CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
31 DECEMBER 2013, 2014 AND 2015

PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION

NOVACYT
Limited liability company *(société anonyme)* with capital of 669 328 euros
Versailles Trade and Companies Register 491.062.527
Registered office: 13, avenue Morane Saulnier
78140 Velizy Villacoublay

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Statement of financial position as of 31 December 2013, 2014 and 2015

Amounts in € thousands	Note	As of 31/12/2015	As of 31/12/2014	As of 31/12/2013	As of 01/01/2013
Intangible assets	4.2.1	1,297	1,097	1,051	955
Goodwill	4.1	9,256	19,042	-	-
Property, plant and equipment	4.2.2	683	532	155	443
Other financial assets	4.3	204	42	15	21
Deferred taxes	4.4	-	3	-	-
Other long-term assets		56	35	-	-
Non-current assets		**11,497**	**20,751**	**1,221**	**1,419**
Inventories and work in progress		1,488	1,335	247	262
Trade and other receivables	4.5	1,878	1,851	397	524
Tax receivables		152	197	235	120
Other current assets	4.6	400	176	27	20
Marketable securities and other investments		1,164	10	160	1,210
Cash and cash equivalents	4.7	527	2,327	840	463
Current assets		**5,609**	**5,896**	**1,906**	**2,599**
Total assets		**17,106**	**26,647**	**3,127**	**4,018**

	Note	As of 31/12/2015	As of 31/12/2014	As of 31/12/2013	As of 01/01/2013
Share capital		479	418	197	180
Share premium		32,382	28,184	6,405	4,750
Own shares		- 98	- 86	- 50	- 10
Other reserves		- 81	- 30	1	-
Retained earnings		- 22,157	- 8,213	- 4,303	- 3,307
Total equity attributable to owners of the company		**10,524**	**20,273**	**2,250**	**1,613**
Total equity		**10,524**	**20,273**	**2,250**	**1,613**
Borrowings	4.8	2,103	588	57	152
Employee benefit liabilities	4.9	40	31	17	15
Other provisions	4.9	103	122	-	-
Other long-term liabilities		-	402	-	-
Total non-current liabilities		**2,246**	**1,143**	**74**	**167**
Bank overdrafts and current portion of long-term borrowings	4.8	1,270	433	152	956
Provisions (current portion)	4.9	66	96	30	129
Trade and other payables	4.10	2,968	4,381	431	719
Tax liabilities		1	-	-	-
Other current liabilities	4.11	30	321	190	434
Total current liabilities		**4,335**	**5,231**	**803**	**2,238**
Total liabilities		**6,581**	**6,374**	**877**	**2,405**
Total liabilities		**17,106**	**26,647**	**3,127**	**4,018**

Consolidated income statement for the years ended 31 December 2013, 2014 and 2015

Amounts in € thousands	Note	2015	2014	2013
Revenue	5.1	8 892	4 526	1 154
Cost of sales	5.2	- 4 617	- 2 553	- 588
Gross profit		**4 275**	**1 973**	**566**
Sales and marketing expenses	5.3	- 2 285	- 1 183	- 491
Research and development expenses	5.4	- 588	- 467	- 438
General and administrative expenses	5.5	- 4 785	- 2 339	- 969
Subsidies		148	172	277
Recurring operating profit/(loss)		**- 3 235**	**- 1 844**	**- 1 055**
Other operating income and expenses	5.6	- 9 950	- 1 842	60
Operating profit/(loss)		**- 13 185**	**- 3 686**	**- 995**
Income from cash and cash equivalents		1	-	-
Gross borrowing costs		- 947	- 49	- 16
Net borrowing costs	5.7	**- 946**	**- 49**	**- 16**
Other financial income and expenses	5.8	**224**	**- 177**	**15**
Profit/(loss) before tax		**- 13 907**	**- 3 912**	**- 996**
Income tax		- 1	-	-
Profit/(loss) after tax		**- 13 908**	**- 3 912**	**- 996**
Total net profit/(loss)		**- 13 908**	**- 3 912**	**- 996**
Attributable to owners of the company		**- 13 908**	**- 3 912**	**- 996**
Attributable to non-controlling interests		**-**	**-**	**-**
Earnings per share	5.10	- 2,05	- 0,88	- 0,34
Diluted earnings per share	5.10	- 2,05	- 0,88	- 0,34

Consolidated statement of comprehensive income for the years ended 31 December 2013, 2014 and 2015

	2015	2014	2013
Consolidated net profit/(loss) for the year	**- 13,908**	**- 3,912**	**- 996**
Other comprehensive income			
Actuarial gains and losses (IAS 19R)	- 3	- 10	1
Translation reserve	- 49	- 21	-
Change in gains and losses recognised in equity	- 52	- 31	1
Total comprehensive income	**- 13,960**	**- 3,943**	**- 995**
Comprehensive income attributable to:			
Owners of the company	- 13,960	- 3,943	- 995
Non-controlling interests		-	-

Statement of changes in equity from 1 January 2013 to 31 December 2015

	Share capital	Share premium	Own shares	Other group reserves			Retained earnings	Total Equity attributable to owners of the company	Total Equity
				Translation reserve	OCI on ret. ben.	Total			
Situation at the beginning of year 2013.12	**180**	**4,750**	**- 10**	**-**	**-**	**-**	**- 3,307**	**1,613**	**1,613**
Actuarial gains on retirement benefits	-	-	-	-	1	1	-	1	1
Profit/(loss) for the period	-	-	-	-	-	-	- 996	- 996	- 996
Total profit/(loss) for the period	**-**	**-**	**-**	**-**	**1**	**1**	**- 996**	**- 995**	**- 995**
Capital increase	17	1,655	-	-	-	-	-	1,672	1,672
Change in own shares	-	-	- 40	-	-	-	-	- 40	- 40
Situation at the close of year 2013.12	**197**	**6,405**	**- 50**	**-**	**1**	**1**	**- 4,303**	**2,250**	**2,250**
Actuarial gains on retirement benefits	-	-	-	-	- 10	- 10	-	- 10	- 10
Translation differences	-	-	-	- 21	-	- 21	-	- 21	- 21
Profit/(loss) for the period	-	-	-	-	-	-	- 3,912	- 3,912	- 3,912
Total profit/(loss) for the period	**-**	**-**	**-**	**- 21**	**- 10**	**- 31**	**- 3,912**	**- 3,943**	**- 3,943**
Capital increase	221	21,779	-	-	-	-	-	22,000	22,000
Change in own shares	-	-	- 36	-	-	-	-	- 36	- 36
Other changes	-	-	-	-	-	-	2	2	2
Situation at the close of year 2014.12	**418**	**28,184**	**- 86**	**- 21**	**- 9**	**- 30**	**- 8,213**	**20,273**	**20,273**
Actuarial gains on retirement benefits	-	-	-	-	- 3	- 3	-	- 3	- 3
Translation differences	-	-	-	- 49	-	- 49	-	- 49	- 49
Result for the period	-	-	-	-	-	-	- 13,908	- 13,908	- 13,908
Total profit or loss of the period	**-**	**-**	**-**	**- 49**	**- 3**	**- 52**	**- 13,908**	**- 13,959**	**- 13,959**
Capital increase	61	4,198	-	-	-	-	-	4,259	4,259
Change in own shares	-	-	- 12	-	-	-	-	- 12	- 12
Other changes	-	-	-	-	-	-	- 37	- 37	- 37
Situation at the close of year 2015.12	**479**	**32,382**	**- 98**	**- 69**	**- 12**	**- 81**	**- 22,158**	**10,524**	**10,524**

Statement of cash flows for the years ended 31 December 2013, 2014 and 2015

	2015	2014	2013
Total consolidated net profit/(loss)	- 13,908	- 3,912	- 996
Adjustments			
Elimination of depreciation, amortisation and provisions	10,067	296	427
Elimination of change in fair value through profit or loss	- 439	- 11	-
Elimination of gains on disposals and dilution gains and losses	- 17	18	-
Cash flow after net borrowing costs and tax	**- 4,297**	**- 3,609**	**- 569**
Elimination of net borrowing costs	946	49	16
Cash flow before net borrowing costs and tax	**- 3,351**	**- 3,560**	**- 553**
Impact of change in inventories	- 128	- 142	15
Impact of change in trade receivables	- 89	45	120
Impact of change in trade payables	- 1,667	1,518	- 285
Impact of change in debt issuance costs	- 160	-	-
Taxes paid	49	38	- 115
Cash from/(used in) operating activities	**- 5,346**	**- 2,101**	**- 818**
Impact of change in scope		980	-
Purchase of PP&E and intangible assets	- 829	- 546	- 581
Change in loans and advances	- 296	- 12	9
Disposal of PP&E and intangible assets	40	20	-
Other cash from/(used in) investing activities		150	1,050
Cash from/(used in) investing activities	**- 1,085**	**592**	**478**
Capital increase	4,259	3,152	1,672
Net sales/(purchases) of own shares	- 12	- 36	- 40
Bond issues	3,768	15	-
Bond redemptions	- 1,165	- 159	- 899
Net interest paid	- 946	- 49	- 16
Other cash from/(used in) financing activities	- 163	42	-
Cash from/(used in) financing activities	**5,742**	**2,964**	**717**
Impact of change in exchange rates	43	32	-
Change in cash	**- 646**	**1,487**	**377**
Opening cash and cash equivalents	2,327	840	463
Closing cash and cash equivalents	1,681	2,327	840

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: APPLICABLE ACCOUNTING STANDARDS

Novacyt (hereinafter **"the Company"** or **"Novacyt"**), a limited company (*société anonyme*) with capital of 669 328 euros, specialises in cancer and infectious disease diagnostics. Its registered office is located at 13 avenue Morane Saulnier, 78140 Velizy Villacoublay. The financial statements include the accounts of the Company and its subsidiaries (hereinafter referred to together **"the Group"**). They are prepared and presented in euros.

