# NOVACYT

Société anonyme

13 Avenue Morane Saulnier, 78140 VELIZY VILLACOUBLAY

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## Statutory auditor's report
## on the consolidated financial statements

Year ended December 31, 2019

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Year ended December 31, 2019

*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, 2019. These financial statements were approved by the Board of Directors on May 13, 2020 based on the information available on that date in the evolving context of the Covid-19 health crisis.

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, 2019 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, 2019 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.

- **Observation**

- Without qualifying the above opinion, we draw your attention to the "Leases" note to the consolidated financial statements, which sets out the impacts of the first-time adoption of IFRS 16 "Leases" as of January 1, 2019.

- **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, 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, approved under the aforementioned conditions, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

*Going concern*

The "Going concern" note to the consolidated financial statements sets out the assumptions used by the Board of Directors to approve the financial statements while applying the going concern principle. Based on our work and the information made available to us to date, we assessed the reasonableness and appropriateness of the going concern assumptions used.

We also consider that the note provides appropriate disclosure on the Company's position with regard to the going concern principle.

*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 approved on May 13, 2020. Management has informed us that a communication will be issued to the Shareholders' Meeting called to adopt the financial statements on any events and information relating to the Covid-19 health crisis known after the date of approval of the financial statements.

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 Consolidated 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, May 13, 2020

The Statutory Auditor

Deloitte & Associés

Benoit PIMONT

## Consolidated income statement for the years ended 31 December 2018 and 31 December 2019

| Amounts in '000 € | Notes | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 5 | 13,081 | 13,721 |
| Cost of sales | 7 | -4,709 | -5,116 |
| **Gross profit** | | **8,372** | **8,604** |
| Sales, marketing and distribution expenses | 8 | -2,700 | -2,454 |
| Research and development expenses | 9 | -451 | -406 |
| General and administrative expenses | 10 | -6,466 | -6,119 |
| Governmental subsidies | 11 | 3 | -51 |
| **Operating loss before exceptional items** | | **-1,242** | **-425** |
| Other operating income | 12 | 127 | - |
| Other operating expenses | 12 | -661 | -960 |
| **Operating loss after exceptional items** | | **-1,776** | **-1,385** |
| Financial income | 13 | 260 | 225 |
| Financial expense | 13 | -2,394 | -919 |
| **Loss before tax** | | **-3,910** | **-2,080** |
| Tax income/(expense) | 14 | 8 | -32 |
| **Loss after tax from continuing operations** | | **-3,902** | **-2,112** |
| Loss from discontinued operations | 37 | -2,656 | -2,626 |
| **Loss after tax attributable to owners of the company (*)** | | **-6,558** | **-4,738** |
| Loss per share (€) | 15 | -0.14 | -0.13 |
| Diluted loss per share (€) | 15 | -0.14 | -0.13 |
| Loss per share from the continuing operations (€) | 15 | -0.08 | -0.06 |
| Diluted loss per share from the continuing operations (€) | | -0.08 | -0.06 |
| Loss per share from the discontinued operations (€) | 15 | -0.06 | -0.07 |
| Diluted loss per share from the discontinued operations (€) | | -0.06 | -0.07 |

(*) There are no non-controlling interests.

The 2018 / 2019 consolidated income statement is presented to reflect the impacts of the application of IFRS 5 relative to discontinued operations, by stating the NOVAprep activity on a single line “Loss from discontinued operations”.

# Consolidated statement of comprehensive income for the years ended 31 December 2018 and 31 December 2019

| Amounts in '000 € | Notes | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|---|
| **Loss after tax** | | **-6,558** | **-4,738** |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Translation reserves | | -486 | -4 |
| **Total comprehensive loss** | | **-7,044** | **-4,742** |
| **Comprehensive loss attributable to:** | | | |
| **Owners of the company (*)** | | **-7,044** | **-4,742** |

(*) There are no non-controlling interests.

# Statement of financial position for the years ended 31 December 2018 and 31 December 2019

| Amounts in '000 € | Notes | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|---|
| Goodwill | 16 | 15,918 | 16,134 |
| Other intangible assets | 17 | 4,313 | 4,944 |
| Property, plant and equipment | 18 | 3,478 | 1,191 |
| Non-current financial assets | 19 | 240 | 234 |
| Other long-term assets | 20 | 214 | - |
| **Non-current assets** | | **24,163** | **22,503** |
| Inventories and work in progress | 22 | 2,439 | 2,347 |
| Trade and other receivables | 23 | 2,168 | 3,900 |
| Tax receivables | | 4 | 94 |
| Prepayments | 24 | 406 | 233 |
| Short-term investments | | 10 | 10 |
| Cash and cash equivalents | 25 | 1,805 | 1,132 |
| **Current assets** | | **6,832** | **7,716** |
| **Assets classified as held for sale** | | **70** | **2,294** |
| **Total assets** | | **31,065** | **32,513** |
| Bank overdrafts and current portion of long-term borrowings | 26 | 2,457 | 3,115 |
| Contingent consideration (current portion) | 27 | - | 1,569 |
| Short-term provisions | 28 | 50 | 100 |
| Trade and other liabilities | 29 | 4,591 | 4,647 |
| Other current liabilities | 30 | 591 | 379 |
| **Total current liabilities** | | **7,689** | **9,809** |
| **Liabilities classified as held for sale** | | **-** | **85** |
| **Net current (liabilities) / assets** | | **-857** | **-2,008** |
| Borrowings and convertible bond notes | 26 | 8,493 | 2,259 |
| Long-term provisions | 28 | 240 | 168 |
| Deferred tax liabilities | | 49 | 54 |
| **Total non-current liabilities** | | **8,782** | **2,481** |
| **Total liabilities** | | **16,471** | **12,375** |
| **Net assets** | | **14,594** | **20,138** |

## Statement of financial position for the years ended 31 December 2018 and 31 December 2019 (continued)

| Amounts in '000 € | Notes | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|---|
| Share capital | 31 | 3,873 | 2,511 |
| Share premium account | 32 | 58,012 | 58,249 |
| Own shares | | -174 | -178 |
| Other reserves | 33 | -3,306 | -2,820 |
| Equity reserve | 34 | 401 | 422 |
| Retained losses | 35 | -44,212 | -38,046 |
| **Total equity - owners of the company** | | **14,594** | **20,138** |
| **Total equity** | | **14,594** | **20,138** |

# Statement of changes in equity for the years ended 31 December 2018 and 31 December 2019

| Amounts in '000 € | | | | | | Other group reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital | Share premium | Own shares | Equity reserves | Acquisition of the shares of Primerdesign | Translation reserve | OCI on retirement benefits | Total | Retained loss | Total equity |
| **Balance at 1 January 2018** | | **2,511** | **58,281** | **- 176** | **422** | **- 2,948** | **143** | **- 11** | **- 2,816** | **- 33,308** | **24,914** |
| Translation differences | | - | - | - | - | - | - 4 | - | - 4 | - | - 4 |
| Loss for the period | | - | - | - | - | - | - | - | - | - 4,738 | - 4,738 |
| **Total comprehensive loss for the period** | | **-** | **-** | **-** | **-** | **-** | **- 4** | **-** | **- 4** | **- 4,738** | **- 4,742** |
| Own shares acquired/sold in the period | | - | - | - 2 | - | - | - | - | - | - | - 2 |
| Other changes | | - | - 32 | - | - | - | - | - | - | - | - 32 |
| **Balance at 31 December 2018** | | **2,511** | **58,249** | **- 178** | **422** | **- 2,948** | **139** | **- 11** | **- 2,820** | **- 38,046** | **20,138** |
| Translation differences | | - | - | - | - | - | - 486 | - | - 486 | - | - 486 |
| Loss for the period | | | | | | | | | - | - 6,558 | - 6,558 |
| **Total comprehensive loss for the period** | | **-** | **-** | **-** | **-** | **-** | **- 486** | **-** | **- 486** | **- 6,558** | **- 7,044** |
| Issue of share capital | 31 | - | - 180 | - | - | - | - | - | - | - | - 180 |
| Own shares acquired/sold in the period | | - | - | 4 | - | - | - | - | - | - | 4 |
| Other changes | 32 | 1,362 | -57 | - | -21 | - | - | - | - | 392 | 1,676 |
| **Balance at 31 December 2019** | | **3,873** | **58,012** | **- 174** | **401** | **- 2,948** | **- 347** | **- 11** | **- 3,306** | **- 44,212** | **14,594** |

## Statement of cash flows for the years ended 31 December 2018 and 31 December 2019

| Amounts in '000 € | Notes | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|---|
| **Net cash used in operating activities** | 38 | **-1,073** | **-1,246** |
| **Investing activities** | | | |
| Proceeds from disposal of property, plant & equipment | | 27 | - |
| Purchases of patents and trademarks | | -112 | -307 |
| Purchases of property, plant and equipment | | -224 | -377 |
| Purchases of trading investments | | - | 2 |
| Acquisition of subsidiary net of cash acquired | | -1,353 | -2,034 |
| Proceeds from the sale of businesses | | 364 | - |
| **Net cash used in investing activities** | | -1,298 | -2,716 |
| *Investing cash flows from discontinued activities* | | *157* | *-130* |
| *Investing cash flows from continuing operations* | | *-1,455* | *-2,586* |
| | | | |
| Repayments of borrowings | | -3,460 | -2,561 |
| Proceeds on issue of borrowings and bond notes | 26 | 6,859 | 3,960 |
| Proceeds from other short term financing facilities | 26 | 772 | - |
| Payment of share issuance costs | 26 | -180 | - |
| Disposal (purchase) of own shares – Net | | 5 | -2 |
| Paid interest expenses | | -1 046 | -632 |
| **Net cash used in financing activities** | | 2,950 | 765 |
| *Financing cash flows from discontinued activities* | | - | - |
| *Financing cash flows from continuing operations* | | *2,950* | *765* |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | 579 | -3,197 |
| **Cash and cash equivalents at beginning of year / period** | | 1,132 | 4,345 |
| Effect of foreign exchange rate changes | | 94 | -16 |
| **Cash and cash equivalents at end of year** | | **1,805** | **1,132** |

# 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 2019 were established in accordance with the international accounting standards and interpretations (IAS / IFRS) adopted by the European Union and applicable on December 31 2019.

The 2019 consolidated financial statements were approved by the Board of Directors on 13th May 2020.

