NOVACYT

Société anonyme

13 Avenue Morane Saulnier,

78140 VELIZY VILLACOUBLAY

Statutory auditors' report on the

consolidated financial statements

For the year ended December 31, 2022

Alberis Audit

27, avenue des Essarts

95800 Cergy

S.A.S. au capital de 1 000 €

888 427 424 RCS Nanterre

Société de Commissariat aux Comptes inscrite à la

Compagnie Régionale de Versailles et du Centre

Deloitte & Associés

6, place de la Pyramide

92908 Paris-La Défense Cedex

S.A.S. au capital de 2 188 160 €

572 028 041 RCS Nanterre

Société de Commissariat aux Comptes inscrite à la
Compagnie Régionale de Versailles et du Centre

NOVACYT

Société anonyme

13 Avenue Morane Saulnier

78140 VELIZY VILLACOUBLAY

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2022

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors 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 Shareholder's 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, 2022.

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 at December 31, 2022 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for statutory auditors, for the period from January 1st, 2022 to the date of our report.

Emphasis of Matter

We draw attention to the following matter:

- Notes 44. Contingent Liabilities and 45. Subsequent Events, identifying an ongoing commercial dispute and disclosing the underlying assumptions and the potential impacts in the consolidated financial statements.

Our opinion is not modified in respect of this matter.

Justification of Assessments

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

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

Goodwill

Goodwill was subject to impairment tests according to the procedures describes 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 law and regulations of the information pertaining to the Group presented in the Board of Director’s management report.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Statutory Auditors’ 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 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.

Cergy and Paris-La Défense, April 26, 2023

The Statutory Auditors

French original signed by

Alberis Audit	Deloitte & Associés
Guillaume TURCHI	Benoit PIMONT

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

Amounts in £'000	Notes	Year ended 31 December 2022	Year ended 31 December 2021 (*)
Continuing Operations			
Revenue	5	21,040	92,603
Cost of sales	7	-15,294	-28,607
Cost of sales – exceptional	8	-	-35,770
Total cost of sales		**-15,294**	**-64,377**
Gross profit		**5,746**	**28,226**
Sales, marketing and distribution expenses	9	-4,826	-6,225
Research and development expenses	10	-5,047	-4,645
General and administrative expenses	11	-12,090	-16,359
Governmental subsidies		562	308
Operating (loss) / profit before exceptional items		**-15,655**	**1,305**
Other operating income	12	-	65
Other operating expenses	12	-7,738	-5,286
Operating loss after exceptional items		**-23,393**	**-3,916**
Financial income	13	3,969	787
Financial expense	13	-629	-2,531
Loss before tax		**-20,053**	**-5,660**
Tax expense	14	-2,148	-349
Loss after tax from continuing operations		**-22,201**	**-6,009**
Loss from discontinued operations	38	-3,529	-3,719
Loss after tax attributable to owners of the Company (**)		**-25,730**	**-9,728**
Loss per share (£)	15	-0.36	-0.14
Diluted loss per share (£)	15	-0.36	-0.14
Loss per share from continuing operations (£)	15	-0.31	-0.09
Diluted loss per share from continuing operations (£)	15	-0.31	-0.09
Loss per share from discontinued operations (£)	15	-0.05	-0.05
Diluted loss per share from discontinued operations (£)	15	-0.05	-0.05

* The 2021 consolidated income statement is presented to reflect the impact of the application of IFRS 5 relative to discontinued operations, by stating the Lab21 Products activity on a single line 'Loss from discontinued operations'.
** There are no non-controlling interests.

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

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021 (*)
Loss for the period recognised in the income statement	**-25,730**	**-9,728**
Items that may be subsequently reclassified to profit or loss:		
Translation reserves	-843	862
Total comprehensive loss	**-26,573**	**-8,866**
Comprehensive loss attributable to:		
Owners of the Company (**)	**-26,573**	**-8,866**

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

**There are no non-controlling interests.

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

Amounts in £'000	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Goodwill	16	6,646	11,471
Other intangible assets	17	3,121	3,710
Property, plant and equipment	18	2,751	4,594
Right-of-use assets	19	521	1,788
Non-current financial assets		-	144
Deferred tax assets	20	624	3,143
Other long-term assets		-	64
Total non-current assets		**13,663**	**24,914**
Inventories and work in progress	21	3,027	11,461
Trade and other receivables	22	33,662	38,499
Tax receivables	28	1,149	5,034
Prepayments and short-term deposits	23	2,418	2,034
Investments short-term		9	9
Cash and cash equivalents	24	86,973	101,746
Total current assets		**127,238**	**158,783**
Total assets		**140,901**	**183,697**
Lease liabilities short-term	25	609	424
Contingent consideration short-term	27	-	836
Provisions short-term	29	20,300	19,956
Trade and other liabilities	30	2,787	17,190
Other current liabilities	31	540	498
Total current liabilities		**24,236**	**38,904**
Net current assets		**103,002**	**119,879**
Lease liabilities long-term	25	263	1,446
Provisions long-term	29	95	308
Deferred tax liabilities	20	1,041	1,224
Other long-term liabilities	32	50	-
Total non-current liabilities		**1,449**	**2,978**
Total liabilities		**25,685**	**41,882**
Net assets		**115,216**	**141,815**

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

Amounts in £'000	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Share capital	33	4,053	4,053
Share premium account	34	50,671	50,671
Own shares		-91	-78
Other reserves	35	-2,017	-1,174
Equity reserve	36	1,155	1,155
Retained earnings	37	61,445	87,188
Total equity – owners of the Company		**115,216**	**141,815**
Total equity		**115,216**	**141,815**

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

Amounts in £'000					Other Group reserves					
	Share capital	Share premium	Own shares	Equity reserves	Acquisition of the shares of Primer Design	Translation reserve	OCI on retirement benefits	Total	Retained earnings	Total equity
Balance at 1 January 2021	**4,053**	**50,671**	**-49**	**1,155**	**-2,407**	**379**	**-8**	**-2,036**	**96,916**	**150,710**
Translation differences	–	–	–	–	–	862	–	862	–	862
Loss for the period	–	–	–	–	–	–	–	–	-9,728	-9,728
Total comprehensive income / (loss) for the period	**–**	**–**	**–**	**–**	**–**	**862**	**–**	**862**	**-9,728**	**-8,866**
Own shares acquired / sold in the period	–	–	-29	–	–	–	–	–	–	-29
Balance at 31 December 2021	**4,053**	**50,671**	**-78**	**1,155**	**-2,407**	**1,241**	**-8**	**-1,174**	**87,188**	**141,815**
Translation differences	–	–	–	–	–	-843	–	-843	–	-843
Loss for the period	–	–	–	–	–	–	–	–	-25,730	-25,730
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**-843**	**–**	**-843**	**-25,730**	**-26,573**
Own shares acquired / sold in the period	–	–	-13	–	–	–	–	–	–	-13
Other	–	–	–	–	–	–	–	–	-13	-13
Balance at 31 December 2022	**4,053**	**50,671**	**-91**	**1,155**	**-2,407**	**398**	**-8**	**-2,017**	**61,445**	**115,216**

