NOVACYT

Société anonyme

13, avenue Morane Saulnier
78140 VELIZY VILLACOUBLAY

Statutory auditor's report
on the consolidated financial statements

Year ended December 31, 2018

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This is a translation into English of the statutory auditor's report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditor's report includes information required by European regulation and French law, such as information about the appointment of the statutory auditor or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Novacyt Annual General Meeting,

OPINION

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Novacyt for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

BASIS FOR OPINION

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *"Statutory Auditor's Responsibilities for the Audit of the Consolidated Financial Statements"* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the issue date of our report, and specifically we did not provide any prohibited non-audit services referred to in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

Without qualifying the above opinion, we draw you attention to the material uncertainty relating to events or circumstance that are likely to call into question the Company's ability to continue operations as a going concern as described in the "Going concern" note to the consolidated financial statements.

JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, in addition to the matter described in the "Material uncertainty relating to going concern" section, we hereby inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

Goodwill

Goodwill was subject to impairment tests according to the procedures described in the "Impairment testing" note to the consolidated financial statements. We reviewed the procedures used to implement these tests as well as the cash flow forecasts and assumptions used for this purpose, and we verified that the "Impairment testing" and "Goodwill" notes provided appropriate disclosures.

SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by the laws and regulations of the Group information given in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

STATUTORY AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtains sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Paris-La Défense, April 29, 2019

The Statutory Auditor

Deloitte & Associés

Benjamin HAZIZA

Consolidated income statement for the years ended 31 December 2017 and 31 December 2018

Amounts in '000 €	Notes	Year ended 31 December 2018	Restated Year ended 31 December 2017
Revenue	5	13,721	12,749
Cost of sales	7	-5,116	-4,840
Gross profit		**8,604**	**7,909**
Sales, marketing and distribution expenses	8	-2,454	-1,974
Research and development expenses	9	-406	-626
General and administrative expenses	10	-6,119	-5,492
Governmental subsidies	12	-51	245
Operating (loss) / profit before exceptional items		**-425**	**62**
Costs related to acquisitions	13	-201	-
Other operating income		-	16
Other operating expenses	14	-759	-2,197
Operating loss after exceptional items		**-1,385**	**-2,119**
Financial income	15	225	466
Financial expense	15	-919	-1,839
Loss before tax		**-2,080**	**-3,492**
Tax (expense) / income	16	-32	2
Loss after tax		**-2,112**	**-3,491**
Loss from discontinued operations	38	-2,626	-1,951
Loss after tax attributable to owners of the company		**-4,738**	**-5,442**
Loss per share (€)	17	-0.13	-0.24
Diluted loss per share (€)		-0.13	-0.24
Loss per share from the continuing operations (€)		-0.06	-0.15
Diluted loss per share from the continuing operations (€)		-0.06	-0.15
Loss per share from the discontinued operations (€)		-0.07	-0.09
Diluted loss per share from the discontinued operations (€)		-0.07	-0.09

The 2017 consolidated income statement is presented to reflect the impacts of the application of IFRS 5 relative to discontinued operations, by restating the NOVAprep activity on a single line "Loss from discontinued operations".

Consolidated statement of comprehensive income for the years ended 31 December 2017 and 31 December 2018

Amounts in '000 €	Notes	Year ended 31 December 2018	Restated Year ended 31 December 2017
Loss after tax		**-4,738**	**-5,442**
Items that will not be reclassified subsequently to profit or loss:			
Actuarial differences IAS19R		-	2
Items that may be reclassified subsequently to profit or loss:			
Translation reserves		-4	8
Total comprehensive loss		**-4,742**	**-5,432**
Comprehensive loss attributable to:			
Owners of the company (*)		**-4,742**	**-5,432**

(*) There are no non-controlling interests.

Statement of financial position for the years ended 31 December 2017 and 31 December 2018

Amounts in '000 €	Notes	Year ended 31 December 2018	Year ended 31 December 2017
Goodwill	18	16,134	16,466
Other intangible assets	19	4,944	4,840
Property, plant and equipment	20	1,191	1,573
Non-current financial assets	21	234	238
Non-current assets		**22,503**	**23,116**
Inventories and work in progress	23	2,347	1,942
Trade and other receivables	24	3,900	3,804
Tax receivables		94	271
Prepayments	25	233	537
Short-term investments		10	10
Cash & cash equivalents	26	1,132	4,345
Current assets		**7,716**	**10,908**
Assets of discontinued operations	38	**2,294**	-
Total assets		**32,513**	**34,024**
Bank overdrafts and current portion of long-term borrowings	27	3,115	2,778
Contingent consideration (current portion)	28	1,569	1,126
Short-term provisions	29	100	50
Trade and other liabilities	30	4,647	3,692
Other current liabilities	31	379	137
Total current liabilities		**9,809**	**7,783**
Liabilities of discontinued operations	38	**85**	-
Net current (liabilities) / assets		**-2,008**	**3,125**
Borrowings and convertible bond notes	27	2,259	1,115
Retirement benefit obligations	41	-	14
Long-term provisions	29	168	158
Deferred tax liabilities		54	41
Total non-current liabilities		**2,481**	**1,327**
Total liabilities		**12,375**	**9,111**
Net assets		**20,138**	**24,914**

Statement of financial position for the years ended 31 December 2017 and 31 December 2018 (continued)

Amounts in '000 €	Notes	Year ended 31 December 2018	Year ended 31 December 2017
Share capital	32	2,511	2,511
Share premium account	33	58,249	58,281
Own shares		-178	-176
Other reserves	34	-2,819	-2,815
Equity reserve	35	422	422
Retained losses	36	-38,047	-33,309
Total equity - owners of the company		**20,138**	**24,914**
Total equity		**20,138**	**24,914**

Statement of changes in equity for the years ended 31 December 2017 and 31 December 2018

Amounts in '000 €	Notes	Share capital	Share premium	Own shares	Equity reserves	Other group reserves: Acquisition of the shares of Primerdesign	Translation reserve	Other comprehensive income on retirement benefits	Total	Retained loss	Total equity
Balance at 1 January 2017		**1,161**	**47,120**	**-165**	**345**	**-2,948**	**135**	**-12**	**-2,825**	**-27,867**	**17,768**
Actuarial gains on retirement benefits		-	-	-	-	-	-	2	2	-	2
Translation differences		-	-	-	-	-	8	-	8	-	8
Loss for the period	36	-	-	-	-	-	-	-	-	-5,442	-5,442
Total comprehensive income / (loss) for the period		**-**		**-**	**-**	**-**	**8**	**2**	**10**	**-5,442**	**-5,432**
Issue of share capital	32, 33	1,218	9,685	-	-	-	-	-	-	-	10,903
Own shares acquired/sold in the period		-	-	-11	-	-	-	-	-	-	-11
Other changes	32, 33	132	1,476	-	77	-	-	-	-	-	1,685
Balance at 31 December 2017		**2,511**	**58,281**	**-176**	**422**	**-2,948**	**143**	**-11**	**-2,815**	**-33,309**	**24,914**
Actuarial gains on retirement benefits		-	-	-	-	-	-	-	-	-	-
Translation differences		-	-	-	-	-	- 4	-	-4	-	-4
Loss for the period	36	-	-	-	-	-	-	-	-	-4,738	-4,738
Total comprehensive income / (loss) for the period		**-**	**-**	**-**	**-**	**-**	**- 4**	**-**	**-4**	**-4,738**	**-4,738**
Issue of share capital	32, 33	-	-	-	-	-	-	-	-	-	-
Own shares acquired/sold in the period		-	-	-2	-	-	-	-	-	-	-2
Other changes	32, 33	-	-32	-	-	-	-	-	-	-	-32
Balance at 31 December 2018		**2,511**	**58,249**	**-178**	**422**	**-2,948**	**139**	**-11**	**-2,819**	**-38,047**	**20,138**

Statement of cash flows for the years ended 31 December 2017 and 31 December 2018

Amounts in '000 €	Notes	Year ended 31 December 2018	Year ended 31 December 2017
Net cash used in operating activities	39	**-1,246**	**-4,646**
Investing activities			
Purchases of patents and trademarks		-307	-64
Purchases of property, plant and equipment		-377	-914
Purchases of trading investments		2	-101
Acquisition of subsidiary net of cash acquired	27, 37	-2,034	-1,747
Net cash used in investing activities		-2,716	-2,826
Investing cash flows from discontinued activities		*-130*	*-97*
Investing cash flows from continuing operations		*-2,586*	*-2,729*
Repayments of borrowings		-2,561	-3,296
Proceeds on issue of borrowings and bond notes	27	3,960	2,722
Proceeds on issue of shares	32, 33	-	11,080
Disposal (purchase) of own shares – Net		-2	-11
Paid interest expenses		-632	-1,506
Net cash used in financing activities		765	8,989
Financing cash flows from discontinued activities		*-*	*-3*
Financing cash flows from continuing operations		*765*	*8,992*
Net increase/(decrease) in cash and cash equivalents		-3,197	1,517
Cash and cash equivalents at beginning of year / period		4,345	2,856
Effect of foreign exchange rate changes		-16	-27
Cash and cash equivalents at end of year		**1,132**	**4,345**

NOTES TO THE ANNUAL ACCOUNTS

1. APPLICABLE ACCOUNTING STANDARDS

Novacyt S.A is incorporated in France and its principal activities are specialising in cancer and infectious disease diagnostics. Its registered office is located at 13 Avenue Morane Saulnier, 78140 Vélizy Villacoublay.

The financial information contained in this report comprises the consolidated financial statements of the Company and its subsidiaries (hereinafter referred to collectively as **"the Group"**). They are prepared and presented in '000s of Euros.

The consolidated financial statements for the fiscal year ended December 31, 2018 were established in accordance with the international accounting standards and interpretations (IAS / IFRS) adopted by the European Union and applicable on December 31, 2018.

The 2018 consolidated financial statements were approved by the Board of Directors on April 24, 2019.

2. ADOPTION OF NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

- <u>Standards, interpretations and amendments to standards with mandatory application for periods beginning on or after 1 January 2018</u>
  - IFRS 15: "Revenues from contracts with customers". This standard came into effect on 1st January 2018. Its application had no impact on the way revenues are recognized by the companies of the group.
  - IFRS 9: "Financial instruments". This standard came into effect on 1st January 2018. Its application had no impact on the accounts of the group.
  - Amendment to IFRS 2: "Share-based payment".
- <u>Standards, interpretations and amendments to standards already published by the IASB and endorsed by the European Union but not yet mandatory as of 31 December 2018</u>
  - IFRS 16 "Leases".

The group has not elected to take early adoption of any standards or interpretations not mandatorily applicable in 2018.

A further more detailed review and analysis of the adoption of the standard will occur as part of the release of the H1 2019 accounts and any material impacts will be highlighted.