## 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 2019</u>

- IFRS 16: "Leases". The Group has elected to apply the standard using the modified retrospective approach from 1 January 2019, utilising certain of the practical expedients provided within the Standard, and the cumulative effect of initial application will be recognised in retained earnings at 1 January 2019. Comparative figures for the year ended December 31, 2018 are not restated to reflect the adoption of IFRS 16 but instead continue to reflect the lessee's accounting policies under IAS 17 Leases. This is disclosed in Note 39.

- The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments.

The group has not elected to take early adoption of any standards or interpretations not mandatorily applicable in 2019.

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 IFRS 16, 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 Omega Infectious Diseases business activity (see Note 16), the carrying amounts and useful lives of intangible assets (see Note 17), deferred taxes (see Note 21), trade receivables (see Note 23) and provisions for risks and other provisions related to the operating activities (see Note 28).

The accounting policies set out below have been applied consistently to all periods presented in the financial information, except for the adoption of IFRS 16 which is only applied from 1 January 2019 onwards.

**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 | 0.00 % | 0.00 % | - | 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 Ltd | 100.00 % | 100.00 % | FC | 100.00 % | 100.00 % | FC |
| Novacyt China Ltd | 100.00 % | 100.00 % | FC | 100.00 % | 100.00 % | FC |
| Novacyt UK Holdings Ltd | 100.00 % | 100.00 % | FC | 0.00 % | 0.00 % | - |
| Primerdesign Ltd | 100.00 % | 100.00 % | FC | 100.00 % | 100.00 % | FC |

*Legend: FC: Full consolidation*

On 4th June 2019 a new UK Holdings company was created called Novacyt UK Holdings Limited, with the ownership of Microgen Bioproducts, Lab21 Healthcare and Biotec Laboratories transferred to Holdings from Lab21 Ltd, prior to the sale of Lab21 Limited on 18th July 2019. The total share capital is 5 ordinary shares at £1 per share.

### 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:

- items in the statement of financial position 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 May 2021. 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 2019 of €1,805,000;
- the repayment of the current bond borrowings according to the agreed repayment schedules;
- the financing cash inflow relating to the exercise of warrants in Q1 2020;
- a payment of the first tranche of the LTIP that commenced in November 2017;
- increased operating cash inflows generated by the Covid-19 pandemic.

The forecast prepared by the company shows that it is able to cover its cash needs during the financial year 2020 and until May 2021 without the raising of any further bank or other financing facility.

### 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 statement of financial position. 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.

## 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

Any leased buildings, equipment or other leases that fall under the scope of IFRS 16 as at the effective date of 1 January 2019 and have been capitalised as a right of use asset will be depreciated on a straight-line basis over the term of the lease as required under IFRS 16.

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 – After adoption of IFRS 16**

IFRS 16 Leases was issued in January 2016 and is effective for an entity's financial statements for annual reporting periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

- The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability
- The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

IFRS 16's transition provisions permit lessees to use either a full retrospective or a modified retrospective approach for leases existing at the date of initial application of the standard, with options to use certain transition reliefs.

The Group has elected to apply the standard using the modified retrospective approach from 1 January 2019, utilising certain of the practical expedients provided within the Standard, and the cumulative effect of initial application will be recognised in retained earnings at 1 January 2019. The Group recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments. Comparative figures for the year ended 31 December 2018, are not restated to reflect the adoption of IFRS 16 but instead continue to reflect the lessee's accounting policies under IAS 17 Leases.

The Group has elected to apply for the following practical expedients allowed for entities adopting IFRS 16 using the modified retrospective approach:

- Reassessment of contract - The Group has made use of the possibility not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.
- Discount rate - Instead of requiring a lessee to determine the incremental borrowing rate for every single lease, IFRS 16 allows a lessee to apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
- Initial direct costs - As a practical expedient, IFRS 16 allows a lessee to exclude initial direct costs from the measurement of the ROU asset on transition.
- Use of hindsight for lease term - A lessee is required to determine the lease term at the date of initial application, which includes purchase and renewal options reasonably expected to be exercised and excludes termination options reasonably expected to be exercised. To alleviate the burden of reconstructing a lessee's initial assessment of the lease term and subsequent changes thereafter, IFRS 16 allows a lessee to use hindsight to determine which renewal and termination options to include or exclude.
- Onerous lease determination - Similar to other non-financial assets, ROU assets are subject to impairment testing under IAS 36 Impairment of Assets and a lessee is required to perform an impairment review for each of its ROU assets at date of initial application. IFRS 16 allows a lessee to use its onerous contract assessment under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before transition instead of performing an impairment review under IAS 36. The ROU asset is then reduced by any existing provision for related onerous leases – there were no onerous contracts within the Group at 1 January 2019.
- Short-term leases - For leases with a remaining term of less than one year at the date of initial application, the lessee may choose to apply the short-term lease exemption in IFRS 16 and expense lease payments rather than recognize an ROU asset and a lease liability. When using the short-term lease exemption, a lessee is required to disclose the amount of lease payments expensed as a result of using this expedient.

**Leases – Before adoption of IFRS 16**

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 financial position 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 convertible bonds with warrants attached (Obligations Convertibles en Actions avec Bons de Souscription d'Actions), "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 embedded derivatives have been separated.

- Primerdesign contingent consideration

The Company negotiated a 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 was made in November 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:

(i) £175,000 paid after twelve months upon completion of technology and services transfer – which was fully paid in 2019.

(ii) £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) – which is no longer in scope and thus will not be paid.

- 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 recognised on the statement of financial position.

**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 1.6% 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 41.51% in 2018.

Entitlements in months of wages arise 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 classified as held for sale" at December 2018. There is no provision for employees' benefits at December 2019 as the NOVAprep business had been sold.

**Discontinued operations and assets held for sale**

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

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.

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.

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 was made in the accounts in 2018 to reflect the intention to dispose of the NOVAprep activity (held by Novacyt S.A.), and of the Cambridge Clinical Lab business (held by Lab21 Ltd.). This restatement was made in the 2018 accounts and continues to be for 2019 following the NOVAprep business disposal on the 24th December 2019 and the Lab21 Ltd business disposal on the 18th July 2019.

**Consolidated revenue**

IFRS 15 Revenue from Contracts with Customers establishes a principles-based approach to recognising revenue only when performance obligations are satisfied and control of the related goods or services is transferred. It addresses items such as the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 replaces IAS 18 Revenue and other related requirements. IFRS 15 applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers except those in the scope of other standards.

- • Step 1 Identify the contract(s) with a customer
- • Step 2 Identify the performance obligations in the contract
- • Step 3 Determine the transaction price
- • Step 4 Allocate the transaction price to the performance obligations in the contract
- • Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation. The Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant. Therefore, the accounting for revenue under IFRS 15 does not represent a substantive change for recognising revenue from sales to customers.

The group's revenue recognition processes are generally straightforward, with recognition of revenue at the point of sale and little significant judgement required in determining the timing of transfer of control. Given that the Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant.

- **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 the Lab21 Products Group**

Lab21 Limited provided laboratory-based diagnostic services. Revenue is recognised when the service is rendered (diagnosis made). This business was sold on the 18th July 2019.

Lab21 Healthcare and Microgen Bioproducts 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.

- **The activity of Primerdesign**

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 closing reporting 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 reporting 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 reporting 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 the 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 was the case for Novacyt S.A in 2018. 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. Due to the focus on selling the activity NOVAprep, Novacyt SA has not applied for a research tax credit in 2019.

Novacyt UK Holdings Limited subsidiary companies and Primerdesign also benefit from tax credits for their research activities. 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 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. This tax credit no longer exists as from 1 January 2019.

**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 and if they have a dilutive effect on the result per share.

**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 sale costs for the disposal of both the NOVAprep business and Lab21 Limited, shown in Note 12. They also include acquisition related costs (Omega ID Business) shown in Note 12, one-off restructuring costs and other one-off income and expenses as detailed in Note 12.

**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. This business was disposed of on the 24th December 2019.

## 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.

**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 (see Note 16), the measurement of useful lives of intangible assets (Note 17), measurement of fair value of assets and liabilities in business combinations, recognition of deferred taxes (see Note 21), the value of the trade and other receivables (Note 23) and the provisions for risks and other provisions related to the operating activities (see Note 28) 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 on the statement of financial position and related impairment loss over the periods are shown below:

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Goodwill Lab21 Products Group | 17,709 | 17,709 |
| Cumulative impairment of goodwill | - 9,101 | - 9,101 |
| Net value | 8,608 | 8,608 |
| Goodwill Primerdesign | 7,210 | 7,210 |
| Cumulative impairment of goodwill | - | - |
| Net value | 7,210 | 7,210 |
| Goodwill Omega ID | 100 | 316 |
| Cumulative impairment of goodwill | - | - |
| Net value | 100 | 316 |
| | **15,918** | **16,134** |

The decrease of the Omega ID goodwill results from the adjustment of the acquisition price of the business in June 2019. One of the two components of the contingent consideration, for the amount of £200,000, will not be paid, as the contractual conditions have not and will not be achieved.

- **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 2019 is €611,000 (€700,000 at December 2018) including the new trademark from the Omega business acquired in 2018 for €246,000. The amortisation charge for the period was €102,000 (€87,000 for the year ended 31 December 2018) and the cumulated amortisation is €308,000 (€205,000 at 31 December 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 2019 is €3,330,000 (€3,823,000 at December 2018) including the new customer relationships from the Omega business acquired in 2018 for €1,291,000. The amortisation charge for the period was €557,000 (€481,000 for the year ended 31 December 2018) and the cumulated amortisation is €1,709,000 (€1,144,000 at 31 December 2018).

- **Business combinations**

As part of the acquisition of the Omega ID business, 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 reporting date and derecognised if it is no longer probable there will be taxable profits against which the deductible temporary differences can be utilised.
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 2018 and 2019 are as per the table below:

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Provisions for restoration of premises | 226 | 148 |
| Long term management incentive plan | 14 | 20 |
| Provisions for litigation | 50 | 100 |
| | **290** | **268** |

  - **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 2019 | Year ended 31 December 2018 |
|---|---|---|
| Manufactured goods | 12,310 | 12,537 |

| | | |
|---|---|---|
| Services | 355 | 754 |
| Traded goods | 44 | 77 |
| Other | 372 | 354 |
| **Total Revenue** | **13,081** | **13,721** |

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 disposal of NOVAprep, this segment now shows the French Group central costs, the results of Novacyt UK Holdings Limited 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 Microgen Bioproducts & Lab21 Healthcare and also includes UK Group central costs.