Pursuant to European regulation 1606/2002 of 19 July 2002, the financial statements of the Company for the years ended 31 December 2013, 2014 and 2015 were prepared in accordance with international accounting standards as adopted by the European Union as of 31 December 2015 and mandatory as of that date, as was the opening balance sheet as of 1 January 2013, date of the Company's transition to IFRS. This is the first set of consolidated financial statements prepared under IFRS as adopted by the European Union, and was accordingly prepared in accordance with IFRS 1 "First Time Adoption of International Financial Reporting Standards".

International standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), as well as interpretations issued by IFRIC (International Financial Reporting Interpretations Committee) and SIC (Standard Interpretations Committee).

The Group did not early adopt any standards or interpretations in preparing these financial statements.

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

The financial statements were approved by the Board of Directors at its meeting of 10 May 2016, which authorised their publication.

NOTE 2: IMPACT OF THE FIRST TIME APPLICATION OF IFRS

2.1 TRANSITION OF THE BALANCE SHEET AS OF 1 JANUARY 2013

- **Assets**

Balance sheet under French GAAP		Reclassifications: Amort. & dép.	Reclassifications: Other receivables	Restatements: Empl. benefits	Restatements: Loan guarantee	Balance sheet under IFRS	
Intangible assets	1 099	- 144				Intangible assets	955
Dep. intangible assets	- 144	144					
Property, plant and equipement	987	- 544				Property, plant and equipemen	443
Dep. property, plant & equipm.	- 544	544					
Financial assets	25				- 5	Other financial assets	21
Total fixed assets	**1 423**	**-**	**-**	**-**	**- 5**	**Non-current assets**	**1 419**
Inventories and work in progress	262					Inventories and work in progre	262
Prov. impairment of inventories							
Trade receivables	212	- 23	- 189				-
Prov. impairment of trade rec.	- 23	23					-
Other receivables	475		- 475				-
Prov. impairment of other rec.							-
			524			Trade and other receivables	524
			120			Tax receivables	120
			20			Other current assets	20
Marketable securities	1 210					Marketable sec. and other inves	1 210
Cash	463					Cash and cash equivalents	463
		-	**-**	**-**	**-**	**Current assets**	**2 599**
Total assets	**4 022**	**-**	**-**	**-**	**- 5**	**Total assets**	**4 018**

- **Liabilities**

Balance sheet under French GAAP		Reclassifications: Equity	Reclassifications: Provisions and loans	Reclassifications: Trade and other liabilities	Restatements: Empl. benefits	Restatements: Loan guarantee	Balance sheet under IFRS	
Capital	180						Capital	180
Share premium	4,750						Share premium	4,750
Reserves	- 2,745	2,745						
							Other reserves	-
Net profit/(loss) for the year	- 556	556						
		- 10					Own shares	- 10
		- 3,292			- 15		Retained earnings	- 3,307
Total equity	**1,629**	**-**	**-**	**-**	**- 15**	**-**	**Total equity**	**1,613**
Provisions	129		- 129		15		Employee benefit liabilities	15
Borrowings	1,112		- 960				Borrowings	152
				-			Other long-term liabilities	-
		-	**- 1,089**	**-**	**15**	**-**	**Total non-current liabilities**	**167**
			960			- 5	Bank loans and overdrafts	956
			129				Provisions (current portion)	129
Trade and other payables	594			- 594				-
				719			Trade and other payables	719
Other payables and accruals	558			- 558				-
				434			Other current liabilities	434
		-	**1,089**	**1**	**-**	**- 5**	**Total current liabilities**	**2,238**
Total liabilities	**4,022**	**-**	**-**	**-**	**-**	**- 5**	**Total liabilities**	**4,018**

2.1.1 Main reclassifications performed in accordance with IFRS

- **Reclassifications of current assets**

Novacyt has reclassified various current assets to "Trade and other receivables", namely:

- trade receivables and provisions for impairment in the amount of €189,000,
- tax receivables (excluding income tax) in the amount of €292,000,
- prepayments to suppliers in the amount of €42,000.

- **Reclassification of prepaid expenses**

Prepaid expenses in the amount of €20,000 have been reclassified to "Other current assets".

- **Reclassification of income tax**

The claim on the tax administration in respect of the research tax credit, in the amount of €120,000, has been reclassified to "Tax receivables", among current assets.

- **Reclassification to "Cash and cash equivalents"**

Available resources in the amount of €463,000 have been reclassified to "Cash and cash equivalents".

- **Breakdown of bank loans**

Novacyt has broken down financial liabilities classified in "Borrowings" under French GAAP, in the amount of €1,112,000, into non-current liabilities under "Borrowings and other financial liabilities" in the amount of €152,000 and current liabilities under "Overdrafts and short-term borrowings" in the amount of €956,000.

- **Other long-term liabilities**

The long-term portion of debt on fixed assets, i.e. €181,000, has been reclassified from "Other liabilities" to "Other long-term liabilities".

- **Reclassifications of current liabilities**

Novacyt has reclassified various current liabilities to "Trade and other payables", namely:

- trade payables and accrued invoices in the amount of €594,000,
- tax and social security liabilities in the amount of €118,000.

Lastly, the Group has reclassified the current portion of capital debt, i.e. €250,000, and deferred income in the amount of €3,000 to "Other current liabilities".

2.2 TRANSITION OF THE BALANCE SHEET AS OF 31 DECEMBER 2014

• Assets

Balance sheet under French GAAP		Reclassifications: Amort. & dep.	Reclassifications: Other receivables	Restatements: Loan guarantee	Balance sheet under IFRS	
Intangible assets	1 099	- 144			Intangible assets	955
Dep. intangible assets	- 144	144				
Property, plant and equipement	987	- 544			Property, plant and equipemen	443
Dep. property, plant & equipm.	- 544	544				
Financial assets	25			- 5	Other financial assets	21
Total fixed assets	**1 423**	**-**	**-**	**- 5**	**Non-current assets**	**1 419**
Inventories and work in progress	262				Inventories and work in progre	262
Prov. impairment of inventories						
Trade receivables	212	- 23	- 189			-
Prov. impairment of trade rec.	- 23	23				-
Other receivables	475		- 475			-
Prov. impairment of other rec.						-
			524		Trade and other receivables	524
			120		Tax receivables	120
			20		Other current assets	20
Marketable securities	1 210				Marketable sec. and other inves	1 210
Cash	463				Cash and cash equivalents	463
		-	**-**	**-**	**Current assets**	**2 599**
Total assets	**4 022**	**-**	**-**	**- 5**	**Total assets**	**4 018**

• Liabilities

Balance sheet under French GAAP		Reclassifications: Equity	Reclassifications: Provisions and loans	Reclassifications: Trade and other liabilities	Restatements: Acquisition Lab21 Ltd	Restatements: Transition to IFRS	Restatements: Lab21 loan	Restatements: Lab21 rent-free period	Restatements: Lab21 provision for obsolescence	Restatements: Novacyt provisions for ret. ben.	Balance sheet under IFRS	
Capital	418										Capital	418
Share premium	28 184										Share premium	28 184
Reserves	- 4 366	4 366										
Group translation reserve	- 7						- 12			- 10	Other reserves	- 29
Net profit/(loss) for the year	- 3 702	3 702										
		- 8 067			- 235	431	- 398	- 4	- 6	- 21	Retained earnings	- 8 300
Total equity	**20 527**	**-**	**-**	**-**	**- 235**	**431**	**- 410**	**- 4**	**- 6**	**- 31**	**Total equity**	**20 272**
Borrowings	1 157		- 516				- 53				Borrowings	588
										31	Employee benefit liabilities	31
Provisions	212		- 96						6		Other provisions	122
							403				Other long-term liabilities	403
		-	**- 612**	**-**	**-**		**350**	**-**	**6**	**31**	**Total non-current liabilities**	**1 144**
			516				- 83				Bank loans and overdrafts	433
			96								Provisions (current portion)	96
Trade and other payables	3 735			- 3 735								
				4 371			7	4			Trade and other payables	4 382
Other payables and accruals	957			- 957								
											Tax liabilities	-
				321							Other current liabilities	321
		-	**612**	**-**	**-**		**- 76**	**4**	**-**		**Total current liabilities**	**5 232**
Total liabilities	**26 588**	**-**	**-**	**-**	**- 235**	**431**	**- 136**	**-**	**-**	**31**	**Total liabilities**	**26 648**

2.2.1 Main reclassifications performed in accordance with IFRS

- **Reclassifications of non-current assets**

Financial assets of €43,000, corresponding to deposits and guarantees, have been classified as "Financial assets" under IFRS.

- **Reclassifications of current assets**

Novacyt has reclassified various current assets to "Trade and other receivables", namely:

- trade receivables and provisions for impairment of €1,263,000,
- social security receivables of €8,000,
- tax receivables (excluding income tax) of €580,000.

- **Reclassification of prepaid expenses**

Prepaid expenses of €176,000 have been reclassified to "Other current assets".

- **Reclassification of corporation tax**

The research tax credit and the competitiveness and employment tax credit, of €197,000 have been reclassified to "Tax receivables", within current assets.

- **Reclassification to "Cash and cash equivalents"**

Available funds of €2,326,000 have been reclassified to "Cash and cash equivalents".

- **Breakdown of bank loans**

Novacyt has reclassified €1,157,000 financial liabilities treated as "Borrowings" under French GAAP into:

- "Borrowings and other financial liabilities" of €641,000 within non-current liabilities
- "Overdrafts and short-term borrowings" of €516,000 within current liabilities.