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

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP

The preparation of the financial information under IFRS requires management to exercise judgement on the application of accounting policies, and to make estimates and assumptions that affect the 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 financial information has been prepared on the historical cost basis except in respect of those financial instruments that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The areas where assumptions and estimates are material in relation to the financial information are the measurement of goodwill resulting from the Company's acquisition of the Lab21 subgroup and Primerdesign (see note 18), the carrying amounts and useful lives of intangible assets (see note 19), deferred taxes (see note 22), trade receivables (see note 24) and provisions for risks and other provisions related to the operating activities (see note 29).

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

Basis of consolidation

The financial information includes all companies under 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.

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.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company losses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation. The Company’s scope of consolidation included the following companies, all fully consolidated through the current and prior year.

	Closing			Opening		
Companies	**Interest percentage**	**Control percentage**	**Consolidation method**	**Interest percentage**	**Control percentage**	**Consolidation method**
Biotec laboratories Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Lab21 Healthcare Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Lab21 Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Microgen Bioproducts Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Novacyt SA	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Novacyt Asia	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Novacyt China	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Primerdesign Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC

Legend: FC: Full consolidation
NC: Not consolidated

Consolidation methods

The consolidated historical financial information is 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**

The historical financial information is presented in '000 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; and
- 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 other comprehensive income under "Translation reserve" for the portion attributable to the Group. On disposal of a foreign company, the translation differences relating thereto and recognised in other comprehensive income are reclassified to profit or loss.

Exchange differences arising from intragroup balances are recognised as exchange losses or gains in the consolidated income statement.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing the financial statements.

The going concern model covers the period up to and including April 2020. In making this assessment the Directors have considered the following elements:

- the working capital requirements of the business;
- a positive cash balance at 31 December 2018 of €1,132,000;
- the repayment of the current bond borrowings according to the agreed repayment schedules;
- earn out payments in respect of previous acquisitions
- draw down of funds from time to time from the €5,000,000 convertible bond facility including the initial €2,000,000 received upon completion.

Further bond issuances beyond the initial €2,000,000 upon signing are dependent on certain conditions, such as a cool down period, average daily volume and minimum share price prior to each draw down request. The Company anticipates being able to draw sufficient funds to support its working capital requirements, but as they are outside of the Company's direct control, complete certainty cannot be given and waivers may be used where necessary.

Additional capital receipts from the disposals of the Clinical labs and NOVAprep businesses and the potential strategic partnering of the Primerdesign animal health business have not been factored into the Group's cash flow forecast. Any such funds received would help reduce the need and mitigate the risk of further bond issuances.

Failure to meet the conditions within the convertible bond facility could place uncertainty on the going concern principle applied in preparing the financial statements insofar as the company may in this case not be able to repay its debts and dispose of its assets in the ordinary course of its business. The going concern principle applied for the period ended 31 December 2018 could in that case prove inappropriate.

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 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 3R, 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 re-measurement at fair value of the interest previously held by the Group in profit or loss; loss of control results in the re-measurement 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.

◦ Measurement of goodwill

Goodwill is broken down by cash-generating unit (CGU) or group of CGUs, depending on the level at which goodwill is monitored for management purposes. In accordance with IAS 36, none of the CGUs or groups of CGUs defined by the Group are greater in size than an operating segment.

◦ Impairment testing

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

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

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

Intangible fixed assets

◦ Customer relationships

In accordance with IFRS 3, the Company's acquisition of Primerdesign and the Omega Infectious Diseases business resulted in the recognition of the value of the acquired customer base on the balance sheet. The value of these assets was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

Customer relationships will be amortised on a straight-line basis over nine years.

- **Trademark**

The acquisition price of Primerdesign by the Company was also "allocated" in part to the Primerdesign trademark. The value of this asset was determined by discounting the cash flows that could be generated by licensing the trademark, estimated as a percentage of revenue derived from information available on comparable assets.

The acquisition price of the Omega Infectious Diseases business by the Company led to the recognition of a number of trademarks. The value of this asset was determined by discounting the cash flows that could be generated by licensing the trademark, estimated as a percentage of revenue derived from information available on comparable assets.

Both trademarks are amortised on a straight-line basis over nine years.

- **Other intangible assets**

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

Intangible assets under construction

Pursuant to IAS 38, the Group 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.

Property, plant and equipment

Items of property, plant and equipment are recognised at their acquisition cost (purchase price plus incidental expenses and acquisition costs).

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:

- Leasehold improvements:	Straight-line basis – 2 to 15 years
- Trademark:	Straight-line basis – 9 years
- Customers:	Straight-line basis – 9 years
- 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 fixed 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.

Asset impairment

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

<u>External indicators</u>:

- 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; and
- 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.

<u>Internal indicators</u>:

- 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; and
- 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 flow from an asset over its estimated useful life.

The recoverable amount of assets that do not generate independent cash flows is determined by that of the cash-generating unit (CGU) to which it belongs, a CGU being the smallest homogeneous group of identifiable assets generating cash flows that are largely independent of other assets or groups of assets.

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. 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.

Leases

Leases in which the Group is the lessee 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 does not have any finance leases.

- **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.

The lease agreement for the Company's offices in Vélizy has been analysed as an operating lease.

A provision for restoration of leased office space to good condition has been set aside to address the contractual obligations arising from lease contracts.

Inventories

Inventories are carried at the lesser of their acquisition cost and their recoverable amount. The acquisition cost of inventories includes materials and supplies, and, where applicable, personnel expenses incurred in transforming inventories into their current state. It is calculated using the weighted average cost method. The recoverable amount represents the estimated selling price less any marketing, sales and distribution expenses.

The gross value of goods and supplies includes the purchase price and incidental expenses.

A provision for impairment, equal to the difference between the gross value determined in accordance with the above terms and the current market price or the realisable value less any proportional selling costs, is recognised when the gross value is greater than the other stated item.

Trade receivables

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.

Receivables are recorded at their fair value, which corresponds most often to their nominal value. Receivables may be impaired by means of a provision, to take into account any difficulties in recovering the outstanding amounts. Provisions for impairment are determined by comparing the acquisition cost and the likely realisable value, which is defined as the present value of the estimated recoverable amounts.

Trade receivables have not been discounted, because the effect of doing so would be immaterial.

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 Undertakings for Collective Investment in Transferable Securities "UCITS", negotiable debt securities, etc.) that can be liquidated or sold within a very short time (generally less than three months at the acquisition date) and which have a negligible risk of change in value. All such items are measured at fair value, with any adjustments are recognised in profit or loss.

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.

- Compound financial instruments

Some financial instruments contain both a liability and an equity component. This is notably the case of the Obligations Convertibles en Actions avec Bons de Souscription d'Actions (convertible bonds with warrants attached), "OCABSAs", which are bonds convertible into shares with warrants. The various components of these instruments are accounted for and presented separately according to their substance, as defined in IAS 32 "Financial Instruments: Disclosure and Presentation". The amortised cost is calculated on the basis of the liability only, once the equity component and, in this case, the embedded derivative have been separated.

- Primerdesign contingent consideration

The Company negotiated contingent consideration for the acquisition of the Primerdesign securities with the Primerdesign's former shareholders, subject to the achievement of a revenue target. The final payment will be made in 2019.

In accordance with IAS 39, the financial liability has been re-measured at its fair value as of the balance sheet date to take into account changes in the exchange rate of sterling on the one hand and the discounting of the liability on the other hand.

- Omega ID contingent consideration

Under the terms of the asset purchase agreement, the total consideration, to be fully satisfied through cash consideration:

(ii) £175,000 paid after twelve months upon completion of technology transfer and;

(iii) £200,000 paid upon the successful accreditation of the Axminster, UK production facility to certain standards (expected to be achieved inside 12 months of acquisition date).

- Trade payables

Trade payables are obligations to provide cash or other financial assets. They are recognised in the balance sheet when the Group becomes a party to a transaction generating liabilities of this nature. Trade and other payables are recognised in the balance sheet at fair value on initial recognition, except if settlement is to occur more than 12 months after recognition. In such cases, they are measured using the amortised cost method. The use of the effective interest rate method will result in the recognition of a financial expense in the income statement. Trade and other payables are eliminated from the balance sheet when the corresponding obligation is extinguished.

Trade payables have not been discounted, because the effect of doing so would be immaterial.

Provisions

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

The provisions are for the restoration of leased premises, an industrial relations litigation, and a long term management incentive plan.

Long Term Incentive Plan

Novacyt granted certain employees to purchase shares under a long term management incentive plan adopted on 1 November 2017. The exercise price is set at the share price on the grant date and the options will be settled in cash. The options will fully vest on the third anniversary of the grant date. The payment expenses are calculated under IFRS 2 "Share-based payments". The accounting charge is spread across the vesting period to reflect the services received and a liability recognized on the balance sheet.

Employee benefits

Group employees receive short-term benefits (paid leave, sick leave, etc.) and post-employment benefits via defined contribution and defined benefit plans (retirement bonuses, pensions, etc.).

For defined-contribution plans, payments made by the Group are expensed in the period in respect of which they are due.

Post-employment benefits relate mainly to retirement bonuses, and solely cover the Company's employees. Defined benefits 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 1.4% in 2017 and 1.6% in 2018, 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 0.5 resignations over the next 12 months;
- life expectancy based on the Insee 2012-2014 mortality table; and
- Average rate of social security contributions of 40.16% in 2017 and 41.51% in 2018.

Rights expressed as months of wages resulting from the application of national agreements and the "Pharmaceuticals, pharmacy, veterinary products: production & trade" collective agreement. Retirement benefits are expensed when due. The provision for this expense is reversed in the same period.

Following the announcement of the disposal of the NOVAprep activity, the provision for retirement benefit obligations was transferred to the line "Liabilities of discontinued operations".

Discontinued operations and assets held for sale

Discontinued operations and assets held for sale are restated in accordance with IFRS 5.

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

- Represents a separate major line of business or geographical area of operations,
- Is part of a plan to dispose of, or
- Is a subsidiary acquired solely with a view to resale.

As per IFRS 5 we have presented discontinued operations as follows:

In the statement of profit and loss and other comprehensive income: 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.

The analysis of the single amount is presented in the note.

This restatement, which concerns only the NOVAprep activity, is made for both years to ensure comparability.

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.

In the statement of financial position: the assets and liabilities of a disposal group have been presented separately from other assets. The same applies for liabilities of a disposal group classified as held for sale.

This restatement is made in the accounts 2018 to reflect the intention to dispose of the NOVAprep activity (held by Novacyt S.A.) and of the Clinical Lab business (held by Lab21 Ltd.).

Consolidated revenue

The applicable standard is IFRS 15 "Revenues from contracts with customers". Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

- **The activity of NOVAprep**

All the revenues generated by the NOVAprep activity were reclassified on the line "Loss from discontinued operations". As a result, NOVAprep no longer contributes to the consolidated revenues of the group.

- **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.

- **Primerdesign's activity**

Primerdesign designs, manufactures and distributes test kits for certain diseases in humans, animals and food products. These kits are intended for laboratory use and rely on "polymerase chain reaction" technology. Revenue is recognised when the test kits are sold. The company accounts for the sale of the product upon delivery.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current and deferred tax

A deferred tax liability is recognised on timing differences related to accelerated depreciation. It only covers Primerdesign.