- **Molecular Products**

This segment represents the activities of 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 one 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 2019

| Amounts in '000 € | Corporate & Cytology | Corporate & Diagnostics | Molecular Products | Total |
|---|---|---|---|---|
| **Geographical area** | | | | |
| Africa | - | 639 | 356 | 995 |
| Europe | - | 2,809 | 2,676 | 5,485 |
| Asia-Pacific | - | 1,744 | 812 | 2,556 |
| America | - | 738 | 1,934 | 2,672 |
| Middle East | - | 845 | 528 | 1,373 |
| **Revenue** | **-** | **6,775** | **6,306** | **13,081** |

- 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 | 2,373 |
| Middle East | - | 951 | 262 | 1,213 |
| **Revenue** | **-** | **7,503** | **6,218** | **13,721** |

## Breakdown of result by operating segment

- Year ended 31 December 2019

| Amounts in '000 € | Corporate & Cytology | Corporate & Diagnostics | Molecular Products | Total |
|---|---|---|---|---|
| Revenue | - | 6,774 | 6,307 | 13,081 |
| Cost of sales | - | -3,787 | -922 | -4,709 |
| Sales and marketing costs | - | -1,256 | -1,444 | -2,700 |
| Research and development | - | -38 | -413 | -451 |
| General & administrative expenses | -1,159 | -2,514 | -2,793 | -6,466 |
| Governmental subsidies | - | 3 | - | 3 |
| **Operating (loss)/profit before exceptional items** | -1,159 | -818 | 735 | -1,242 |
| Other operating income | 127 | - | - | 127 |
| Other operating expenses | -391 | -208 | -62 | -661 |
| **Operating (loss)/profit** | **-1,423** | **-1,026** | **673** | **-1,776** |
| Financial income | 180 | 80 | - | 260 |
| Financial expense | -2,097 | -146 | -151 | -2,394 |
| **(Loss)/profit before tax** | **-3,340** | **-1,092** | **522** | **-3,910** |
| Tax income/(expense) | - | - | 8 | 8 |
| Loss from discontinued activities | -2,656 | - | - | -2,656 |
| **(Loss)/profit after tax** | **-5,996** | **-1,092** | **530** | **-6,558** |
| **Attributable to owners of the company** | **-5,996** | **-1,092** | **530** | **-6,558** |
| **Attributable to non-controlling interests** | **-** | **-** | **-** | **-** |

- 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 (loss)/profit before exceptional items** | -959 | -519 | 1,054 | -425 |
| Other operating income | - | - | - | - |
| Other operating expenses | -526 | -337 | -97 | -960 |
| **Operating (loss)/profit** | **-1,486** | **-856** | **957** | **-1,385** |
| Financial income | 290 | -144 | 79 | 225 |
| Financial expense | -736 | -180 | -4 | -919 |
| **(Loss)/profit before tax** | **-1,931** | **-1,181** | **1,032** | **-2,080** |
| Tax income/(expense) | - | - | -32 | -32 |
| Loss from discontinued activities | -2,626 | - | - | -2,626 |
| **(Loss)/profit 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** | **-** | **-** | **-** | **-** |

The 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 2019 | Year ended 31 December 2018 |
|---|---|---|
| Purchases and movement in inventories of raw materials and other supplies | 2,789 | 3,804 |
| Purchases and movement in inventories of traded goods | -25 | 64 |
| Movement in finished goods and work in progress | 308 | -628 |
| Change in stock provision | - | -2 |
| Non-stock items and supplies | 37 | 68 |
| Freight costs | 83 | 177 |
| Direct labour | 1,469 | 1,584 |
| Other | 48 | 50 |
| | **4,709** | **5,116** |

## 8. SALES, MARKETING AND DISTRIBUTION EXPENSES

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Remuneration of intermediaries and fees | 3 | 25 |
| Advertising expenses | 183 | 252 |
| Distribution expenses | 381 | 344 |
| Employee compensation and social security contributions | 1,802 | 1,470 |
| Travel and representation expenses | 253 | 218 |
| Other sales and marketing expenses | 78 | 146 |
| | **2,700** | **2,454** |

## 9. RESEARCH AND DEVELOPMENT EXPENSES

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Employee compensation and social security contributions | 376 | 328 |
| Other expenses | 75 | 78 |
| | **451** | **406** |

## 10. GENERAL AND ADMINISTRATIVE EXPENSES

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Purchases of non-stored raw materials and supplies | 338 | 243 |
| Subcontracting | 39 | 49 |
| Lease and similar payments | 181 | 418 |
| Maintenance and repairs | 121 | 136 |
| Insurance premiums | 114 | 110 |
| Legal and professional fees | 863 | 875 |
| Travel and entertainment expenses | 144 | 145 |
| Banking services | 79 | 66 |
| Employee compensation and social security contributions | 2,522 | 2,520 |
| Depreciation, amortization and provisions for impairment of property, plant and equipment and intangible assets | 1,880 | 1,030 |
| Other general and administrative expenses | 184 | 527 |
| | **6,466** | **6,119** |

## 11.GOVERNMENT SUBSIDIES

Directly taxed industrial and commercial companies that record research expenditure are entitled to a tax credit in France, which was the case of Novacyt S.A. in 2018. 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 government subsidy.

| Amounts in '000 € | **Year ended 31 December 2019** | **Year ended 31 December 2018** |
|---|---|---|
| Government subsidies | 3 | -51 |
| | **3** | **-51** |

## 12.OTHER OPERATING INCOME AND EXPENSES

| Amounts in '000 € | **Year ended 31 December 2019** | **Year ended 31 December 2018** |
|---|---|---|
| Litigations with employees | 90 | - |
| Other operating income | 37 | - |
| **Other operating income** | **127** | **-** |
| Litigations with employees | -17 | -46 |
| Restructuring expenses | -189 | -183 |
| Result of the sale of Lab21 | -53 | - |
| Business sale expenses | -289 | -104 |
| Acquisition related expenses | - | -379 |
| IPO preparation | - | -87 |
| Other expenses | -113 | -161 |
| **Other operating expenses** | **-661** | **-960** |

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

The business sale expenses relate to the disposal of the NOVAprep business in France and the sale of Lab21 Ltd in the UK.

The restructuring expenses of €189,000 in the year ended 31 December 2019 include costs associated with the closure of the Axminster site, along with other company-wide restructuring fees including redundancy payments.

The acquisition related expenses in 2018 relate to the purchase of the Omega Infectious Diseases Business in June 2018. The acquisition was accounted for as a business combination under IFRS. Accordingly, the costs related to the acquisition of €201,000 were expensed.

The IPO preparation expenses of €87,000 in 2018 relate to the fees incurred in preparation for the company's AIM listing in late 2017.

## 13.FINANCIAL INCOME AND EXPENSE

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Exchange gains | 228 | 102 |
| Change in fair value of options | 31 | 122 |
| Other financial income | 1 | - |
| **Financial income** | **260** | **225** |
| Interest on loans | -1,059 | -682 |
| Exchange losses | -131 | -190 |
| Variation of the fair values of derivatives | -780 | - |
| Actualisation of the long term sale receivables | -92 | - |
| Other financial expense | -332 | -47 |
| **Financial expense** | **-2,394** | **-919** |

**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 and the intercompany debts denominated in sterling.

***Change in fair value of options***

The December 2019 balance relates to the revaluation of the Primerdesign warrants liability from €5,000 to €4,000, and of the Negma warrants liability from €236,000 at issuance in April 2019 to €206,000 at year end

The December 2018 balance relates to the revaluation of the Primerdesign warrants liability from €127,000 to €5,000.

**Financial Expense:**

***Interest on loans***

The interest charge is mainly related to the Kreos, Vatel, Negma Group Ltd “Negma” and Harbert European Growth Capital bond notes.

***Exchange Losses***

Exchange losses in 2018 and 2019 were mainly those recorded by Lab21 Ltd prior to its sale and Novacyt UK Holdings Ltd on its operations and relate to the monthly revaluation of the Novacyt loan in held in the UK’s books.

***Change in fair value of options***

The December 2019 balance relates to the revaluation of Harbert European Growth Capital warrants liability of €780,000.

***Other financial expenses***

The costs in 2019 relate to additional interest and settlement fees to fully remove and pay down the monies owed to Negma, Kreos and the original Primerdesign owners.

## 14.INCOME TAX

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Corporation tax: | | |
| Current year | 8 | -32 |
| **Total tax expenses for the year / period** | **8** | **-32** |

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 2019 | Year ended 31 December 2018 |
|---|---|---|
| Loss before taxation | -6,559 | -4,708 |
| Tax at the French corporation tax rate (2018 & 2019: 28%) | -1,837 | -1,318 |
| Impact of the accelerated tax depreciation | -11 | -17 |
| Effect of non-deductible expenses | 656 | 10 |
| Other timing differences | -8 | 15 |
| Tax losses utilised | - | - |
| Impact of the tax group | 113 | -159 |
| Research tax expenditure enhancement | -110 | -120 |
| Research tax credits | | 32 |
| Losses not recognised for deferred tax | 1,567 | 1,454 |
| Effect of different tax rate of subsidiaries operator of other jurisdictions | -378 | 71 |
| **Total tax expense / income for the year** | **8** | **-32** |

As at 31 December 2019 the Group has unused tax losses of €62,570,000 (2018: €55,591,000) 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.

The key items making up the non-deductible expenses are the change in fair value of the warrants recorded in Novacyt and the amortization of the intangible assets acquired with Primerdesign.

## 15.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 2019** | **Year ended 31 December 2018** |
|---|---|---|
| Net loss attributable to owners of the company | - 6,558 | - 4,738 |
| | | |
| Weighted average number of shares | 45,731,091 | 37,664,342 |
| Impact of dilutive instruments | - | - |
| Weighted average number of diluted shares | 45,731,091 | 37,664,342 |
| | | |
| **Earnings per share (in Euros)** | **- 0.14** | **- 0.13** |
| **Diluted earnings per share (in Euros)** | **- 0.14** | **- 0.13** |
| | | |
| *Loss per share from the continuing operations (in Euros)* | **- 0.08** | **- 0.06** |
| *Diluted loss per share from the continuing operations (in Euros)* | **- 0.08** | **- 0.06** |
| | | |
| *Loss per share from the discontinued operations (in Euros)* | **- 0.06** | **- 0.07** |
| *Diluted Loss per share from the discontinued operations (in Euros)* | **- 0.06** | **- 0.07** |

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.