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

Amounts in £'000	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Net cash (used in) / from operating activities	39	**-13,729**	**15,689**
Operating cash flows from discontinued operations		*-1,955*	*2,180*
Operating cash flows from continuing operations		*-11,774*	*13,509*
Investing activities			
Purchases of patents and trademarks		-260	-330
Purchases of property, plant and equipment		-156	-3,770
Variation of deposits		-12	16
Acquisition of subsidiary net of cash acquired		-787	-943
Interest received		638	40
Net cash used in investing activities		**-577**	**-4,987**
Investing cash flows from discontinued operations		*28*	*-247*
Investing cash flows from continuing operations		*-605*	*-4,740*
Financing activities			
Repayment of lease liabilities		-503	-610
Purchase of own shares – net		-13	-29
Net cash used in financing activities		**-516**	**-639**
Financing cash flows from discontinued operations		*-142*	*-261*
Financing cash flows from continuing operations		*-374*	*-378*
Net (decrease) / increase in cash and cash equivalents		**-14,822**	**10,063**
Cash and cash equivalents at beginning of year		**101,746**	**91,765**
Effect of foreign exchange rate changes		49	-82
Cash and cash equivalents at end of year		**86,973**	**101,746**

NOTES TO THE ANNUAL ACCOUNTS

1. APPLICABLE ACCOUNTING STANDARDS

Novacyt is an international diagnostics business delivering a broad portfolio of *in vitro* and molecular diagnostic tests for a wide range of infectious diseases, enabling faster, more accurate, accessible testing to improve healthcare outcomes. The Company provides customers with a seamless sample-to-result workflow using its integrated and scalable instrumentation/solutions. The Company specialises in the design, manufacture, and supply of real-time PCR kits, reagents and a full range of laboratory and qPCR instrumentation for molecular biology research and clinical use. Novacyt offers one of the world's most varied and comprehensive range of qPCR assays, covering human, veterinary, biodefence, environmental, agriculture and food testing. 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 Great British Pounds ("GBP"), rounded to the nearest thousand ("£'000s").

The 2022 consolidated financial statements were approved by the Board of Directors on 26 April 2023.

2. ADOPTION OF NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

- <u>Standards, interpretations and amendments to standards with mandatory application for the period beginning on or after 1 January 2022</u> had no material impact on Novacyt's consolidated financial statements at 31 December 2022. These are:
    - Amendment to IFRS 4 : Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
    - Amendment to IAS 16 regarding proceeds received before the intended use of an property, plant and equipment;
    - Amendment to IAS 37 about which costs to include for the purpose of assessing whether a contract is onerous.
    - Amendment to IFRS 3 about the criteria that activities and assets must meet to be considered as a business.
    - Improvement to IAS 41: disclosure of the method of calculating the fair value of agricultural assets.
    - Improvement to IFRS 1: treatment of the individual accounts of subsidiaries adopting IFRS for the first time.
    - Improvement to IFRS 9: consideration of fees and commissions for the derecognition of a financial liability
    - Improvement to IFRS 16 regarding rental incentives.

- Standards or interpretations not mandatorily applicable in 2022 that would be available for an early application.

    - Amendment to IAS 1: information to disclose regarding accounting principles and policies.

    - Amendment to IAS 8 regarding the definition of an accounting estimate.

    - IFRS 17 – Insurance contracts

The company has not adopted the standards and amendments listed above early.

The texts adopted by the European Union are available on the website of the European Commission.

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

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 (see note 16), the carrying amounts and useful lives of the other intangible assets (see note 17), deferred taxes (see note 20), trade receivables (see note 22) and provisions for risks and other provisions related to the operating activities (see note 29).

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

Basis of consolidation

The financial information includes all companies under control. The Group 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 Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group'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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group 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 Group's scope of consolidation included the following companies, all fully consolidated when included in the scope.

Companies	At 31 December 2022 Interest percentage	At 31 December 2022 Consolidation method	At 31 December 2021 Interest percentage	At 31 December 2021 Consolidation method
Biotec Laboratories Ltd	100%	FC	100%	FC
IT-IS International Ltd	100%	FC	100%	FC
Lab21 Healthcare Ltd	100%	DO	100%	DO
Novacyt US Inc	100%	FC	100%	FC
Novacyt Inc	100%	FC	100%	FC
Microgen Bioproducts Ltd	100%	DO	100%	DO
Novacyt SA	100%	FC	100%	FC
Novacyt Asia Ltd	100%	FC	100%	FC
Novacyt China Ltd	100%	FC	100%	FC
Novacyt UK Holdings Ltd	100%	FC	100%	FC
Primer Design Ltd	100%	FC	100%	FC

Legend: FC: Full consolidation
DO: Discontinued operation

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 GBP. The financial statements of companies whose functional currency is not GBP are translated into GBP 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 reserves" 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.

Discontinued operations and assets held for sale

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

(a) represents a separate major line of business or geographical area of operations,
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
(c) is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are presented in the consolidated income statement as a single amount comprising the total of:

- The post-tax profit or loss of the discontinued operation,
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, and
- The post-tax gain or loss recognised on the disposal of assets or the disposal group making up the discontinued operation.

Where material, the analysis of the single amount is presented in the relevant note (see note 38).

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

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

Comparatives for discontinued operations are restated.

Going concern

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

The going concern model covers the period up to and including April 2024. In making this assessment, the Directors have considered the following elements:

- The working capital requirements of the business;
- A positive cash balance at 31 December 2022 of £86,973,000;
- Payment of the Long-Term cash Incentive Plan ("LTIP") that commenced in 2021 and vests at the end of 2023; and
- The DHSC commercial dispute having a trial date set for June 2024.

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

Business combinations and measurement of goodwill

- **Business combinations**

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

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

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

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

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

- **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 Group's acquisition of Primer Design and IT-IS International 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 are amortised on a straight-line basis over nine years, unless they are deemed to be impaired.

- **Trademark**

The acquisition price of Primer Design and IT-IS International by the Group has led to the recognition of a number of trademarks. The value of these assets has been 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.

Trademarks are amortised on a straight-line basis over nine years, unless they are deemed to be impaired.

- **Other intangible assets**

Intangible assets include licences and patents 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
- Trademarks: Straight-line basis – 9 years
- Customer relationships: Straight-line basis – 9 years
- Plant and machinery: 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 have been capitalised as a right-of-use asset and will be depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

The depreciation or amortisation of property, plant and equipment 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 Group considers the following external and internal indicators:

External indicators:

- Drop in the market value of the asset (to a greater extent than would be expected solely from the passage of time or the normal use of the asset);
- Significant changes with an adverse effect on the entity, either having taken place during the period or expected to occur in the near future, in the technical, economic or legal environment in which the Group 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.

Internal indicators:

- Existence of indication of obsolescence or physical damage of an asset unforeseen in the depreciation or amortisation schedule;
- Significant changes in the way the asset is used;
- Weaker-than-expected performance by the asset; 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 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 accumulated depreciation, for depreciable property, plant and equipment, and impairment losses.

In the event of loss of value, an impairment charge is recognised in the income statement. 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

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and a lease liability at lease commencement for all lease arrangements in which it is the lessee, except for short-term leases and leases of low-value assets.

- The Group records right-of-use assets at cost at the commencement date of the lease, which is the date the underlying asset is available for use, less any accumulated depreciation and impairment losses, and adjusted for subsequent remeasurement of lease liabilities. Cost includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. The Group charges depreciation to the income statement on a straight-line basis over the shorter of the estimated useful life and the lease term.

- 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.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost includes materials and supplies, and, where applicable, direct labour costs incurred in transforming them 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

The Group has an established credit policy under which the credit status of each new customer is reviewed before credit is advanced, including external credit evaluations where possible. Credit limits are established for all significant or high-risk customers, which represent the maximum amount permitted to be outstanding without requiring additional approval from the appropriate level of senior management. Outstanding debts are continually monitored by each division. Credit limits are reviewed on a regular basis, and at least annually. Customers that fail to meet the Group's benchmark creditworthiness may only transact with the Group on a prepayment basis.