Government subsidies

Directly taxed industrial and commercial companies that record research expenditure are entitled to a tax credit in France, which is the case for Novacyt S.A. 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. The Group has accordingly elected to treat it as a subsidy. It appears in an item covering subsidies in the income statement.

The Lab21 subgroup companies and Primerdesign also benefit from tax credits for their research activities. Such tax credits are treated as subsidies 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.

Loss per share

The Group reports basic and diluted losses per common share. Basic losses 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 losses 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. These options are taken into account for the calculation of the loss per share only if their exercise price is higher than the market price

Exceptional items

Exceptional items are those costs or incomes that in the view of the Board of Directors, require separate disclosure by virtue of their size or incidence, and are charged/credited in arriving at operating profit in the historical financial information.

The exceptional items relate to the costs in relation to the acquisition of the Omega business as shown in note 13, and other one-off income and expenses as detailed in note 14.

Loss from discontinued operations

On the 11th December 2018, Novacyt announced its intention to sell the NOVAprep business and thus is presenting its financial results in accordance with the IFRS 5 accounting rule on discontinued operations. As a result, all revenues and charges generated by this activity are presented on a single line, below the net result.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

The preparation of the financial information in accordance with IFRS requires management to exercise judgement on the application of accounting policies, and to make estimates and assumptions that affect the 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.

Critical accounting judgements in applying the Group's accounting policies

The following is a critical judgement, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the historical financial information.

- **Discount rate used to determine the carrying amount of the Group's defined benefit obligation**

The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

The areas where assumptions and estimates are material in relation to the historical financial information are the measurement of goodwill resulting from the Company's acquisition of the Lab21 subgroup and Primerdesign (see note 18), the carrying amounts and useful lives of intangible assets (see note 19), deferred taxes (see note 22), trade receivables (see note 24) and provisions for risks and other provisions related to the operating activities (see note 29).

Key sources of estimation uncertainty

The Group has a number of key sources of estimation uncertainty as listed below. Of these items only the measurement of goodwill, the measurement of useful lives of intangible assets, measurement of fair value of assets and liabilities in business combinations, recognition of deferred taxes and the value trade and other receivables are considered likely to give material adjustment. Others are areas of estimates 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 cash-generating unit (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 at the balance sheet and related impairment loss over the periods are shown below:

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Goodwill Lab21	17,709	19,042
Impairment of goodwill	- 9,101	- 9,786
Net value	8,608	9,256
Goodwill Primerdesign	7,210	7,210
Impairment of goodwill	-	-
Net value	7,210	7,210
Goodwill Omega ID	316	-
Impairment of goodwill	-	-
Net value	316	-
Total Goodwill	**16,134**	**16,466**

- **Measurement and useful lives of intangible assets**

Other intangible assets (except for goodwill) are considered to have a finite economic useful life. They are amortised over their estimated useful lives that are reviewed at each reporting date. In the event of impairment, an estimate of the asset's recoverable amount is made.

The main intangible assets requiring estimates and assumptions are the Primerdesign and Omega trademarks and the customer relationships attached to the two businesses.

The value of the intangible assets 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.

- **Trademark**

The value of this asset was determined by discounting the cash flows that could be generated by licensing the trademark, estimated as a percentage of revenue derived from information available on comparable assets.
This asset is amortised on a straight-line basis over a period of nine years, estimated as its useful life. It is also is tested for impairment. Its recoverable amount is determined 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 from the operation of the trademark.
The assumptions used and the resulting estimates are subject to discount rate, percentage of revenue and useful life assumptions.
The carrying amount of the trademarks at 31 December 2018 is €700,000 including the new trademark from the Omega business acquired on 2018 for €246,000 and after an amortisation of € 205,000 recognised in 2016, 2017 and 2018.

- **Customer relationships**

The value of this asset was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.
Customer relationships are amortised on a straight-line basis over a period of nine years, estimated as its useful life. It is also is tested for impairment. Its recoverable amount is determined on the basis of forecasts of future cash flows over an estimated period of time. The total amount of anticipated cash flows reflects management’s best estimate of the future benefits and liabilities expected from customer relationships.
The assumptions used and the resulting estimates are subject to assumptions in respect of the discount rate, additional margin generated by customers after remuneration of contributing assets and useful lives.
The carrying amount of the customer relationships at 31 December 2018 is € 3,823,000 including the new customer relationships from the Omega business acquired on 2018 for € 1,291,000, and after amortisation of € 1,144,000 recognised in 2016, 2017 and 2018.

- **Business combinations**

As part of the acquisitions of Lab21 and Primerdesign, the identifiable assets and liabilities acquired, including intangible assets, were recognised at their fair value in accordance with IFRS 3 ‘Business combinations’. The determination of the fair values on acquired assets and liabilities is based to a considerable extent, on management’s estimation.

- **Deferred taxes**

Deferred tax assets are only recognised only insofar as it is probable that the Group will have future taxable profits against which the corresponding temporary difference can be offset. Deferred tax assets are reviewed at each balance sheet date and impaired in the event of a risk of non-recovery.
For deferred tax assets on tax loss carry forwards, the Group uses a multi-criteria approach that takes into account the recovery timeframe based on the strategic plan, but which also factors in the strategy for the long-term recovery of tax losses in each country.
On the basis of the analysis performed, considering that the deferred tax losses could not be used within a reasonable period of time, the Group has decided not to recognise any deferred tax asset.

- **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 in order to determine the need for impairment on a customer-by-customer basis.

- **Provisions**

The carrying amount of provisions as at 31 December 2017 and 2018 are as per the table below:

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Retirement benefit obligations	-	14
Provisions for restoration of premises	148	140
Long term management incentive plan	20	18
Provisions for litigation	100	50
	268	**222**

- **Pensions and other post-employment benefits**

The Group’s assessment of the assets and liabilities relating to pension liabilities and other post-employment commitments requires the use of statistical data and other parameters designed to anticipate future developments. These parameters include actuarial assumptions such as the discount rate, the rate of wage increases, the retirement date, and the turnover and mortality rates. Actuarial calculations are performed by actuaries independently of the Group. At the date of preparation of the financial information, the Group considers that the assumptions used to evaluate these commitments are appropriate and justified.

- **Provisions for restoration of premises**

The amount of provisions 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 and regularly reviewed, and may therefore have a significant 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 amounts of provisions.

- **Litigations**

Certain of the Group’s subsidiaries may be party to regulatory, judicial or arbitration proceedings that, in view of the relating uncertainties, may have a material impact on the Group’s financial position.
The Group’s management lists current proceedings, regularly reviews their progress and assesses the need to establish appropriate provisions or to change their amount if the occurrence of events during the course of the proceedings necessitates a reassessment of the risk. Internal or external advisors are involved in determining the costs that may be incurred.
The decision to set aside provisions to cover a risk and the amount of such provisions are based on the risk assessment on a case-by-case basis, management’s assessment of the unfavourable nature of the outcome of the proceeding in question (probability) and the ability to reliably estimate the associated amount.

5. REVENUE

The table below shows revenue from ordinary operations:

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Manufactured goods	12,537	11,345
Services	754	1,015
Traded goods	77	59
Other	354	330
	13,721	**12,749**

A portion of the Group's revenue is generated in foreign currencies (particularly in sterling). The group has not hedged against the associated currency risk.

The breakdown of revenue by operating segment and geographic area is presented in note 6.

6. OPERATING SEGMENTS

Segment reporting

Pursuant to IFRS 8, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the Group's chief executive and the managers of the various entities to make decisions regarding the allocation of resources to the segment and to assess its performance;
- for which discrete financial information is available.

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

- **Corporate and Cytology**

Previously, this segment represented the NOVAprep and French Group central costs. Following the announcement of the sale proceedings for NOVAprep, this segment now only shows the French Group central costs and the results of NOVAprep are shown in a single line – Discontinued Operations.

- **Corporate and Diagnostics**

This segment corresponds to diagnostic activities in laboratories, and the manufacturing and distribution of reagents and kits for bacterial and blood tests. This is the activity conducted by Lab21 and its subsidiaries. This segment also includes UK Group central costs.

- **Molecular testing**

This segment represents the activities of recently acquired Primerdesign, which designs, manufactures and distributes test kits for certain diseases in humans, animals and food products. These kits are intended for laboratory use and rely on “polymerase chain reaction” technology.

The Chief Operating Decision Maker is the Chief Executive Officer.

Reliance on major customers

The Group is not dependent on a particular customer, there are no customers generating sales accounting for over 10% of revenue.

Breakdown of revenue by operating segment and geographic area

- At 31 December 2018

Amounts in '000 €	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Geographical area				
Africa		715	285	1,000
Europe		3,304	2,811	6,115
Asia-Pacific		1,738	1,282	3,020
America		795	1,578	2,372
Middle East		951	262	1,213
Revenue		**7,502**	**6,218**	**13,721**

- At 31 December 2017

Amounts in '000 €	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Geographical area				
Africa		299	363	662
Europe		3,347	2,531	5,878
Asia-Pacific		1,608	1,656	3,265
America		661	1,192	1,853
Middle East		739	352	1,091
Revenue		**6,655**	**6,095**	**12,749**

Breakdown of result by operating segment

- Year ended 31 December 2018

Amounts in '000 €	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Revenue	-	7,503	6,219	13,721
Cost of sales	-	-4,147	-969	-5,116
Sales and marketing costs	-	-1,152	-1,302	-2,454
Research and development	-	-162	-244	-406
General & administrative expenses	-959	-2,635	-2,525	-6,119
Governmental subsidies	-	75	-125	-51
Operating profit/(loss) before exceptional items	-959	-519	1,054	-425
Other operating income	-	-	-	-
Other operating expenses	-526	-337	-97	-960
Operating profit/(loss)	**-1,486**	**-856**	**957**	**-1,385**
Financial income	290	-144	79	225
Financial expense	-736	-180	-4	-919
Profit/(Loss) before tax	**-1,931**	**-1,181**	**1,032**	**-2,080**
Tax (expense) / credit	-	-	-32	-32
Loss from discontinued activities	-2,626	-	-	-2,626
Profit/(Loss) after tax	**-4,557**	**-1,181**	**1,001**	**-4,738**
Attributable to owners of the company	**-4,557**	**-1,181**	**1,001**	**-4,738**
Attributable to non-controlling interests	**-**	**-**	**-**	**-**

- Year ended 31 December 2017

Amounts in '000 €	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Revenue	-	6 654	6 095	12 749
Cost of sales	-	-3 671	-1 170	-4 840
Sales and marketing costs	-	-1 015	-959	-1 974
Research and development	-	-113	-513	-626
General & administrative expenses	-849	-2 364	-2 279	-5 492
Governmental subsidies	-	119	127	245
Operating profit/(loss) before exceptional items	-849	-391	1 301	62
Other operating income	16	-	-	16
Other operating expenses	-1 661	-503	-33	-2 197
Operating profit/(loss)	**-2 494**	**-894**	**1 268**	**-2 119**
Financial income	556	-99	9	466
Financial expense	-1 564	-257	-18	-1 839
Profit/(Loss) before tax	**-3 502**	**-1 249**	**1 259**	**-3 492**
Tax (expense) / credit	-2	-	3	2
Loss from discontinued activities	-1 951	-	-	-1 951
Profit/(Loss) after tax	**-5 455**	**-1 249**	**1 262**	**-5 442**
Attributable to owners of the company	**-5 455**	**-1 249**	**1 262**	**-5 442**

The 2017 consolidated income statement is presented to reflect the impacts of the application of IFRS 5 relative to discontinued operations, by restating the NOVAprep activity on a single line “Loss from discontinued operations”.