- **Reclassifications of current liabilities**

Novacyt has reclassified various current liabilities to "Trade and other payables", namely:

- trade payables and accrued invoices of €3,735,000,
- tax and social security liabilities of €455,000,
- a current account with a credit balance of €63,000,
- other liabilities of €123,000.

2.2.2 Main restatements performed in accordance with IFRS

- **Costs resulting from the acquisition of Lab21**

In June 2014, Novacyt acquired Lab21 Ltd and its subsidiaries. This transaction gave rise to miscellaneous expenses totalling €1,227,000, which were included in the cost of acquiring the share capital in accordance with French GAAP. However, for the preparation of financial statements under IFRS, these costs have been expensed in the period in question, in accordance with IFRS 3.

- **Amortisation of Lab21 goodwill**

Under French GAAP, goodwill arising on the acquisition of Lab21 and its subsidiaries was subject to straight-line amortisation. IFRS does not permit the amortisation of goodwill. As such, the amortisation charge of €992,000 was cancelled on the balance sheet and income statement.

- **Lab21 loan fees**

The arrangement costs of a Lab21 bank loan have been assumed by the Company. In accordance with French GAAP, these costs were amortised over the life of the loan. For the preparation of financial statements under IFRS, the costs yet to be amortised have been reclassified as a reduction in bank loans in the amounts of €53,000 under non-current liabilities and €83,000 under current liabilities.

- **Embedded derivative in the Lab21 loan agreement**

Prepayment clauses in the Lab21 loan agreement signed in 2012 and amended in 2014 are an embedded derivative under IAS 39, and recognised at fair value in the financial statements. The corresponding liability was recognised as €403,000 within non-current liabilities under "Other long-term liabilities" and €7,000 within current liabilities under "Trade and other payables". An offsetting entry was recorded in the Group's retained earnings within Lab21's consolidation and in financial expenses for the change in fair value.

- **Lab21 rent-free period**

In 2014, Lab21 negotiated a new lease with a four-month rent-free period at the beginning of the term. Pursuant to SIC 15, this benefit should be recognised on a straight-line basis over the term of the lease. The restatement gave rise to a provision of €4,000, which will be released on a straight-line basis over the term of the lease.

- **Lab21 provision for obsolescence**

Lab21 has negotiated a new lease agreement with a clause whereby the tenant is obliged to return the leased premises in its original state. This requirement has given rise to a provision of €6,000 within non-current liabilities under "Other provisions".

- **Employee benefit obligations**

Novacyt recorded a provision for retirement benefits in accordance with the IAS 19R. Accordingly, actuarial gains and losses of €10,000 were recognised in "Other comprehensive income".

The amount of the provision, i.e. €31,000 as of 31 December 2014, is classified within non-current liabilities under "Employee benefits".

2.2.3 Equity transition table as of 1 January 2013

Amounts in € thousands	**As of 01/01/2013**
Equity as per CRC 99-02	**1,628**
Novacyt provisions for employee benefits	- 15
Equity under IFRS	**1,613**

2.2.4 Equity transition table 31 December 2014

Amounts in € thousands	**As of 31/12/2014**
Equity as per CRC 99-02	**20,527**
Impact of restatements on prior years	
Adjustment of Lab21 acquisition goodwill	431
Novacyt provisions for employee benefits	- 17
Lab21 rent-free period	- 20
Lab21 provision for refurbishment of premises (obsolescence)	- 6
Fair value of the embedded derivative of the Lab21 loan	- 410
Impact on 2014 profit/(loss)	
Lab21 acquisition costs	-1227
Reversal of amortisation of Lab21 acquisition goodwill	992
Novacyt provisions for employee benefits: allowance	- 4
Lab21 rent-free period	17
Change in fair value of the embedded derivative of the Lab21 loan	11
Other impacts on equity	
Translation adjustment on the embedded derivative of the Lab21 loar	- 12
Provisions Novacyt employee benefit liabilities: actuarial gains and lo:	- 10
Equity under IFRS	**20,273**

2.3 TRANSITION OF THE 2014 INCOME STATEMENT

Amounts in € thousands	Fr. GAAP	Rent-free period	Provision for emp. benefits	Discounts granted	Loan fees	Chg. FV loan option	Reclass. exc. items	Lab21 acq. fees	Canc. amort. EA	IFRS	
Revenue	4,530			-5						4,526	Revenue
Cost of revenue	- 2,553									- 2,553	Cost of revenue
Recurring expenses:											Recurring expenses:
Sales and marketing	- 1,183		-1							- 1,183	Sales and marketing
Research and development	- 465		-2							- 467	Research and development
General and administrative	- 2,398	16			43					- 2,339	General and administrative
Subsidies	172									172	Subsidies
Operating profit/(loss)	**- 1,896**	**16**	**- 3**	**- 5**	**43**	**-**	**-**	**-**	**-**	**- 1,844**	**Recurring operating profit/(loss)**
							- 616	- 1,226		- 1,842	Other income and expense
Operating profit/(loss)	**- 1,896**	**16**	**- 3**	**- 5**	**43**	**-**	**- 616**	**- 1,226**	**-**	**- 3,686**	**Operating profit/(loss)**
							-49			**- 49**	**Net borrowing costs**
Net financial income/(expens	**- 198**		-1	5	-43	11	49			**- 177**	**Other financial income and expense**
Profit before tax	**- 2,094**	**16**	**- 4**	**-**	**-**	**11**	**- 616**	**- 1,226**	**-**	**- 3,912**	**Profit before tax**
Exceptional income and expense	- 616						616				
Income tax	-									-	Income tax
Amortisation of goodwill	- 992								992		
Profit after tax	**- 3,702**	**16**	**- 4**	**-**	**-**	**11**	**-**	**- 1,227**	**992**	**- 3,912**	**Profit after tax**
Equity associates	-									-	
Net profit/(loss)	**- 3,702**	**16**	**- 4**	**-**	**-**	**11**	**-**	**- 1,227**	**992**	**- 3,912**	**Total net profit/(loss)**
Actuarial gains on retirement benefits			-10							- 10	
Translation reserve										- 21	
			- 10							**- 3,943**	**Total comprehensive income**
Attrib. to owners of the comp:	**- 3,702**	**16**	**- 20**	**-**	**-**	**11**	**-**	**- 1,227**	**992**	**- 3,943**	**Attributable to owners of the company**
Attrib. to non-controlling inte	**-**									**-**	**Attributable to non-controlling interests**

In conjunction with the transition to IFRS, the Group elected to present an income statement by function. However, in accordance with IFRS, the details of expenses by nature of each function are presented in the notes to the income statement.

The above transition table presents the reclassifications and restatements required for presentation in accordance with IFRS. To facilitate the readability of the transition table, operating income and expenses under French GAAP have been grouped together by function, and not by nature as required under French accounting standards.

2.3.1 Main reclassifications performed in accordance with IFRS

- **Reclassification of certain items of revenue from ordinary activities**

Novacyt has reclassified prepayment discounts from financial income to revenue.

- **Reclassifications within operating income and expenses**

Loan fees recognised in bank charges for the preparation of the income statement under French GAAP have been reclassified as financial expenses under IFRS.

- **Reclassification of exceptional income and expenses**

Net exceptional expenses of €616,000 have been reclassified under "Other operating income and expenses".

- **Reclassification of financial income and expense**

Net financial expenses of €198,000 have been broken down as "Gross borrowing costs" of €49,000 and "Other financial income and expenses" of €177,000.

Other financial expenses includes interest paid on current account advances, foreign exchange gains and losses, change in financial provisions and change in the fair value of the embedded derivative of the Lab21 bank loan.

Gross borrowing costs consist exclusively of loan fees.

2.3.2 Main restatements performed in accordance with IFRS

- **Recognition of the expense in respect of employee benefits**

The expense in respect of employee benefits, in the amount of €4,000, not recognised in the financial statements under French GAAP, has been recorded in operating expenses under "Personnel expenses" in the amount of €3,000 and under "Other financial income and expense" in the amount of €1,000. The expense of €10,000 resulting from actuarial gains or losses is recorded in "Other comprehensive income".

- **Goodwill**

In accordance with IFRS 3, costs incurred by Novacyt as part of the acquisition of Lab21, i.e. €1,227,000, have been reclassified to "external expenses". Under French GAAP, they were added to the value of securities for the determination of the initial goodwill.

Moreover, the amortisation of goodwill in the amount of €992,000 over the period, recognised in accordance with French GAAP, has been reversed in the income statement prepared in accordance with IFRS.

2.4 TRANSITION TO THE 2014 CASH FLOW STATEMENT

Amounts in € thousands	Fr GAAP 2014	Restatements	IFRS 2014
Total net profit/(loss) of consolidated companies	- 3,702	- 210	- 3,912
Elimination of depreciation, amortisation and provisions	1,028	- 732	296
Elimination of change in fair value through profit or loss		- 11	- 11
Elimination of capital gains or losses on disposals	4	14	18
Other income and expenses not affecting cash	202	- 202	
Total cash flow	**- 2,468**	**- 1,141**	**- 3,609**
Change in debt issuance costs	52	- 52	
Change in inventories related to operating activities	- 144	2	- 142
Change in receivables	76	- 31	45
Change in liabilities	1,614	- 96	1,518
Taxes paid		38	38
Net cash from/(used in) operating activities	**- 870**	**- 1,281**	**- 2,151**
Acquisition of fixed assets	- 624	78	- 546
Change in loans and advances		- 12	- 12
Disposal of fixed assets	20	-	20
Impact of change in scope	- 354	1,334	980
Other cash from/(used in) investing activities		150	150
Net cash from/(used in) investing activities	**- 958**	**1,550**	**592**
Capital increases/(reductions)	3,152	-	3,152
Bond issues	15	-	15
Bond redemptions	- 163	4	- 159
Net sales/(purchases) of own shares	- 35	- 1	- 36
Other movements	20	22	42
Net cash from/(used in) financing activities	**2,989**	**25**	**3,014**
Impact of change in exchange rates	24	3	27
Impact of change in accounting policies	-	-	-
Change in cash	**1,185**	**298**	**1,483**
Opening cash and cash equivalents	991	- 151	840
Closing cash and cash equivalents	2,175	152	2,327

2.4.1 Cash flows from/(used in) operating activities

- **Depreciation, amortisation and provisions**

"Depreciation, amortisation and provisions" on the elimination of expenses and income not affecting cash flow or not related to operating activities primarily include the impact related to the cancellation of the amortisation of the Lab21 acquisition goodwill in the amount of €992,000 and the impact of change in the fair value of the embedded derivative of the Lab21 bank loan in the amount of €11,000.