Trade receivables are recorded initially at fair value and subsequently measured at amortised cost. This generally results in their recognition at nominal value less an allowance for any doubtful debts. Trade receivables in foreign currency are transacted in their local currency and subsequently revalued at the end of each reporting period, with any foreign exchange differences being recognised in the income statement as an income/expense.

The allowance for doubtful debts is recognised based on Management's expectation of losses without regard to whether an impairment trigger happened or not (an "expected credit loss" model). Through implementation of IFRS 9, the Group concluded that no real historical default rate could be determined due to a low level of historical write offs across the business. The Group therefore recognises an allowance for doubtful debts on the basis of invoice ageing. Once an invoice is overdue from its due date, based on agreed credit terms, by more than 90 days, this invoice is then more likely to default than those invoices operating within 90 days of their due date. As such, these invoices will be provided for in full as part of an expected credit loss model, except where Management have reviewed and judged otherwise.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery may include the failure of the debtor to engage in a payment plan, and failure to make contractual payments within 365 days of the original due date.

Cash and cash equivalents

Cash equivalents are held 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 with original maturities of three months or less) and which have a negligible risk of change in value. All such items are measured at fair value, with any adjustments recognised in the income statement.

Financial liabilities

The Group records bank and other borrowings initially at fair value, which equals the proceeds received, net of direct issue costs, and subsequently at amortised cost. The Group accounts for finance charges, including premiums payable on settlement or redemption and direct issue costs, using the effective interest rate method.

- IT-IS International Ltd contingent consideration

The Group negotiated a contingent consideration for the acquisition of the IT-IS International securities with its former shareholders in 2020, subject to the achievement of a production volume target.

In accordance with IFRS 9, the financial liability has been remeasured at its fair value as of the statement of financial position date.

- Trade payables

Trade payables are obligations to provide cash or other financial assets. They are recognised in the statement of financial position when the Group becomes a party to a transaction generating liabilities of this nature. Trade and other payables are recognised in the statement of financial position 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 statement of financial position when the corresponding obligation is discharged.

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, risks related to litigations and product warranties.

Long-Term Incentive Plan

Novacyt granted shares to certain employees under a LTIP adopted on 1 November 2017. The exercise price was set at the share price on the grant date and the options were settled in cash. The options fully vested on the third anniversary of the grant date, 1 November 2020. The payment expenses were calculated in accordance with IFRS 2 “Share-based Payment”. The accounting charge has been spread across the vesting period to reflect the services received and a liability was recognised in the statement of financial position. The final tranches were settled in 2022 and the scheme has now been fully settled.

In December 2021, Novacyt implemented a cash LTIP to qualifying employees, based on achieving certain annual EBITDA targets over a three-year qualifying period. The plan will vest on the third anniversary of the grant date and will be settled in cash.

In February 2022, a Performance Share Awards programme for executive management was created as part of its new LTIP. This LTIP replaced the previous phantom share award scheme which ended in November 2020.

The 2022 Performance Share Awards programme is structured as nil-cost options, giving a right to acquire a specified number of shares at a nil exercise price per share (i.e. for no payment) in accordance with the rules, governed by sections L-225-197-1 and seq. of the French Commercial Code (“actions gratuites").

The awards will vest over a three-year performance period, starting 1 January 2022 and ending on 31 December 2024, subject to the Company achieving certain total shareholder return growth conditions. The baseline for total shareholder return is based on the average closing price of the Company’s shares in December 2021, which was £3.54. This will be compared to the equivalent figure in December 2024.

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 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 revenue recognised relating to performance obligations satisfied over time is not significant. As such, revenue is generally recognised at the point of sale, with little judgement required in determining the timing of transfer of control.

Some contracts with customers contain a limited assurance warranty that is accounted for under IAS 37 (see Provisions accounting policy). If a repair or replacement is not possible under the assurance warranty, a full refund of the product price may be given. The potential refund liability represents variable consideration.

Under IFRS 15.53, the Group can use either:

- The expected value (sum of probability weighted amounts); or
- The most likely amount (generally used when the outcomes are binary).

The method used is not a policy choice. Management use the method that it expects will best predict the amount of consideration based on the terms of the contract. The method is applied consistently throughout the contract. Variable revenue is constrained if appropriate. IFRS 15 requires that revenue is only included to the extent that it is highly probable that there will not be a significant reversal in future periods.

In making this assessment, Management have considered the following factors (which are not exclusive):

- If the amount of consideration is highly susceptible to factors outside the Group's influence;
- Whether the uncertainty about the amount of consideration is not expected to be resolved for a long period of time;
- The Group's experience (or other evidence) with similar types of contract;
- The Group has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances; and
- The contract has a large number and broad range of possible consideration amounts.

The decision as to whether revenue should be constrained is considered to be a significant judgement as the term 'highly probable' is not defined in IFRS 15, Management consider highly probable to be significantly more likely than probable.

- **Primer Design**

Primer Design Ltd is a designer, manufacturer and marketer of molecular 'real-time' qPCR testing devices and reagents in the area of infectious diseases based in Eastleigh, UK.

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

- **IT-IS International**

IT-IS International Ltd is a diagnostic instrument development and manufacturing company specialising in the development of PCR devices for the life sciences and food testing industry.

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

- **Lab21 Products**

Lab21 Healthcare Ltd and Microgen Bioproducts Ltd were a developer, manufacturer and distributor of a large range of protein-based infectious disease IVD products.

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

Microgen Bioproducts and Lab21 Healthcare ceased trading during 2022 and they are being treated as discontinued operations.

Taxation

Income tax on profit or loss for the period comprises current 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 end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is the result of the Group's judgement based on the advice of external tax professionals and supported by previous experience in respect of such activities.

- 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 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 in the near-term.

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 in the near-term.

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.

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 income statement, 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.

UK Patent Box regime

The UK Patent Box regime is a special low corporate tax rate used to incentivise research and development by taxing revenues from patented products differently from other revenues. On 30 March 2022 Novacyt (specifically Primer Design Ltd) received confirmation that the UK Intellectual Property Office had granted the key patent (ORF1a/b), with patent number GB2593010. This means that the effective rate of tax on profits (adjusted for certain rules) derived from the sale of products incorporating this patent is close to 10% rather than the current UK corporation tax rate of 19%.

The effective tax rate is given via a tax deduction and due to the uncertainty over the precise timing of the tax relief available to the company and the complexity involved in making a claim for the first time, a tax asset has not been recognised. The asset will only be recognised when Management can reliably measure and predict the outcome of a Patent Box claim in terms of value and timing.

Research and development expenditure credits

Primer Design Ltd and IT-IS International Ltd benefit from an R&D expenditure credit in respect of some of their research activities. The tax credit is calculated per financial year as 13% of the actual expenditure and is shown in the income statement against governmental subsidies. The credit is taxable and therefore the tax charge on this credit is included in the tax line of the income statement.

Profit/loss per share

The Group reports basic and diluted profit/loss per ordinary share. Basic profit/loss per share is calculated by dividing the profit/loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted profit/loss per share is determined by adjusting the profit/loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, taking into account the effects of all potential dilutive ordinary shares, including options.

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 or credited in arriving at operating profit on the face of the consolidated income statement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

- **Constraint of revenue**

Revenue is only constrained if it is highly probable there will not be a significant reversal of revenue in the future. Highly probable is not defined in IFRS 15 and so it is a significant judgement to be exercised by Management. The value of revenue related to performance obligations fulfilled in 2020 to which constraint has not been applied is £130,642,000 and relates to the DHSC dispute, further details are disclosed in note 44.

- **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 trademarks and the customer relationships identified as a result of the acquisition of Primer Design, and IT-IS International.