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

7. COST OF SALES

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Purchases and movement in inventories of raw materials and other supplies	3,804	3,382
Purchases and movement in inventories of traded goods	64	- 163
Movement in finished goods and work in progress	- 628	- 59
Change in stock provision	- 2	- 17
Non-stock items and supplies	68	18
Freight costs	177	165
Direct labour	1,584	1,331
Other	50	45
	5,116	**4,840**

8. SALES, MARKETING AND DISTRIBUTION EXPENSES

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Remuneration of intermediaries and fees	25	140
Advertising expenses	252	231
Distribution expenses	344	289
Employee compensation and social security contributions	1,470	1,099
Travel and entertainment expenses	218	195
Other sales and marketing expenses	146	20
	2,454	**1,974**

9. RESEARCH AND DEVELOPMENT EXPENSES

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Employee compensation and social security contributions	328	539
Other expenses	78	88
	406	**626**

10. GENERAL AND ADMINISTRATIVE EXPENSES

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Purchases of non-stored raw materials and supplies	243	224
Subcontracting	49	41
Lease and similar payments	418	408
Maintenance and repairs	136	131
Insurance premiums	110	135
Legal and professional fees	875	674
Travel and entertainment expenses	145	151
Banking services	66	61
Employee compensation and social security contributions	2,520	2,286
Allowances to and reversals of depreciation, Amortisation and provisions	1,030	744
Other general and administrative expenses	527	637
	6,119	**5,492**

11. EMPLOYEE BUSINESS UNIT SPLIT

The breakdown of employees (including executive directors) between the three segments as of the reporting date is as follows:

	Year-ended 31 December 2018	Year-ended 31 December 2017
Corporate & Cytology	-	-
Corporate & Diagnostics	65	62
Molecular Products	46	38
	111	**100**

12. GOVERNMENTAL SUBSIDIES

Directly taxed industrial and commercial companies that record research expenditure are entitled to a tax credit in France, which is the case of Novacyt S.A. Other companies within the Group, located chiefly in the United Kingdom, benefit from a similar scheme. 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.

This tax credit is treated as an operating subsidy or, more exactly, as a governmental subsidy.

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Government subsidies	- 51	245
	- 51	**245**

13. COSTS RELATED TO ACQUISITIONS

On 28 June 2018, the UK Company Lab21 Healthcare Ltd completed an asset purchase agreement for the Infection Diseases business of the company called Omega Diagnostics Ltd. The acquisition was accounted for as a business combination under IFRS, accordingly, the costs related to the acquisition of €201,000 was expensed

14. OTHER OPERATING INCOME AND EXPENSES

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Other operating income	-	16
Other operating income	**-**	**16**
Provision for litigation with employees	- 46	- 171
Restructuring expenses	- 183	- 78
Business sale expenses	-104	-
Acquisition related expenses	- 379	-
IPO preparation	- 87	- 1,631
Relocation expenses	-	- 176
Other expenses	- 161	- 141
Other operating expenses	**- 960**	**- 2,197**

The restructuring expenses of €78,000 in the year ended 31 December 2017 and €183,000 in the period ended 31 December 2018 relate to redundancy payments made to employees in relation to restructuring taken place during this period.

The IPO preparation expenses of €1,631,000 in the year ended 31 December 2017 and €87,000 in the period ended 31 December 2018 relate to the fees incurred in preparation for the company's AIM listing in late 2017.

15. FINANCIAL INCOME AND EXPENSE

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Exchange gains	102	287
Change in fair value of options	122	140
Other financial income	-	39
Financial income	**225**	**466**
Interest on loans	- 682	- 1,202
Exchange losses	- 190	- 251
Contingent consideration	-	- 386
Other financial expense	- 47	-
Financial expense	**- 919**	**- 1,839**

Financial Income:

Exchange gains

Exchange gains resulted from recurring operations and from variations in sterling on the contingent consideration liability related to the Primerdesign acquisition.

Change in fair value of options

The December 2017 balance relates to the revaluation of the Primerdesign warrants liability from €266,000 to €126,000.
The December 2018 balance relates to the revaluation of the Primerdesign warrants liability from €126,000 to €5,000.

Financial Expense:

Interest on loans
The interest charge is mainly related to the Kreos and Vatel bond notes.

Exchange Losses

Exchange losses in 2017 and 2018 were mainly those recorded by the British company Lab21 Ltd on its operations and relate to the monthly revaluation of the Novacyt loan in Lab21 Ltd's books.

Contingent consideration:

The contingent consideration in 2017 relates to the discounting of the contingent consideration liability in favour of Primerdesign shareholders.

16. INCOME TAX

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Corporation tax:		
Current year	- 32	2
Adjustment in respect of prior years	-	-
Deferred tax	-	-
Total tax expenses for the year / period	**- 32**	**2**

The charge for the year / period can be reconciled to the profit in the income statement as follows:

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Loss before taxation	-4,708	-5,444
Tax at the French corporation tax rate (2018: 28%, 2017: 33.33%)	-1,318	-1,815
Impact of the accelerated tax depreciation	-17	17
Effect of non-deductible expenses	10	-523
Other timing differences	15	140
Tax losses utilised	-	-
Impact of the tax group	-159	-
Research tax expenditure enhancement	-120	-
Research tax credits	32	-191
Losses not recognised for deferred tax	1,454	2,082
Effect of different tax rate of subsidiaries operator of other jurisdictions	71	293
Total tax expense / income for the year	**-32**	**2**

As at 31 December 2018 the Group has unused tax losses of €55,591,000 (2017: €48,118,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses since visibility as to when taxable profits are available is insufficient.

The main consolidated companies do not pay income taxes, but receive tax credits for their research and development expenditures. These tax credits are recorded as "governmental subsidies" in the consolidated income statement.

17. LOSS PER SHARE

Loss per share is calculated based on the weighted average number of shares outstanding during the period. 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.

Amounts in 000' €	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Net loss attributable to owners of the company	- 4,738	- 5,442
Impact of dilutive instruments	-	-
Net loss attributable to owners of the company	- 4,738	- 5,442
Weighted average number of shares	37,664,342	23,075,634
Impact of dilutive instruments	-	-
Weighted average number of diluted shares	37,664,342	23,075,634
Earnings per share (in Euros)	**- 0.13**	**- 0.24**
Diluted earnings per share (in Euros)	**- 0.13**	**- 0.24**
Loss per share from the continuing operations (in Euros)	**- 0.06**	**- 0.15**
Diluted loss per share from the continuing operations (in Euros)	**- 0.06**	**- 0.15**
Loss per share from the discontinued operations (in Euros)	**- 0.07**	**- 0.09**
Diluted Loss per share from the discontinued operations (in Euros)	**- 0.07**	**- 0.09**

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

18. 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.

	€'000
Cost	
At 1 January 2017	26,252
Recognised on acquisition of a subsidiary	-
At 31 December 2017	26,252
Recognised on acquisition of the Omega Infectious Diseases business	322
Exchange differences	-6
Classified as a discontinued operation	-1,333
At 31 December 2018	25,235
Accumulated impairment losses	
At 1 January 2017	9,786
Exchange differences	-
Impairment losses for the period	-
Eliminated on disposal of a subsidiary	-
At 31 December 2017	9,786
Exchange differences	-
Impairment losses for the period	-
Classified as a discontinued operation	-685
At 31 December 2018	9,101
Carrying value at 31 December 2017	**16,466**
Carrying value at 31 December 2018	**16,134**

- **Omega**

On 28 June 2018, the UK Company Lab21 Healthcare Ltd completed an asset purchase agreement for the Infection Diseases business of the company called Omega Diagnostics Ltd. The Infectious Diseases business specialises in the manufacture of a range of diagnostic kits, in particular for syphilis and febrile antigens, as well as a range of latex serology tests for rheumatoid factor, C-reactive protein, antistreptolysin and systemic lupus erythematosus.

Under IFRS requirements, this acquisition is considered as a business. It includes various assets, such as equipment, stock, trademarks and patents. It also includes two employees, whose employment contracts were transferred to Lab21 Healthcare Ltd via the TUPE process under which employees in the UK transfer with the activity on the same employment term.

The purchase price was £2,175,000 (€2,456,000) broken down as follows:

Cash disbursed	€2,032,000
Deferred consideration for successfully supporting and handling over manufacturing	€198,000
Deferred consideration for successfully achieving a Category 3 facility accreditation	€226,000
Total purchase price	**€2,456,000**

The assets acquired and the liabilities assumed are as follows:

Net property, plant and equipment and intangible assets	€46,000
Inventories	€523,000
Customer relationship	€1,314,000
Trademark	€251,000
Fair value of assets acquired and liabilities assumed	**€2,134,000**
Goodwill	**€322,000**

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 value of "customer relationships" was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

The value of the trademark was determined by discounting the cash flows that could be generated by licensing the Omega trademark, estimated as a percentage of revenue derived from information available on comparable assets.

IFRS 3 provides for a period of 12 months from the takeover to complete the identification and measurement of the fair value of assets acquired and liabilities assumed. Therefore, until May 2019, the gross amount of goodwill is subject to adjustment.

- **Lab21**

The impairment testing of the CGU as of 31 December 2018 was conducted by the DCF (discounted cash flow) 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%.
- Discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 15%.

The implementation of this approach demonstrated that the value of the Enterprise Value amounted to €12,534,000, which is greater than the carrying amount of this asset. As such, no impairment was recognised in the year ended 31 December 2018.

Sensitivity of the value derived from the Discounted Cash Flow model to change in the assumptions used for Lab21 acquisition

		Terminal growth rates						
	12,534	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
WACC rates	12.5%	14,336	14,731	15,161	15,630	16,143	16,708	17,332
	13.0%	13,735	14,093	14,480	14,901	15,361	15,864	16,418
	13.5%	13,179	13,503	13,854	14,234	14,648	15,098	15,592
	14.0%	12,663	12,959	13,277	13,621	13,994	14,399	14,841
	14.5%	12,183	12,454	12,744	13,056	13,394	13,759	14,157
	15.0%	11,737	11,984	12,249	12,534	12,840	13,171	13,530
	15.5%	11,319	11,546	11,789	12,049	12,328	12,629	12,954
	16.0%	10,929	11,137	11,360	11,598	11,853	12,127	12,422
	16.5%	10,562	10,755	10,959	11,178	11,411	11,662	11,931

This sensitivity table shows the difference in the recoverable amounts of the Enterprise Value depending on change in the discount rate (WACC) and the perpetual growth rate. The sensitivity analysis shows that an increase of 1 percent in the WACC would not result in the need to impair the Lab21 goodwill.

