NOVACYT

Novacyt S.A.
(“Novacyt”, the “Company” or the “Group”)

Full Year 2023 results
Integration of Yourgene Health remains on track
Laying the foundations for future growth

Paris, France, and Eastleigh and Manchester, UK – 30 May 2024 – Novacyt S.A. (EURONEXT GROWTH: ALNOV; AIM: NCYT), an international molecular diagnostics company with a broad portfolio of integrated technologies and services, announces its audited results for the year ended 31 December 2023. The results include almost four months’ trading of Yourgene Health Limited (formerly plc) (“Yourgene”) following its acquisition by the Group, which completed on 8 September 2023.

Operational Highlights (including post year-end and Yourgene 2023 activities pre-acquisition)

- Completed the strategic acquisition of Yourgene, significantly enhancing Novacyt’s global diagnostics business, adding scale and diversification to accelerate long-term growth.
- Lyn Rees and John Brown CBE joined the Novacyt Board as Executive and Non-Executive Director respectively.
- Lyn Rees appointed Chief Executive Officer following a six-year tenure as CEO of Yourgene Health plc, bringing over 28 years’ global healthcare leadership and commercial experience.
- Steve Gibson appointed CFO, and to join the Board along with Dr Jo Mason, CSO, subject to shareholder approval.
- IVDR certification: received first IVDR accreditation for the Yourgene DPYD genotyping assay for chemotoxicity in chemotherapy patients; submitted application for Cystic Fibrosis quantitative fluorescence PCR (QF-PCR) test.
- Yourgene became a compatible partner of PacBio, a leading global developer of sequencing technology, supporting the use of the LightBench™ instrument (Ranger® Technology) to its global customer base.
- Yourgene launched MagBench™ automated DNA extraction platform for NIPT workflows in Asia-Pacific and the Middle East.
- Launch of the Primer Design Co-Prep ES instrument, providing automated DNA and RNA extraction using Primer Design assays, for use in multiple applications.
- Primer Design launched a range of “complete” assays, including customised mastermix reagent for RUO customers.

Financial Highlights

- Acquired the AIM-listed company Yourgene and its subsidiaries for an all-cash consideration of £16.7m on 8 September 2023.
- Group statutory revenue for FY2023 was £11.6m, in line with guidance, of which £0.6m relates to COVID-19 (FY2022*: £21.0m, of which £14.7m related to COVID-19).
- Group statutory revenue for the non-COVID-19 portfolio of £11.0m represents circa 95% of total revenue (FY2022*: £6.3m).
- Group gross profit totalled £3.7m (32%) in FY2023 (FY2022: £5.7m (27%)). This was reduced predominantly as a result of providing for all remaining COVID-19 associated stock, in addition to writing off stock that

had not been provided for previously. Excluding the impact of these items, the Group gross profit margin would be in excess of 60%.

- Group EBITDA loss in FY2023 totalled £13.7m before exceptional items (FY2022: £13.5m loss).
- Loss after tax increased to £28.3m in FY2023 (FY2022: £25.7m loss).
- Completed cost savings actions that will deliver over £4.0m of bottom-line improvement, the Group is tracking ahead of schedule on the targeted synergies to be achieved from the Yourgene acquisition.
- Cash position at 31 December 2023 was £44.1m (2022: £87.0m), reflecting the cash consideration and associated costs of the acquisition of Yourgene. The Group remains debt free.

**excludes any Yourgene revenue as pre-acquisition*

Commenting on the results Lyn Rees, CEO of Novacyt, said: *"2023 was a transitional year for Novacyt, during which the Group completed the acquisition of Yourgene, a significant milestone that has enhanced our global diagnostics capabilities, diversified our product portfolio and increased the scale of our non-COVID-19 revenues.*

"We continue to focus all efforts towards working as a single business so that the reorganisation of the Group and the resulting synergies will leave us well placed to deliver future growth. We remain focused on driving the global sales of our key clinical and instrumentation products, while also rebuilding our RUO business. The Board believes that investment in R&D combined with our commercial strength is key to achieving long-term growth and we are increasingly well-placed to execute our business strategy."

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About Novacyt Group (www.novacyt.com)
Novacyt is an international molecular diagnostics company providing a broad portfolio of integrated technologies and services, primarily focused on the delivery of genomic medicine. The Company develops, manufactures, and commercialises a range of molecular assays and instrumentation to deliver workflows and services that enable seamless end-to-end solutions from sample to result across multiple sectors including human health, animal health and environmental.

The Company is divided into three business segments:

Clinical	Broad portfolio of human clinical *in vitro* diagnostic products, workflows and services focused on three therapeutic areas: • Reproductive Health: NIPT, Cystic Fibrosis and other rapid aneuploidy tests • Precision Medicine: DPYD genotyping assay • Infectious Diseases: Winterplex, multiplex winter respiratory PCR panel
Instrumentation	Portfolio of next generation size selection DNA sample preparation platforms and rapid PCR machines, including: • Ranger® Technology: automated DNA sample preparation and target enrichment technology MyGo: real-time quantitative PCR (qPCR) instruments
Research Use Only	Range of services for the life sciences industry: • Design, manufacture, and supply of high-performance qPCR assays and workflows for use in human health, agriculture, veterinary and environmental, to support global health organisations and the research industry • Pharmaceutical research services: whole genome sequencing (WGS) / whole exome sequencing (WES)

Novacyt is headquartered in Vélizy-Villacoublay in France with offices in the UK (in Stokesley, Eastleigh and Manchester), Taipei, Singapore, the US and Canada and has a commercial presence in over 65 countries. The Company is listed on the London Stock Exchange's AIM market ("NCYT") and on the Paris Stock Exchange Euronext Growth (“ALNOV”).

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

Chief Executive's review

2023 represented a transitional year for Novacyt, as we continued to diversify the business away from COVID-19. In September 2023, the Group completed the acquisition of Yourgene, which represented a significant milestone that enhanced and diversified our portfolio. We are now working as one integrated global diagnostics business, benefitting from initial synergies between the combined entities, and are focused on investing to further leverage these and achieve long-term, sustainable growth for the Group.

Yourgene acquisition and integration

Following the strategic acquisition of Yourgene, the Group now has a broader technology portfolio, with a stronger end-to-end customer offering, enhanced routes to market in Europe, Asia and the Americas, expanded skills and expertise in our R&D and commercial teams, and a rationalised, high quality distribution network to drive growth and maximise efficiencies.

We have successfully completed the integration of all key operational departments including R&D and sales, combining complementary skills in molecular biology and instrumentation and our commercial teams have full access to the wider product portfolio to address customer needs. We have also streamlined support functions, such as finance, regulatory and other back-office activities to remove duplicate corporate functions.

As part of this process, the Group has been reorganised into three business segments: Clinical, Instrumentation and Research Use Only ("RUO"). This has transferred the development and commercialisation of all clinical products to Yourgene, enabling Primer Design to focus on its core flagship offering of developing RUO assays. The IT-IS business is continuing its focus on real-time quantitative PCR instrumentation and is adding complementary technical and engineering expertise to support growth in the Ranger® Technology products.

With the strengthened expertise of the combined leadership team, we are continuing to evaluate our portfolio and product mix, identifying those products that will benefit most from further investment. With the strength of our balance sheet, I am confident we will be able to accelerate growth in areas with highest potential, particularly NIPT, Ranger® Technology and Precision Medicine.