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.

  - **Trademarks**

The value of these assets 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.

Trademarks are amortised on a straight-line basis over a period of nine years, estimated as their useful life. They are also tested for impairment at least annually. Their recoverable amount is determined using 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 resulting estimates are subject to discount rate, percentage of revenue and useful life assumptions.

The carrying amount of trademarks at 31 December 2022 is £791,000 (2021: £938,000). The amortisation charge for the period is £156,000 (2021: £157,000) and the cumulative amortisation is £636,000 (2021: £458,000).

  - **Customer relationships**

The value of these assets 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 their useful life. They are also tested for impairment at least annually. Their recoverable amount is determined using 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 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 customer relationships at 31 December 2022 is £1,888,000 (2021: £2,339,000). The amortisation charge for the period is £501,000 (2021: £502,000) and the cumulative amortisation is £2,733,000 (2021: £2,113,000).

- **Deferred taxes**

Deferred tax assets are only recognised to the extent that it is considered 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 losses carry forward, 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.

Deferred tax liabilities relate to the assets acquired as part of the IT-IS International acquisition and accelerated capital allowances.

- **Trade and other receivables**

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

At the year end, the Group had trade receivables of £25,485,000 against which a credit loss provision of £214,000 has been applied. At the date of signing the financial statements, £23,957,000 of the 31 December 2022 receivables, relating to products delivered during 2020, were overdue due to the contract dispute with the Department of Health and Social Care "DHSC" (see notes 44 and 45). Management considers it to be more likely than not that the 31 December 2022 balances are recoverable; this is a significant judgement.

- **Provisions**

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

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Provisions for restoration of premises	425	308
Provision for litigation	157	157
Provisions for product warranty	19,813	19,799
Total provisions	**20,395**	**20,264**

- **Provisions for restoration of premises**

The value of provision required is determined by Management on the basis of available information, experience and, in some cases, expert estimates. When these obligations are settled, the amount of the costs or penalties that are ultimately incurred or paid may differ significantly from the amounts initially provisioned. Therefore, these provisions are regularly reviewed and may have an effect on the Group's future results.

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

- **Provisions for product warranty**

The value of provision required is determined by Management based on available information, experience and, in some cases, expert estimates. Product warranty provisions are only included if it is considered to be probable that an outflow of economic benefit will be required. Determination of probable is a significant judgement especially in light of the dispute described in notes 44 and 45.

Key sources of estimation uncertainty

The Group has a number of key sources of estimation uncertainty. Of these items, only the measurement of goodwill (see note 16) is considered likely to result in a material adjustment. Where there are other areas of estimates these have been deemed not material.

- **Measurement of goodwill**

Goodwill is tested for impairment on an annual basis. The recoverable amount of goodwill is determined mainly on the basis of forecasts of future cash flows. The total amount of anticipated cash flows reflects Management's best estimate of the future benefits and liabilities expected for the relevant CGU. The assumptions used and the resulting estimates sometimes cover very long periods, taking into account the technological, commercial and contractual constraints associated with each CGU. These estimates are mainly subject to assumptions in terms of volumes, selling prices and related production costs, and the exchange rates of the currencies in which sales and purchases are denominated. They are also subject to the discount rate used for each CGU.

The value of the goodwill is tested whenever there are indications of impairment and reviewed at each annual closing date or more frequently should this be justified by internal or external events.

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

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Goodwill Primer Design	6,384	6,053
Cumulative impairment of goodwill	-	-
Net value	6,384	6,053
Goodwill IT-IS International	9,437	9,437
Cumulative impairment of goodwill	-9,175	-4,019
Net value	262	5,418
Total goodwill	**6,646**	**11,471**

Sensitivity analysis has been performed on the goodwill balance. There is significant headroom associated with the Primer Design balance, but there is limited headroom on the IT-IS International goodwill balance, which could result in future impairments. The goodwill sensitivity analysis is presented in note 16.

- **Litigations**

The Group may be party to regulatory, judicial or arbitration proceedings which may have an impact on the Group's financial position.

The Group's Management regularly reviews current proceedings, 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 on a geographical basis:

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Geographical area		
United Kingdom	10,123	42,108
Europe (excluding UK)	3,849	31,400
America	4,481	8,829
Asia-Pacific	1,852	8,638
Middle East	377	518
Africa	358	1,110
Total revenue	**21,040**	**92,603**

Revenue has fallen year on year as a result of COVID-19 sales reducing as the demand for tests has fallen.

During 2021, £40,861,000 (excluding VAT) of product and services were delivered and invoiced to the DHSC which has now been included as part of the ongoing dispute. Management have made the judgement that per IFRS 15, Revenue from Contracts with Customers, it is not appropriate at this stage to recognise as revenue, any sales invoices raised to the customer in 2021 that are in dispute. However, Management remains committed to obtaining payment for these products and services.

This accounting treatment does not change the Group's legal position or rights in relation to the dispute with the DHSC.

A portion of the Group's revenue is generated in foreign currencies (particularly in Euros and US Dollars). 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 to make decisions regarding the allocation of resources to the segment and to assess its performance; and
- for which discrete financial information is available.

The Group has identified four operating segments, whose performance and resources are monitored separately. Following the Group's announcement to discontinue the Microgen Bioproducts and Lab21 Healthcare businesses earlier this year, the Lab21 Products segment, which is made up of these businesses, is being treated as a discontinued operation:

- **Primer Design**

This segment represents the activities of Primer Design Ltd, which is a designer, manufacturer and marketer of molecular 'real-time' qPCR testing devices and reagents in the area of infectious diseases based in Eastleigh, UK.

- **IT-IS International**

This segment represents the activities of IT-IS International Ltd, a diagnostic instrument development and manufacturing company specialising in the development of PCR devices for the life sciences and food testing industry based in Stokesley, UK.

- **Lab21 Products**

This segment represents the activities of Lab21 Products, which was a developer, manufacturer and distributor of a large range of protein-based infectious disease IVD products covering Microgen Bioproducts Ltd and Lab21 Healthcare Ltd, both based in Camberley, UK. As these businesses ceased trading in June 2022, this segment is being treated as a discontinued operation.

- **Corporate**

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

- **Intercompany eliminations**

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

The Chief Operating Decision Maker is the Chief Executive Officer.

Headcount

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

Segment	**2022**	**2021**
Primer Design	141	169
Lab21 Products	21	45
IT-IS International	31	38
Corporate	29	24
Total headcount	**222**	**276**

Breakdown of revenue by operating segment and geographic area

- Year ended 31 December 2022

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

There were no sales in France in 2022.

- Year ended 31 December 2021

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

There were sales totalling £262,000 in France in 2021 contained within the line Europe (excluding UK).

Breakdown of result by operating segment

- Year ended 31 December 2022

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

- Year ended 31 December 2021

Amounts in £'000	Primer Design	Lab21 Products	IT-IS International	Corporate	Intercompany eliminations	Total
Revenue	89,856	-	9,270	-	-6,523	92,603
Cost of sales	-27,582	-	-5,131	-	4,106	-28,607
Cost of sales - exceptional	-37,192	-	-3,984	-	5,406	-35,770
Sales and marketing costs	-5,659	-	-228	-338	-	-6,225
Research and development	-4,148	-	-497	-	-	-4,645
General and administrative	-12,439	-	-1,493	-637	-	-14,569
Governmental subsidies	254	-	54	-	-	308
ADJUSTED Earnings before interest, tax, depreciation, amortisation and cost of sales – exceptional, as per management reporting	40,282	-	1,975	-975	-2,417	38,865
Earnings before interest, tax, depreciation and amortisation as per management reporting	**3,090**	**-**	**-2,009**	**-975**	**2,989**	**3,095**
Depreciation and amortisation	-1,372	-	-404	-24	10	-1,790
Operating profit / (loss) before exceptional items	**1,718**	**-**	**-2,413**	**-999**	**2,999**	**1,305**

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

Please note that in accordance with IFRS 5 the results of the Lab21 Products segment for 2022 and 2021 have been reported on a separate line 'Loss from discontinued operations' which is shown below EBITDA and thus all items above EBITDA have a nil value.