Primerdesign:

The impairment testing of the CGU as of 31 December 2018 was conducted by the DCF (discounted cash flow) 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%.
- Discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 19.8%.

The implementation of this approach demonstrated that the value of the Enterprise Value amounted to €22,830,000 which is greater than the carrying amount of this asset. As such, no impairment was recognised in the year ended 31 December 2018.

Sensitivity of the value derived from the Discounted Cash Flow model to change in the assumptions used for Primerdesign acquisition

	22,830	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
WACC rates	15.0%	25,577	25,824	26,089	26,374	26,680	27,011	27,370
	16.0%	24,769	24,977	25,200	25,438	25,693	25,967	26,262
	17.0%	24,058	24,235	24,424	24,625	24,840	25,069	25,314
	18.0%	23,428	23,580	23,742	23,913	24,095	24,288	24,495
	19.0%	22,866	22,997	23,136	23,283	23,439	23,604	23,779
	19.8%	22,458	22,576	22,700	22,830	22,968	23,114	23,268
	20.0%	22,362	22,476	22,596	22,723	22,857	22,999	23,148
	21.0%	21,907	22,007	22,112	22,222	22,338	22,460	22,589
	22.0%	21,495	21,583	21,675	21,771	21,872	21,978	22,090

Terminal growth rates (columns)

This sensitivity table shows the difference in the recoverable amounts of the Enterprise Value depending on change in the discount rate (WACC) and the perpetual growth rate. The sensitivity analysis shows that an increase of 1 percent in the WACC would not result in the need to impair the Primerdesign goodwill.

19. OTHER INTANGIBLE ASSETS

Amounts in '000 €	At 1 January 2018	Additions	Disposals	Reclass.	Charge for the period	Effect of foreign exchange rate changes	At 31 December 2018
Cost							
Development costs	199	139	-	111	-	-8	441
Concessions, patents and similar rights	1,810	82	-	-1,789	-	-2	101
Software	164	87	-44	67	-	-3	271
Trademark	659	251	-	-	-	-5	905
Customer base	3,676	1,316	-	-	-	-25	4,907
Other intangible assets	113	-	-	-114	-	-	-
	6,622	**1,874**	**-44**	**-1,725**	**-**	**-42**	**6,685**
Amortisation							
Development costs	- 60	-	-	-15	-54	2	-126
Concessions, patents and similar rights	- 785	-	-	929	-222	1	-77
Software	- 137	-	41	-36	-58	2	-189
Trademarks	- 119	-	-	-	-87	-	-205
Customer base	- 664	-	-	-	-481	1	-1,144
Other intangible assets	- 18	-	-	18	-	-	-
	- 1,783	**-**	**41**	**896**	**-902**	**7**	**-1,741**
Carrying amount	**4,840**	**1,874**	**-3**	**-829**	**-902**	**-35**	**4,944**

Amounts in '000 €	At 1 January 2017	Additions	Disposals	Reclass.	Charge for the period	Effect of foreign exchange rate changes	At 31 December 2017
Cost							
Development costs	207	-	-	-	-	- 7	199
Concessions, patents and similar rights	1,700	72	-	39	-	- 2	1,810
Software	141	29	-	-	-	- 5	164
Trademark	659	-	-	-	-	-	659
Customer base	3,676	-	-	-	-	-	3,676
Other intangible assets	43	112	-	- 39	-	- 2	113
	6,426	**212**	**-**	**-**	**-**	**- 17**	**6,622**
Amortisation							
Development costs	- 20	-	-	-	- 41	1	- 60
Concessions, patents and similar rights	- 603	-	-	-39	- 144	2	- 785
Software	- 126	-	-	-	- 16	5	- 137
Trademarks	- 46	-	-	-	- 73	-	- 119
Customer base	- 255	-	-	-	- 409	-	- 664
Other intangible assets	- 43	-	-	39	- 15	1	- 18
	- 1,093	**-**	**-**	**-**	**- 698**	**9**	**- 1,783**
Carrying amount	**5,333**	**212**	**-**	**-**	**- 698**	**-**	**4,840**

20. PROPERTY, PLANT AND EQUIPMENT

Amounts in 000' €	At 1 January 2018	Additions	Disposals	Charge for the period	Effect of foreign exchange rate changes	Reclass. & transfers	At 31 December 2018
Cost							
Technical facilities, equipment and tools	2,339	290	-	-	- 17	- 1,503	1,109
Office equipment	197	3	-	-	- 0	- 147	53
Transport equipment	36	1	-	-	- 0	- 35	2
Computer equipment	303	74	- 1	-	- 5	- 57	314
Leasehold improvements	1,030	54	- 129	-	- 16	79	1,019
Property, plant and equipment under construction	348	-	- 348	-	-	-	-
	4,254	**423**	**- 478**	**-**	**- 39**	**- 1,663**	**2,497**
Accumulated depreciation							
Technical facilities, equipment and tools	- 1,723	-	-	- 287	12	1,228	- 771
Office equipment	- 74	-	-	- 15	1	41	- 47
Transport equipment:	- 24	-	-	- 6	0	29	- 1
Computer equipment	- 254	-	1	- 44	4	45	- 247
Leasehold improvements	- 258	-	129	- 141	4	26	- 241
Tangible assets under construction	- 348	-	348	-	-	-	-
	- 2,681	**-**	**478**	**- 493**	**20**	**1,369**	**- 1,306**
Carrying amount	**1,573**	**423**	**-**	**- 493**	**- 18**	**- 293**	**1,191**

Amounts in 000' €	At 1 January 2017	Additions	Disposals	Charge for the period	Effect of foreign exchange rate changes	Reclass. & transfers	At 31 December 2017
Cost							
Technical facilities, equipment and tools	2,304	159	- 86	-	- 38	-	2,339
Office equipment	45	121	- 9	-	- 3	43	197
Transport equipment	47	2	-13	-	-	-	36
Computer equipment	271	41	-	-	- 9	-	303
Leasehold improvements	513	591	- 5	-	- 24	- 43	1,030
Property, plant and equipment under construction	348	-	-	-	-	-	348
	3,528	**914**	**-113**	**-**	**- 75**	**-**	**4,254**
Accumulated depreciation							
Technical facilities, equipment and tools	-1,216	-	75	- 275	27	-	- 1,723
Office equipment	-40	-	9	- 25	2	- 21	- 74
Transport equipment:	-13	-	13	- 7	-	-	- 24
Computer equipment	-582	-	-	- 30	8	-	- 254
Leasehold improvements	-233	-	5	- 58	8	21	- 258
Tangible assets under construction	-348	-	-	-	-	-	- 348
	-2,432	**-**	**102**	**- 396**	**45**	**-**	**-2,681**
Carrying amount	**1,096**	**914**	**-11**	**- 396**	**- 30**	**-**	**1,573**

21. NON-CURRENT FINANCIAL ASSETS

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Rental deposits	127	131
Liquidity contract	9	9
Guarantee deposit - Distributor in China	94	94
Other	4	4
	234	**238**

22. DEFERRED TAX ASSETS

Most of Group's major companies has tax loss carry forwards. Their period of use is unlimited. No deferred tax assets have been recognised in the accounts since visibility as to when it will be possible to utilise the carry forwards against taxable profits is insufficient.

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

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Novacyt	8,386	6,975
Lab21 Ltd	4,637	4,698
Lab Healthcare Ltd	913	1,172
Microgen Bioproducts Ltd	83	47
Total unrecognised deferred tax assets	**14,019**	**12,892**

23. INVENTORIES AND WORK IN PROGRESS

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Raw materials	1,044	931
Work in progress	564	135
Finished goods	739	562
Traded goods	-	316
Stock provisions	-	- 2
Total Inventories	**2,347**	**1,942**

24. TRADE AND OTHER RECEIVABLES

◦ Trade and other receivables

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Trade and other receivables	3,332	3,111
Allowance for doubtful debts	- 47	- 92
Accrued income	98	117
Tax receivables (excluding income tax)	492	489
Other receivables	24	180
Total Trade and other receivables	**3,900**	**3,804**

◦ Amount receivable from the sale of goods can be analysed as follows:

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Amount receivable not past due	1,481	1,021
Amount receivable past due but not impaired	1,805	1,998
Amount receivable impaired (gross)	47	92
Less impairment	- 47	- 92
Total	**3,285**	**3,019**

◦ Ageing of past due but not impaired receivables

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Not more than 3 months	1,059	1,707
More than 3 months but not more than 6 months	65	159
More than 6 months but not more than 1 year	69	37
More than 1 year	612	94
Total	**1,805**	**1,998**

- Ageing of past due and impaired receivables

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Balance at the beginning of the period	92	140
Impairment losses recognised	39	86
Amounts written off during the year as uncollectible	25	-5
Amounts recovered during the year	- 55	- 124
Impairment losses reversed	- 4	-
Foreign exchange translation gains and losses	-	- 6
Balance at the end of the period	**47**	**92**

25. PREPAYMENTS

Amounts in 000' €	Year ended 31 December 2018	Year ended 31 December 2017
Prepaid expenses	233	537
	233	**537**

The 2017 balance includes a €195,000 prepayment for Q16 instruments in the Primerdesign business in the UK to ensure that the expected 2018 sales demand is met. The 2018 balance of €233,000 does not include any one-offs like 2017 and covers items such as rent, insurances and prepaid support agreements.

26. CASH AND CASH EQUIVALENTS

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

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Money market deposits	13	13
Available cash	1,119	4,332
Cash and cash equivalents	**1,132**	**4,345**

27. BORROWINGS

The following tables show borrowings and financial liabilities carried at amortised cost.

- Maturities as of 31 December 2018

Amounts in '000 €	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total
Bond notes	2,976	2,239	5,216
Bank borrowings	67	20	87
Accrued interest on borrowings	72	-	72
Total financial liabilities	**3,115**	**2,259**	**5,374**

- Maturities as of 31 December 2017

Amounts in '000 €	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total
Bond notes	2,664	1,028	3,692
Bank borrowings	66	87	153
Accrued interest on borrowings	49	-	49
Total financial liabilities	**2,778**	**1,115**	**3,894**

- Change in borrowings and financial liabilities in 2018

Amounts in 000' €	At 31 December 2017	Increase	Repayment	Renegotiation	At 31 December 2018
Bond notes	3,692	4,019	- 2,554	59	5,216
Bank borrowings	153	-	- 66	-	87
Accrued interest on borrowings	49	72	- 49	-	72
Total financial liabilities	**3,894**	**4,091**	**- 2,669**	**59**	**5,374**

- Change in borrowings and financial liabilities in 2017

Amounts in '000 €	At 31 December 2016	Increase	Repayment	Conversion	At 31 December 2017
Bond notes	5,620	2,664	- 3,227	-1,365	3,692
Bank borrowings	220	-	- 67	-	153
Accrued interest on borrowings	414	49	-414	-	49
Total financial liabilities	**6,254**	**2,713**	**- 3,708**	**-1,365**	**3,894**

As of 31 December 2017, the Group's financing primarily comprised:

- A bond subscribed by Kreos Capital IV Ltd in the amount of €3.5 million on 15 July 2015;
- A bond subscribed by Kreos Capital V Ltd in the amount of €3 million issued on 12 May 2016;
- A convertible bond subscribed by Vatel in the amount of €1.5 million issued on 31 March 2017, with an interest rate of 7.9 % for a term of 3 years. The Vatel Bonds are convertible into Shares only where the Company fails to comply with its payment obligations under the agreement within 15 days of receipt of a notice of an event of default.