The calculation of earnings per share does not take into account potential anti-dilutive actions, which would have the effect of increasing earnings per share.

The table below presents outstanding stock options that could dilute the result in the future but were not taken into account in the calculation of diluted earnings because they are anti-dilutive for the periods presented.

| **Beneficiary** | **Kreos** | **Primerdesign** | **Yorkville** | **Negma** | **Harbert** | **Total** |
|---|---|---|---|---|---|---|
| Grant date | 12 May 2016 | 12 May 2016 | 31 July 2015 to 18 July 2017 | 25 April 2019 | 5 November 2019 | |
| Number of warrants | 353,536 | 1,000,000 | 1,501,427 | 2,979,544 | 6,017,192 | |
| Exercise price | €1.45 | €1.16 | From €5.511 to €0.946 | €0.20 | €0.0698 | |
| Exercise deadline | 1 November 2022 | 12 May 2021 | 3 years after issuance | 25 April 2024 | 5 November 2026 | |
| Accounting | Equity | Derivative financial liability | Equity | Derivative financial liability | Derivative financial liability | |
| Number of warrants on 1 January 2018 | 353,536 | 1,000,000 | 1,501,427 | 2,979,544 | 6,017,192 | 11,851,699 |
| Warrants exercised in 2018 | - | - | - | - | - | |
| Warrants cancelled in 2018 | - | - | -22,681 | - | - | |
| Warrants outstanding on 1 January 2019 | 353,536 | 1,000,000 | 1,478,746 | 2,979,544 | 6,017,192 | 11’829’018 |
| Warrants exercised in 2019 | - | - | - | - | - | - |
| Warrants cancelled in 2019 | - | - | -625,530 | -1,300,000 (*) | - | -1,925,530 |
| Warrants outstanding on 31 December 2019 | 353,536 | 1,000,000 | 853,216 | 1,679,544 | 6,017,192 | 9,903,488 |
| Number of additional shares | 353,536 | 1,000,000 | 853,216 | 1,679,544 | 6,017,192 | 9,903,488 |
| Share capital increase | €512,627 | €1,160,000 | €875,000 | €335,909 | €420,000 | 3,303,536 |

(*) In exchange for the cancellation of 1,300,000 warrants giving access to the share capital of Novacyt SA, Negma was granted 1,300,000 “phantom” warrants that do not give access to the capital. This instrument gives the right to receive, for each “phantom” warrant exercised, an amount equal to the profit resulting from the difference between the exercise price of €0.20 and the share price on the day before the exercise date.
This instrument is recorded as a derivative financial liability.

## 16.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 2018 | 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 |
| | |
| Derecognition on acquisition of the Omega Infectious Diseases business | -228 |
| Exchange differences | 12 |
| | |
| At 31 December 2019 | 25,019 |
| | |
| **Accumulated impairment losses** | |
| At 1 January 2018 | 9,786 |
| | |
| Exchange differences | - |
| Impairment losses for the period | - |
| Classified as a discontinued operation | -685 |
| At 31 December 2018 | 9,101 |
| | |
| Exchange differences | - |
| Impairment losses for the period | - |
| At 31 December 2019 | 9,101 |
| | |
| **Carrying value at 31 December 2018** | **16,134** |
| **Carrying value at 31 December 2019** | **15,918** |

### ◦ 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 terms.

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 purchase price was adjusted in 2019 to reflect the fact that the second deferred consideration of €226,000 (£200,000) will not be payable as the facility accreditation was not and will not be obtained.

As a result, the purchase price is restated at €2,230,000 (£1,975,000).

The assets acquired and the liabilities assumed are as follows:

| | Final PPA in £' | Final PPA in €' |
|---|---|---|
| Net property, plant and equipment and intangible assets | £41,000 | €46,000 |
| Inventories | £463,000 | €523,000 |
| Customer relationship | £1,164,000 | €1,314,000 |
| Trademark | £222,000 | €251,000 |
| **Fair value of assets acquired and liabilities assumed** | **£1,890,000** | **€2,134,000** |
| | | |
| **Goodwill (initial estimate– EUR / GBP rate at 30 June 2018)** | **£285,000** | **€322,000** |
| **Goodwill (adjusted – EUR / GBP rate at 31 December 2019)** | **£85,000** | **€100,000** |

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, the gross amount of goodwill is no longer subject to adjustment.

- **Lab21 Products**

The impairment testing of the CGU as of 31 December 2019 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 €11,420,000, which is greater than the carrying amount of this asset. As such, no impairment was recognised in the year ended 31 December 2019.

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

| | | Terminal growth rates | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 11,420 | 0.0% | 0.5% | 1.0% | 1.5% | 2.0% | 2.5% | 3.0% |
| WACC rates | 12.5% | 13,102 | 13,480 | 13,891 | 14,339 | 14,830 | 15,370 | 15,967 |
| | 13.0% | 12,536 | 12,879 | 13,250 | 13,653 | 14,093 | 14,574 | 15,104 |
| | 13.5% | 12,013 | 12,324 | 12,660 | 13,024 | 13,420 | 13,851 | 14,324 |
| | 14.0% | 11,528 | 11,811 | 12,116 | 12,446 | 12,803 | 13,192 | 13,615 |
| | 14.5% | 11,076 | 11,335 | 11,613 | 11,913 | 12,237 | 12,587 | 12,968 |
| | 15.0% | 10,655 | 10,892 | 11,147 | 11,420 | 11,714 | 12,032 | 12,376 |
| | 15.5% | 10,262 | 10,480 | 10,713 | 10,962 | 11,230 | 11,519 | 11,831 |
| | 16.0% | 9,894 | 10,094 | 10,308 | 10,537 | 10,782 | 11,045 | 11,328 |
| | 16.5% | 9,548 | 9,733 | 9,930 | 10,140 | 10,365 | 10,605 | 10,864 |

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 2019 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 €19,628,000 which is greater than the carrying amount of this asset. As such, no impairment was recognised in the year ended 31 December 2019.

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

| | | Terminal growth rates | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 19,628 | 0.0% | 0.5% | 1.0% | 1.5% | 2.0% | 2.5% | 3.0% |
| WACC rates | 15.0% | 22,330 | 22,573 | 22,832 | 23,111 | 23,412 | 23,736 | 24,088 |
| | 16.0% | 21,538 | 21,743 | 21,961 | 22,195 | 22,445 | 22,714 | 23,004 |
| | 17.0% | 20,839 | 21,014 | 21,199 | 21,397 | 21,608 | 21,833 | 22,074 |
| | 18.0% | 20,219 | 20,369 | 20,527 | 20,696 | 20,875 | 21,065 | 21,268 |
| | 19.0% | 19,664 | 19,794 | 19,931 | 20,075 | 20,229 | 20,391 | 20,563 |
| | 19.8% | 19,262 | 19,378 | 19,500 | 19,628 | 19,764 | 19,908 | 20,060 |
| | 20.0% | 19,166 | 19,279 | 19,397 | 19,522 | 19,654 | 19,794 | 19,942 |
| | 21.0% | 18,716 | 18,815 | 18,918 | 19,027 | 19,141 | 19,262 | 19,389 |
| | 22.0% | 18,308 | 18,394 | 18,485 | 18,580 | 18,680 | 18,785 | 18,895 |

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.

## 17. OTHER INTANGIBLE ASSETS

| Amounts in '000 € | At 1 January 2019 | Additions | Disposals | Reclass. | Charge for the period | FX impact | At 31 December 2019 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Development costs | 441 | 61 | - | - | - | 26 | 528 |
| Concessions, patents and similar rights | 101 | 42 | - 1,544 | 1,469 | - | 5 | 73 |
| Software | 271 | 10 | - 96 | 73 | - | 12 | 270 |
| Trademark | 905 | - | - | - | - | 14 | 919 |
| Customer base | 4,967 | - | - | - | - | 72 | 5,039 |
| Other intangible assets | - | - | - 3 | 3 | - | - | - |
| | **6,685** | **113** | **- 1,643** | **1,545** | **-** | **129** | **6,829** |
| **Amortisation** | | | | | | | |
| Development costs | - 126 | - | - | - | - 87 | - 9 | - 222 |
| Concessions, patents and similar rights | - 77 | - | 858 | - 640 | - 193 | - 4 | - 56 |
| Software | - 189 | - | 91 | - 73 | - 41 | - 8 | - 220 |
| Trademark | - 205 | - | - | - | - 102 | - 2 | - 309 |
| Customer base | - 1,144 | - | - | - | - 557 | - 8 | - 1,709 |
| Other intangible assets | - | - | 3 | - 3 | - | - | - |
| | **- 1,741** | **-** | **952** | **- 716** | **- 980** | **- 31** | **- 2,516** |
| **Carrying amount** | **4,944** | **113** | **- 691** | **829** | **- 980** | **98** | **4,313** |

| Amounts in '000 € | At 1 January 2018 | Additions | Disposals | Reclass. | Charge for the period | FX impact | 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 | 4,967 |
| Other intangible assets | 113 | - | - | - 114 | - | - | - |
| | **6,621** | **1,875** | **- 44** | **- 1,725** | **-** | **- 43** | **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 | - 188 |
| Trademark | - 119 | - | - | - | - 87 | - | - 206 |
| Customer base | - 664 | - | - | - | - 481 | 1 | - 1,144 |
| Other intangible assets | - 18 | - | - | 18 | - | - | - |
| | **- 1,783** | **-** | **41** | **896** | **- 902** | **6** | **- 1,741** |
| **Carrying amount** | **4,838** | **1,875** | **- 3** | **- 829** | **- 902** | **- 37** | **4,944** |