7. COST OF SALES

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Cost of inventories recognised as an expense	17,509	20,373
Change in stock provision	-6,473	-10,404
Freight costs	73	405
Direct labour	4,141	17,624
Product warranty	14	11
Other	30	598
Total cost of sales	**15,294**	**28,607**

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

In 2022 the stock provision relating to continuing operations decreased by a net £6,473,000 (2021: £10,404,000). A large amount of stock, which had previously been provided for, was written off and disposed of during 2022, with the cost being charged to 'Cost of inventories recognised as an expense' and a corresponding release of the stock provision being made.

Direct labour (including subcontractor costs) has decreased year on year as a result of scaling back production to align to lower sales.

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

8. COST OF SALES - EXCEPTIONAL

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Cost of inventories recognised as an expense	-	4,802
Change in stock provision	-	26,098
Direct labour	-	4,133
Other	-	737
Total cost of sales - exceptional	**-**	**35,770**

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

Due to the DHSC dispute mentioned in note 44, Management booked a number of one-off, non-recurring cost of sales charges in 2021. Two of the key items were a £26,098,000 stock provision, as a result of the Group buying stock to fulfil expected future DHSC orders that did not materialise, and the expensing of £6,884,000 of stock delivered to the DHSC which has not been paid for as it is now included in the ongoing contract dispute.

9. SALES, MARKETING AND DISTRIBUTION EXPENSES

Amounts in £’000	Year ended 31 December 2022	Year ended 31 December 2021
Advertising expenses	459	743
Distribution expenses	258	539
Employee compensation and social security contributions	3,606	4,519
Travel and entertainment expenses	184	107
Other sales and marketing expenses	319	317
Total sales, marketing and distribution expenses	**4,826**	**6,225**

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

10. RESEARCH AND DEVELOPMENT EXPENSES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Employee compensation and social security contributions	2,704	2,756
Other expenses	2,343	1,889
Total research and development expenses	**5,047**	**4,645**

Other expenses includes R&D consumables, non-capitalised development costs and quality control/assurance expenses that supported the launch and development of new products.

11. GENERAL AND ADMINISTRATIVE EXPENSES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Purchases of non-stored raw materials and supplies	323	376
Lease and similar payments	477	397
Maintenance and repairs	370	499
Insurance premiums	1,024	1,451
Legal and professional fees	1,622	2,404
Banking services	55	88
Employee compensation and social security contributions	5,144	7,890
Depreciation and amortisation of property, plant and equipment and intangible assets	2,115	1,790
Other general and administrative expenses	960	1,464
Total general and administrative expenses	**12,090**	**16,359**

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

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

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

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

12. OTHER OPERATING INCOME AND EXPENSES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Other operating income	-	65
Total other operating income	**-**	**65**
Impairment of IT-IS International goodwill	-5,156	-4,019
DHSC contract dispute costs	-927	-802
Restructuring expenses	-1,255	-422
Acquisition related expenses	-325	-
Other expenses	-75	-43
Total other operating expenses	**-7,738**	**-5,286**

Operating income

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

Operating expenses

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

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

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

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

13. FINANCIAL INCOME AND EXPENSE

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Financial foreign exchange gains	2,506	337
Discount of financial instruments	3	33
Interest received from discontinued operations	779	363
Other financial income	681	54
Total financial income	**3,969**	**787**
Interest on IFRS 16 liabilities	-45	-66
Financial foreign exchange losses	-139	-2,214
Discount of financial instruments	-31	-54
Interest paid to discontinued operations	-413	-150
Other financial expense	-1	-47
Total financial expense	**-629**	**-2,531**

Financial foreign exchange gains and losses are driven by revaluations of the LTIP liability and bank and intercompany accounts held in foreign currencies.

Interest received from or paid to discontinued operations relates to interest on intercompany balances with Microgen Bioproducts Ltd and Lab21 Healthcare Ltd.

Other financial income relates to interest received on cash balances.

14. INCOME TAX

The standard rate of corporation tax applied to reported profit is 19%, which is the tax rate applicable to the companies in the United Kingdom for the financial year 2022 (due to rise to 25% on 1 April 2023). It was 19% for the year 2021.

Taxation for other jurisdictions (mainly France) is calculated at the rates prevailing in the respective jurisdictions.

The Group's tax charge is the sum of the total current and deferred tax.

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Current tax expense		
Current year (expense) / income	-224	411
Deferred tax expense		
Deferred tax expense	-1,924	-760
Total taxation expense in the income statement	**-2,148**	**-349**

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

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Loss before taxation	**-20,053**	**-5,660**
Tax at the UK corporation tax rate (2022 and 2021: 19%)	3,810	1,075
Effect of different tax rates of subsidiaries operating in other jurisdictions	95	115
Change of the tax rate for the calculation of the deferred tax	3,571	-
Effect of non-deductible expenses and non-taxable income	-1,224	-822
Derecognition of deferred tax assets	-8,047	-
Change in unrecognised deferred tax assets	-287	-712
Other adjustments	-66	-5
Total taxation expense for the year	**-2,148**	**-349**

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

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

Matters affecting the tax charge

On 30 March 2022 Novacyt (specifically Primer Design Ltd) received confirmation that the UK Intellectual Property Office had granted the key patent (ORF1a/b), with patent number GB2593010. This means that the effective rate of tax on profits (adjusted for certain rules) derived from the sale of products incorporating this patent is close to 10% rather than the current UK corporation tax rate of 19%.

The effective tax rate is given via a tax deduction and due to the uncertainty over the precise timing of the tax relief available to the Company and the complexity involved in making a claim for the first time, a tax asset has not been recognised. The asset will only be recognised when Management can reliably measure and predict the outcome of a Patent Box claim in terms of value and timing.

15. LOSS PER SHARE

The loss per share is calculated based on the weighted average number of shares outstanding during the period. The diluted loss per share is calculated based on the weighted average number of shares outstanding and the number of shares issuable as a result of the conversion of dilutive financial instruments. At 31 December 2022 there are no outstanding dilutive instruments.

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Net loss attributable to owners of the Company	-25,730	-9,728
Impact of dilutive instruments	-	-
Net diluted loss attributable to owners of the Company	-25,730	-9,728
Weighted average number of shares	70,626,248	70,626,248
Impact of dilutive instruments	-	-
Weighted average number of diluted shares	70,626,248	70,626,248
Loss per share (£)	**-0.36**	**-0.14**
Diluted loss per share (£)	**-0.36**	**-0.14**
Loss per share from continuing operations (£)	*-0.31*	*-0.09*
Diluted loss per share from continuing operations (£)	*-0.31*	*-0.09*
Loss per share from discontinued operations (£)	*-0.05*	*-0.05*
Diluted loss per share from discontinued operations (£)	*-0.05*	*-0.05*

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.