- **Change in working capital related to operating activities**

"Change in current assets" includes the impact resulting from the reclassification of change in guarantee deposits to cash flows related to investing activities in the amount of €69,000.

The straight-line amortisation of the rent-free period obtained by the British subsidiary, Lab21 Ltd, in accordance with IFRS, generated additional income in the amount of €18,000. This impact is offset by a reduction in operating liabilities in the amount of €25,000 and prepaid expenses in the amount of €7,000.

2.4.2 Cash flows from/(used in) investing activities

- **Reclassification of term deposit accounts**

Novacyt has invested surplus cash in term deposit accounts earning a fixed interest rate depending on the investment period. There is therefore value risk on the minimum level of remuneration earned, which resulted in the non-inclusion of term deposits in "Cash and cash equivalents" for the preparation of financial statements under IFRS. Consequently, the liquidation of these term deposits in 2014 generated cash flow of €150,000 recognised in "Other cash flows from investing activities".

- **Reclassification of changes in guarantee deposits**

The change in guarantee deposits, in the amount of €69,000, has been reclassified from "Change in working capital related to operating activities" to "cash flows from investing activities".

- **Impact of change in scope**

The costs incurred by Novacyt in the process of acquiring UK companies amounted to €1,227,000. Under French GAAP, these costs were recognised under "Impact of changes in scope". IFRS 3 provides that such expenses are not taken into account to determine the acquisition cost; they are therefore classified as cash flows from the Group's investing activities.

The bank loans granted to companies in the British subgroup as of the date of acquisition were deducted in calculating the impact of changes in scope under French GAAP, as they are classified as overdrafts. As they are actually recurring funding secured by trade receivables, they were excluded from the calculation of available cash for the preparation of financial statements under IFRS. This reclassification increases the "Impact of change in scope" in the amount of €106,000.

2.4.3 Cash flows from/(used in) financing activities

- **Increase in bank funding secured by trade receivables**

The bank loans granted to Group companies were increased by €42,000 over the period. This stream of funding, not identified under French GAAP, being classified as overdrafts, is presented in cash flow under "Other cash flows from financing activities" under IFRS.

NOTE 3: SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP

The financial statements were prepared primarily on the basis of the historical cost principle, with the exception of optional instruments, for which the fair value model was used.

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

The main areas where assumptions and estimates are material in relation to the consolidated financial statements are the valuation of goodwill resulting from Novacyt's acquisition of the Lab21 group, the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, deferred taxes and trade receivables, and the amount of provisions for risks and other provisions relating to operating activities.

The consequences of the financial crisis, especially as regards the volatility of the capital markets and economic growth, make it difficult to assess a business's medium-term outlook. As such, the consolidated financial statements were established in reference to the immediate environment, notably as regards the estimates presented below.

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

3.1 BASIS OF CONSOLIDATION

3.1.1 Going concern

The 2015 consolidated financial statements were prepared in accordance with the going concern principle.

Cash flow projections for the coming twelve months point to a positive cash position. They take into account the following factors:

- Available cash as of 31 December 2015 in the amount of €1,291,000;
- A capital increase of €2,000,000 subscribed in March 2016;
- A capital increase of €2,000,000 subscribed in April 2016;
- A new Kreos loan subscribed in the first quarter of 2016 in the amount of €3,000,000 subject to the acquisition of Primer Design;
- The Kreos bond subscribed in July 2015 in the amount of €3,500,000;
- Flexible funding of up to €5,000,000 through bonds convertible into shares subscribed by the YA Global Master SPV Ltd private equity fund.

Moreover, negotiations are currently underway with third parties in order to obtain new sources of funding that would allow the Group to meet its obligations beyond September 2016.

No agreement has been reached, and no undertaking can be given as to the successful conclusion of these discussions.

In the event that such discussions were not successful, the use of the going concern principle for the preparation of the financial statements could be questioned as the company might therefore not be able to discharge its liabilities and realize its assets in the normal course of its business. The going concern principle used in the preparation of the accounts may then prove inappropriate.

3.1.2 Scope and method of consolidation

Novacyt's consolidated financial statements include all companies under its exclusive control. The Company does not exercise joint control or have significant influence over other companies. Subsidiaries are consolidated from the date on which the Group obtains effective control.

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

The determination of control takes into account potential voting rights that give access to additional voting rights when they are currently exercisable or convertible.

As of 31 December 2015, Novacyt's scope of consolidation included the following companies, all fully consolidated:

Unit	Interest	Control	Cons. method
Biotec Laboratories Ltd	100.00%	100.00%	FC
Lab21 Healthcare Ltd	100.00%	100.00%	FC
Lab21 Ltd	100.00%	100.00%	FC
Microgen Bioproducts Ltd	100.00%	100.00%	FC
Myconostica Ltd	100.00%	100.00%	FC
Novacyt SA	100.00%	100.00%	FC
Novacyt Asia	100.00%	100.00%	FC
Novacyt China	100.00%	100.00%	FC
NP Tech Services Ltd	100.00%	100.00%	FC
Selah Technologies llc	100.00%	100.00%	FC

The Group established Novacyt China on 29 May 2015. It is owned by Novacyt Asia, a Hong Kong-based company acquired by Novacyt SA on 19 January 2015.

3.1.3 Consolidation rules

The consolidated financial statements are prepared using uniform accounting policies for transactions and other similar events in similar circumstances.

- **Elimination of intercompany transactions**

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

- **Translation of accounts denominated in foreign currency**

Novacyt's financial statements are presented in euros. The financial statements of companies whose functional currency is not the euro are translated into euros as follows:

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

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

Exchange differences arising from intragroup balances are recognised as exchange losses or gains in the consolidated income statement. Exceptionally, exchange differences on monetary items for which settlement is neither planned nor likely to occur, and which constitute part of the net investment in a foreign operation, are recognised directly in equity, as exchange differences in other comprehensive income.

3.1.4 Business combinations and measurement of goodwill

- **Business combinations**

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

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

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

- transaction costs are recognised immediately as operating expenses when incurred;
- in each business combination, the Group determines whether to opt for the "full" or "partial" recognition of goodwill:
  - ✓ under full goodwill, the interests attributable to non-controlling interests are measured at fair value and a portion of the goodwill arising on the acquisition is assigned to them;
  - ✓ under partial goodwill, the interests attributable to non-controlling interests are measured up to their share in the net assets of the acquiree, and no goodwill is assigned to them;
- any prospective price adjustment is estimated at fair value at the acquisition date, and the initial assessment may only subsequently be adjusted against goodwill in the event of new information related to facts and circumstances existing at the acquisition date if this assessment occurs within the 12-month allocation period after the acquisition date. Any adjustment of the financial liability recognised in respect of an additional price

subsequent to the interim period or not meeting these criteria is recognised in the Group's comprehensive income;

- if acquired in stages, the achievement of control triggers the remeasurement at fair value of the interest previously held by the Group in profit or loss; loss of control results in the remeasurement of the possible residual interest at fair value in the same way;
- any negative goodwill arising on acquisition is immediately recognised as income;
- any acquisition or disposal of an investment not changing control, performed after the business combination, is treated as a transaction between shareholders and is accounted for directly in equity pursuant to IFRS 10.

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

- **Measurement of goodwill**

Goodwill is broken down by group of cash-generating units (CGU), each CGU corresponding to a homogenous group generating independent cash flows. In accordance with IFRS 8, none of the CGUs defined by the Group are greater in size than an operating segment.

- **Impairment testing**

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

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

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

3.2 <u>FIXED ASSETS</u>

3.2.1 Intangible assets

Intangible assets consist primarily of patents developed internally. The amount recorded corresponds to the fees paid to the intellectual property office for the protection of patents filed by the Company.

These patents have been recognised in accordance with the following rules:

- Research phase: recognition of expenses in operating expenses;
- Development phase: recognition in assets insofar as the patents are identifiable assets controlled by the Company and from which future economic benefits will arise.

Each patent has been recognised in accordance with its value corresponding to the costs incurred during the development phase. These costs include the fees of an industrial property consultancy.

The event generating amortisation is the start of use, i.e. the filing date of the patent. Patents are amortised on a straight-line basis over 20 years. Protection costs incurred subsequent to the filing of the patent are amortised over the remaining period until the end of the legal protection of the patent to which they relate.

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

3.2.2 Property, plant and equipment

Items of property, plant and equipment are recognised at their acquisition cost (purchase price plus incidental expenses and acquisition costs). Interest on loans for the acquisition of such assets is not taken into account in determining the acquisition cost.

3.2.3 Assets under construction

Pursuant to IAS 38, Novacyt capitalises development costs (external costs and personnel expenses), provided that they meet the following criteria:

- the Group has the intention, as well as the financial and technical capacity, to complete the development project,
- the asset will generate future economic benefits, and
- the cost of the intangible asset can be measured reliably.