## 18.PROPERTY, PLANT AND EQUIPMENT

| Amounts in 000' € | At 1 January 2019 | Additions | Disposals | Charge for the period | Adoption of IFRS 16 | FX impact | Reclass. & transfers | At 31 December 2019 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Buildings | - | - | - | - | 2,569 | 69 | - | 2,637 |
| Technical facilities, equipment and tools | 1,109 | 173 | - 1,532 | - | 60 | 68 | 1,464 | 1,342 |
| Office equipment | 53 | - | - 3 | - | - | 3 | 3 | 56 |
| Transport equipment | 2 | 1 | - 20 | - | - | - | 35 | 18 |
| Computer equipment | 314 | 24 | - 168 | - | - | 16 | 51 | 238 |
| Leasehold improvements | 1,019 | 26 | - 89 | - | - | 58 | 66 | 1,080 |
| Property, plant and equipment under construction | - | - | - | - | - | - | - | - |
| | **2,497** | **224** | **- 1,812** | **-** | **2,629** | **214** | **1,619** | **5,371** |
| **Accumulated depreciation** | | | | | | | | |
| Buildings | - | - | - | - 266 | - | - 7 | - | - 273 |
| Technical facilities, equipment and tools | - 770 | - | 1,514 | - 467 | - | - 49 | - 1,209 | - 982 |
| Office equipment | - 47 | - | 2 | - 3 | - | - 3 | - 2 | - 53 |
| Transport equipment | - 1 | - | 19 | - 6 | - | - | - 29 | - 17 |
| Computer equipment | - 247 | - | 169 | - 43 | - | - 13 | - 45 | - 179 |
| Other property, plant and equipment | - 241 | - | 73 | - 139 | - | - 18 | - 65 | - 389 |
| Property, plant and equipment under construction | - | - | - | - | - | - | - | - |
| | **- 1,306** | **-** | **1,777** | **- 924** | **-** | **- 90** | **- 1,350** | **- 1,893** |
| **Carrying amount** | **1,191** | **224** | **- 35** | **- 924** | **2,629** | **124** | **269** | **3,478** |

| Amounts in 000' € | At 1 January 2018 | Additions | Disposals | Charge for the period | FX impact | Reclass. & transfers | At 31 December 2018 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Technical facilities, equipment and tools | 2,339 | 290 | - | - | - 17 | - 1,503 | 1,109 |
| Office equipment | 197 | 3 | - | - | - | - 147 | 53 |
| Transport equipment | 36 | 1 | - | - | - | - 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 | - 770 |
| Office equipment | - 74 | - | - | - 15 | 1 | 41 | - 47 |
| Transport equipment: | - 24 | - | - | - 6 | - | 29 | - 1 |
| Computer equipment | - 254 | - | 1 | - 44 | 4 | 45 | - 247 |
| Leasehold improvements | - 258 | - | 129 | - 141 | 4 | 26 | - 241 |
| Property, plant and equipment under construction | - 348 | - | 348 | - | - | - | - |
| | **- 2,681** | **-** | **478** | **- 493** | **20** | **1,369** | **- 1,306** |
| **Carrying amount** | **1,573** | **423** | **-** | **- 493** | **- 18** | **- 293** | **1,191** |

## 19.NON-CURRENT FINANCIAL ASSETS

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Rental deposits | 128 | 127 |
| Liquidity contract | 11 | 9 |
| Guarantee deposit | 94 | 94 |
| Other | 7 | 4 |
| | **240** | **234** |

## 20.OTHER LONG TERM ASSETS

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Long term receivable from the sale of the NOVAprep business | 101 | - |
| Long term receivable from the sale of Lab21 Limited | 113 | - |
| | **214** | **-** |

Lab21 Limited was sold in July 2019. The purchase consideration was split into milestone payments and the long-term portion of the sale price has been discounted for actualisation down to €113,000.

The assets of NOVAprep were sold in December 2019. The purchase consideration was split into milestone payments and the long-term portion has been discounted for actualisation down to €101,000.

## 21.DEFERRED TAX ASSETS

Most of Group's major companies have tax losses carried 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 statement of financial position.

| Amounts in '000 € | **Year ended 31 December 2019** | **Year ended 31 December 2018** |
|---|---|---|
| Novacyt SA | 9,702 | 8,386 |
| Lab21 Ltd | - | 4,637 |
| Lab21 Healthcare Ltd | 1,185 | 913 |
| Microgen Bioproducts Ltd | 160 | 83 |
| Novacyt UK Holdings Ltd | 76 | - |
| **Total unrecognised deferred tax assets** | **11,123** | **14,019** |

## 22.INVENTORIES AND WORK IN PROGRESS

| Amounts in '000 € | **Year ended 31 December 2019** | **Year ended 31 December 2018** |
|---|---|---|
| Raw materials | 1,399 | 1,044 |
| Work in progress | 282 | 564 |
| Finished goods | 780 | 739 |
| Traded goods | 82 | - |
| Stock provisions | -104 | - |
| **Total Inventories** | **2,439** | **2,347** |

## 23.TRADE AND OTHER RECEIVABLES

- Trade and other receivables

| Amounts in '000 € | **Year ended 31 December 2019** | **Year ended 31 December 2018** |
|---|---|---|
| Trade and other receivables | 2,014 | 3,332 |
| Allowance for doubtful debts | -464 | -47 |
| Accrued income | 18 | 98 |
| Tax receivables (excluding income tax) | 392 | 492 |

| | | |
|---|---|---|
| Receivables on sale of businesses | 178 | - |
| Other receivables | 30 | 24 |
| **Total Trade and other receivables** | **2,168** | **3,900** |

Due to working capital restrictions in 2019, the Group focused on reducing its debtor balance and thus saw a significant improvement in days sales outstanding, which contributed to a lower year end receivables balance. Additionally, supply chain issues in the final quarter of 2019 impacted sales in the final months of the year contributing to the lower year on year amount of receivables not past due. Focus was put on collecting the over-due debt and that contributed to the year on year reduction in past due debt.

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

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Amount receivable not past due | 876 | 1,481 |
| Amount receivable past due but not impaired | 674 | 1,805 |
| Amount receivable impaired (gross) | 464 | 47 |
| Less impairment | -464 | -47 |
| **Total** | **1,550** | **3,285** |

The impairment provision booked in 2019 predominantly relates to a single customer based in China, who we continue constructive dialogue with over receiving payment.

- Ageing of past due but not impaired receivables

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Not more than 3 months | 565 | 1,059 |
| More than 3 months but not more than 6 months | 13 | 65 |
| More than 6 months but not more than 1 year | 7 | 69 |
| More than 1 year | 89 | 612 |
| **Total** | **674** | **1,805** |

- Movement in the allowance for doubtful accounts

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Balance at the beginning of the period | 47 | 92 |
| Impairment losses recognised | 448 | 39 |
| Amounts written off during the year as uncollectible | -14 | -25 |
| Amounts recovered during the year | -17 | -55 |

| | | |
|---|---|---|
| Impairment losses reversed | - | -4 |
| **Balance at the end of the period** | **464** | **47** |

## 24.PREPAYMENTS

| Amounts in 000' € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Prepaid expenses | 406 | 233 |
| | **406** | **233** |

The balances at December 2018 and December 2019 cover items such as rent, insurances and prepaid support agreements. The year on year increase is predominantly driven by a prepayment for Primerdesign stock that was not delivered in 2019 and a higher rent prepayment due to expanding our facility floorspace in Primerdesign.

## 25.CASH AND CASH EQUIVALENTS

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

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Money market deposits | 12 | 13 |
| Available cash | 1,793 | 1,119 |
| **Cash and cash equivalents** | **1,805** | **1,132** |

## 26.BORROWINGS

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

- Maturities as of 31 December 2019

| Amounts in '000 € | Amount due for settlement within 12 months | Amount due for settlement after 12 months | Total |
|---|---|---|---|
| Bond notes | 1,307 | 6,136 | 7,443 |
| Accrued interest on borrowings | 39 | - | 39 |
| Liabilities IFRS 16 | 268 | 2,356 | 2,624 |
| Short term financing facilities | 844 | - | 844 |
| **Total financial liabilities** | **2,458** | **8,492** | **10,950** |

- 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 |
| Accrued interest on borrowings | 72 | - | 72 |
| Bank borrowings | 67 | 20 | 87 |
| **Total financial liabilities** | **3,116** | **2,259** | **5,375** |

- Change in borrowings and financial liabilities in 2019

| Amounts in 000' € | At 31 December 2018 | Increase | Repayment | Adoption of IFRS 16 | Conversion / other non cash movements | FX impact | At 31 December 2019 |
|---|---|---|---|---|---|---|---|
| Bond notes | 5,216 | 6,151 | - 3,050 | - | - 999 | 125 | 7,443 |
| Accrued interest on borrowings | 72 | 39 | - 72 | - | - | - | 39 |
| Liabilities IFRS 16 | | 104 | - 209 | 2,662 | - | 68 | 2,624 |
| Short term financing facilities | 87 | 842 | -106 | - | - | 21 | 844 |
| **Total financial liabilities** | **5,375** | **7,136** | **- 3,437** | **2,662** | **- 999** | **214** | **10,950** |
| **Reconciliation with the cash-flow statement** | | | | | | | |
| Accrued interest on borrowings | -72 | -39 | 72 | - | - | - | -39 |
| Issuance Negma conversion options | - | 298 | -95 | - | -203 | - | - |
| Negma warrants | - | 236 | - | - | -30 | - | 206 |
| **As per cash-flow statement** | | **7 631** | **- 3 460** | | | | |

- 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** |

**Bond notes**

As of 31 December 2019, the Group's financing was primarily comprised of the following:

Vatel Bonds

- 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 at the option of Vatel into 1.25 Shares for each bond of €1 of nominal value only where the Company fails to comply with its payment obligations of the principal or the interest amounts due under the loan 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 at the option of Vatel into 1.429 Shares for each bond of €1 of nominal value only where the Company fails to comply with its payment obligations of the principal or the interest amounts due under the agreement within 15 days of receipt of a notice of an event of default.
- Both conversion options granted to Vatel have not been recorded in the accounts, as the probability of a default was not considered as material.

Harbert Bonds

- A bond subscribed by Harbert European Growth Capital in the amount of €5.0 million issued on 5 November 2019, with an effective interest rate of 13.5% for a term of 4 years. The Harbert bonds are issued by Novacyt UK Holdings simultaneously with warrants giving access to the share capital of Novacyt SA. The number of shares for which the holder of the warrants can subscribe and the subscription price can be either:
  - Subscription for 6,017,192 shares at a subscription price of € 0.0698 per share (i.e. an overall subscription price of €420,000); or
  - Subscription at a price of €0.0667 per share for a number of share equal to :

$$6{,}017{,}192 - \left[\frac{6{,}017{,}192 \times (0.0698 - 0.0667)}{30\ day\ average\ of\ Novacyt\ share\ price\ on\ exercise\ date}\right]$$

  The warrants are accounted for as derivative liabilities in "Trade and other liabilities".