Cost	**£'000**
At 1 January 2021	31,982
Exchange differences	-1,624
At 31 December 2021	30,358
Exchange differences	1,144
At 31 December 2022	31,502
Accumulated impairment losses	
At 1 January 2021	14,105
Impairment of the IT-IS International goodwill	4,019
Impairment of the Lab21 Products goodwill	1,822
Exchange differences	-1,059
At 31 December 2021	18,887
Impairment of the IT-IS International goodwill	5,156
Exchange differences	813
At 31 December 2022	24,856
Carrying value at 31 December 2020	**17,877**
Carrying value at 31 December 2021	**11,471**
Carrying value at 31 December 2022	**6,646**

Primer Design

The impairment testing of the CGU as at 31 December 2022 was carried out using the DCF method, with the key assumptions as follows:

- Five-year business plan;
- Extrapolation of cash flows beyond five years based on a growth rate of 1.5%; and
- Discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 12.1%.

The implementation of this approach demonstrated that the value in use amounted to £36,112,000, which is greater than the carrying amount of this asset. As such, no impairment was recognised in the year ended 31 December 2022.

Sensitivity of the value derived from the discounted cash flow model to changes to the assumptions used for the Primer Design acquisition

		Terminal growth rates						
	36,112	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
WACC rates	8.0%	53,908	57,323	61,226	65,729	70,983	77,192	84,643
	9.0%	46,640	49,233	52,151	55,457	59,236	63,597	68,684
	10.0%	40,857	42,880	45,127	47,639	50,465	53,667	57,327
	11.0%	36,153	37,765	39,538	41,498	43,675	46,109	48,846
	12.0%	32,258	33,565	34,991	36,553	38,272	40,171	42,281
	12.1%	31,905	33,186	34,583	36,112	37,792	39,646	41,705
	13.0%	28,983	30,059	31,225	32,493	33,875	35,389	37,055
	14.0%	26,196	27,093	28,059	29,103	30,233	31,462	32,802
	15.0%	23,797	24,553	25,363	26,233	27,171	28,183	29,279

This sensitivity table shows the difference in the recoverable amounts of the Enterprise Value depending on changes in the discount rate (WACC) and the terminal growth rate. The sensitivity analysis shows that an increase of 1% in the WACC would not result in the need to impair the Primer Design goodwill.

IT-IS International

The impairment testing of the CGU as at 31 December 2022 was carried out using the DCF method, with the key assumptions as follows:

- Five-year business plan;
- Extrapolation of cash flows beyond five years based on a growth rate of 1.5%; and
- Discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 12.1%.

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

Sensitivity of the value derived from the discounted cash flow model to changes to the assumptions used for the IT-IS International acquisition

		Terminal growth rates						
	1,992	0.0%	1.0%	1.25%	1.5%	1.75%	2.0%	3.0%
WACC rates	8.0%	3,281	3,826	3,988	4,162	4,350	4,553	5,571
	9.0%	2,749	3,160	3,279	3,406	3,542	3,687	4,391
	10.0%	2,327	2,645	2,736	2,833	2,935	3,043	3,554
	11.0%	1,986	2,238	2,309	2,384	2,463	2,546	2,931
	12.0%	1,704	1,908	1,964	2,024	2,086	2,152	2,451
	12.1%	1,679	1,878	1,934	1,992	2,053	2,117	2,408
	13.0%	1,468	1,635	1,681	1,730	1,780	1,833	2,070
	14.0%	1,269	1,407	1,446	1,485	1,526	1,569	1,761
	15.0%	1,098	1,214	1,246	1,279	1,314	1,349	1,506

This sensitivity table shows the difference in the recoverable amounts of the Enterprise Value depending on changes in the discount rate (WACC) and the terminal growth rate. The sensitivity analysis shows that an increase of 1% in the WACC would result in the need to further impair the IT-IS International goodwill.

17. OTHER INTANGIBLE ASSETS

Amounts in £'000	Customer relationships	Trademarks	Development costs	Patents	Other	Total
Cost						
At 1 January 2021	5,005	1,486	277	89	260	7,117
Acquisitions	–	–	–	300	30	330
Other disposals	-313	-47	–	-5	-59	-424
Foreign exchange impact	-240	-43	–	–	-4	-287
At 31 December 2021	4,452	1,396	277	384	227	6,736
Acquisitions	–	–	–	74	188	262
Other disposals	–	–	-80	-149	-65	-294
Foreign exchange impact	169	31	–	–	1	201
At 31 December 2022	**4,621**	**1,427**	**197**	**309**	**351**	**6,905**
Amortisation						
At 1 January 2021	-2,055	-372	-153	-54	-228	-2,862
Amortisation for the year	-502	-157	-55	-3	-21	-738
Other disposals	313	47	–	–	55	415
Foreign exchange impact	131	24	–	–	4	159
At 31 December 2021	-2,113	-458	-208	-57	-190	-3,026
Amortisation for the year	-501	-156	-46	-21	-41	-765
Other disposals	–	–	80	4	65	149
Foreign exchange impact	-119	-22	–	–	-1	-142
At 31 December 2022	**-2,733**	**-636**	**-174**	**-74**	**-167**	**-3,784**
Net book value						
At 1 January 2021	2,950	1,114	124	35	32	4,255
At 31 December 2021	2,339	938	69	327	37	3,710
At 31 December 2022	**1,888**	**791**	**23**	**235**	**184**	**3,121**

18. PROPERTY, PLANT AND EQUIPMENT

Amounts in £'000	Leasehold improvements	Plant and machinery	Fixtures and fittings	Total
Cost				
At 1 January 2021	877	1,793	762	3,432
Acquisitions	375	3,104	291	3,770
Other disposals	-85	-270	-65	-420
Reclassifications	127	–	-127	–
At 31 December 2021	1,294	4,627	861	6,782
Acquisitions	31	93	32	156
Other disposals	-575	-811	-380	-1,766
At 31 December 2022	**750**	**3,909**	**513**	**5,172**
Depreciation				
At 1 January 2021	-421	-971	-397	-1,789
Depreciation for the year	-135	-518	-159	-812
Other disposals	81	270	62	413
Reclassifications	-9	–	9	–
At 31 December 2021	-484	-1,219	-485	-2,188
Depreciation for the year	-531	-866	-202	-1,599
Other disposals	575	454	337	1,366
At 31 December 2022	**-440**	**-1,631**	**-350**	**-2,421**
Net book value				
At 1 January 2021	456	822	365	1,643
At 31 December 2021	810	3,408	376	4,594
At 31 December 2022	**310**	**2,278**	**163**	**2,751**

Other disposals in 2022 include over £1,200,000 of property, plant and equipment associated with the Camberley site that was vacated in late 2022, due to the closure of Lab21 Products, and over £390,000 of laboratory equipment no longer of use to the Novacyt Group.

19. RIGHT-OF-USE ASSETS

Amounts in £'000	**Land and buildings**	**Plant and machinery**	**Total**
Cost			
At 1 January 2021	2,745	54	2,799
Additions	148	–	148
Disposals	-225	-15	-240
Policy adjustment	-3	–	-3
At 31 December 2021	2,665	39	2,704
Additions	153	8	161
Disposals	-1,359	-29	-1,388
Reclassifications	10	–	10
At 31 December 2022	**1,469**	**18**	**1,487**
Depreciation			
At 1 January 2021	-507	-33	-540
Depreciation for the year	-443	-10	-453
Disposals	67	12	79
Policy adjustment	-2	–	-2
At 31 December 2021	-885	-31	-916
Depreciation for the year	-1,415	-13	-1,428
Disposals	1,359	29	1,388
Reclassifications	-10	–	-10
At 31 December 2022	**-951**	**-15**	**-966**
Net book value			
At 1 January 2021	2,238	21	2,259
At 31 December 2021	1,780	8	1,788
At 31 December 2022	**518**	**3**	**521**

The large 2022 reduction is due to Microgen Bioproducts negotiating the surrender of its Watchmoor Point leased facility based in Camberley. This was agreed in 2022 and settled in early 2023.