The Yourgene acquisition business case assumed £5.0m of annualised cost synergies would be achieved by year three of the integration, with circa £2.5m of investment required to achieve those savings. We announced in our January trading update that the Group is tracking substantially ahead of this target with 80% of the annualised savings realised at the end of 2023 and we are on track to deliver the balance by the end of 2024. The main savings delivered thus far coming from the refocus of the Primer Design business on the RUO market, the elimination of duplicate corporate functions and streamlining of management.

Portfolio update

1) Clinical

The Clinical business is focused on three key therapeutic areas, Reproductive Health, Precision Medicine and Infectious Diseases, which each represent large and growing addressable market opportunities. We continue to drive sales of these products in our core markets in Europe, Asia and some key regions in the Americas.

Obtaining certification for our clinical products under the new EU requirements of the *In Vitro* Diagnostic Regulation ("IVDR") remains a key priority for the Group. We received our first IVDR certification in November 2023, with the Yourgene® DPYD genotyping assay, an important test for oncology treatment, which identifies cancer patients at risk of suffering a severe, and potentially life-threatening, reaction to common chemotherapy. In December 2023, the Company submitted the application for its Cystic Fibrosis quantitative fluorescence PCR (QF-PCR) test, which is used for newborn screening as well as carrier screening in adults during family planning.

Reproductive Health

We saw encouraging growth in our Reproductive Health business, with the addition of several new non-invasive prenatal testing ("NIPT") laboratory customers across Europe, Columbia, Uzbekistan, India, UK and Taiwan. With the NIPT market expected to reach $5.71 billion by 2028, we are well positioned to meet the growing global demand for accurate and reliable NIPT workflows as an increasing number of laboratories offer NIPT testing internationally.

We have continued to see strong growth in India, which is a major market for Yourgene's Sage™ 32 and 12 NIPT workflows. To support this in September, the Company launched MagBench™ in Asia-Pacific and the Middle East. MagBench™ is an automated DNA extraction platform optimised for the Sage 32 NIPT Workflow, which enables simple, fast, and cost-efficient, bench-top robotic, cell-free DNA (cfDNA) extraction.

The Group also saw strong growth in its cystic fibrosis portfolio in Australia in Q4 2023, following the introduction of a new nationwide reimbursement pathway by the Australian government that enables all eligible Australians to receive cystic fibrosis screening either prior to, or early in pregnancy, and have seen this momentum continue into 2024.

Precision Medicine

Over two million cancer patients globally are treated with fluoropyrimidines (including 5-FU) each year; 10-30% of these patients suffer severe, and sometimes fatal, side effects associated with DPD deficiency. Our DPYD genotyping assay can identify patients with this deficiency, and we are seeing increased adoption being driven by government reimbursement programmes and the introduction of DPYD screening into cancer care clinical pathways. We are seeing growth across UK, Ireland and Europe and in Canada where new customers are starting to screen for DPYD as part of a province roll-out with reimbursement in Ontario and other regions are expected to follow.

Infectious diseases

The Group launched its CE marked winter respiratory panel, genesig™ Real-time PCR SARS-CoV-2 Winterplex, before the cold winter season in the UK and has had a steady uptake with a number of NHS customers. However, given the considerable financial and staff resource required to advance a product to IVDR, we will monitor clinical demand over the coming winter to evaluate the opportunity and the investment required to progress the test.

As part of our portfolio evaluation, we have deprioritised the clinical development of the nine new genesig™ multiplex products. These products are currently available for research use only and we are seeing steady interest from our growing RUO customer base.

2) Instrumentation

Our instrumentation offering has been significantly enhanced by the addition of Ranger® Technology, Yourgene's automated DNA sample preparation and target enrichment technology, which provides better performance and improved workflows in multiple applications including NIPT, oncology, infectious disease testing and gene synthesis. We see opportunities for Ranger® across multiple markets, as it addresses key industry problems such as sample preparation and purity, can meet high volume requirements in markets such as gene synthesis, and has proven capability with multiple gene sequencing platforms.

The team has continued to drive new opportunities for Ranger® across new human and non-human applications. In November 2023, Yourgene became a compatible partner of PacBio, a leading developer of high-quality, highly accurate sequencing solutions with a global customer base. PacBio released a Technical Note, supporting the use of Yourgene's LightBench® instrument (Ranger® Technology) with PacBio's HiFi sequencing system for size selection of long DNA fragments to enable high yields for HiFi sequencing data. PacBio's customer base spans a broad set of research areas, including human genome sequencing, plant and animal sciences, infectious diseases and microbiology, oncology and other emerging applications, which represents a significant opportunity to expand the use of Ranger® Technology. In addition, the Company has just signed a co-marketing agreement with PacBio, strengthening our relationship and ensuring Ranger® Technology is available for their long-read sequencing customers. There are also a number of ongoing collaborations with key institutions around the world to test Ranger® across a number of different applications. Having a stronger data set in these new use cases will drive further adoption and market penetration.

In Q1 2023 we saw the launch of the Primer Design Co-Prep ES instrument, providing automated DNA and RNA extraction using Primer Design optimised assays, which enables pathogen detection across numerous applications. Within the IT-IS International Instrument division/business, the renewed marketing plans and commercial restructure is beginning to make an impact and the Group is seeing greater awareness and lead generation, with sales improving during Q1 2024.

3) Research Use Only

Primer Design has maintained its position as a leader in custom assay development, having delivered over 500+ custom assays in addition to its extensive catalogue, which includes over 1200 assays. Building on this expertise it has expanded its capabilities into the animal diagnostics and aquaculture sectors, developing assays for both its own portfolio as well as client-specific needs.

The business has a solid and growing pipeline addressing the need for fit-for-purpose testing options and streamlined workflows. The R&D team is also working on a Norovirus RUO assay, which will be ready to go to market in Q2 2024 and has built on the market needs of key strategic customers within the oyster farming community in the UK.

Based on extensive customer and market feedback, the team have launched a range of "Complete" assays, which include our market leading customised mastermixes, unique enzyme and control combinations, that are tailored to provide everything our customers need in one kit for their experiments. In addition, the mastermix reagents have been launched as a stand-alone component that can be used for any labs working with multiplex assays, giving a route into potential new customer labs.

4) Genomic Services

Yourgene Genomic Services ("YGS") saw a decline in NIPT volumes and revenue, after a key customer moved these capabilities in-house and the termination of discussions regarding the sale of the lab in Taiwan. However, the Group is experiencing steady growth in new clinical customers across the UK. We have also seen growth across our pharmaceutical research services, which offers whole genome sequencing ("WGS"), whole exome sequencing ("WES") and other specialist laboratory testing services to pharma, biotech and central laboratories for clinical studies and assay validation, as well as biomarker discovery services.

Taiwan update

As announced on 6 February 2024, the Group received formal notification from INEX Innovate Pte Ltd of its decision to terminate discussions regarding the acquisition of Yourgene Health Taiwan Co Ltd, as originally announced by Yourgene in June 2023. As a result, Yourgene's Taiwanese laboratory business will remain part of the Novacyt Group. We are continuing to evaluate a number of options in relation to the future of the Taiwanese laboratory business that offer the best value to all stakeholders and will provide any further updates in due course.

Strengthened Board

Since the acquisition of Yourgene, the Novacyt Board has been reshaped and Yourgene's former Chair, Dr John Brown CBE and I joined the Board, as Non-Executive and Executive Director respectively, helping to make Yourgene's integration into the wider Group as smooth as possible.

On 1 May 2024, I was appointed CEO of the Group and James McCarthy stepped down from the Board of Directors as Acting CEO. Dr Andrew Heath, Non-Executive Director, has also retired from the Board. I would like to thank James and Andrew for their hard work and significant contribution to the Group and wish them both well in their future endeavours.