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

Kreos bonds

- A bond subscribed by Kreos Capital IV Ltd in the amount of €3.5 million on 15 July 2015, which was subsequently fully repaid in November 2019;
- A bond subscribed by Kreos Capital V Ltd in the amount of €3 million issued on 12 May 2016, which was subsequently fully repaid in November 2019;

Vatel Bonds

- 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.

**Short term financing facilities**

In addition to the bond notes above, the Group financed its short-term working capital needs through convertible notes issued with warrants. On 18 April 2019, Novacyt SA entered into an agreement with the Negma Group ("Negma") under which Negma were granted warrants (the Tranche Warrants) that gave it the right to subscribe for convertible loan notes issued by Novacyt SA with attaching warrants (the Attaching Warrants). The Company can issue the loan notes over the subsequent 36 months, in several successive tranches representing bond debt in a maximum amount of €5 million.

The convertible loan notes (Obligations Convertibles en Actions –"OCA") are issued at par, i.e. €2,500 each, with no interest rate, and have a maturity of one year from issue. The Company must redeem unconverted OCAs upon maturity.

The bond debt represented by the OCAs (par value of an OCA) can be converted into shares at the request of the holder, on the basis of the following conversion rate: 88% of the lowest of the fifteen (15) average daily prices of 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 Attaching Warrants to be issued upon each issuance of OCAs 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 30% of the par value of the OCAs issued, i.e. €655,500 for the first tranche.

The Attaching Warrants will be immediately detached from the OCAs and will be transferable from issue. They may be exercised from issue until the 60th month inclusive following their issue date (the "Exercise Period"). Each Attaching 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 115% of the average 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 Attaching Warrants will be detached (or the issue date of the OCAs for the first tranche of OCAs, i.e. 25 April 2019).

The loan agreement offers protection to the Negma Group in the event of the modification by Novacyt SA of the allocation of its profits as a result of the issue of preference shares. A similar protection is not afforded to the Ordinary shareholders and therefore this would change the relative rights of the shareholders and warrant holders. As nothing prevents Novacyt SA from issuing preference shares, therefore the Attaching Warrants fail the fixed to fixed test and were accounted for as derivative liabilities in the line ”Trade and other liabilities”.

The OCAs and the Attaching 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 25 April in the amount of €2,000,000 (tranche 1) breaks down as follows:

- the conversion option, treated in this case as an embedded derivative under IAS 32, worth €297,955, was recorded at “fair value through profit or loss” in current borrowings,
- the attaching warrants, valued at €236,365 overall, were treated as an embedded derivative were recorded at “fair value through profit or loss” in current borrowings.,
- lastly, the residual amount, €1,465,680, was recognised at amortised cost under current financial liabilities.

On 25 April 2019, the Company exercised some of its Tranche Warrants resulting in the issuance of 800 OCAs in a total of €2,000,000, an additional 74 OCAs as settlement of issuance fees and 2,979,544 Attaching Warrants

Between 25 April 2019 and 2 October 2019, the Company has converted 596 OCAs. The remaining 278 OCAs were redeemed by anticipation as a result of a supplementary agreement dated 8 November 2019. Besides, the Company and Negma group agreed that the additional Tranches Warrants in the amount €3,000,000 were cancelled and that the exercise price of each Attaching Warrant was changed to €0.20 per share.

## 27.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 2019 | Year ended 31 December 2018 |
|---|---|---|
| Contingent consideration (current portion) | - | 1,569 |
| | **-** | **1,569** |

The company has settled in 2019 both debts related to the acquisition of Primerdesign and to the Omega Infectious Diseases business. The latter was reduced by €226,000 as the accreditation of the Axminster production facility was not and will not be achieved (initially expected inside 12 months of acquisition date).

## 28.PROVISIONS

- Nature of and change in provisions for risks and charges for the period from 1 January 2019 to 31 December 2019

| Amounts in '000 € | At 1 January 2019 | Increase | Reduction | Adoption of IFRS 16 | Change in exchange rates | At 31 December 2019 |
|---|---|---|---|---|---|---|
| Provisions for restoration of premises | 147 | 7 | - 25 | 87 | 10 | 226 |
| Long term management incentive plan | 20 | - | - 6 | - | - | 14 |
| **Long-term provisions** | **167** | **7** | **- 31** | **87** | **10** | **240** |
| Provision for litigation | 100 | - | - 50 | - | - | 50 |
| **Short-term provision** | **100** | **-** | **- 50** | **-** | **-** | **50** |

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

| Amounts in '000 € | At 1 January 2018 | Increase | Reduction | FX impact | At 31 December 2018 |
|---|---|---|---|---|---|
| Provisions for restoration of premises | 140 | 17 | - 7 | - 2 | 147 |
| Long term management incentive plan | 18 | 2 | - | - | 20 |
| **Long-term provisions** | **158** | **19** | **- 7** | **- 2** | **167** |
| Provision for litigation | 50 | 50 | - | - | 100 |
| **Short-term provision** | **50** | **50** | **-** | **-** | **100** |

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 Healthcare Ltd: August 2025
- Microgen Bioproducts Ltd: May 2032
- Primerdesign Ltd: November 2025

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

## 29.TRADE AND OTHER PAYABLES

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Trade payables | 2,091 | 2,769 |
| Accrued invoices | 858 | 1,189 |
| Social security liabilities | 473 | 298 |
| Tax liabilities | 142 | 281 |
| Other liabilities | 37 | 104 |
| Options classified as liabilities | 990 | 5 |
| **Total Trade and other payables** | **4,591** | **4,647** |

Trade payables have decreased year on year as a result of improved working capital following the Harbert European Growth Capital loan, allowing key creditors aged balances to be reduced.

Options classified as liabilities relate mainly to the Company's equity warrants granted to Harbert European Growth Capital in connection with the subscription of the €5,000,000 bond issued by Novacyt UK Holdings and to the equity warrants attached to the OCABSAs subscribed by Negma

## 30.OTHER CURRENT LIABILITIES

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Customers – advances and down payments received | 270 | - |
| Deferred income | 321 | 379 |
| | **591** | **379** |

The €270,000 customer advances balance relates to the NOVAprep business where payments were made upfront but the products could not be delivered until early 2020. Payment terms for the NOVAprep business were changed during 2019 to payment upfront with an order compared to on credit in 2018.

## 31.SHARE CAPITAL

As of 1 January 2018, the Company's share capital of €2,510,956.06 was divided into 37,664,341 shares with a par value of 1/15th of a Euro each.

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

- On 26 April 2019, the Company completed a capital increase by conversion of 1 convertible bond Negma from €2,510,956.06 to €2,511,997.73 through the issue of 15,625 shares at a price of €0.160 per share, with a share premium of €1,458.33.
- On 2 May 2019, the Company completed a capital increase by conversion of 7 convertible bonds Negma from €2,511,997.73 to €2,519,775.46 through the issue of 116,666 shares at a price of €0.150 per share, with a share premium of €9,722.27.
- On 14 May 2019, the Company completed a capital increase by conversion of 33 convertible bonds Negma from €2,519,775.46 to €2,559,061.13 through the issue of 589,285 shares at a price of €0.140 per share, with a share premium of €43,214.33.
- On 16 May 2019, the Company completed a capital increase by conversion of 27 convertible bonds Negma from €2,559,061.13 to €2,596,561.06 through the issue of 562,499 shares at a price of €0.120 per share, with a share premium of €30,000.07.
- On 12 June 2019, the Company completed a capital increase by conversion of 5 convertible bonds Negma from €2,596,561.06 to €2,605,820.26 through the issue of 138,888 shares at a price of €0.090 per share, with a share premium of €3,240.80.
- On 18 June 2019, the Company completed a capital increase by conversion of 17 convertible bonds Negma from €2,605,820.26 to €2,637,301.73 through the issue of 472,222 shares at a price of €0.090 per share, with a share premium of €11,018.53.

- On 19 June 2019, the Company completed a capital increase by conversion of 22 convertible bonds Negma from €2,637,301.73 to €2,678,042.46 through the issue of 611,111 shares at a price of €0.090 per share, with a share premium of €14,259.27.
- On 21 June 2019, the Company completed a capital increase by conversion of 7 convertible bonds Negma from €2,678,042.46 to €2,691,005.39 through the issue of 194,444 shares at a price of €0.090 per share, with a share premium of €4,537.07.
- On 24 June 2019, the Company completed a capital increase by conversion of 8 convertible bonds Negma from €2,691,005.39 to €2,705,820.19 through the issue of 222,222 shares at a price of €0.090 per share, with a share premium of €5,185.20.
- On 28 June 2019, the Company completed a capital increase by conversion of 2 convertible bonds Negma from €2,705,820.19 to €2,709,986.86 through the issue of 62,500 shares at a price of €0.080 per share, with a share premium of €833.33.
- On 8 July 2019, the Company completed a capital increase by conversion of 1 convertible bond Negma from €2,709,986.86 to €2,712,367.79 through the issue of 35,714 shares at a price of €0.070 per share, with a share premium of €119.07.
- On 15 July 2019, the Company completed a capital increase by conversion of 30 convertible bonds Negma from €2,712,367.79 to €2,783,796.32 through the issue of 1,071,428 shares at a price of €0.070 per share, with a share premium of €3.571.47.
- On 16 July 2019, the Company completed a capital increase by conversion of 10 convertible bonds Negma from €2,783,796.32 to €2,807,605.79 through the issue of 357,142 shares at a price of €0.070 per share, with a share premium of €1.190.53.
- On 1 August 2019, the Company completed a capital increase by conversion of 100 convertible bonds Negma from €2,807,605.79 to €3,057,855.99 through the issue of 3,753,753 shares at a price of €0.070 per share, with a share premium of €-250.20.
- On 6 August 2019, the Company completed a capital increase by conversion of 51 convertible bonds Negma from €3,057,855.99 to €3,185,483.59 through the issue of 1,914,414 shares at a price of €0.070 per share, with a share premium of €-127.60.
- On 12 August 2019, the Company completed a capital increase by conversion of 51 convertible bonds Negma from €3,185,483.59 to €3,312,983.59 through the issue of 1,912,500 shares at a price of €0.070 per share, with no share premium.
- On 23 August 2019, the Company completed a capital increase by conversion of 40 convertible bonds Negma from €3,312,983.59 to €3,412,983.59 through the issue of 1,500,000 shares at a price of €0.070 per share, with no share premium.
- On 28 August 2019, the Company completed a capital increase by conversion of 60 convertible bonds Negma from €3,412,983.59 to €3,562,983.59 through the issue of 2,250,000 shares at a price of €0.070 per share, with no share premium.
- On 11 September 2019, the Company completed a capital increase by conversion of 20 convertible bonds Negma from €3,562,983.59 to €3,612,983.59 through the issue of 750,000 shares at a price of €0.070 per share, with no share premium.
- On 12 September 2019, the Company completed a capital increase by conversion of 18 convertible bonds Negma from €3,612,983.59 to €3,657,983.59 through the issue of 675,000 shares at a price of €0.070 per share, with no share premium.