Assets under construction are not amortised until the development programme has been completed and the asset brought into use. Other research and development expenses not meeting the criteria set out above are expensed directly.

3.2.4 Depreciation and amortisation

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

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

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

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

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

3.2.5 Asset impairment

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

External indicators:

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

Internal indicators:

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

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

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

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

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

3.3 LEASES

Novacyt's leases are analysed on the basis of their substance and financial reality, and are classified either as operating leases or finance leases.

- **Finance leases**

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

The group has not concluded any such contracts.

- **Operating leases**

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

3.4 TRADE RECEIVABLES

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

Trade receivables are recognised at face value. Where appropriate, they are impaired by way of provisions to account for prospective collection difficulties. Provisions for impairment are determined by comparing the acquisition cost and the likely realisable value.

3.5 MARKETABLE SECURITIES

Marketable securities are recognised as assets at their acquisition cost. The acquisition cost of marketable securities is the purchase price.

Provisions for potential impairment are determined by comparing the acquisition cost with the likely trading value for unlisted securities, and with the market price for listed securities.

3.6 CASH AND CASH EQUIVALENTS

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

3.7 FINANCIAL LIABILITIES

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

3.8 PROVISIONS

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

They consist of provisions for restoration of leased premises and a provision for industrial relations litigation.

3.9 EMPLOYEE BENEFITS

The Group's employees receive short-term benefits (paid leave, sick leave, etc.), long-term benefits (service medals, seniority bonus, etc.) and post-employment benefits via defined contribution or defined benefit plans (retirement benefits, pensions, etc.).

For defined contribution plans, payments made by the Group are expensed in the period to which they relate.

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

- retirement at the age of 64 for managers,
- retirement at the age of 62 for non-managers,
- wage increases at a rate of 3% per annum, i.e. the long-term inflation rate plus 1%,
- discount rate of 3.2% in 2013, 1.75% in 2014 and 2% in 2015, in line with the average rate of private sector bonds issued in euros (blue chip) for durations equivalent to the commitments in question,
- staff turnover based on the Group's actual experience: projection of 0.4 resignations over the next 12 months,
- life expectancy based on the Insee 2009-2011, 2010-2012 and 2011-2013 mortality tables,
- average rate of social security contributions of 36.52% in 2013, 42.20% in 2014 and 42.56% in 2015.

Rights expressed as months of wages resulting from the application of national agreements and the "Pharmaceuticals, pharmacy, veterinary products: production & trade" collective agreement. These contributions are expensed when due.

3.10 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations and assets held for sale are restated in accordance with IFRS 5. There were no discontinued operations or assets held for sale during the periods presented.

3.11 CONSOLIDATED REVENUE

The applicable standard is IAS 18 "Revenue".

- **Novacyt's activity**

Revenue from "sales of goods" consists primarily of the sale of machines (automated equipment, accessories and spare parts to distributors and industrial partners or sold directly to laboratories or hospitals). Revenue is recognised upon transfer of the risks and rewards incidental to ownership, which corresponds to the date on which the machines are delivered to the distributor or the end customer in case of direct sales.

Revenue from "production sold" is the activity involving the distribution of consumables such as bottles and settling systems.

- **The activity of Lab21 and its subsidiaries**

Lab21 provides laboratory-based diagnostic services. Revenue is recognised when the service is rendered (diagnosis made).

Lab21's subsidiaries manufacture and sell reagents and kits for bacterial and blood tests.

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

3.12 CURRENT AND DEFERRED TAX

The tax expense for the year comprises current tax and deferred tax.

A deferred tax asset is recognised for deductible temporary differences and the carry-forward of tax losses and tax credits insofar as their future utilisation appears probable and determinable in time.

3.13 TREATMENT OF TAX CREDITS

Industrial and commercial companies that record research expenditure are entitled to a tax credit in France, which is the case of Novacyt. The tax credit is calculated per calendar year and deducted from the tax payable by the company in respect of the year during which research expenses were incurred. Tax credits that cannot be deducted from tax expense are refunded to the company. The granting of the tax credit is independent of the Group's tax position. Novacyt has accordingly elected to treat it as a subsidy. It appears in an item covering grants in the income statement.

In France, the law amending the 2012 budget introduced a new tax credit from 1 January 2013, known as the competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* – CICE). Its calculation is based on a portion of the salaries paid to employees of French companies. It is paid by the state, regardless of the position of the entity in respect of corporation tax. It has been decided to classify this income as a reduction in personnel expenses.

3.14 EARNINGS PER SHARE

The Group reports basic and diluted earnings per common share. Basic earnings per share is calculated by dividing the profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit attributable to common shareholders by the weighted average number of common shares outstanding, taking into account the effects of all potential dilutive common shares, including options.

3.15 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 entity's chief operating decision maker to make decisions regarding the allocation of resources to the segment and assess its performance;
- for which discrete financial information is available.

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

- **Cytology**

This segment corresponds to the sale of instruments (automated equipment, accessories and spare parts to distributors and commercial partners or sold directly to laboratories or hospitals) and consumables (mainly vials and preservative solutions) in the field of cytology. This is Novacyt's core activity.

- **Diagnostics**

This segment corresponds to clinical laboratory testing services, and the manufacture and distribution of diagnostic kits and reagents for bacterial and blood tests. This is the activity conducted by Lab21 and its subsidiaries.

NOTE 4: NOTES TO THE BALANCE SHEET AS OF 31 DECEMBER 2015, 2014 AND 2013

4.1 GOODWILL

Goodwill is the difference recognised, upon consolidation of a company, between the acquisition cost of its shares and the corresponding share of adjusted equity, after measurement and allocation to intangible assets or property, plant and equipment of any items relating thereto.

The Lab21 Ltd subgroup is deemed to have entered the scope of consolidation on 30 June 2014. Goodwill totalling €19,042,000 was identified, breaking down as follows:

- Purchase price of securities: €18,847,000
- Share of Lab21's restated equity and goodwill as of 30 June 2014: €4,099,000
- Goodwill: €19,042,000

The deadline for the identification and measurement of assets and liabilities has expired. The gross amount of goodwill will therefore no longer be changed.

Goodwill is subject to impairment testing when there is an indication of loss of value.

The drop in the stock price of Novacyt and the losses generated by the Group are impairment indicators.

The goodwill resulting from the acquisition of the Lab21 group of companies was tested for impairment on the basis of a multicriteria approach:

- Implementation of the DCF (Discounted Cash Flows) methodology with the following main assumptions:
    - 5-year business plan;
    - Sales growth rate after the 5-year forecast period of 1,5 %;
    - Discount rate of 16 % corresponding to the rate of return expected by the market for an equivalent investment, irrespective of funding sources;
- Application of the method using market multiples for comparable listed companies.

The implementation of these various approaches has led to the identification of a goodwill impairment of €9,786,000, bringing its carrying value to its recoverable amount of €9,256,000.

The impairment charge above will be recognized in the period. It will never be reversed.

Sensitivity of the value resulting from the application of the DCF methodology to the underlying assumptions

The table below shows the percentages of variation of the goodwill recoverable values depending upon the variation of the discount rate (WACC) and the growth rate:

		Growth rate		
		1.0%	1.5%	2.0%
WACC	15%	14%	21%	29%
	16%	-6%	100%	6%
	17%	-23%	-18%	-13%

The table below shows the percentages of variation of the goodwill recoverable values depending upon the variation of the discount rate (WACC) and the percentages of EBITDA:

		Variation of EBITDA		
		0%	-2%	-4%
WACC	15%	21%	16%	11%
	16%	100%	-5%	-9%
	17%	-18%	-22%	-26%

4.2 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

4.2.1 Intangible assets

Amounts in € thousands	As of 01/01/2015	Acquisitions	Disposals	Allowances for the year	Change in exchange rates	Change in scope	As of 31/12/2015
Development costs		189			- 3		186
Concessions, patents and similar rights	1,452	98			2		1,552
Software	108	37	- 4		6		147
Other intangible assets	3						3
Intangible assets	**1,562**	**324**	**- 4**	**-**	**5**	**-**	**1,887**
Amt/Imp. concessions, patents and similar rights	- 355			- 114	- 1		- 470
Amt/Imp. software	- 108		4	- 7	- 6		- 117
Amt/Imp. other intangible assets	- 3						- 3
Dep./Imp. property, plant and equipment	**- 466**	**-**	**4**	**- 121**	**- 7**	**-**	**- 590**
Total net amount	**1,097**	**324**	**-**	**- 121**	**- 3**	**-**	**1,297**

Amounts in € thousands	As of 01/01/2014	Acquisitions	Disposals	Allowances for the year	Change in exchange rates	Change in scope	As of 31/12/2014
Concessions, patents and similar rights	1,279	143	- 1		1	30	1,452
Software					3	105	108
Other intangible assets	3				-	-	3
Intangible assets	**1,282**	**143**	**- 1**	**-**	**4**	**135**	**1,562**
Amt/Imp. concessions, patents and similar rights	- 228			- 124		- 2	- 355
Amt/Imp. software					- 3	- 105	- 108
Amt/Imp. other intangible assets	- 3						- 3
Amt/Imp. Intangible assets	**- 231**	**-**	**-**	**- 124**	**- 3**	**- 107**	**- 466**
Total net amount	**1,051**	**143**	**- 1**	**- 124**	**1**	**28**	**1,097**