Post-period end, we announced the appointment of Steve Gibson as Chief Financial Officer. Both Steve and Dr Jo Mason, the Company's Chief Scientific Officer, will join the Novacyt Board as Executive Directors, subject to shareholder approval at the Company's Annual General Meeting. Steve played a key role in the acquisition of Yourgene, as well as in executing key strategic changes to the Group over the past two years. Jo is a leading molecular biologist, with over 22 years' experience having worked in senior positions both in industry and at prominent research institutes and I look forward to welcoming both Steve and Jo to the Board in due course.

DHSC

As previously announced, the Company and its subsidiary Primer Design Ltd are party to litigation with the DHSC. The trial hearing has been listed to commence on 10 June 2024, and finish on 4 July 2024. The Company expects the court to reserve judgment, meaning that the outcome of the trial will not be known on 4 July 2024.

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 the first four months of 2024 totalled £6.9m, 73% of which was generated by Yourgene. On a proforma basis, year-on-year revenue is down £1.3m, or 16%, of which £0.7m is as a result of reduced COVID-19 product sales. Revenue for the full year will likely continue at a similar run-rate to what has been seen so far in 2024. We are still working through the cost base of the business following the acquisition of Yourgene so, at this stage in the year, it is too early to provide guidance on a full year EBITDA position.

Post-acquisition we have implemented actions that will deliver annual cost reductions to the Group of over £4.0m for 2024, and we will continue to look at further opportunities to right size the cost base.

We commenced the year with £44.1m in cash, with cash of £36.3m at 30 April 2024; a cash outflow of £7.8m. Within this cash outflow there was approximately £3.3m of exceptional items, including DHSC legal fees and the remaining deferred consideration from the Coastal Genomics acquisition.

We continue to place all efforts towards working as a single business so that the reorganisation of the Group and the resulting synergies will leave us well placed to deliver future growth.

We remain focused on driving the global sales of our key clinical and instrumentation products, while also rebuilding our RUO business. The Board believes that investment in R&D combined with our commercial strength is key to achieving long-term growth. Over the coming months, we will continue to evaluate the Group’s product portfolio to identify those highest potential areas whose growth can be accelerated through additional investment.

Lyn Rees
Chief Executive Officer

30 May 2024

FINANCIAL REVIEW

Overview

In September 2023, Novacyt completed the strategic acquisition of Yourgene for an all-cash consideration of £16.7m, significantly enhancing its global diagnostics capabilities, adding scale and diversification to accelerate the long-term growth of the Group. As such, Novacyt's 2023 results include the financial performance of Yourgene from 8 September 2023, the date of acquisition. The financial results of Yourgene before this date are not included within the 2023 Novacyt Group Statutory Accounts.

Novacyt generated sales of £11.6m, an EBITDA loss of £13.7m and a loss after tax of £28.3m.

Cash decreased substantially during 2023 as a result of the acquisition of Yourgene, which consumed circa £27.6m of cash. This included paying down Yourgene liabilities acquired such as bank loans, contingent liabilities and advisors' fees, the initial cash consideration and Novacyt advisor fees. As such, cash at the end of 2023 was £44.1m, which provides the Group with a solid foundation on which to build its future strategy.

Business Combinations

The acquisition of Yourgene was implemented by way of a UK scheme of arrangement between Yourgene and its shareholders under Part 26 of the UK Companies Act 2006.

IFRS 3 provides for a period of 12 months from acquisition to complete the identification and measurement of the fair value of assets acquired and liabilities assumed. This means that the gross amount of goodwill is subject to adjustment until September 2024.

The gross goodwill recognised upon acquisition totalled £19.5m which will be assessed annually for impairment.

Revenue

Revenue for 2023 fell to £11.6m compared with £21.0m in 2022. The main driver for the reduction was reduced COVID-19 sales; 2023 included £0.6m of COVID-19 related sales compared to £14.7m in 2022. The decline was driven by reduced demand for COVID-19 testing as we emerged from the pandemic, partially offset by the inclusion of Yourgene sales from September 2023.

At a business unit level, Primer Design delivered sales totalling £5.0m and IT-IS International £1.0m for twelve months' trading activity. Yourgene delivered sales of £5.6m post-acquisition in 2023 (approximately four months).

Gross profit

The business delivered a gross profit of £3.7m (32%), compared with £5.7m (27%) in 2022. The margin, at 32%, is significantly below the Group's historic margin (60%+) predominantly due to the impact of stock adjustments in the form of i) booking a higher stock provision than normal as a result of providing for all remaining COVID-19 associated stock, 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%.

Operating expenditure

Group operating costs fell by £1.9m to £17.4m in 2023, compared with £19.3m in 2022.

Labour costs have reduced year-on-year as a result of the restructuring programmes undertaken by the Group, but they have been partially offset by the inclusion of employee costs resulting from the Yourgene acquisition. Novacyt commenced 2023 with a headcount of circa 137, falling to 118 pre-acquisition, and rising to 237 at December 2023 with the inclusion of Yourgene employees.

Non-labour costs follow a similar pattern in that the year-on-year reduction would have been larger had it not been for the inclusion of Yourgene related costs post-acquisition.

EBITDA

The Group reported an EBITDA loss of £13.7m for 2023 compared with a loss of £13.5m in 2022. The loss has increased slightly, by £0.2m, driven by a £1.9m fall in operating expenditure, but offset by a reduced gross profit contribution of £2.1m as a result of lower sales.

Operating loss

The Group reported an operating loss of £29.5m compared with a 2022 loss of £23.4m. Year-on-year, depreciation and amortisation charges have increased by £2.1m, to £4.2m, mainly due to the inclusion of charges associated with assets acquired as part of the Yourgene acquisition.

Other operating expenses have increased from £7.7m to £11.7m. The main items making up the 2023 charge are i) a £4.1m impairment charge in relation to the goodwill associated with the Primer Design acquisition, ii) £1.9m costs in relation to the ongoing DHSC contract dispute, iii) £1.7m of acquisition related fees which excludes deal advisory fees incurred by Yourgene (totalling circa £2.1m) as they have been treated as a pre-acquisition cost, iv) a £1.7m impairment charge in relation to the remaining goodwill and intangible assets associated with the IT-IS International acquisition, v) £1.6m restructuring expenses predominantly covering redundancy payments, and vi) £0.7m of other expenses.

Loss after tax from continuing operations

The Group reported a loss after tax from continuing operations of £27.8m, compared with a loss of £22.2m in 2022. Other financial income and expenses netted to a £0.9m income compared with a £3.3m net income in 2022. The two key items making up the balance are i) £2.0m interest income on deposits held in bank accounts, and ii) a £1.0m net financial foreign exchange loss mainly resulting from revaluations of bank and intercompany accounts held in foreign currencies. Taxation at £0.8m is predominantly 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 2023 and 2022.

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

Earnings Per Share

2023 saw a loss per share of £0.40 compared to a loss per share of £0.36 in 2022.

Business Combinations – pro forma view

If the acquisition of Yourgene was to have completed on 1 January 2023, the opening date of the Group’s 2023 financial year, consolidated Group revenue for 2023 would have amounted to £22.8m and the Group would have generated a net loss attributable to owners of the Company of £50.3m.

Yourgene pro forma results include various one-off charges including i) acquisition related costs totalling in excess of £8.5m, including the recognition of a £6.5m contingent liability, and ii) around £4.8m covering items such as stock provisions, impairing ROU assets and bad debt provisions.