- On 18 September 2019, the Company completed a capital increase by conversion of 12 convertible bonds Negma from €3,657,983.59 to €3,687,983.59 through the issue of 450,000 shares at a price of €0.070 per share, with no share premium.
- On 23 September 2019, the Company completed a capital increase by conversion of 10 convertible bonds Negma from €3,687,983.59 to €3,712,983.59 through the issue of 375,000 shares at a price of €0.070 per share, with no share premium.
- On 25 September 2019, the Company completed a capital increase by conversion of 38 convertible bonds Negma from €3,712,983.59 to €3,807,983.59 through the issue of 1,425,000 shares at a price of €0.070 per share, with no share premium.
- On 27 September 2019, the Company completed a capital increase by conversion of 18 convertible bonds Negma from €3,807,983.59 to €3,852,983.59 through the issue of 675,000 shares at a price of €0.070 per share, with no share premium.
- On 2 October 2019, the Company completed a capital increase by conversion of 8 convertible bonds Negma from €3,852,983.59 to €3,872,983.59 through the issue of 300,000 shares at a price of €0.070 per share, with no share premium.

| Amounts in '000 € | **Amount of share capital** | **Unit value per share** | **Number of shares issued** |
|---|---|---|---|
| **At 1 January 2018** | **2,511** | **0.07** | **37,664,341** |
| | | | |
| **At 31 December 2018** | **2,511** | **0.07** | **37,664,341** |
| | | | |
| Capital increase by conversion of OCABSA | 1,362 | 0.07 | 20,430,413 |
| **At 31 December 2019** | **3,873** | **0.07** | **58,094,754** |

As of 31 December 2019, the Company's share capital of €3,872,983.59 was divided into 58,094,754 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.

## 32.SHARE PREMIUM

| Amounts in '000 € | |
|---|---|
| **Balance at 1 January 2018** | **58,281** |
| | |
| Expenses of issue of equity shares | - 32 |
| **Balance at 31 December 2018** | **58,249** |
| | |
| Premium arising on issue of equity shares | 128 |
| Expenses of issue of equity shares | - 365 |
| **Balance at 31 December 2019** | **58,012** |

## 33.OTHER RESERVES

Amounts in '000 €

| | |
|---|---|
| **Balance at 1 January 2018** | **- 2,815** |
| | |
| Translation differences | - 4 |
| **Balance at 31 December 2018** | **- 2,819** |
| | |
| Translation differences | - 487 |
| **Balance at 31 December 2019** | **- 3,306** |

## 34.EQUITY RESERVE

Amounts in '000 €

| | |
|---|---|
| **Balance at 1 January 2018** | **422** |
| | |
| **Balance at 31 December 2018** | **422** |
| | |
| Issuance and conversion of the OCABSA Negma | - 21 |
| **Balance at 31 December 2019** | **401** |

This reserve represents the equity component of warrants and loans.

## 35.RETAINED LOSSES

Amounts in '000 €

| | |
|---|---|
| **Balance at 1 January 2018** | **- 33,308** |
| | |
| Net loss for the year | - 4,738 |
| **Balance at 31 December 2018** | **- 38,046** |
| | |
| Net loss for the year | - 6,558 |
| Other variations | 392 |
| **Balance at 31 December 2019** | **- 44,212** |

## 36.BUSINESS COMBINATIONS

### Acquisition of Omega ID

On 28 June 2018, the UK Company Lab21 Healthcare Ltd completed an asset purchase agreement for the Infectious 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 terms.

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 |
| | |
| Cancellation of the second deferred consideration | €-226,000 |
| Total adjusted purchase price | €2,230,000 |

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: opening estimate** | **€322,000** |
| **Goodwill: final adjusted amount (at acquisition date)** | **€96,000** |

The table above shows how the goodwill figure of €96,000 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, the gross amount of goodwill is not subject to any further 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 "other operating expenses".
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** |

## 37.DISCONTINUED OPERATIONS

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

The NOVAprep business was sold in December 2019 via an Asset Purchase Agreement. The Cambridge Clinical Labs business was sold in July 2019 through the sale of the shares of Lab21 Ltd.

The assets and liabilities available for sale were transferred on the lines "Assets of the discontinued activities" and "Liabilities of the discontinued activities" in the 2018 financial results. The value of these assets and liabilities at December 2018 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 2018 and 2019.

| **Amounts in '000 €** | **Year ended 31 December 2019** | **Year ended 31 December 2018** |
|---|---|---|
| Revenue | 1,337 | 974 |
| Cost of sales | -762 | -719 |
| **Gross profit** | **575** | **255** |
| Sales, marketing and distribution expenses | -880 | -1,169 |
| Research and development expenses | -156 | -189 |
| General and administrative expenses | -1,911 | -1,563 |
| Governmental subsidies | - | 88 |
| **Operating loss before exceptional items** | **-2,372** | **-2,578** |
| Other operating expenses | -284 | -48 |
| **Operating loss after exceptional items** | **-2,656** | **-2,626** |
| **Loss before tax** | **-2,656** | **-2,626** |
| Tax (expense) / income | - | - |
| **Loss after tax from discontinued operations** | **-2,656** | **-2,626** |

## 38.NOTES TO THE CASH FLOW STATEMENT

| Amounts in '000 € | **Year ended 31 December 2019** | **Year ended 31 December 2018** |
|---|---|---|
| Loss for the year | -6,558 | -4,738 |
| *Loss from the discontinued activities* | *-2,656* | *-2,626* |
| *Loss from the continuing operations* | *-3,902* | *-2,112* |
| **Adjustments for:** | | |
| Depreciation, amortisation and impairment loss | 1,812 | 1,469 |
| Unwinding of discount on contingent consideration | 92 | 42 |
| (Increase) / decrease of fair value | 749 | -63 |
| Gains / (losses) on disposal of fixed assets | 343 | 3 |
| **Operating cash flows before movements of working capital** | **-3,563** | **-3,286** |
| (Increase) / decrease in inventories | 424 | -397 |
| (Increase) / decrease in receivables | 1,748 | 101 |
| Increase / (decrease) in payables | -858 | 1,463 |
| **Cash used in operations** | **-2,248** | **-2,119** |
| Changes in debt issues expenses | - | -1 |
| Income taxes paid/received | 82 | 192 |
| Finance costs | 1,093 | 682 |
| **Net cash used in operating activities** | **-1,073** | **-1,246** |
| *Operating cash flows from the discontinued activities* | *-1,282* | *-1,806* |
| *Operating cash flows from the continuing operations* | *209* | *560* |

## 39.LEASES

The Group has elected to apply the standard using the modified retrospective approach from 1 January 2019, utilising certain of the practical expedients provided within the Standard.

In application of IFRS 16 as from 1 January 2019, the group has recognised on the statement of financial position some “right-of-use” assets and lease liabilities.

**Novacyt S.A.**

Most of the leases contracted by Novacyt S.A. were related to the NOVAprep business. As a result of the disposal, the charges are reclassified on a single line called “Loss from discontinued operations”. Novacyt SA still rents its office in Velizy until the end of the year 2020.

**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 of £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, with all leases running to November 2025.

**Microgen Bioproducts Ltd**

An operating lease exists at Watchmoor Park which has a mixed use for office, storage, and laboratory purposes. 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).

**Lab21 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 ran until October 2019 with an annual charge of £7,272 per annum. Total annual charge for both operating leases is £89,116 per annum.

In application of IFRS 16 as from 1 January 2019, the group has recognized on the statement of financial position some “right-of-use” assets and lease liabilities.

The table below presents by nature the “right-of-use” assets included in the fixed assets of the Group in 2019:

| Amounts in 000' € | At 1 January 2019 | Charge for the period | Adoption of IFRS 16 | Reclass. & transfers | FX impact | At 31 December 2019 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Buildings | - | - | 2,569 | - | 69 | 2,638 |
| Technical facilities, equipment and tools | - | - | 61 | 94 | 4 | 159 |
| **Total** | **-** | **-** | **2,630** | **94** | **73** | **2,797** |
| | | | | | | |
| **Accumulated depreciation** | | | | | | |
| Buildings | - | - 265 | - | - | - 7 | - 272 |
| Technical facilities, equipment and tools | - | - 35 | - | - | - 1 | - 36 |
| **Total** | **-** | **- 300** | **-** | **-** | **- 8** | **- 308** |
| | | | | | | |
| **Carrying amount** | **-** | **- 300** | **2,630** | **94** | **65** | **2,489** |

The liabilities recognized for the application of IFRS 16 at December 2019 amount to €2,624,000. To determine the amount of these liabilities, future lease payments were discounted at the incremental borrowing rate of the companies concerned, which varies between 7.5% and 11.2%.

The table below presents the reconciliation from the commitments related to non-cancellable contracts as at December 2018 to the amount of the lease liabilities at December 2019:

| Amounts in 000' € | |
|---|---|
| Commitments related to non-cancellable contracts at December 2018 | 2,167 |
| Commitments to future payments after 5 years | 1,650 |
| | |
| Short term / low value contracts | -38 |
| FX impact | 230 |
| Commitments related to non-cancellable contracts at December 2018 | 4,009 |
| | |
| Discount at the weighted average incremental borrowing rate of 7.6 % | -1,509 |
| Lease liabilities at 1 January 2019 | 2,500 |
| | |
| New commitments: extension of existing contracts | 220 |
| New commitments : new contracts | 119 |
| Repayment of lease liabilities | -210 |
| FX impact on repayment of lease liabilities | -5 |
| **Lease liabilities at 31 December 2019** | **2,624** |

The table below presents the impacts of the leases in the consolidated income and cash-flow statements of the financial year 2019:

| Amounts in 000' € | At 31 December 2019 |
|---|---|
| Interest expense on lease liabilities | 198 |
| Total cash outflows for leases accounted for as per IFRS 16 | 408 |
| Expenses related to short-term and low-value leases | 100 |
| Total cash outflows for leases | 508 |

## 40.RETIREMENT BENEFIT OBLIGATIONS

Following the announcement of the disposal of the NOVAprep business, the provision was reclassified to 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 SA. 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.