4.2.2 Property, plant and equipment

- Change in property, plant and equipment

Amounts in € thousands	As of 01/01/2015	Acquisition	Disposal	Allowances for the year	Change in exchange rates	Change in scope	Reclass. and retirement	As of 31/12/2015
Technical facilities, equipment and tools	1,382	150	- 6		30	-	200	1,757
Office equipment	41	8			2	-		51
Transport equipment	105	18	- 50					73
Computer equipment	366	34	- 137	-	21	-	-	283
Other property, plant and equipment	224	21			11	-		255
PP&E under construction	427	85					- 164	348
Advances and deposits on PP&E	-						-	-
Property, plant and equipment	**2,545**	**316**	**- 193**	**-**	**63**	**-**	**36**	**2,767**
Dep./Imp. tech. facilities, equipment and tools	- 1,073	-	2	- 122	- 25	-		- 1,218
Dep./Imp. office equipment	- 38	-	-	- 1	- 2	-	-	- 42
Dep./Imp. transport equipment	- 46		32	- 17				- 31
Dep./Imp. computer equipment	- 332		136	- 33	- 19	-		- 249
Dep./Imp. other PP&E	- 174	-	-	- 13	- 9	-		- 197
Dep./Imp. PP&E under construction	- 348			-			-	- 348
Imp. advances and downpayments on PP&E	-						-	-
Dep./Imp. PP&E	**- 2,012**	**-**	**170**	**- 186**	**- 55**	**-**	**-**	**- 2,084**
Total net amount	**533**	**316**	**- 23**	**- 186**	**8**	**-**	**36**	**683**

Amounts in € thousands	As of 01/01/2014	Acquisitions	Disposals	Allowances for the year	Change in exchange rates	Change in scope	Reclass. and retirement	As of 31/12/2014
Technical facilities, equipment and tools	631	287	- 4		14	453		1,382
Office equipment	2	1			1	36		41
Transport equipment	104	26	- 25					105
Computer equipment	27	-	- 4	-	10	333	-	366
Other property, plant and equipment	32	4			5	182		223
PP&E under construction		90					337	427
Advances and deposits on PP&E	337						- 337	-
Property, plant and equipment	**1,133**	**408**	**- 33**	**-**	**31**	**1,004**	**-**	**2,544**
Dep./Imp. tech. facilities, equipment and	- 590			- 48	- 13	- 423		- 1,073
Dep./Imp. office equipment	- 1			-	- 1	- 36		- 38
Dep./Imp. transport equipment	- 31		6	- 21				- 46
Dep./Imp. computer equipment	- 15	-	3	- 21	- 9	- 291	-	- 332
Dep./Imp. other PP&E	- 4			- 8	- 3	- 158		- 174
Dep./Imp. PP&E under construction				- 11			- 337	- 348
Imp. advances and downpayments on PP&	- 337						337	-
Dep./Imp. PP&E	**- 978**	**-**	**9**	**- 109**	**- 26**	**- 908**	**-**	**- 2,012**
Total net amount	**155**	**408**	**- 24**	**- 109**	**5**	**96**	**-**	**532**

4.3 NON-CURRENT FINANCIAL ASSETS

- 2015

Amounts in € thousands	As of 01/01/2015	Increases	Reductions	Change in scope	Change in exchange rates	As of 31/12/2015
Guarantee deposits with lessors	15	-	-	-	1	16
Liquidity contract	27	1 274	- 1 113	-	-	188
Total non-current financial assets	**42**	**1 274**	**- 1 113**	**-**	**1**	**204**

- 2014

Amounts in € thousands	As of 01/01/2014	Increases	Reductions	Change in scope	Change in exchange rates	As of 31/12/2014
Guarantee deposits with lessors	-	-	-	15	0	15
Liquidity contract	15	77	- 65	-	-	27
Total non-current financial assets	**15**	**77**	**- 65**	**15**	**0**	**42**

4.4 DEFERRED TAX ASSETS

As of 31 December 2015, each of the Group's major companies had tax loss carry-forwards. Their period of use is unlimited. However, no deferred tax assets have been recognised in the financial statements since visibility as to when it will be possible to utilise the loss carryforwards against taxable profits is insufficient.

The following table shows the deferred tax assets not presented in the balance sheet.

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014
Novacyt	4,076	2,841
Lab21	4,445	5,657
Healthcare	1,118	1,107
Microgen	-	2,263
Total unrecognised deferred tax assets	**9,639**	**11,868**

4.5 TRADE AND OTHER RECEIVABLES

- Trade and other receivables

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 01/01/2014
Trade and other receivables	1,651	1,412	350
Impairment of trade and other receivables	- 174	- 148	- 35
Invoices not yet issued	20		
Current account – assets – current	1		
Employee and social security receivables	6	8	2
Tax receivables (excluding income tax)	286	580	76
Trade receivables	42	-	4
Other receivables	168	116	-
Impairment of other receivables	- 122	- 116	-
Total trade and other receivables	**1,878**	**1,851**	**397**

- Aged analysis of trade receivables as of 31 December 2015, net of provisions for impairment

Amounts in € thousands	Not due or < 90 days	90-120 days	120-360 days	> 360 days	Total
Trade receivables net of provisions	1,370	20	82	6	1,477

- Aged analysis of trade receivables as of 31 December 2014, net of provisions for impairment

Amounts in € thousands	Not due or < 90 days	90-120 days	120-360 days	> 360 days	Total
Trade receivables net of provisions	1,121	40	83	17	1,262

4.6 OTHER CURRENT ASSETS

"Other current assets" consists of prepaid expenses.

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 01/01/2014
Debt issuance fees – current portion	50		
Prepaid expenses	350	176	27
Total other current assets	**400**	**176**	**27**

4.7 CASH AND CASH EQUIVALENTS

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

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 01/01/2014
Marketable securities – cash equivalents	1,150		
Current interest on marketable securities	4		
Available cash	527	2,327	840
Cash and cash equivalents	**1,681**	**2,327**	**840**
Bank overdrafts			
Accrued interest			
Other cash position items	**-**	**-**	**-**
Net cash	**1,681**	**2,327**	**840**

4.8 BORROWINGS

The following tables show financial liabilities carried at amortised cost.

- Maturities as of 31 December 2015

Amounts in € thousands	< 1 year	2-5 years	> 5 years	Total
Convertible bonds	1,183	2,103	-	3,286
Bank loans	87	-	-	87
Financing of trade bills	-	-	-	-
Accrued interest and bank overdrafts				
Total borrowings	**1,270**	**2,103**	**-**	**3,373**

As of 31 December 2015, the Group's financing primarily comprised the bond issued by Kreos Capital IV Ltd in the amount of €3,500,000 at an interest rate of 12.5%. The bond was subscribed on 15 July 2015 for a period of three years, with a first redemption due on 1 February 2016.

At the end of July 2015, the Group also secured flexible three-year bond financing in a maximum amount of €5,000,000 through a private placement subscribed by the YA Global Master SPV Ltd private equity fund. The funds are released in tranches of €250,000, corresponding to one issuance right giving rise to the subscription of 25 bonds convertible into shares with warrants (OCABSA). The Group had exercised one issuance right as of 31 July 2015. As of 31 December 2015, all resulting 25 OCABSA were converted into shares.

- Schedule by maturity as of 31 December 2014

Amounts in € thousands	< 1 year	2-5 years	> 5 years	Total
Bank loans	282	588	-	870
Financing of trade bills	151	-	-	151
Accrued interest and bank overdrafts				
Total borrowings	**433**	**588**	**-**	**1,021**
Embedded derivative of the Lab21 loan (classified as other liabilities)	6	403		409

The non-current portion of the derivative liability embedded in Lab21 Ltd's bank debt was recorded in "Other long-term liabilities" in the consolidated balance sheet. The current portion of the derivative liability was recorded in "Trade and other payables".

4.9 PROVISIONS

- Nature of and change in provisions for risks and charges in 2015

Amounts in € thousands	As of 01/01/2015	Increase	Reduction	Change in exchange rates	Change in scope	As of 31/12/2015
Employee benefit liabilities	31	9	-		-	40
Provisions for restoration of premises	122	22	- 48	7	-	103
Non-current provisions	**153**	**31**	**- 48**	**7**	**-**	**143**
Provisions for litigation	96		- 30			66
Provisions (current portion)	**96**	**-**	**- 30**	**-**	**-**	**66**

- Nature of and change in provisions for risks and charges in 2014

Amounts in € thousands	As of 01/01/2014	Increase	Reduction	Change in exchange rates	Change in scope	As of 31/12/2014
Employee benefits	17	14	-		-	31
Provisions for restoration of premises	-	-	-	3	119	122
Non-current provisions	**17**	**14**	**-**	**3**	**119**	**153**
Provisions for litigation	30	66				96
Provisions (current portion)	**30**	**66**	**-**	**-**	**-**	**96**

4.10 TRADE AND OTHER PAYABLES

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 01/01/2014
Trade payables	1,816	2,133	231
Accrued invoices	638	1,601	65
Social security liabilities	384	306	121
Tax liabilities	82	148	14
Other liabilities	49	119	-
Associate current account liabilities		68	-
Embedded derivative of the Lab21 loan (current portion)		6	-
Total trade and other payables	**2,968**	**4,381**	**431**

4.11 OTHER CURRENT LIABILITIES

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 01/01/2014
Customers – advances received		120	-
Debts on acquisitions of assets		189	184
Deferred income	30	12	6
Total other current liabilities	**30**	**321**	**190**

4.12 BREAKDOWN OF FINANCIAL INSTRUMENTS BY CATEGORY

- 2015

Amounts in € thousands	Carrying amount	Fair value through profit or loss	Borrowings at amortised cost
Non-current financial assets	204		204
Other long-term assets	56		56
Trade and other receivables	1 878		1 878
Other current assets	400		400
Marketable securities and other short-term investments	1 164	1 164	
Available cash	527	527	
Assets	**4 230**	**1 691**	**2 538**
Borrowings and other long-term financial liabilities	3 286		3 286
Trade and other payables (excluding derivatives)	2 968		2 968
Other current liabilities	30		30
Liabilities	**6 284**	**-**	**6 284**