Non-current assets

Goodwill has increased from £6.6m in 2022 to £21.4m in 2023. The increase is driven by the goodwill arising from the acquisition of Yourgene, totalling £19.5m, offset by impairment charges to goodwill totalling £4.4m. Impairments relating to the acquisitions of Primer Design (£4.1m) and IT-IS International (£0.3m) were made as a result of reduced future expected cash flow. The remaining movement is due to exchange revaluations on the Primer Design and Yourgene goodwill balances, which are not held in pound sterling.

Right-of-use assets have increased from £0.5m at 31 December 2022 to £11.0m at 31 December 2023, largely as a result of the inclusion of lease costs associated with Yourgene and its largest facility, Skelton House, in the UK.

Property, plant and equipment has increased by £1.4m from 31 December 2022 to £4.2m at 31 December 2023. This is driven mainly by the inclusion of fixed assets acquired as part of the Yourgene acquisition offset by depreciation costs.

Other non-current assets have increased by £7.2m to £10.3m as at 31 December 2023, driven by the inclusion of intangible assets acquired as part of the Yourgene acquisition including customer relationships, brands and development costs. These were partly offset by amortisation charges totalling £3.1m, which includes a £1.4m impairment charge for IT-IS International related intangibles.

Current assets

Inventories and work in progress are flat year-on-year closing 2023 at £3.0m. However, the composition has changed due to the inclusion of Yourgene stock totalling £2.3m (net), offset by the reduction in stock held by Primer Design and IT-IS International primarily as a result of providing for all remaining COVID-19 associated stock and writing off stock that expired in 2023 and was not previously provided for.

Trade and other receivables have increased by £2.3m to £36.0m at 31 December 2023 mainly as a result of the inclusion of the Yourgene receivable balances. 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 an £8.5m VAT receivable balance (December 2022: £8.3m), that mainly relates to UK VAT paid on sales invoices in dispute with the DHSC. As these sales have not been recognised in accordance with IFRS 15, the revenue, trade receivable and VAT element of the transactions have been reversed, resulting in a VAT debtor balance.

Tax receivables have fallen by £0.4m to £0.7m at 31 December 2023. The current balance relates to Research and Development tax credits (SME Scheme) accruals covering 2022 and 2023.

Other current assets have increased to £2.6m from £2.4m in 2022. The year-on-year change is minimal as the 2022 balance included prepaid stock that was delivered in 2023 which is largely offset by the inclusion of Yourgene prepayments in 2023. Prepayments at 31 December 2023 include the annual Group commercial insurance, rent, rates and prepaid support costs.

Current liabilities

Short-term lease liabilities have increased by £0.6m, to £1.2m, as a result of the inclusion of lease liabilities associated with Yourgene.

The short-term contingent consideration balance of £0.2m as at 31 December 2023 relates to the acquisition of Coastal Genomics in Canada by Yourgene and was subsequently paid in April 2024.

Trade and other liabilities increased to £7.2m at 31 December 2023 from £2.8m at 31 December 2022, predominantly as a result of the inclusion of Yourgene liabilities.

Other provisions and short-term liabilities are broadly flat year-on-year at £20.9m (December 2022: £20.8m). The largest balance relates to 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 that remains unchanged in 2023.

Non-Current Liabilities

Deferred tax liabilities have increased to £2.2m from £1.0m in 2022. Deferred tax liabilities on temporary timing differences relate to the assets acquired as part of the Yourgene acquisition in September 2023 and accelerated capital allowances.

Lease liabilities long-term has increased to £12.5m, from £0.3m, largely as a result of the inclusion of lease liabilities associated with Yourgene. The main liabilities relate to two premises in the UK, Skelton House and City Labs, that have multi-year leases.

Other provisions and long-term liabilities have increased to £2.3m, from £0.1m, as a result of the inclusion of i) a Coastal Genomics earnout milestone totalling £0.7m (which has since been paid in 2024 following a settlement negotiation), and ii) dilapidations provisions associated with Yourgene premises totalling £1.5m.

Cash flow

Cash held at the end of 2023 totalled £44.1m compared with £87.0m at 31 December 2022. Net cash used in operating activities was £25.0m for 2023, made up of a working capital outflow of £11.3m and an EBITDA loss of £13.7m, compared to a cash outflow of £13.7m in 2022.

The working capital outflow of £11.3m includes fees attributable to the Yourgene acquisition including the payment of the £6.5m contingent liability and £3.4m of deal advisory fees.

Net cash used in investing activities increased to £13.9m, from £0.6m in 2022, predominantly driven by the all-cash acquisition of Yourgene less cash acquired. This outflow was offset by the Group generating £2.0m interest income from its cash balances during 2023.

Capital expenditure in 2023 totalled £0.7m compared with £0.4m in 2022.

Net cash used in financing activities in 2023 totalled £4.0m compared with £0.5m in 2022, with the two main cash outflows being i) repayment of the Yourgene SVB bank loan totalling £2.4m, and ii) lease payments totalling £1.1m.

The Group remains debt free at 31 December 2023.

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 2023 and 31 December 2022

Amounts in £'000	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Continuing Operations			
Revenue		11,579	21,040
Cost of sales	4	-7,849	-15,294
Gross profit		**3,730**	**5,746**
Sales, marketing and distribution expenses		-3,950	-4,826
Research and development expenses		-3,228	-5,047
General and administrative expenses	5	-14,524	-12,090
Governmental subsidies		125	562
Operating loss before exceptional items		**-17,847**	**-15,655**
Other operating income	6	31	-
Other operating expenses	6	-11,700	-7,738
Operating loss after exceptional items		**-29,516**	**-23,393**
Financial income		3,410	3,969
Financial expense		-2,462	-629
Loss before tax		**-28,568**	**-20,053**
Tax income / (expense)		768	-2,148
Loss after tax from continuing operations		**-27,800**	**-22,201**
Loss from discontinued operations		-492	-3,529
Loss after tax attributable to owners of the Company (*)		**-28,292**	**-25,730**
Loss per share (£)	7	-0.40	-0.36
Diluted loss per share (£)	7	-0.40	-0.36
Loss per share from continuing operations (£)	7	-0.39	-0.31
Diluted loss per share from continuing operations (£)	7	-0.39	-0.31
Loss per share from discontinued operations (£)	7	-0.01	-0.05
Diluted loss per share from discontinued operations (£)	7	-0.01	-0.05

* There are no non-controlling interests.

Consolidated statement of comprehensive income for the years ended 31 December 2023 and 31 December 2022

Amounts in £'000	**Notes**	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Loss for the period recognised in the income statement		**-28,292**	**-25,730**
Items that may be subsequently reclassified to profit or loss:			
Translation reserves	14	363	-843
Total comprehensive loss		**-27,929**	**-26,573**
Comprehensive loss attributable to:			
Owners of the Company (*)		**-27,929**	**-26,573**

*There are no non-controlling interests.