As of 31 December 2018, the Group's financing primarily comprised:

- A bond subscribed by Kreos Capital IV Ltd in the amount of €3.5 million on 15 July 2015;
- A bond subscribed by Kreos Capital V Ltd in the amount of €3 million issued on 12 May 2016;
- A convertible bond subscribed by Vatel in the amount of €1.5 million issued on 31 March 2017, with an effective interest rate of 12.7% for a term of 3 years. The Vatel Bonds are convertible into Shares only where the Company fails to comply with its payment obligations under the agreement within 15 days of receipt of a notice of an event of default.
- A convertible bond subscribed by Vatel in the amount of €4.0 million issued on 29 May 2018, with an effective interest rate of 8.5% for a term of 3 years. The Vatel Bonds are convertible into Shares only where the Company fails to comply with its payment obligations under the agreement within 15 days of receipt of a notice of an event of default.

In addition to the loans above, the Group financed its short-term working capital needs through convertible notes issued with warrants. On 31 July 2015, the Board of Directors approved the principle of the issue of 20 OCABSA warrants (the "Warrants") exercisable at the discretion of the Company over the subsequent 36 months, in several successive tranches representing bond debt in a maximum amount of €5 million, as part of a private placement subscribed by the YA Global Master SPV Ltd private equity fund.

The convertible bonds (Obligations Convertibles en Actions –"OCA") are issued at par, i.e. €10,000 each, with an interest rate of 2% per annum, and have a maturity of nine months from issue. The Company must redeem unconverted OCAs upon maturity.

The bond debt represented by the OCAs (par value of an OCA taking into account, if applicable, the corresponding interest) can be converted into shares at the request of the holder, on the basis of the following conversion rate: 95% of the lowest of the five (5) average daily prices of the the Company's share weighted by volume (as reported by Bloomberg) immediately preceding the request for the conversion of the relevant OCA, without its being possible for this amount to be lower than the par value of the Company's share, i.e. 1/15th of a Euro. The OCAs are transferable subject to the Company prior written consent.

The number of equity warrants to be issued upon each issuance of OCABSAs is that which will be multiplied by the exercise price of the equity warrants (determined under the terms set out below). The amount received will be equal to half of the par value of the 25 OCAs issued, i.e. €125,000.

The equity warrants will be immediately detached from the OCAs and will be transferable from issue. They may be exercised from issue until the 36th month inclusive following their issue date (the "Exercise Period"). Each equity warrant will entitle the holder thereof, during the Exercise Period, to subscribe for one (1) new Novacyt S.A. share.

The exercise price of the equity warrants is equal to 110% of the closing price of the Novacyt share on the day immediately preceding the Warrant exercise request date giving rise to the issuance of the OCAs from which the equity warrants will be detached (or the issue date of the OCAs for the first tranche of OCAs, i.e. 31 July 2015).

The OCAs and the warrants will not be the subject of a request for admission to trading on Alternext Paris, and as such will not be listed.

In accordance with IAS 32, the first tranche of the bond issued on 31 July in the amount of €250,000 (tranche 1) breaks down as follows:

- the conversion option, treated in this case as an embedded derivative under IAS 32, worth €13,158, was recorded at "fair value through profit or loss" in current borrowings,
- the equity warrants, valued at €9,831 overall, were treated as equity instruments and accounted for net of tax, i.e. €6,554,
- lastly, the residual amount, €227,011, was recognised at amortised cost under current financial liabilities.

Between 1 January 2016 and 31 December 2016, the Company exercised 8 Warrants (OCABSA warrants), each resulting in the issuance of 25 OCABSAs in a total amount of €250,000. In accordance with IAS 32, each tranche of bonds issued during the year has been broken down in the same way as the first instalment and in identical amounts. Issuance is as follows:

- Issuance of the second tranche on 1 March 2016 (tranche 2): all OCABSAs were converted during the year;
- Concurrent issuance of the third and fourth tranches on 18 April 2016 (tranches 3 and 4): all OCABSAs were converted during the year;
- Concurrent issuance of the fifth and sixth tranches on 2 August 2016 (tranches 5 and 6): all OCABSAs were converted during the year;
- Concurrent issuance of the seventh, eighth and ninth tranches on 26 September 2016 (tranches 7, 8 and 9): only the tranche 7 OCABSAs were converted during the year. (It should nevertheless be noted that 20 tranche 8 OCABSAs were converted on 4 January 2017.)

Between 1 January 2017 and 30 June 2017, the Company has converted all OCABSA bonds issued in the eighth and ninth tranches: 20 OCABSAs on 4 January 2017 and 5 OCABSAs on 23 February 2017 for tranche 8, and 10 OCABSAs on 23 February 2017 and 15 OCABSAs on 13 April 2017 for tranche 9.

The Company also exercised 2 OCABSA warrants on 17 February 2017, each giving rise to the issuance of a tranche of 25 OCABSAs totalling €250,000 (tranches 10 and 11), all 50 OCABSAs having been converted on 15 May 2017.

Since 1 July 2017, the Company exercised the tranches 12, 13, 14, and 15 of the contract, representing 4 Warrants (OCABSA warrants) each resulting in the issuance of 25 OCABSAs in a total amount of €1,000,000. All OCABSAs were converted.

Between 1 January 2017 and 31 December 2017, the Company exercised 6 OCABSA warrants, each giving rise to the issuance of a tranche of 25 OCABSAs totalling €250,000. In accordance with IAS 32, each tranche of the bond issued during the year was split on the same terms than the first one. The issuances are as follows:

- Concurrent issuance of the tenth and eleventh tranches on 17 February 2017 (tranches 10 and 11): all OCABSAs were converted during the year;
- Concurrent issuance of the twelfth, thirteenth, fourteenth and fifteenth tranches on 20 July 2017 (tranches 12, 13, 14 and 15): the tranches 12 and 13 OCABSAs were converted during the year, the tranche 14 was partly converted, 10 OCABSAs on 25 September 2017, and partly redeemed early, 15 OCABSAs on 2 November 2017, and all the OCABSAS of the fifteenth tranche were redeemed early on the same day.

28. CONTINGENT CONSIDERATION

The contingent consideration related to the acquisition of the Primerdesign shares and the Asset Purchase Agreement of the Infectious Diseases business from Omega Diagnostics Ltd.

Amounts in '000 €	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Contingent consideration (current portion)	1,569	1,126
	1,569	**1,126**

The movement in the liability between the 31 December 2017 and 31 December 2018 is due to the variance of the foreign exchange rate (contingent liability is denominated in Pounds Sterling), by the interest accrued on this debt in the amount of £40,000, and by the deferred consideration related to the acquisition of the Omega infectious diseases business for £375,000 comprising:

- £175,000 paid after twelve months upon completion of technology transfer and,
- £200,000 paid upon the successful accreditation of the Axminster, UK production facility to certain standards (expected to be achieved inside 12 months of acquisition date)

29. PROVISIONS

- Nature of and change in provisions for risks and charges for the period from 1 January 2017 to 31 December 2018

Amounts in '000 €	At 1 January 2018	Increase	Reduction	Change in exchange rates	At 31 December 2018
Provisions for restoration of premises	140	17	- 7	- 2	148
Long term management incentive plan	18	2	-	-	20
Long-term provisions	**158**	**19**	**- 7**	**- 2**	**168**
Provision for litigation	50	50	-	-	100
Short-term provision	**50**	**50**	**-**	**-**	**100**

- Nature of and change in provisions for risks and charges for the period from 1 January 2017 to 31 December 2017

Amounts in '000 €	At 1 January 2017	Increase	Reduction	Change in exchange rates	At 31 December 2017
Provisions for restoration of premises	89	55	-	- 4	140
Long term management incentive plan	-	18	-	-	18
Long-term provisions	**89**	**73**	**-**	**- 4**	**158**
Provision for litigation	66	-	- 16	-	50
Short-term provision	**66**	**-**	**- 16**	**-**	**50**

Provisions chiefly cover:

- risks related to litigations with personnel;
- the restoration expenses of the premises as per the lease agreements;
- a long term incentive plan to the management of the group.

The provisions for the restoration of the premises should generate a cash payment at the end of the rental periods, thus at the following dates:

- Lab21 Ltd: October 2019
- Lab21 Healthcare Ltd: August 2025
- Microgen Ltd: July 2019
- Primerdesign Ltd: November 2020

The provision for litigations generates a cash payment in late 2019.

The provision for the long-term incentive plan generates a cash payment in November 2020.

30. TRADE AND OTHER PAYABLES

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Trade payables	2,769	1,746
Accrued invoices	1,189	1,042
Social security liabilities	298	553
Tax liabilities	281	123
Other liabilities	104	102
Options classified as liabilities	5	127
Total Trade and other payables	**4,647**	**3,692**

Options treated as liabilities relate to the Company's equity warrants granted to former Primerdesign shareholders in the amount of €5,000 as of end December 2018 and €127,000 as of end December 2017. This is a component of the purchase price of Primerdesign.

31. OTHER CURRENT LIABILITIES

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Deferred income	379	137
	379	**137**

32. SHARE CAPITAL

As of 1 January 2017, the Company's share capital of €1,161,134 was divided into 17,417,014 shares with a par value of 1/15th of a Euro each.

The transactions on share capital from this date are summarised below:

- On 4 January 2017, the Company completed a capital increase from €1,161,134.20 to €1,173,905.27 through the issue of 191,566 shares at a price of €1.05 per share, with a share premium of €188,373.37.
- On 23 February 2017, the Company completed a capital increase from €1,173,905.27 to €1,184,487 through the issue of 158,726 shares at a price of €0.953 per share, with a share premium of €140,684.94.
- On 13 April 2017, the Company completed a capital increase from €1,184,487 to €1,196,713.87 through the issue of 183,403 shares at a price of €0.827 per share, with a share premium of €139,448.13.