As the NOVAprep business was sold in December 2019, the provision for retirement benefit obligations was entirely reversed at that date.

- Net expense for the year / period

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---:|---:|
| Service cost | -17 | 3 |
| **Expense (income)** | **-17** | **3** |

- Change in the actuarial liability

| Amounts in '000 € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---:|---:|
| **Obligation – beginning of year** | **17** | **13** |
| Service cost | -17 | 3 |
| **Obligation – end of year** | **-** | **17** |

- 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 2019 | Year ended 31 December 2018 |
|---|:---:|:---:|
| Retirement age – managers | n/a | 64 |
| Retirement age – non-managers | n/a | 62 |
| Wage increases | n/a | 3.00% |
| Rate of social security contributions | n/a | 41.51% |
| Discount rate | n/a | 1.60% |

## 41. FINANCIAL INSTRUMENTS

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of debt and equity balances. 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 26 after deducting cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained losses in Notes 31 to 35).

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 2019** | **Year ended 31 December 2018** |
|---|---|---|
| Debt | 10,950 | 5,374 |
| Cash and cash equivalents | - 1,805 | -1,132 |
| **Net debt** | **9,145** | **4,242** |
| **Equity** | **14,594** | **20,138** |
| **Net Debt to Equity ratio** | **63%** | **21%** |

Debt is defined as long-term and short-term borrowings (excluding derivatives and financial guarantee contracts) as detailed in Note 26.

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

### Significant accounting policies

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 2019 | Year ended 31 December 2018 |
|---|---|---|
| **Financial assets** | | |
| Cash & cash equivalents | 1,805 | 1,132 |
| Loans and receivables | 2,026 | 3,658 |
| **Financial liabilities** | | |
| Fair value through profit and loss | 990 | 5 |
| Amortised cost | 14,205 | 11,005 |

### 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 complex derivative financial instruments to reduce its economic 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 2019** | **Year ended 31 December 2018** | **Year ended 31 December 2019** | **Year ended 31 December 2018** | **Year ended 31 December 2019** | **Year ended 31 December 2018** |
| GBP | -4,869 | -4,603 | 1,508 | 1,915 | -3,361 | -2,647 |
| USD | -860 | -616 | 1,602 | 1,469 | 742 | 882 |

**Foreign currency sensitivity analysis**

The Group is mainly exposed to the currency of the UK entities that are included in all three operating segments.
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.

| | Net exposure | |
|---|---|---|
| **Amounts in '000 €** | **Year ended 31 December 2019** | **Year ended 31 December 2018** |
| GBP | -3,361 | -2,647 |
| Conversion rate | 0.85391 | 0.90171 |
| Impact EUR strenghtening : FX + 5 % | 160 | 126 |
| Impact EUR weakening : FX - 5 % | -177 | -139 |
| USD | 742 | 882 |
| Conversion rate | 1.11998 | 1.14430 |
| Impact EUR strenghtening : FX + 5 % | -35 | -42 |
| Impact EUR weakening : FX - 5 % | 39 | 46 |

**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 credit worthy 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 | 5+ years | Total |
|---|---|---|---|---|---|---|---|
| | % | '000 € | '000 € | '000 € | '000 € | '000 € | '000 € |
| **31 December 2019** | | | | | | | |
| Variable interest rate instruments | | - | - | - | - | - | - |
| Fixed interest rate instruments | 10,4% | 348 | 427 | 1 707 | 9 043 | 1 926 | 13 451 |
| **31 December 2018** | | | | | | | |
| Variable interest rate instruments | | - | - | - | - | - | - |
| Fixed interest rate instruments | 12,4% | 173 | 654 | 2 199 | 2 326 | - | 5 352 |

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 any 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 2019** | | | | | | |
| Non-interest bearing | | 2,926 | 449 | 48 | 230 | 3,653 |
| **31 December 2018** | | | | | | |
| Non-interest bearing | | 3,688 | 749 | 122 | 225 | 4,784 |

## 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 |
|---|---|---|---|---|---|---|---|
| | | 31/12/18 | 31/12/19 | | | | |
| 1) | Receivable from the sale of the NOVAprep business | - | 201 | 3 | Discount was applied on the payments due in December 2021 and 2022 | | |
| 2) | Receivable from the sale of the Lab21 shares | - | 191 | 3 | Discount was applied on the payments due in July 2021 and 2022 | | |
| 3) | Contigent consideration (current portion) | 1,569 | - | 3 | No discount was applied on the cash flows as the payment is due in less than 1 year. | | |
| 4) | Trade and other payables : Options classified as liabilities- Warrant Primerdesign | 5 | 4 | 2 | Monte Carlo simulation model | Expected volativity of 84.3% used for December 2019 | If the expected volatility was 5% higher or lower while other variables were held constant, the carrying amount would respectively increase by 5 K€ and decrease by 3 K€ as at December 2019. |
| 5) | Trade and other payables : Options classified as liabilities- Warrant Harbert | - | 780 | 2 | Monte Carlo simulation model | Expected volativity of 65.9% used for December 2019 | If the expected volatility was 5% higher or lower while other variables were held constant, the carrying amount would respectively increase by 354 K€ and decrease by 316 K€ as at December 2019. |
| 6) | Trade & other payables: Options classified as liabilities – warrants Negma | - | 206 | 2 | Black and Scholes model | Expected volativity of 59.7% used for December 2019 | |

## Fair value measurements recognised in the statement of financial position

| Amounts in '000 € | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | Year ended 31 December 2019 | | | |
| **Financial assets at FVTPL** | | | | |
| Receivables from the sale of businesses | - | - | 392 | 392 |
| **Total assets at FVTPL** | **-** | **-** | **392** | **392** |
| **Financial liabilities at FVTPL** | | | | |
| Derivatives financial liabilities | - | 990 | - | - |
| **Total liabilities at FVTPL** | **-** | **990** | **-** | **990** |

| Amounts in '000 € | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | Year ended 31 December 2018 | | | |
| **Financial liabilities at FVTPL** | | | | |
| Derivatives financial liabilities | - | 5 | 1,153 | 1,185 |
| **Total liabilities at FVTPL** | **-** | **5** | **1,153** | **1,185** |

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 2019** | **Year ended 31 December 2018** |
| Bonds | 4,811 | 1,057 |
| Convertible loan notes | 2,633 | 4,159 |
| Short term financing facilities | 844 | 87 |
| Liabilities as per IFRS 16 Adoption | 2,624 | - |

| | Fair value | |
|---|---|---|
| **Financial Liabilities** | **Year ended 31 December 2019** | **Year ended 31 December 2018** |

| | | |
|---|---|---|
| Bonds | 4,819 | 1,057 |
| Convertible loan notes | 2,386 | 4,035 |
| Short term financing facilities | 844 | 87 |
| Liabilities as per IFRS 16 Adoption | 1,646 | - |

The fair value of the debts that are not measured at fair value were determined by discounting the future cash flows at a rate of 13.5 % that is the effective rate of the most recent borrowing secured by the Group.

**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.

## 42.COMMITMENTS GIVEN AND RECEIVED

On 5 November 2019, the Harbert European Specialty Lending Company has granted a loan of €5,000,000 to Novacyt UK Holdings, a 100% subsidiary of Novacyt SA.

On the same day, Novacyt SA agreed to grant Harbert European Specialty Lending Company an autonomous first-demand guarantee (as per article 2321 of the French Civil Code) as a guarantee of perfect repayment of all amounts requested, up to a maximum of €5,000,000.

The payment shall be made within the 15 business days following the payment request made by Harbert European Specialty Lending Company.

## 43.RELATED PARTIES

Parties related to Novacyt S.A. are:

- the managers, whose compensation is disclosed below,
- the directors of Novacyt S.A.

### Remuneration of key management personnel

| Amounts in 000' € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Fixed compensation and company cars | 1,129 | 1,107 |
| Variable compensation | 129 | 113 |
| Social security contributions | 159 | 151 |
| Contributions to supplementary pension plans | 54 | 55 |
| **Total** | **1,471** | **1,426** |

### Aggregate directors' remuneration

| Amounts in 000' € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| Fixed compensation and company cars | 674 | 674 |
| Variable compensation | 68 | 113 |
| Social security contributions | 114 | 100 |
| Contributions to supplementary pension plans | 30 | 22 |
| Fees | 27 | 6 |
| **Total** | **913** | **915** |
| | | |
| Number of people concerned | 7 | 7 |

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

## 44.AUDIT FEES

| Amounts in 000' € | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|---|---|
| **Fees payable to the Company's auditor and its associates in respect of the audit** | | |
| Group audit of these financial statements | 96 | 66 |
| Audit of the Company's subsidiaries' financial statements | 108 | 125 |
| Total audit remuneration | 204 | 191 |
| **Fees payable to the Company's auditor and its associates in respect of non-audit related services** | | |
| Audit-related assurance services | 8 | 18 |
| All other services | 21 | 45 |
| Total non-audit related remuneration | **29** | **63** |

## 45.IMPACT OF BREXIT ON THE GROUP'S ACTIVITY

It is difficult to anticipate the impact of Brexit as trade negotiations continue and the final trade agreements and regulatory landscape is unknown. The tax consequences depend on the outcome of negotiations between Europe and the United Kingdom, and to date are undetermined.

Management is continually monitoring the situation and continues to identify market, operational and legal risks and to take the appropriate mitigation measures as deemed necessary.

## 46.SUBSEQUENT EVENTS

During January and February 2020 Novacyt's share price increased to over €2 per share, a key contributing factor being the launch of a Covid-19 diagnostic test kit by Primerdesign. This share price increase resulted in all remaining warrant holders exercising their warrants which gave rise to a net cash inflow of €2,400,000 into the business and the warrant overhang has now been removed completely.