Statement of financial position as of 31 December 2023 and 31 December 2022

Amounts in £'000	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Goodwill	8	21,446	6,646
Other intangible assets		10,232	3,121
Property, plant and equipment		4,183	2,751
Right-of-use assets		11,036	521
Non-current financial assets		57	-
Deferred tax assets		413	624
Total non-current assets		**47,367**	**13,663**
Inventories and work in progress	9	3,022	3,027
Trade and other receivables	10	36,034	33,662
Tax receivables		728	1,149
Prepayments and short-term deposits		2,601	2,418
Investments short-term		9	9
Cash and cash equivalents		44,054	86,973
Total current assets		**86,448**	**127,238**
Total assets		**133,815**	**140,901**
Lease liabilities short-term	11	1,209	609
Contingent consideration short-term		193	-
Provisions short-term	12	19,988	20,300
Trade and other liabilities	13	7,183	2,787
Tax liabilities		65	-
Other current liabilities		927	540
Total current liabilities		**29,565**	**24,236**
Net current assets		**56,883**	**103,002**
Lease liabilities long-term	11	12,495	263
Contingent consideration long-term		722	-
Provisions long-term	12	1,547	95
Deferred tax liabilities		2,241	1,041
Other long-term liabilities		3	50
Total non-current liabilities		**17,008**	**1,449**
Total liabilities		**46,573**	**25,685**
Net assets		**87,242**	**115,216**

Statement of financial position as of 31 December 2023 and 31 December 2022 (continued)

Amounts in £'000	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Share capital	14	4,053	4,053
Share premium account		50,671	50,671
Own shares		-138	-91
Other reserves	14	1,599	-2,017
Equity reserve		1,155	1,155
Retained earnings	14	29,902	61,445
Total equity – owners of the Company		**87,242**	**115,216**
Total equity		**87,242**	**115,216**

Statement of changes in equity for the years ended 31 December 2023 and 31 December 2022

Amounts in £'000					**Other Group reserves**					
	Share capital	**Share premium**	**Own shares**	**Equity reserves**	**Other**	**Translation reserve**	**OCI on retirement benefits**	**Total**	**Retained earnings**	**Total equity**
Balance at 1 January 2022	**4,053**	**50,671**	**-78**	**1,155**	**-2,407**	**1,241**	**-8**	**-1,174**	**87,188**	**141,815**
Translation differences	–	–	–	–	–	-843	–	-843	–	-843
Loss for the period	–	–	–	–	–	–	–	–	-25,730	-25,730
Total comprehensive income / (loss) for the period	**–**	**–**	**–**	**–**	**–**	**-843**	**–**	**-843**	**-25,730**	**-26,573**
Own shares acquired / sold in the period	–	–	-13	–	–	–	–	–	–	-13
Other	–	–	–	–	–	–	–	–	-13	-13
Balance at 31 December 2022	**4,053**	**50,671**	**-91**	**1,155**	**-2,407**	**398**	**-8**	**-2,017**	**61,445**	**115,216**
Translation differences	–	–	–	–	–	363	–	363	–	363
Loss for the period	–	–	–	–	–	–	–	–	-28,292	-28,292
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**363**	**–**	**363**	**-28,292**	**-27,929**
Own shares acquired / sold in the period	–	–	-47	–	–	–	–	–	–	-47
Other	–	–	–	–	3,253	–	–	3,253	-3,251	2
Balance at 31 December 2023	**4,053**	**50,671**	**-138**	**1,155**	**846**	**761**	**-8**	**1,599**	**29,902**	**87,242**

The Other Group reserves in column 'Other' shows the reserve related to the acquisition of Primer Design shares and the reserve for payment in shares. The 2023 movement of £3,253,000 is a result of the acquisition of Yourgene Health.

Statement of cash flows for the years ended 31 December 2023 and 31 December 2022

Amounts in £'000	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Net cash used in operating activities	16	**-24,991**	**-13,729**
Operating cash flows from discontinued operations		*-689*	*-1,955*
Operating cash flows from continuing operations		*-24,302*	*-11,774*
Investing activities			
Acquisition of subsidiary net of cash acquired		-15,429	-787
Purchases of patents and trademarks		-154	-260
Purchases of property, plant and equipment		-517	-156
Sales of property, plant and equipment		26	-
Variation of deposits		116	-12
Interest received		2,023	638
Net cash used in investing activities		**-13,935**	**-577**
Investing cash flows from discontinued operations		*88*	*28*
Investing cash flows from continuing operations		*-14,023*	*-605*
Financing activities			
Repayment of lease liabilities		-1,110	-395
Repayment of bank loans		-2,355	-
Purchase of own shares – net		-47	-13
Paid interest expenses		-455	-108
Net cash used in financing activities		**-3,967**	**-516**
Financing cash flows from discontinued operations		*-325*	*-142*
Financing cash flows from continuing operations		*-3,642*	*-374*
Net decrease in cash and cash equivalents		**-42,893**	**-14,822**
Cash and cash equivalents at beginning of year		**86,973**	**101,746**
Effect of foreign exchange rate changes		-26	49
Cash and cash equivalents at end of year		**44,054**	**86,973**

NOTES TO THE ANNUAL ACCOUNTS

1. CORPORATE INFORMATION

Novacyt is an international molecular diagnostics company providing a broad portfolio of integrated technologies and services, primarily focused on the delivery of genomic medicine. The Company develops, manufactures, and commercialises a range of molecular assays and instrumentation to deliver workflows and services that enable seamless end-to-end solutions from sample to result across multiple sectors including human health, animal health and environmental. Its registered office is located at 13 Avenue Morane Saulnier, 78140 Vélizy Villacoublay.

2. BASIS OF ANNOUNCEMENT

2.1 Basis of Preparation

The financial information contained in this report comprises the consolidated financial statements of the Company and its subsidiaries (hereinafter referred to collectively as the **"Group"**). The figures in the tables 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.

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.

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 after having taken into account the available information they have for the future, and especially the cash forecast prepared for the next 12 months.

In preparing this cash forecast, the Directors have considered the following assumptions:

- The business plan for the next 12 months;

- The working capital requirements of the business;
- A positive cash balance at 31 December 2023 of £44,054,000;
- The possible outcomes of the Department of Health and Social Care "DHSC" commercial dispute having a trial date set for June 2024;
- Payment of the remaining Coastal Genomics earn-out milestones;
- No additional external funding has been forecast.

If Novacyt had to pay the full value of the DHSC claim in the period up to and including May 2025, which is not the scenario that management considers to be most likely, then the Group would not have sufficient funds to settle the liability without agreeing a payment plan. This matter raises substantial doubt about the ability of the Group to continue as a going concern in the worst-case scenario.

2.4 Business combinations

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

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

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

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

For companies acquired during the year, only the results for the period following the acquisition date are included in the consolidated income statement. For the financial year 2023, this applies to Yourgene Health Ltd (formerly PLC) and its subsidiaries, which were acquired on the 8 September 2023.

2.5 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.

2.5.1 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 18.

- **Trade and other receivables**

An estimate of the risks of non-receipt based on commercial information, current economic trends and the solvency of individual customers is made to determine the need for impairment on a customer-by-customer basis. Management use significant judgement in determining whether a credit loss provision is required.

At the year end, the Group had trade receivables of £28,151,000 against which a credit loss provision of £865,000 has been applied. At the date of signing the financial statements, £23,957,000 of the 31 December 2023 receivables, relating to products delivered during 2020, were overdue due to the contract dispute with the Department of Health and Social Care "DHSC" (see note 18). Management considers it to be more likely than not that the 31 December 2023 balances are recoverable; this is a significant judgement.

- **Provisions**

The carrying value of provisions at 31 December 2023 and 2022 are as per the table below:

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Provisions for restoration of premises	1,576	425
Provision for litigation	157	157
Provisions for product warranty	19,795	19,813
Provisions for retirement benefits	7	-
Total provisions	**21,535**	**20,395**

  - **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.

  - **Provisions for product warranty**

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

2.5.2 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 8) 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 ended 31 December 2023**	**Year ended 31 December 2022**
Goodwill Primer Design	6,255	6,384
Cumulative impairment of goodwill	-4,103	-
Net value	2,152	6,384
Goodwill IT-IS International	9,437	9,437
Cumulative impairment of goodwill	-9,437	-9,175
Net value	-	262
Goodwill Yourgene Health – provisional amount	**19,294**	**-**
Total goodwill	**21,446**	**6,646**

Sensitivity analysis has been performed on the goodwill balance and is presented in note 8.