- On 15 May 2017, the Company completed a capital increase from €1,196,713.87 to €1,237,170.53 through the issue of 606,850 shares at a price of €0.828 per share, with a share premium of €462,015.56.
- On 12 June 2017, the Company completed a capital increase from €1,237,170.53 to €1,384,874.73 through the issue of 2,215,563 shares at a price of €0.85 per share, with a share premium of €1,735,524.35.
- On 19 June 2017, the Company completed a capital increase from €1,384,874.73 to €1,472,482.46 through the issue of 1,314,116 shares at a price of €0.85 per share, with a share premium of €1,029,390.87.
- On 14 August 2017, the Company completed a capital increase from €1,472,482.46 to €1,482,491.86 through the issue of 150,141 shares at a price of €0.667 per share, with a share premium of €90,135.04.
- On 22 August 2017, the Company completed a capital increase from €1,482,491.86 to €1,502,310.46 through the issue of 297,279 shares at a price of €0.674 per share, with a share premium of €180,548.07.
- On 7 September 2017, the Company completed a capital increase from €1,502,310.46 to €1,519,671.66 through the issue of 260,418 shares at a price of €0.770 per share, with a share premium of €183,161.00.
- On 25 September 2017, the Company completed a capital increase from €1,519,671.66 to €1,528,317.46 through the issue of 129,687 shares at a price of €0.774 per share, with a share premium of €91,731.98.
- On 23 October 2017, the Company completed a capital increase from €1,528,317.46 to €2,031,701.26 through the issue of 7,550,757 shares at a price of €0.660 per share, with a share premium of €4,480,115.82.
- On 1 November 2017, the Company completed a capital increase from €2,031,701.26 to €2,510,956.06 through the issue of 7,188,822 shares at a price of €0.660 per share, with a share premium of €4,265,369.10.

Amounts in '000 €	Amount of share capital	Unit value per share	Number of shares issued
At 1 January 2017	**1,161**	**0.07**	**17,417,014**
Capital increases	1,218	0.07	18,269,258
Capital increase by conversion of OCABSA	132	0.07	1,978,070
At 31 December 2017	**2,511**	**0.07**	**37,664,342**
At 31 December 2018	**2,511**	**0.07**	**37,664,342**

As of 31 December 2018, the Company's share capital of €2,510,956.06 was divided into 37,664,342 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.

33. SHARE PREMIUM

Amounts in '000 €

Balance at 1 January 2017	**47,120**
Premium arising on issue of equity shares	12,987
Expenses of issue of equity shares	- 1,826

Balance at 31 December 2017	**58,281**
Premium arising on issue of equity shares	-
Expenses of issue of equity shares	- 32
Balance at 31 December 2018	**58,249**

34. OTHER RESERVES

Amounts in '000 €

Balance at 1 January 2017	**- 2,826**
Translation differences	8
Other variations	3
Balance at 31 December 2017	**- 2,815**
Translation differences	- 4
Other variations	-
Balance at 31 December 2018	**- 2,819**

35. EQUITY RESERVE

Amounts in '000 €

Balance at 1 January 2017	**345**
Conversion of the OCABSA Yorkville	77
Balance at 31 December 2017	**422**
Conversion of the OCABSA Yorkville	-
Balance at 31 December 2018	**422**

This reserve represents the equity component of warrants and loans.

36. RETAINED LOSSES

Amounts in '000 €

Balance at 1 January 2017	**- 27,867**
Net loss for the year	- 5,442
Other variations	-
Balance at 31 December 2017	**- 33,309**
Net loss for the year	- 4,738
Other variations	-
Balance at 31 December 2018	**- 38,047**

37. BUSINESS COMBINATIONS

Acquisition of Omega ID

On 28 June 2018, the UK Company Lab21 Healthcare Ltd completed an asset purchase agreement for the Infection Diseases business of the company called Omega Diagnostics Ltd. The Infectious Diseases business specialises in the manufacture of a range of diagnostic kits, in particular for syphilis and febrile antigens, as well as a range of latex serology tests for rheumatoid factor, C-reactive protein, antistreptolysin and systemic lupus erythematosus.

It includes various assets, such as equipment, stock, trademarks and patents. It also includes two employees, whose employment contracts were transferred to Lab21 Healthcare Ltd via the TUPE process under which employees in the UK transfer with the activity on the same employment term.

The purchase price was £2,175,000 (€2,456,000) broken down as follows:

Cash disbursed	€2,032,000
Deferred consideration for successfully supporting and handling over manufacturing	€198,000
Deferred consideration for successfully achieving a Category 3 facility accreditation	€226,000
Total purchase price	€2,456,000

The assets acquired and the liabilities assumed are as follows:

Net property, plant and equipment and intangible assets	€46,000
Inventories	€523,000
Customer relationship	€1,314,000
Trademark	€251,000
Fair value of assets acquired and liabilities assumed	**€2,134,000**
Goodwill	**€322,000**

The table above shows how the goodwill figure of €322,000 is arrived at after allocating the purchase price accordingly. The residual goodwill arising from the acquisition reflects the future growth expected to be driven by new customers, the value of the workforce, technical files and know-how.

The value of "customer relationships" was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

The value of the trademark was determined by discounting the cash flows that could be generated by licensing the Omega trademark, estimated as a percentage of revenue derived from information available on comparable assets.

IFRS 3 provides for a period of 12 months from the takeover to complete the identification and measurement of the fair value of assets acquired and liabilities assumed. Therefore, until May 2019, the gross amount of goodwill is subject to adjustment.

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 acquisition costs amounted to €201,000. They are included on the statement of comprehensive income in the year ended 31 December 2018 as "Costs related to acquisitions". Omega contributed €1,030,000 to consolidated revenue in the year ended 31 December 2018 and €45,000 to net profit or loss attributable to owners of the company between its consolidation on 1 July 2018 and 31 December 2018.

If the acquisition of the Omega business were deemed to have been completed on 1 January 2018, the opening date of the Group's 2018 financial year, consolidated revenue would have amounted to €14,751,000 and net profit or loss attributable to owners of the company to a loss of €4,695,000.

The table below presents the group income statement for the 12 months period ended on 31 December 2018 as if the acquisition of Omega had been completed on 1st January 2018.

Amounts in 000' €	**31 December 2018 Pro forma**
Revenue	2,455
Cost of sales	-1,612
Gross profit	**843**
Sales and marketing costs	-70
General & administrative costs	-532
Recurring operating profit	**242**
Costs related to acquisitions	-
Other operating expenses	-131
Operating profit	**111**
Financial expenses	-1
Loss before tax	**110**
Tax expense	-
Loss after tax	**110**
Total net loss	**110**
Attributable to owners of the company	**110**

38. DISCONTINUED OPERATIONS

Novacyt has begun the formal sale process for the NOVAprep (Cytology businesses) and Cambridge Clinical Labs businesses. The Clinical Lab business is a non-core service business and does not fit in with the long term high margin growth strategy for the Group. NOVAprep is being sold as it continues to be loss making and is a drain on working capital while it is non-profit making and as such the decision was made to dispose of the business in late 2018.

It is expected that NOVAprep and the Clinical Labs will be sold or disposed of by December 2019 at the latest.

The assets and liabilities available for sale are transferred on the lines "Assets of the discontinued activites" and "Liabilities of the discontinued activities". The nature of these assets and liabilities are presented in the table below:

Amounts in '000 €	Clinical Lab	Novaprep	Total
Goodwill	648	-	648
Other intangible assets	-	829	829
Property, plant and equipment	3	281	284
Non-current assets	**651**	**1 110**	**1 761**
Inventories and work in progress	24	459	483
Trade and other receivables	49	-	49
Current assets	**73**	**459**	**532**
Total assets held for sale	**725**	**1 569**	**2 294**
Trade and other liabilities	43	18	61
Total current liabilities	**43**	**18**	**61**
Long-term provisions	7	17	24
Total non-current liabilities	**7**	**17**	**24**
Total liabilities held for sale	**50**	**35**	**85**

In accordance with the IFRS 5, the net result of the NOVAprep business was transferred on the line "Loss from the discontinued activities".
The table below presents the detail of the loss generated by this business in 2017 and 2018.

Amounts in '000 €	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Revenue	974	2,204
Cost of sales	-719	-1,190
Gross profit	**255**	**1,014**
Sales, marketing and distribution expenses	-1,169	-1,274
Research and development expenses	-189	-194
General and administrative expenses	-1,563	-1,622
Governmental subsidies	88	123
Operating loss before exceptional items	**-2,578**	**-1,952**
Other operating expenses	-48	-
Operating loss after exceptional items	**-2,626**	**-1,952**
Financial expense	-	-
Loss before tax	**-2,626**	**-1,952**
Tax (expense) / income	-	1
Loss after tax from discontinued operations	**-2,626**	**-1,951**

39. NOTES TO THE CASH FLOW STATEMENT

Amounts in '000 €	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Loss for the year	-4,738	-5,442
Loss from the discontinued activities	*-2,626*	*-1,951*
Loss the from the continuing operations	*-2,112*	*-3,490*
Adjustments for:		
Depreciation, amortisation and impairment loss	1,469	1,265
Unwinding of discount on contingent consideration	42	386
(Increase) / decrease of fair value	-63	-140
Gains / (losses) on disposal of fixed assets	3	11
Operating cash flows before movements of working capital	**-3,286**	**-3,920**
(Increase) / decrease in inventories	-397	-377
(Increase) / decrease in receivables	101	-1,805
Increase / (decrease) in payables	1,463	425
Cash used in operations	**-2,119**	**-5,678**
Changes in debt issues expenses	-1	-19
Income taxes paid/received	192	-148
Finance costs	682	1,199
Net cash used in operating activities	**-1,246**	**-4,646**
Operating cash flows from the discontinued activities	*-1,806*	*-1,640*
Operating cash flows from the continuing operations	*560*	*-3,006*

40. OPERATING LEASE

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Lease payments under operating leases recognised as an expense in the year	418	426

The Group has a number of operating leases, primarily for the rental of offices or premises intended for production.

Operating leases rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Novacyt S.A.

Most of the leases contracted by Novacyt S.A. are related to the NOVAprep business. As a result of the disposal, the charges are reclassified on a single line called "Loss from discontinued operations".

Primer Design Limited

An operating lease currently exists for the York House site which is currently a mixed use for office, storage, and laboratory purposes. The lease originally commenced in November 2015 for a five-year period to November 2020. This was originally for the majority of the ground floor of the building. This area incurred an annual charge £79,883 per annum (including service charges) and a £4,717 rent free period. A variation to the lease was signed in March 2017 to enable increased capacity at the site and the use of all of the upstairs of the York House site. This was led to an additional annual charge of £22,560 (including service charges). The annual charge for the site (with service charges) is now £107,160 per annum. A further variation to the lease was signed in January 2019 to again increase capacity at the site. This has led to an additional annual charge of £74,369 (including service charges). The annual charge for the site (with service charges) is now £176,813 per annum.

