-412	450
Loss after tax from discontinued operations	-3,529	-3,719

18. Notes to the cash flow statement

Amounts in £'000	Year ended31 December2022	Year ended31 December2021
Loss for the year	-25,730	-9,728
Loss from discontinued operations	-3,529	-3,719
Loss from continuing operations	-22,201	-6,009
Adjustments for:		
Depreciation, amortisation, impairment loss and provisions	7,918	7,882
Unwinding of discount on contingent consideration	133	-17
Losses on disposal of assets	543	75
Surrendering the Watchmoor Point lease (non-cash impact)	281	-
Income tax charge / (credit)	1,998	-409
Operating cash flows before movements of working capital	-14,857	-2,197
Decrease in inventories (*)	8,434	18,427
Decrease in receivables	4,625	42,754
Decrease in payables	-15,624	-23,996
Cash (used in) / from operations	-17,422	34,988

Income taxes received / (paid)	4,223	-19,437
Finance costs	-530	138
Net cash (used in) / from operating activities	-13,729	15,689
Operating cash flows from discontinued operations	-1,955	2,180
Operating cash flows from continuing operations	-11,774	13,509

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

Amounts in £'000	Year ended31 December2022	Year ended31 December2021
Decrease in the gross value of inventories	15,743	2,392
Variation of the stock provision	-7,309	16,035
Total variation of the net value of inventories	8,434	18,427

The details for the change in the stock provision are covered in notes 4, 5 and 12.

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 ended31 December2022	Year ended31 December2021

Fixed compensation and company cars	1,605	2,176
Variable compensation	15	590
Social security contributions	224	412
Contributions to supplementary pension plans	26	48
Termination benefits	-	371
Cash based payment benefits - LTIP	17	-
Total remuneration	1,887	3,597

Aggregate Directors' remuneration

Amounts in £'000	Year ended31 December2022	Year ended31 December2021
Fixed compensation and company cars	988	897
Variable compensation	-	350
Social security contributions	155	181
Contributions to supplementary pension plans	-	11
Fees	38	32
Total remuneration	1,181	1,471

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.

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 annual 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.

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 31 December 2022 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 31 December 2022.

21. Subsequent events

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.

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