The remaining Goodwill associated with the IT-IS International acquisition has been fully impaired in 2023 due to reduced future expected cash flow generation.

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

- **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.

- **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.

- **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.

- **Corporate**

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

- **Yourgene Health**

This segment represents the activities of Yourgene Health and its subsidiaries, a genomics technology and services business, focussed on delivering molecular diagnostic and screening solutions, across reproductive health and precision medicine, based throughout the world but with its headquarters in Manchester, UK.

- **Intercompany eliminations**

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

The Chief Operating Decision Maker is the Chief Executive Officer.

Headcount

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

Segment	2023	2022
Primer Design	74	141
Lab21 Products	-	21
IT-IS International	24	31
Corporate	23	29
Yourgene Health	149	-
Total headcount	**270**	**222**

The Yourgene Health headcount reflects the average headcount post-acquisition. The reduction in Primer Design headcount reflects the impact of redundancy programmes on the business.

Breakdown of revenue by operating segment and geographic area

- Year ended 31 December 2023

Amounts in £'000	Primer Design	IT-IS International	Yourgene Health	Total
Geographical area				
United Kingdom	1,415	29	1,919	3,363
France	268	48	743	1,059
Europe (excluding UK and France)	628	397	815	1,840
America	1,076	163	419	1,658
Asia-Pacific	1,029	290	1,449	2,768
Middle East	211	10	222	443
Africa	360	20	68	448
Total revenue	**4,987**	**957**	**5,635**	**11,579**

- Year ended 31 December 2022

Amounts in £'000	Primer Design	IT-IS International	Total
Geographical area			
United Kingdom	10,051	72	10,123
France	218	25	243
Europe (excluding UK and France)	3,154	452	3,606
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**

Breakdown of result by operating segment

- Year ended 31 December 2023

Amounts in £'000	Primer Design	IT-IS International	Corporate	Yourgene Health	Intercompany eliminations	Total
Revenue	4,987	957	-	5,635	-	11,579
Cost of sales	-3,978	-679	-	-3,282	90	-7,849
Sales and marketing costs	-2,447	-357	-41	-1,105	-	-3,950
Research and development	-1,846	-378	-	-1,004	-	-3,228
General and administrative	-6,030	-1,398	-716	-2,254	27	-10,371
Governmental subsidies	154	-29	-	-	-	125
Earnings before interest, tax, depreciation and amortisation as per management reporting	**-9,160**	**-1,884**	**-757**	**-2,010**	**117**	**-13,694**
Depreciation and amortisation	-1,700	-417	-73	-2,001	38	-4,153
Operating (loss) / profit before exceptional items	**-10,860**	**-2,301**	**-830**	**-4,011**	**155**	**-17,847**
Other operating income	-	-	31	-	-	31
Other operating expenses	-6,734	-1,727	-2,539	-700	-	-11,700
Operating (loss) / profit after exceptional items	**-17,594**	**-4,028**	**-3,338**	**-4,711**	**155**	**-29,516**
Financial income	8,014	74	2,841	1,336	-8,855	3,410
Financial expense	-886	-112	-8,272	-1,087	7,895	-2,462
Loss before tax	**-10,466**	**-4,066**	**-8,769**	**-4,462**	**-805**	**-28,568**

- Year ended 31 December 2022

Amounts in £'000	Primer Design	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**
Other operating expenses	-1,766	-5,285	-687	-	-7,738
Operating (loss) / profit after exceptional items	**-14,408**	**-8,183**	**-2,266**	**1,464**	**-23,393**
Financial income	6,045	44	2,684	-4,804	3,969
Financial expense	-542	-171	-4,353	4,437	-629
Loss before tax	**-8,905**	**-8,310**	**-3,935**	**1,097**	**-20,053**

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 2023 and 2022 have been reported on a separate line 'Loss from discontinued operations' in the consolidated income statement, which is shown below loss before tax and thus all items above loss before tax have a nil value.

4. COST OF SALES

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Cost of inventories recognised as an expense	7,018	17,509
Change in stock provision	-797	-6,473
Freight costs	51	73
Direct labour	1,575	4,141
Product warranty	-18	14
Other	20	30
Total cost of sales	**7,849**	**15,294**

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

The £797,000 net fall in the 2023 stock provision is driven by a £1,286,000 reduction in the Yourgene Health stock provision between acquisition and the reporting date, partially offset by a £489,000 net increase in the Novacyt legacy business stock provision.

A large amount of stock, which had previously been provided for, was written off and disposed of during 2023, with the cost being charged to 'Cost of inventories recognised as an expense' and a corresponding release of the stock provision being made.

Direct labour (including subcontractor costs) has decreased year on year as a result of manufacturing being performed in-house versus an element being outsourced in 2022.

5. GENERAL AND ADMINISTRATIVE EXPENSES

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Purchases of non-stored raw materials and supplies	343	323
Lease and similar payments	340	477
Maintenance and repairs	465	370
Insurance premiums	743	1,024
Legal and professional fees	1,802	1,622
Banking services	50	55
Employee compensation and social security contributions	4,631	5,144
Depreciation and amortisation of property, plant and equipment and intangible assets	4,154	2,115
Other general and administrative expenses	1,996	960
Total general and administrative expenses	**14,524**	**12,090**

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

Underlying labour costs have decreased as a result of restructuring. The impact of these savings has been partially offset by the inclusion of employee costs as a result of the Yourgene Health acquisition.

Depreciation and amortisation of property, plant and equipment and intangible assets increased in 2023 due to the inclusion of assets associated with the Yourgene Health acquisition.

Other general and administrative expenses include building rates, regulatory fees, loss on disposal of fixed assets and IT expenses.

6. OTHER OPERATING INCOME AND EXPENSES

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Other operating income	31	-
Total other operating income	**31**	**-**
Impairment of Primer Design goodwill	-4,113	-
Impairment of IT-IS International goodwill and intangible assets	-1,682	-5,156
DHSC contract dispute costs	-1,862	-927
Restructuring expenses	-1,593	-1,255
Acquisition related expenses	-1,705	-325
Other expenses	-396	-75
Loss on disposal of Taiwan subsidiaries	-305	-
Taiwan divestment costs	-44	-
Total other operating expenses	**-11,700**	**-7,738**

Operating expenses

Goodwill and intangible assets associated with the IT-IS International acquisition were fully impaired in 2023, having also been impaired in 2022, due to reduced future expected cash flow generation.

Goodwill associated with the Primer Design acquisition was impaired in 2023 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 are driven by the Group restructuring programmes.

Acquisition related expenses in 2023 include costs associated with the acquisition of Yourgene Health on 8 September 2023. These costs include advisory fees, legal and professional fees and termination fees where applicable. Advisory costs incurred by Yourgene Health relating to the acquisition have been treated as pre-acquisition costs and are therefore not included in the Consolidated Income Statement.

Taiwan divestment costs relate to costs associated with the failed sale of the Yourgene Health (Taiwan) Co. Ltd.

7. 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 2023 there are no outstanding dilutive instruments.