Microgen Ltd

An operating lease existed for the Admiralty Way site which had a mixed use for office, storage, and laboratory purposes. The lease commenced in October 2015 for a two-year period to September 2017. The annual charge was £93,539. Microgen vacated the old site in H2 FY 2017. As a consequence, a new lease has been signed for the Watchmoor Park site which will again be mixed use. This commenced in May 2017, and will run until May 2032. There are rent review clauses in May 2022 and 2027. The annual charge for the site is £173,173 per annum (including service charges).

Healthcare ltd

An operating lease currently exists for the Bridport site which is currently used for manufacturing, storage, and laboratory purposes. The lease originally commenced in October 2013 for a five-year period to September 2018. The annual charge for the site is £38,903 per annum. In October 2018 the operating lease for the Bridport site was extended for a further seven years to August 2025. The annual charge for the site is now £81,844 per annum. The asset purchase agreement of the Omega Diagnostic Infectious Diseases business also included an operating lease for the Axminster site, used for manufactory and laboratory purposes. The current lease runs until October 2019 with an annual charge of £7,272 per annum. Total annual charge for both operating leases is £89,116 per annum.

Lab 21 Limited

An operating lease currently exists for the Park House site which is currently a mixed use for office, storage, and laboratory purposes. The lease originally commenced in April 2014 for a five-year period to April 2019. The annual charge for the site including service charges is £63,700 per annum (which includes a £4,550 rent free period).

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

Amounts in '000 €	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Future minimum payments in respect of non-cancellable contracts		
Payments due in less than 1 year	508	435
Payment due in more than 1 year and less than 5 years	1,659	904
Total	**2,167**	**1,339**

41. RETIREMENT BENEFIT OBLIGATIONS

Following the announcement of the disposal of the NOVAprep business, the provision was reclassified on the line "Liabilities of discontinued operations".

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 and concerns only the employees of the French company Novacyt. 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 / period

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Service cost	3	4
Financial cost	-	-
Other items	-	- 3
Expense (income)	**3**	**1**

- Change in the actuarial liability

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Obligation – beginning of year	**13**	**14**
Service cost	3	4
Decreases/payments	-	- 3
Financial cost	-	-
Actuarial gains and losses	-	- 2
Obligation – end of year	**17**	**13**

- Breakdown of actuarial gains and losses

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
- Effect of experience	-	- 2
- Change in demographic assumptions	-	-
- Change in financial assumptions	-	-
Actuarial gains and losses	**-**	**- 2**

- Actuarial assumptions

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

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Retirement age – managers	64	64
Retirement age – non-managers	62	62
Wage increases	3.00%	3.00%
Rate of social security contributions	41.51%	40.16%
Discount rate	1.60%	1.40%

42. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern whilst maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy is to ensure there is sufficient working capital to optimize the performance of the business.

The capital structure of the Group consists of net debt (borrowings disclosed in note 27 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained losses in notes 33 to 37).

The Group is not subject to any externally imposed capital requirements.

The Group's focus is on cash management and this is reviewed on a regular basis by the Group Financial Controller and the Chief Financial Officer. The funding mix of the business is reviewed and managed regularly by the CFO and the CEO.

Gearing ratio

The gearing ratio at the year-end is as follows:

Amounts in '000 €	Year-ended 31 December 2018	Year-ended 31 December 2017
Debt	5,374	3,893
Cash and cash equivalents	1,132	4,345
Net debt	**4,242**	**- 452**
Equity	**20,136**	**24,914**
Net Debt to Equity ratio	**21%**	**-2%**

Debt is defined as long-term and short-term borrowings (excluding derivatives and financial guarantee contracts) as detailed in note 27.

Equity includes all capital, premiums and reserves of the Group that are managed as capital.

Significant accounting policy

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

Amounts in '000 €	Year ended 31 December 2018	Year ended 31 December 2017
Financial assets		
Cash & cash equivalents	1,132	4,345
Receivables	3,651	3,563
Financial liabilities		
Fair value through profit and loss	5	127
Amortised cost	11,005	7,909

Financial risk management objectives

The Group's Finance Function is responsible for managing the financial risks relating to the running of the business. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

If there are any material risks then the Group would look to mitigate that risk through the appropriate measure such as hedging against currency fluctuations.

The Group does not use derivative financial instruments to hedge these risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are not managed utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets		Net exposure	
Amounts in '000 €	**Year ended 31 December 2018**	**Year ended 31 December 2017**	**Year ended 31 December 2018**	**Year ended 31 December 2017**	**Year ended 31 December 2018**	**Year ended 31 December 2017**
GBP	- 4,533	- 733	1,885	1,464	- 2,647	731

USD	- 637	- 103	1,520	1,453	882	1,350
CNY	-	-	-	7	-	6
CHF	- 8	- 74	-	-	- 8	-

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the UK entities that are included in the operating segments "Diagnostics" and "Molecular Testing".
The following table details the Group's sensitivity to a 5% increase and decrease in Euros against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity.

FX sensitivity analysis

	Net exposure	
Amounts in '000 €	**Year ended 31 December 2018**	**Year ended 31 December 2017**
GBP	- 2,647	731
Conversion rate	0.901710	0.887980
Impact EUR strenghtening : FX + 5 %	126	- 35
Impact EUR weakening : FX - 5 %	- 139	38
USD	882	1,350
Conversion rate	1.144296	1.183621
Impact EUR strenghtening : FX + 5 %	- 42	- 64
Impact EUR weakening : FX - 5 %	46	71

Interest rate risk management

The Group borrows funds at fixed interest rate and therefore it is not exposed to significant interest rate risk.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers risk levels. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group uses debt collection agencies and government backed schemes to collect difficult aged debts as a last resort.
Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of the financial assets recorded in the historical financial information, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is based on the earliest date when the Group may be required to pay.

	Effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
	%	000 €	000 €	000 €	000 €	000 €
31 December 2018						
Variable interest rate instruments		-	-	-	-	-
Fixed interest rate instruments	12.4%	173	654	2,199	2,326	5,352
31 December 2017						
Variable interest rate instruments		-	-	-	-	-
Fixed interest rate instruments	19.6%	304	607	2,254	1,250	4,415

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
	%	'000 €	'000 €	'000 €	'000 €	'000 €
31 December 2018						
Non-interest bearing		3,688	749	122	225	4,784
31 December 2017						
Non-interest bearing		6,863	520	296	229	7,908

Fair value measurements

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/17	31/12/18				
1) Contigent consideration (current portion)	2,664	1,569	3	No discount was applied on the cash flows as the payment is due in less than 1 year.		
2) Trade and other payables : Options classified as liabilities- Warrant Primerdesign	84	5	2	Monte Carlo simulation model	Expected volativity of 39,44% used for December 2018	If the expected volatility was 5% higher or lower while other variables were held constant, the carrying amount would respectively increase by 8 K£ and decrease by 2 K£ as at December 2018.

Fair value measurements recognised in the statement of financial position

Amounts in '000 €	Year ended 31 December 2018 Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivatives financial liabilities	-	5	1,153	1,158
Total	**-**	**5**	**1,153**	**1,158**

Amounts in '000 €	Year ended 31 December 2017 Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivatives financial liabilities	-	126	1,126	1,252
Total	**-**	**126**	**1,126**	**1,252**

There were no transfers between Levels during the current or prior year.

Fair value of financial liabilities that are not measured at fair value (but fair value disclosures are required)

	Carrying amount	
Financial Liabilities	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Bonds	1,057	2,605
Convertible loan notes	4,159	1,157
Bank loans at fixed interest rate	87	153

	Fair value	
Financial Liabilities	**Year ended 31 December 2018**	**Year ended 31 December 2017**
Bonds	1,057	2,737
Convertible loan notes	4,035	1,083
Bank loans at fixed interest rate	87	153

Fair value hierarchy of financial liabilities that are not measured at fair value (but fair value disclosures are required)

Amounts in '000 €	Fair value hierarchy
Bonds	3
Convertible loan notes	3
Bank loans at fixed interest rate	3
Accrued interest	3

There were no transfers between levels during the current or prior years.

43. COMMITMENTS GIVEN AND RECEIVED

The guarantees given by the Group are as follows:

Under the terms of the bond contracts subscribed by Kreos Capital IV Ltd and Kreos Capital V Ltd, and as a guarantee of perfect repayment of this loan and interest, fees, commissions or other amounts due, the Group has agreed to the following guarantees in favour of the two structures:

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

The amount of guaranteed loans is presented in note 27 "Borrowings".

The Company has also granted Primerdesign shareholders a variable contingent consideration, settlement of which is scheduled for payment in 2019. As security for the payment of such sums, third-line pledge on business assets and collateral subject to English law (mortgage debentures) have been implemented.

44. RELATED PARTIES

Parties related to Novacyt S.A. are:
- the managers, whose compensation is disclosed below,
- the directors of Novacyt S.A. and Lab21.

Remuneration of key management personnel

Amounts in 000' €	Year ended 31 December 2018	Year ended 31 December 2017
Fixed compensation and company cars	1,107	990
Variable compensation	113	480
Social security contributions	151	191
Post-employment benefits	-	18
Contributions to supplementary pension plans	55	47
Total	**1,426**	**1,726**

Aggregate directors' remuneration

Amounts in 000' €	Year ended 31 December 2018	Year ended 31 December 2017
Fixed compensation and company cars	674	428
Variable compensation	113	437
Social security contributions	100	113
Contributions to supplementary pension plans	22	16
Fees	6	99
Total	**915**	**1,094**
Number of people concerned	7	7

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

45. AUDIT FEES

Amounts in 000' €	Year ended 31 December 2018	Year ended 31 December 2017
Fees payable to the Company's auditor and its associates in respect of the audit		
Group audit of these financial statements	66	111
Audit of the Company's subsidiaries' financial statements	125	170
Total audit remuneration	191	281
Fees payable to the Company's auditor and its associates in respect of non-audit related services		
Audit-related assurance services	18	33
All other services	45	215
Total non-audit related remuneration	**63**	**248**

46. IMPACT OF BREXIT ON THE GROUP'S ACTIVITY

Companies operating in the "Diagnostics" and "Molecular testing" sectors are established in the United Kingdom. It is difficult to anticipate the impact of Brexit on trade relations and regulatory constraints. The tax consequences depend on the outcome of negotiations between Europe and the United Kingdom, and to date are undetermined.

Management is seeking to identify market, operational and legal risks and to take the appropriate adaptation measures as required.

47. SUBSEQUENT EVENTS

On the 23rd April 2019, Novacyt entered into a Convertible Bonds with Warrants Funding Programme, for up to €5,000,000 (net of expenses). Under the terms of the Agreement, the Company will be able to access capital in seven tranches which oblige the Investment Managers to immediately subscribe for an initial tranche of €2,000,000, followed by six further tranches, each of an aggregate nominal value of €500,000 (together the "Tranches"), drawable at the Company's option subject to certain terms and conditions. The Company has immediately exercised its right to the initial tranche of funding giving rise to the subscription of €2,000,000 of convertible bonds with warrants by the Investment Managers. The remaining €3,000,000 of convertible bonds can be issued by the Company over the next 36 months following the closing of the Agreement.