20. DEFERRED TAX ASSETS AND LIABILITIES

The table below shows the movements in deferred tax assets and liabilities during the reporting period:

Amounts in £'000	Accelerated capital allowances	Intangible assets	Intra-Group profit	Long-term incentive plan	Tax losses	Other temporary differences	Total
At 1 January 2021	-238	-489	897	2,125	-	-73	2,222
(Charge) / credit to "Discontinued operations"	-30	-	-	-	487	-	457
(Charge) / credit to income statement	-512	47	-569	-	170	104	-760
At 31 December 2021	-780	-442	328	2,125	657	31	1,919
(Charge) / credit to "Discontinued operations"	68	-	-	-	-480	-	-412
Credit / (charge) to income statement	66	47	-328	-2,125	447	-31	-1,924
At 31 December 2022	**-646**	**-395**	**-**	**-**	**624**	**-**	**-417**

At 31 December 2022, deferred tax liabilities amounting to £646,000 (2021: £780,000) reflect the tax advantage from investments in fixed assets that is obtained in advance of depreciation charges.

At 31 December 2022, deferred tax liabilities amounting to £395,000 (2021: £442,000) result from the recognition of brand and customer relationships intangible assets as part of the October 2020 IT-IS International acquisition.

Primer Design has recognised a £624,000 deferred tax asset relating to carried forward tax losses to offset its £624,000 deferred tax liability on accelerated capital allowances, leaving Primer Design with a £nil deferred tax balance at the reporting date. The remaining deferred tax assets have not been recognised at 31 December 2022 on the basis that they may be not recoverable in the near-term.

The £2,125,000 deferred tax asset balance at 31 December 2021 related to the portion of the Long-Term Incentive Plan charge that was recognised by Novacyt UK Holdings in 2020, but was not deducted for taxation until payments were made in 2022.

Deferred tax assets and liabilities are recognised on the statement of financial position as follows:

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Deferred tax assets	624	3,141
Deferred tax liabilities	-1,041	-1,222
Net deferred tax (liabilities) / assets	**-417**	**1,919**

The following table shows the deferred tax assets not presented in the statement of financial position:

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Novacyt SA	2,299	990
Novacyt UK Holdings	3,645	-
Lab21 Healthcare	-	1,368
IT-IS International	725	-
Primer Design	10,623	-
Total unrecognised deferred tax assets	**17,293**	**2,358**

21. INVENTORIES AND WORK IN PROGRESS

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Raw materials	8,562	19,382
Work in progress	2,854	3,350
Finished goods	3,404	7,831
Stock provisions	-11,793	-19,102
Total inventories and work in progress	**3,027**	**11,461**

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

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

22. TRADE AND OTHER RECEIVABLES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Trade and other receivables	25,485	30,279
Expected credit loss provision	-214	-89
Tax receivables – Value Added Tax	8,312	8,213
Receivables on sale of businesses	69	66
Other receivables	10	30
Total trade and other receivables	**33,662**	**38,499**

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

The trade receivables balance includes a £23,957,000 unpaid DHSC invoice raised in December 2020, in respect of products delivered during 2020, that remains unpaid at the date of publishing the annual accounts. Recovery of the invoice is dependent on the outcome of the contract dispute.

During 2021, £49,034,000 (including VAT) of products and services were delivered and invoiced to the DHSC which has now been included as part of the ongoing dispute. As these sales have not been recognised in accordance with IFRS 15, the revenue, trade receivable and VAT element of the transactions have been reversed. This accounting treatment does not change the Group's legal position or rights in relation to the dispute with the DHSC.

The 'Tax receivables – Value Added Tax' balance of £8,312,000 mainly relates to VAT paid in the UK on sales invoices in dispute with the DHSC. As these sales have not been recognised in accordance with IFRS 15, the revenue, trade receivable and VAT element of the transactions have been reversed, resulting in a VAT debtor balance.

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

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

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Balance at the beginning of the period	89	160
Impairment losses recognised	453	100
Amounts written off during the year as uncollectible	-14	-44
Impairment losses derecognized	-157	-
Amounts recovered during the year	-157	-127
Balance at the end of the period	**214**	**89**

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

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Less than one month	970	5,818
Between one and three months	143	217
Between three months and one year	121	24,200
More than one year	24,251	44
Balance at the end of the period	**25,485**	**30,279**

23. PREPAYMENTS AND SHORT-TERM DEPOSITS

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Liquidity contract	51	61
Short-term deposits	183	12
Prepaid expenses	2,184	1,961
Total prepayments and short-term deposits	**2,418**	**2,034**

Prepaid expenses include the annual Group commercial insurance, rent, rates and prepaid support costs. In addition, 2022 prepaid expenses includes prepaid stock that had not been delivered at the reporting date.

24. CASH AND CASH EQUIVALENTS

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

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Available cash	86,973	101,746
Total cash and cash equivalents	**86,973**	**101,746**

Cash and cash equivalents comprise bank and cash balances, call deposits and short-term notice accounts with original maturities of three months or less, with a number of them earning interest.

The carrying amount of cash and cash equivalents approximates fair value.

25. LEASE LIABILITIES

The following tables show lease liabilities carried at amortised cost.

- Maturities

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Lease liabilities short-term	609	424
Lease liabilities long-term	263	1,446
Total lease liabilities	872	1,870

- Change in lease liabilities in 2022 and 2021

Amounts in £'000	**Opening**	**Repayment**	**Non-cash movements**	**Closing**
Changes in 2021	2,378	-610	102	1,870
Changes in 2022	1,870	-503	-495	872

The reduction in the total lease liability balance is predominantly as a result of Microgen Bioproducts negotiating the surrender of its Watchmoor Point leased facility based in Camberley, which was agreed in 2022 and settled in early 2023.

26. RECONCILIATION OF THE MOVEMENTS OF THE BORROWINGS AND LEASE LIABILITIES WITH THE STATEMENT OF CASH-FLOWS

Repayment of borrowings and lease liabilities in 2022

Note 25 – Lease liabilities	£’000
Change in lease liabilities in 2022: repayment	-503
Total repayments in 2022 as per note 25	-503

Statement of cash flows for the year 2022	
Cash used in financing activities: repayment of lease liabilities	-503
Total repayments as per the statement of cash flows	-503

Repayment of borrowings and lease liabilities in 2021

Note 25 – Lease liabilities	£’000
Change in lease liabilities in 2021: repayment	-610
Total repayments in 2021 as per note 25	-610

Statement of cash flows for the year 2021	
Cash used in financing activities: repayment of lease liabilities	-610
Total repayments as per the statement of cash flows	-610

27. CONTINGENT CONSIDERATION

Amounts in £’000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Contingent consideration short-term	-	836
Total contingent consideration	**-**	**836**

The final tranche of the contingent consideration relating to the acquisition of IT-IS International was settled during 2022. No further liabilities exist at 31 December 2022.

28. TAX RECEIVABLES

The main items making up the 2022 tax receivable balance of £1,149,000 relates to research and development expenditure credits and carried back corporation tax losses.

The main item that made up the corporation tax receivable balance at 31 December 2021 related to an overpayment of 2020 corporation tax totalling approximately £4,225,000, which HMRC repaid in March 2022.