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Net loss attributable to owners of the Company	-28,292	-25,730
Impact of dilutive instruments	-	-
Net diluted loss attributable to owners of the Company	-28,292	-25,730
Weighted average number of shares (actual amount)	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 (£)	**-0.40**	**-0.36**
Diluted loss per share (£)	**-0.40**	**-0.36**
Loss per share from continuing operations (£)	*-0.39*	*-0.31*
Diluted loss per share from continuing operations (£)	*-0.39*	*-0.31*
Loss per share from discontinued operations (£)	*-0.01*	*-0.05*
Diluted loss per share from discontinued operations (£)	*-0.01*	*-0.05*

8. 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 2022	30,358
Exchange differences	1,144
At 31 December 2022	31,502
Acquisition of the Yourgene Health Group of companies	19,542
Disposal of Cambridge Genomics Corporation and Yourgene Biosciences Co. Ltd	-276
Exchange differences	-419
At 31 December 2023	**50,349**
Accumulated impairment losses	
At 1 January 2022	18,887
Impairment of the IT-IS International goodwill	5,156
Exchange differences	813
At 31 December 2022	24,856
Impairment of the Primer Design goodwill	4,113
Impairment of the IT-IS International goodwill	262
Exchange differences	-328
At 31 December 2023	**28,903**
Carrying value	
At 1 January 2022	11,471
At 31 December 2022	6,646
At 31 December 2023	**21,446**

Primer Design

The impairment testing of the CGU as at 31 December 2023 was carried out using the DCF method, with the key assumptions as follows:

- Five-year business plan;
- Extrapolation of cash flows beyond five years based on a growth rate of 1.5%; and
- Discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 15.1%.

The implementation of this approach demonstrated that the value in use amounted to £2,152,000, which is lower than the carrying amount of this asset. As such, an impairment charge of £4,113,000 was recognised in the year ended 31 December 2023.

IT-IS International

The impairment testing of the CGU as at 31 December 2023 was carried out using the DCF method, with the key assumptions as follows:

- Five-year business plan;
- Extrapolation of cash flows beyond five years based on a growth rate of 1.5%; and

- 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 output from the model demonstrated that the remaining goodwill needed to be fully impaired.

Yourgene Health

On 8 September 2023, Novacyt UK Holdings Limited, a wholly-owned subsidiary of Novacyt SA, completed the purchase of the entire share capital of Yourgene Health Ltd (formerly plc), an international molecular diagnostic group. The acquisition was implemented by way of a UK scheme of arrangement between Yourgene Health and its shareholders under Part 26 of the UK Companies Act 2006.

The goodwill calculation is presented in note 15 'Business combinations'.

IFRS 3 provides for a period of 12 months from the date of the acquisition to complete the identification and measurement of the fair value of assets acquired and liabilities assumed. The gross amount of goodwill is subject to adjustment until September 2024.

9. INVENTORIES AND WORK IN PROGRESS

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Raw materials	10,691	8,562
Work in progress	1,751	2,854
Finished goods	3,631	3,404
Stock provisions	-13,051	-11,793
Total inventories and work in progress	**3,022**	**3,027**

Gross stock has increased in the year due to the inclusion of Yourgene Health stock.

The 2023 increase in the stock provision is predominantly due to i) providing for all remaining COVID-19 and other non-Research Use Only stock as Primer Design focuses on being a Research Use Only business and ii) the inclusion of Yourgene Health stock provisions.

10. TRADE AND OTHER RECEIVABLES

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Trade and other receivables	27,509	25,485
Expected credit loss provision	-223	-214
Tax receivables – Value Added Tax	8,541	8,312
Receivables on sale of businesses	-	69
Other receivables	207	10
Total trade and other receivables	**36,034**	**33,662**

Trade receivables have increased in the year due to the inclusion of the Yourgene Health receivable balances.

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.

The 'Tax receivables – Value Added Tax' balance of £8,541,000 mainly relates to VAT paid in the UK on sales invoices in dispute with the DHSC. As these sales have not been recognised in accordance with IFRS 15, the revenue, trade receivable and VAT element of the transactions have been reversed, resulting in a VAT debtor balance.

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

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

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Balance at the beginning of the period	214	89
Impairment losses recognised	260	453
Amounts written off during the year as uncollectible	-98	-14
Impairment losses derecognised	-120	-157
Amounts recovered during the year	-36	-157
Impact of foreign exchange	3	-
Balance at the end of the period	**223**	**214**

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

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Less than one month	2,579	970
Between one and three months	575	143
Between three months and one year	75	121
More than one year	24,280	24,251
Balance at the end of the period	**27,509**	**25,485**

11. LEASE LIABILITIES

The following tables show lease liabilities carried at amortised cost.

- Maturities

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Lease liabilities – Less than 1 year	1,209	609
Lease liabilities – Between 1 and 5 years	4,664	263
Lease liabilities – More than 5 years	7,831	-
Total lease liabilities	13,704	872

- Change in lease liabilities in 2023 and 2022

Amounts in £'000	**Opening**	**Business Combinations**	**Repayment**	**Non-cash movements**	**Closing**
Changes in 2022	1,870	-	-503	-495	872
Changes in 2023	872	13,283	-1,110	659	13,704

The increase in the total lease liability is due to the inclusion of Yourgene Health lease liabilities. The main liabilities relate to two premises in Manchester, UK, Skelton House and City Labs that have multi-year leases.

12. PROVISIONS

The table below shows the nature of and changes in provisions for risks and charges for the period from 1 January 2023 to 31 December 2023:

Amounts in £'000	At 1 January 2023	Business Combinations	Increases	Reversals	Impact of foreign exchange	At 31 December 2023
Provision for retirement benefits	–	7	–	–	–	7
Provisions for restoration of premises	95	1,407	51	-15	2	1,540
Provisions long-term	**95**	**1,414**	**51**	**-15**	**2**	**1,547**
Provisions for restoration of premises	330	–	–	-294	–	36
Provision for litigation	157	–	–	–	–	157
Provisions for product warranty	19,813	–	–	-18	–	19,795
Provisions short-term	**20,300**	**–**	**–**	**-312**	**–**	**19,988**

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	At 1 January 2022	Increase	Reduction	Other movements	Reclass	At 31 December 2022
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**

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:

- Primer Design Ltd: November 2025;
- IT-IS International Ltd: September 2025 and December 2028, as there are two sites that do not have co-terminus leases.
- Yourgene Health: January 2026, August 2026, January 2028, September 2029, September 2030, and February 2037 as there are multiple 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 note 18). Management have assessed the DHSC product warranty provision held at 31 December 2022 and have deemed that it is still appropriate at 31 December 2023.

13. TRADE AND OTHER LIABILITIES

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Trade payables	2,311	278
Accrued invoices	3,585	2,035
Payroll related liabilities	1,114	455
Tax liabilities – Value Added Tax	159	6
Other liabilities	14	13
Total trade and other liabilities	**7,183**	**2,787**

Trade payables and accrued invoices have increased since December 2022 due to the inclusion of Yourgene Health liabilities.

14. ISSUED CAPITAL AND RESERVES

14.1 Share capital

As of 31 December 2023 and 2022, the Company's share capital of €4,708,416.54 was divided into 70,626,248 shares with a par value of 1/15th of a Euro each.

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

	Amount of share capital £'000	Amount of share capital €'000	Unit value per share €	Number of shares issued
Balance at 1 January 2022	**4,053**	**4,708**	**0.07**	**70,626,248**
Balance at 31 December 2022	**4,053**	**4,708**	**0.07**	**70,626,248**
Balance at 31 December 2023	**4,053**	**4,708**	**0.07**	**70,626,248**

14.2 Other reserves

Amounts in £'000	
Balance at 1 January 2022	**-1,174**
Translation differences	-843
Balance at 31 December 2022	**-2,017**
Transfer reserve payment in shares from "retained earnings"	3,253
Translation differences	363
Balance at 31 December 2023	**1,599**

14.3 Retained earnings/losses

Amounts in £'000	
Balance at 1 January 2022	**87,188**
Loss for the year	-25,730
Adjustment of the LTIP contribution	-13
Balance at 31 December 2022	**61,445**
Loss for the year	-28,292
Transfer reserve payment in shares to "other reserves"	-3,253
Other	2
Balance at 31 December 2023	**29,902**

15. BUSINESS COMBINATIONS

Acquisition of Yourgene Health Ltd (formerly PLC)

On 8 September 2023, Novacyt UK Holdings Limited, a wholly-owned subsidiary of Novacyt SA, completed the purchase of the entire share capital of Yourgene Health Ltd (formerly PLC), an international molecular diagnostic group. The acquisition was implemented by way of a UK scheme of arrangement between Yourgene Health and its shareholders under Part 26 of the UK Companies Act 2006.