- 2014

Amounts in € thousands	**Carrying amount**	**Fair value through profit or loss**	**Borrowings at amortised cost**
Non-current financial assets	42		42
Other long-term assets	35		35
Trade and other receivables	1 851		1 851
Other current assets	176		176
Marketable securities and other short-term investments	10	10	
Available cash	2 327	2 327	
Assets	**4 441**	**2 337**	**2 104**
Borrowings and other long-term financial liabilities	588		588
Other long-term liabilities	402	402	
Trade and other payables (excluding derivatives)	4 375		4 375
Embedded derivative of the Lab21 bank loan	6	6	
Other current liabilities	321		321
Liabilities	**5 692**	**408**	**5 283**

NOTE 5: NOTES TO THE INCOME STATEMENT

5.1 REVENUE

The table below shows revenue from ordinary operations:

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 31/12/2013
Manufactured goods	7 384	2 401	750
Services	939	460	16
Traded goods	271	1 524	380
Other	299	166	8
Rebates, discounts, reductions granted		- 25	-
Revenue	**8 892**	**4 526**	**1 154**

5.2 COST OF SALES

The table below shows the main expense items by nature comprising "Cost of sales":

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 31/12/2013
Purchase and movement in inventories of raw materials and other supplies	3 300	1 965	241
Purchase and movement in inventories of traded goods	182	149	321
Movement in finished goods and work in progress	- 117	- 192	3
Change in stock provision	- 18	- 25	
Non-stock items and supplies	39	32	-
Freight costs	115	137	23
Direct labour	1 095	447	
Other	21	41	
Cost of sales	**4 617**	**2 553**	**588**

5.3 SALES AND MARKETING EXPENSES

The table below shows the main items of expenses by nature that comprise "Sales and marketing expenses":

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 31/12/2013
Remuneration of intermediaries and fees	230	323	219
Advertising costs	161	131	60
Transport of sales	249	129	
Employee compensation and social security contributions	1,372	549	212
Travel and representation expenses	136	30	
Other sales and marketing expenses	137	21	
Sales and marketing expenses	**2,285**	**1,183**	**491**

5.4 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist entirely of wages and social security contributions relative to dedicated employees.

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 31/12/2013
Employee compensation and social security contributions	536	467	438
Other expenses	52		
Research and development expenses	**588**	**467**	**438**

5.5 GENERAL AND ADMINISTRATIVE EXPENSES

The table below shows the main items of expenses by nature that comprise "General and administrative expenses":

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 31/12/2013
Purchases of studies	23	28	58
Purchases of non-stored raw materials and supplies	122	63	5
Lease and similar payments	381	203	64
Maintenance and repairs	156	79	12
Insurance premiums	115	55	25
Remuneration of intermediaries and fees	912	433	251
Travel and representation expenses	439	221	85
Postal charges	15	24	12
Banking services	90	53	9
Other external expenses	147	111	1
Employee compensation and social security contributions	1,991	813	245
Allowances to and reversals of depreciation, amortisation and pro	308	188	201
Other general and administrative expenses	86	67	1
General and administrative expenses	**4,785**	**2,339**	**969**

5.6 OTHER OPERATING INCOME AND EXPENSES

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 31/12/2013
Lab21 acquisition costs	- 70	- 1 227	
Personnel expenses	- 36		
Exceptional bonuses paid to employees		- 545	
Loss on bad debts		- 202	
Provision for industrial relations dispute		- 66	- 30
Depreciation of fixed assets		- 11	- 337
Goodwill impairment	- 9 786		
Other exceptional expenses	- 188	- 25	
Other operating expenses	**- 10 080**	**- 2 076**	**- 367**
Proceeds from disposals of fixed assets	40	20	
Reversal of provision for bad debt		202	
Reversal of provision for industrial relations litigation	30		
Other exceptional income	60	12	427
Other operating profit/(loss)	**130**	**234**	**427**

Other exceptional expenses in 2015 consist primarily of fees incurred for work related to the transition to IFRS and other specific work.

Other exceptional income in 2013 consist primarily of:

- Cancellation of an unclaimed and out-of-date supplier payable in the amount of €107,000;
- The abandonment of OSEO innovation subsidies in the amount of €318,000.

5.7 NET BORROWING COSTS

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 01/01/2014
Income from cash and cash equivalents	1	-	-
Gross borrowing costs	- 947	- 49	- 16
Net borrowing costs	**- 946**	**- 49**	**- 16**
Other financial income and expense	224	- 177	15

Interest expense (discounting cost) on retirement benefits in the amount of €546 as of 31 December 2014 is included in “Other financial income and expenses”.

5.8 OTHER FINANCIAL INCOME AND EXPENSE

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 01/01/2014
Other financial expense	- 52	- 154	- 119
Other financial income	5	2	
Exchange gains	25	14	3
Exchange losses	- 194	- 43	- 3
Losses on financed assets (excluding cash equivalents)	-	- 7	
Reversals of financial provisions	1		129
Income from financial assets excluding cash equivalents			5
Fair value of the embedded derivative of the Lab21 loan	439	11	
Other financial income and expense	**224**	**- 177**	**15**

5.9 INCOME TAX

As of 31 December 2015, Novacyt had a tax loss carry-forward of €12,227,000, whose period of use is unlimited. As of the same date, the British subsidiaries had accumulated tax losses amounting to £26,683,000. However, no deferred tax assets have been recognised in the accounts since visibility as to when it will be possible to utilise the loss carry-forwards against taxable profits is insufficient.

5.10 EARNINGS PER SHARE

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

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014
Net profit/(loss) attributable to owners of the company	- 13,908	- 3,912
Impact of dilutive instruments	-	-
Net profit/(loss) attributable to owners of the company	- 13,908	- 3,912
Weighted average number of shares	6,787,588	4,438,033
Impact of dilutive instruments	-	-
Weighted average number of diluted shares	6,787,588	4,438,033
Earnings per share (in euros)	**- 2.05**	**- 0.88**
Diluted earnings per share (in euros)	**- 2.05**	**- 0.88**

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

5.11 <u>OPERATING SEGMENTS</u>

5.11.1 Breakdown of revenue by operating segment and geographic area

- 2015

Amounts in € thousands	Cytology	Diagnostics	Total
Geographical area			
Africa		349	349
Europe	1,057	3,861	4,917
Asia-Pacific	148	1,827	1,976
America		667	667
Middle East	103	881	984
Revenue	**1,308**	**7,585**	**8,892**

- 2014

Amounts in € thousands	Cytology	Diagnostics	Total
Geographical area			
Africa	55	622	677
Europe	876	1,649	2,525
Asia-Pacific	75	661	736
America		592	592
Middle East			-
Revenue	**1,006**	**3,524**	**4,530**

5.11.2 Breakdown of revenue by operating segment

- 2015

Amounts in € thousands	Cytology	Diagnostics	Total
Revenue	1,308	7,584	8,892
Cost of revenue	- 671	- 3,946	- 4,617
Recurring expenses:			
Sales and marketing expenditure	- 727	- 1,558	- 2,285
Research and development	- 450	- 138	- 588
General and administrative	- 1,608	- 3,177	- 4,785
Subsidies	148	-	148
Recurring operating profit/(loss)	**- 2,000**	**- 1,235**	**- 3,235**
Other operating income and expenses	- 10,137	187	- 9,950
Operating profit/(loss)	**- 12,137**	**- 1,048**	**- 13,185**
Income from cash and cash equivalents			1
Gross borrowing costs	- 221	- 726	- 947
Net borrowing costs	**- 221**	**- 726**	**- 49**
Other financial income and expense	**- 33**	**257**	**224**
Profit before tax	**- 12,391**	**- 1,517**	**- 13,010**
Income tax		-	- 1
Profit after tax	**- 12,391**	**- 1,517**	**- 13,908**
Results of operations held for sale or discontinued			-
Total net profit/(loss)	**- 12,391**	**- 1,517**	**- 13,908**
Attributable to owners of the company	**- 12,391**	**- 1,517**	**- 13,908**
Attributable to non-controlling interests	**-**	**-**	**-**

2014

Amounts in € thousands	**Cytologie**	**Diagnostic**	**Total**
Revenue	1,006	3,520	4,526
Cost of revenue	- 601	- 1,952	- 2,553
Recurring expenses:			
Sales and marketing expenditure	- 493	- 690	- 1,183
Research and development	- 448	- 19	- 467
General and administrative	- 1,012	- 1,327	- 2,339
Subsidies	172	-	172
Recurring operating profit/(loss)	**- 1,376**	**- 468**	**- 1,844**
Other operating income and expenses	- 1,295	- 547	- 1,842
Operating profit/(loss)	**- 2,671**	**- 1,015**	**- 3,686**
Income from cash and cash equivalents			-
Gross borrowing costs	- 5	- 44	- 49
Net borrowing costs	**- 5**	**- 44**	**- 49**
Other financial income and expense	**- 105**	**- 72**	**- 177**
Profit before tax	**- 2,781**	**- 1,131**	**- 3,912**
Income tax	-	-	-
Profit after tax	**- 2,781**	**- 1,131**	**- 3,912**
Results of operations held for sale or discontinued			-
Total net profit/(loss)	**- 2,781**	**- 1,131**	**- 3,912**
Attributable to owners of the company	**- 2,781**	**- 1,131**	**- 3,912**
Attributable to non-controlling interests	**-**	**-**	**-**