The acquisition combines highly complementary technologies and services, with the enlarged Group able to leverage mutual research and development capabilities for ongoing product development and portfolio enhancement to improve the customer offering.

The purchase price was £16,670,000, and was settled in full in cash.

As at the date of acquisition, the fair value of the assets acquired and the liabilities assumed are as follows:

Intangible assets	£10,618,000
Property, plant and equipment	£2,844,000
Right-of-use assets	£10,980,000
Inventory	£2,541,000
Trade receivables	£2,473,000
Other current assets	£4,252,000
Cash	£1,289,000
Lease liabilities	-£13,283,000
Bank borrowings	-£2,367,000
Contingent liabilities	-£1,020,000
Deferred tax liabilities	-£1,932,000
Trade payables and accruals	-£13,353,000
Other current liabilities	-£5,914,000
Fair value of assets acquired and liabilities assumed	-£2,872,000
Goodwill	£19,542,000

The table above shows how the goodwill figure of £19,542,000 is arrived at after allocating the purchase price across all the assets and liabilities acquired. The residual goodwill arising from the acquisition reflects the future growth expected to be driven by new and existing customers, the value of the workforce, patents and know-how.

IFRS 3 provides for a period of 12 months from acquisition to complete the identification and measurement of the fair value of assets acquired and liabilities assumed. This means that the gross amount of goodwill is subject to adjustment until September 2024.

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

The total amount of goodwill that is expected to be deductible for tax purposes is nil.

The gross trade receivables balance in the opening balance sheet totalled £3,971,000 of which Novacyt estimates that £1,580,000 is unlikely to be collectable.

The amount of contingent consideration recognised at acquisition date totalled £1,020,000. This balance represents an earn-out milestone payment contingent upon achieving revenue targets, which had been achieved at the date of the acquisition.

In addition to the £16,670,000 cash consideration for Yourgene Health, there were a number of other acquisition related fees that were incurred as a result of the transaction resulting in the deal generating a cash outflow of £27,626,000, which breaks down as follows:

- Cash consideration:	-£16,670,000
- Settlement of Life Sciences contingent liability:	-£6,500,000
- Repayment of SVB Bank loan in GBP:	-£2,362,000
- Deal advisory costs incurred by Yourgene Health:	-£1,959,000
- Deal advisory costs incurred by Novacyt:	-£1,424,000
- Cash acquired: (cash Inflow)	£1,289,000
Total cash outflow	**£27,626,000**

Depending on their nature, these disbursements are presented in the cash flow statement as part of the operating loss for the financial year, movements in payables, movements in investing activities or movements in financing activities.

The acquisition costs of £1,424,000 incurred by Novacyt only, are included in the consolidated income statement in the year ended 31 December 2023 within ‘other operating expenses’.

Yourgene Health contributed £5,635,000 to consolidated revenue and contributed a loss of £4,824,000 in the year ended 31 December 2023 between its consolidation on 8 September 2023 and 31 December 2023.

If the acquisition of the Yourgene Health shares were deemed to have been completed on 1 January 2023, the opening date of the Group’s 2023 financial year, consolidated Group revenue would have amounted to £22,816,000 with a net loss attributable to owners of the Company of £50,283,000.

The table below presents the Group income statement for the 12 months period ended on 31 December 2023 as if the acquisition of Yourgene Health had been completed on 1 January 2023:

Amounts in £'000	**Year ended 31 December 2023 Pro forma**
Revenue	22,816
Cost of sales	-14,934
Gross profit	**7,882**
Sales and marketing and distribution expenses	-6,483
Research and development expenses	-4,701
General and administrative costs	-25,594
Governmental subsidies	125
Operating loss before exceptional items	**-28,771**
Costs related to acquisitions	-1,705
Other operating expenses	-19,570
Operating loss after exceptional items	**-50,046**
Financial income	3,701
Financial expense	-3,989
Loss before tax	**-50,334**
Tax income	51
Loss after tax	**-50,283**
Loss after tax attributable to owners of the Company	**-50,283**

16. NOTES TO THE CASH FLOW STATEMENT

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Loss for the year	**-28,292**	**-25,730**
Loss from discontinued operations	*-492*	*-3,529*
Loss from continuing operations	*-27,800*	*-22,201*
Adjustments for:		
Depreciation, amortisation, impairment loss and provisions	9,643	7,918
Unwinding of discount on contingent consideration	31	133
Losses on disposal of assets	1,195	543
Surrendering the Watchmoor Point lease (non-cash impact)	-	281
Other revenues and charges without cash impact	270	-
Income tax charge / (credit)	-893	1,998
Operating cash flows before movements of working capital	**-18,046**	**-14,857**
Decrease in inventories (*)	2,554	8,434
Decrease in receivables	3,769	4,625
Decrease in payables	-12,680	-15,624
Cash used in operations	**-24,403**	**-17,422**
Income taxes received	980	4,223
Finance costs	-1,568	-530
Net cash (used in) / from operating activities	**-24,991**	**-13,729**
Operating cash flows from discontinued operations	*-689*	*-1,955*
Operating cash flows from continuing operations	*-24,302*	*-11,774*

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

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Decrease in the gross value of inventories	3,351	15,743
Variation of the stock provision	-797	-7,309
Total variation of the net value of inventories	**2,554**	**8,434**

The details for the change in the stock provision are covered in notes 4 and 9.

17. RELATED PARTIES

Parties related to Novacyt SA are:

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

Remuneration of key management personnel

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Fixed compensation and company cars	1,176	1,605
Variable compensation	57	15
Social security contributions	158	224
Contributions to supplementary pension plans	33	26
Cash based payment benefits – LTIP	-	17
Total remuneration	**1,424**	**1,887**

Aggregate Directors' remuneration

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Fixed compensation and company cars	726	988
Variable compensation	-	-
Social security contributions	115	155
Contributions to supplementary pension plans	4	-
Fees	-	38
Total remuneration	**845**	**1,181**

Other related party transactions

Yourgene Health invoiced £20,000 (excluding VAT) in the post-acquisition period for goods and services to MyHealthChecked plc, a company for which Lyn Rees is a non-executive Director.

18. CONTINGENT LIABILITIES

During 2021, the Group received notification of a contract dispute between its subsidiary, Primer Design Ltd, and the DHSC. The total amount of revenue in dispute is £130,642,000 (£156,770,000 including VAT) in respect of performance obligations satisfied during the financial year to 31 December 2020.

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.

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.

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.

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

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

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

Management have reviewed the position at 31 December 2023 and deem this to be an appropriate reflection of the current commercial dispute.

Management and the Board of Directors have reviewed the product warranty provision totalling £19,753,000 booked in 2020 in relation to the DHSC dispute and have deemed that it remains appropriate at 31 December 2023.

19. SUBSEQUENT EVENTS

On 6 February 2024 Novacyt received formal notification from INEX Innovate Pte Ltd of its decision to terminate discussions regarding the acquisition of Yourgene Health (Taiwan) Co. Ltd, as originally announced by Yourgene Health on 13 June 2023.