5.11.3 Workforce

The breakdown of employees between the two segments as of the reporting date is as follows:

	As of 31/12/2015	As of 31/12/2014
Cytology	10	9
Diagnostics	57	52
Total	**67**	**61**

NOTE 6: EMPLOYEE COMPENSATION AND BENEFITS

6.1 POST-EMPLOYMENT BENEFITS

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

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

- Net expense for the year

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 31/12/2013
Service cost	5.6	3.2	2.8
Financial cost	0.5	0.5	0.4
Other items			
Expense (income)	**6.2**	**3.8**	**3.2**

- Change in the actuarial liability

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 31/12/2013
Obligation – beginning of year	**31.0**	**17.1**	**15.1**
Service cost	5.6	3.2	2.8
Financial cost	0.5	0.5	0.4
Actuarial gains and losses	2.8	10.2	- 1.2
Change in the scope of consolidation			
Change in expense			
Obligation – end of year	**40.0**	**31.0**	**17.1**

- Breakdown of actuarial gains

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 31/12/2013
- Effect of experience	4.0	3.0	0.6
- Change in demographic assumptions	0.1	0.0	0.0
- Change in financial assumptions	- 1.3	7.1	- 1.9
Actuarial gains and losses	**2.8**	**10.2**	**- 1.3**

- Actuarial assumptions

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

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014	As of 31/12/2013
Retirement age – managers	64 years	64 years	64 years
Retirement age – non-managers	62 years	62 years	62 years
Wage increases	3.00%	3.00%	3.00%
Rate of social security contributions	42.56%	41.20%	36.52%
Discount rate	3.20%	1.75%	2.00%

6.2 <u>EXECUTIVE COMPENSATION</u>

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014
Fixed compensation and company cars	178	193
Variable compensation		83
Social security contributions	69	37
Post-employment benefits		13
Contributions to supplementary pension plans		9
Total	**247**	**335**
Number of people involved	1	4

NOTE 7: LIABILITIES, RELATED PARTIES AND SUBSEQUENT EVENTS

7.1 COMMITMENTS GIVEN AND RECEIVED

The guarantees given by the Group are as follows:

Under the bond contract signed by Kreos Capital IV Ltd, and as a guarantee of repayment of this loan, the Group has agreed to the following guarantees in favour of Kreos Capital IV Ltd:

- Pledge over the business;
- Senior pledge on receivables;
- Non-possessory pledge of inventories;
- Senior and non-recourse pledge of bank accounts.

Some transactions performed on assets under operating leases are subject to contracts providing the following minimum future payments:

	As of 31/12/2015	As of 31/12/2014
Future minimum payments under non-cancellable contracts		
Payments due in less than 1 year	340	263
Payment due in more than 1 year and more than 5 years	425	417
Total	**766**	**680**

7.2 RELATED PARTIES

Parties related to Novacyt are:

- the managers, whose compensation is disclosed in Section 6.2, and
- Maclip, a company owned by Eric Peltier, Chief Innovation Officer of Novacyt. Novacyt acquired six patents from Maclip for a total price of €360,000 in 2012. The entire debt was settled in 2015, including the payment of €2,600 in interest.

Liabilities in respect of related parties are summarised as follows:

Amounts in € thousands	**As of 31/12/2015**	**As of 31/12/2014**
Executive compensation	-	-
Maclip suppliers	-	189
Current accounts	35	63
Total	**35**	**251**

7.3 SUBSEQUENT EVENTS

The following significant events have taken place since 1 January 2016, the opening date of the current fiscal year:

- On 22 February 2016, at Novacyt's Annual General Meeting, the shareholders unanimously endorsed the acquisition of Primer Design, a company operating in the field of non-clinical molecular diagnostic products.
- A funding requirement of €7,000,000 was announced. At the end of April 2016, Novacyt had raised the full €7,000,000 through:
  - ✓ An issue of new shares in the amount of €4,000,000;
  - ✓ An increase of its credit facilities with Kreos Capital in the amount of €3,000,000.

No other significant events have taken place since the reporting date.

NOTE 8: ADDITIONAL INFORMATION

8.1 CHANGES IN SHARE CAPITAL

As of 31 December 2015, Novacyt's capital consisted of 7,189,213 shares with a par value of 1/15th of a euro each, i.e. share capital of €479,280.

The most recent transactions on share capital can be summarised as follows:

- The General Meeting of 13 June 2014 approved the contribution to Novacyt of 100% of the shares of British company Lab21 Ltd paid for exclusively by Novacyt securities. The Lab21 Ltd shares were contributed at a value of €18,846,745.90. The contribution resulted in a capital increase of €168,203.93 and a contribution premium of €18,678,550.97.
- The General Meeting of 13 June 2014 approved the terms of the Company's capital increase from €365,660.65 to €368,447.85 through the issue of 41,808 shares at a price of €7.4 per share, or an issue premium of €306,592.
- On 4 December 2014, the Company completed a capital increase from €368,447.85 to €409,464.80 through the issue of 615,254 shares at a price of €4.15 per share, or an issue premium of €2,530,358. The amount of the capital increase (before deduction of related expenses) was €2,571,375.
- On 5 December 2014, the Company completed a capital increase by incorporation of receivables in a total amount of €515,004 (before deduction of related expenses). Share capital was increased from €409,464.80 to €418,040 through the issue of 128,751 shares at a price of €4 per share, or an issue premium of €506,420.80.
- On 10 April 2015, the Company completed a capital increase from €418,040 to €445,381.53 through the issue of 410,000 shares at a price of €5 per share, or an issue premium of €2,022,666.67.
- On 13 April 2015, the Company completed a capital increase from €445,381.53 to €447,514.86 through the issue of 32,000 shares at a price of €5 per share, or an issue premium of €157,866.67.
- On 20 July 2015, the Company completed a capital increase from €447,514.86 to €474,148.20 through the issue of 399,500 shares at a price of €5 per share, or an issue premium of €1,970,866.67.
- On 26 August 2015, the Company completed a capital increase from €474,148.20 to €474,983.33 through the issue of 12,527 shares at a price of €4 per share, or an issue premium of €49,272.45.
- On 6 October 2015, the Company completed a capital increase from €474,983.33 to €478,128 through the issue of 47,170 shares at a price of €3.19 per share, or an issue premium of €147,453.42.
- On 1 December 2015, the Company completed a capital increase from €478,128 to €479,280.87 through the issue of 17,293 shares at a price of €2.91 per share, or an issue premium of €49,188.80.

As of 31 December 2015, Novacyt's share capital of €479,280.87 was divided into 7,189,213 shares with a par value of 1/15th of a euro each.

8.2 EXPOSURE TO FINANCIAL RISKS

The Group's main financial liabilities are loans, as well as trade and other payables. The main purpose of these financial liabilities is to finance operating activities.

Loans, receivables and payables, as well as cash and cash equivalents held by the Group, are generated by operating activities.

- Interest rate risk

The Group finances its activities mainly through bonds. That subscribed by Kreos Capital IV Ltd bears interest at a fixed rate, interest being increased upon payment of the final instalment in July 2018 in an amount ranging from €0 to €500,000 depending on change in Novacyt's share price by this date.

- Currency risk

The Group has a strong presence in the UK, where its main subsidiaries are located. Nevertheless, the Group's funding is mainly provided denominated in euros.

The following table presents the value in euros of the Group's assets and liabilities denominated in GBP:

Amounts in € thousands	As of 31/12/2015
Intangible assets	225
Property, plant and equipment	198
Non-current assets: security deposits	16
Inventories	1,072
Trade and other receivables	1,225
Other current assets	180
Cash and cash equivalents	385
Total assets	**3,301**
Provisions for restoration of premises	103
Trade payables	1,765
Other current liabilities	24
Total liabilities	**1,892**

- Credit risk

Credit risk is the risk of financial loss following the failure by a third party to honour its commitment to repay a debt. The Group is exposed to credit risk due to its operating activities (mainly through trade receivables) and through deposits with banks.

The Group's exposure to credit risk is represented by the risk of counterparty default: maximum exposure is equal to the carrying amount of these instruments.

- Liquidity risk

Since its creation, the Group has financed its growth by successive capital increases, loans, grants and public aid for innovation and the reimbursement of research tax credit receivables.

To overcome limits in its capacity to self-finance its growth, the Group is required to seek other sources of funding, notably capital increases.

The Group may fail to obtain additional capital when it needs it, or such capital may not be available on acceptable financial terms for the Group.

The realisation of one or more of these risks could have a material adverse effect on the Group's business, financial position, earnings, growth and prospects.

8.3 MARKET VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

These fair values are an estimate of the instantaneous value of the investment as of 31 December 2015 and 31 December 2014. They are liable to fluctuate from day to day due to the variations of several parameters, including interest rates and the credit quality of counterparties. In particular, they may differ significantly from the amounts actually received or paid at maturity of the instruments. In most cases, the revalued market value is not destined to be immediately realised, and may not be realised in practice. It does not represent the actual value of the instruments from the perspective of Novacyt as a going concern.

Most of these instantaneous market values are not pertinent; as such, they are not taken into account for the purposes of managing the Group's activities.

The market value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, at arm's length.

The market values of assets and liabilities mentioned in the table above were determined in accordance with the free cash flow approach.

Amounts in € thousands	**Book value**	**Estimated market value**
Bond debts	3,286	3,286
Bank debts	87	80
Accrued interest and bank overdrafts	-	-
Total	**3,373**	**3,366**

8.4 AUDITORS' FEES

Amounts in € thousands	As of 31/12/2015	As of 31/12/2014
Fees paid to the statutory auditors		
Fees – Auditing	179	170
Fees – Services mentioned in II of Article L. 822-11	10	-
Total	**189**	**170**