29. PROVISIONS

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

Amounts in £'000	At 1 January 2022	Increase	Reduction	Other movements	Reclass	At 31 December 2022
Provisions for restoration of premises	308	–	–	117	-330	95
Provisions long-term	**308**	–	–	**117**	**-330**	**95**
Provisions for restoration of premises	–	–	–	–	330	330
Provision for litigation	157	–	–	–	–	157
Provisions for product warranty	19,799	14	–	–	–	19,813
Provisions short-term	**19,956**	**14**	–	–	**330**	**20,300**

The table below shows the nature of and changes in provisions for risks and charges for the period from 1 January 2021 to 31 December 2021:

Amounts in £'000	At 1 January 2021	Increase	Reduction	Other movements	Change in exchange rates	At 31 December 2021
Provisions for restoration of premises	242	117	-67	16	–	308
Provisions long-term	**242**	**117**	**-67**	**16**	–	**308**
Provision for litigation	68	157	-65	–	-3	157
Provisions for product warranty	19,788	11	–	–	–	19,799
Provisions short-term	**19,856**	**168**	**-65**	–	**-3**	**19,956**

Provisions chiefly cover:
- Risks related to litigations;
- The restoration expenses of the premises as per the lease agreements; and
- Product assurance warranties.

The provisions for the restoration of the premises are an estimation of amounts payable to cover dilapidations at the end of the rental periods, thus at the following dates:
- Microgen Bioproducts Ltd: January 2023 (lease surrender date);

- Primer Design Ltd: May 2023 and November 2025 as there are two sites that do not have co-terminus leases;
- IT-IS International Ltd: December 2023 and September 2025, as there are two sites that do not have co-terminus leases.

The provision for product assurance warranties predominantly relates to the notification of a product warranty claim with the DHSC (see notes 44 and 45). Management have assessed the DHSC product warranty provision held at 31 December 2021 and have deemed that it is still appropriate at 31 December 2022.

30. TRADE AND OTHER LIABILITIES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Trade payables	278	1,363
Accrued invoices	2,035	3,534
Social security liabilities	455	954
Tax liabilities – Value Added Tax	6	115
Other liabilities	13	11,224
Total trade and other liabilities	**2,787**	**17,190**

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

Other liabilities have fallen as a result of settling all outstanding liabilities in relation to the 2017 to 2020 LTIP scheme during 2022.

31. OTHER CURRENT LIABILITIES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Deferred income and advance payments received from customers	540	498
Total other current liabilities	**540**	**498**

The balances above predominantly relate to customer payments in advance of receiving the products.

32. OTHER LIABILITIES LONG-TERM

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Share-based payment benefits – LTIP, long-term	50	-
Total other liabilities long-term	**50**	**-**

The 2022 other liabilities long-term balance relates to the 2022 to 2024 share-based LTIP scheme.

33. SHARE CAPITAL

As of 31 December 2022 and 2021, the Company's share capital of €4,708,416.54 was divided into 70,626,248 shares with a par value of 1/15th of a Euro each.

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

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

34. SHARE PREMIUM ACCOUNT

Amounts in £'000	
Balance at 1 January 2021	**50,671**
Balance at 31 December 2021	**50,671**
Balance at 31 December 2022	**50,671**

35. OTHER RESERVES

Amounts in £'000

Balance at 1 January 2021	**-2,036**
Translation differences	862
Balance at 31 December 2021	**-1,174**
Translation differences	-843
Balance at 31 December 2022	**-2,017**

36. EQUITY RESERVE

Amounts in £'000

Balance at 1 January 2021	**1,155**
Balance at 31 December 2021	**1,155**
Balance at 31 December 2022	**1,155**

This reserve represents the equity component of warrants and loans.

37. RETAINED EARNINGS/LOSSES

Amounts in £'000

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

38. DISCONTINUED OPERATIONS

In early 2022, Novacyt commenced a strategic review of the business, which included a review of the Microgen Bioproducts and Lab21 Healthcare businesses to consider the merits of maintaining multiple company entities/names under the Novacyt Group umbrella versus a simplified business model and brand, which the directors believed could be more impactful.

In April 2022, Novacyt announced its intention to discontinue both businesses, and as at the end of June 2022 they had ceased day to day trading operations.

In accordance with IFRS 5, the net result of the Lab21 Products segment has been reported in the line 'Loss from discontinued operations' on the consolidated income statement.

The table below presents the detail of the loss generated by these two businesses as of 31 December 2022 and 2021:

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Revenue	1,448	3,177
Cost of sales	-1,102	-1,725
Gross profit	**346**	**1,452**
Sales, marketing and distribution expenses	-320	-800
Research and development expenses	-22	-170
General and administrative expenses	-3,059	-2,474
Operating loss before exceptional items	**-3,055**	**-1,992**
Other operating expenses	-290	-1,887
Operating loss after exceptional items	**-3,345**	**-3,879**
Financial income	1,181	192
Financial expense	-953	-482
Loss before tax	**-3,117**	**-4,169**
Taxation (expense) / income	-412	450
Loss after tax from discontinued operations	**-3,529**	**-3,719**

39. NOTES TO THE CASH FLOW STATEMENT

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Loss for the year	**-25,730**	**-9,728**
Loss from discontinued operations	*-3,529*	*-3,719*
Loss from continuing operations	*-22,201*	*-6,009*
Adjustments for:		
Depreciation, amortisation, impairment loss and provisions	7,918	7,882
Unwinding of discount on contingent consideration	133	-17
Losses on disposal of assets	543	75
Surrendering the Watchmoor Point lease (non-cash impact)	281	-
Income tax charge / (credit)	1,998	-409
Operating cash flows before movements of working capital	**-14,857**	**-2,197**
Decrease in inventories (*)	8,434	18,427
Decrease in receivables	4,625	42,754
Decrease in payables	-15,624	-23,996
Cash (used in) / from operations	**-17,422**	**34,988**
Income taxes received / (paid)	4,223	-19,437
Finance costs	-530	138
Net cash (used in) / from operating activities	**-13,729**	**15,689**
Operating cash flows from discontinued operations	*-1,955*	*2,180*
Operating cash flows from continuing operations	*-11,774*	*13,509*

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

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Decrease in the gross value of inventories	15,743	2,392
Variation of the stock provision	-7,309	16,035
Total variation of the net value of inventories	**8,434**	**18,427**

The details for the change in the stock provision are covered in notes 7, 8 and 21.

40. LEASES

In application of IFRS 16, the Group has recognised on the statement of financial position some "right-of-use" assets and lease liabilities**.**

Novacyt SA

Novacyt SA rents a small office in Vélizy, on a rolling 12-month basis.

Primer Design Ltd

The York House leased premises is used for office, storage and laboratory purposes. The annual charge for the site (with service charges) is now £311,584 per annum, with all leases running to November 2025.

In November 2020, the company took out a new lease at a nearby site 'Unit A', primarily for storage purposes. The annual charge for the site (with service charges) is now £146,750 per annum, with the lease running to May 2023.

Microgen Bioproducts Ltd

The Watchmoor Point leased premises had a mixed use for office, storage and laboratory purposes. This commenced in May 2017 and would have run until May 2032. There were rent review clauses in May 2022 and 2027. The annual charge for the site was £175,643 per annum (including service charges). This lease was surrendered in January 2023.

IT-IS International Ltd

Units 1, 3 and 4 Wainstones Court leased premises have a mixed use for office, storage and production purposes. This commenced in October 2022 and will run until September 2025. The annual charge for the site is £31,500 per annum (including service charges).

In December 2020, the company took out a new lease at a nearby site 'MMC House', for mixed use of office, storage and production purposes. The lease runs to December 2023 with an annual charge of £60,000.

In September 2020, the company took out a 12-month lease at a nearby site 'Pulrose House' for production purposes. The annual charge for the site was £17,000 per annum. The lease was not renewed after the initial 12-month period.

The table below presents the impact of the leases in the consolidated income and cash flow statements of the financial years 2022 and 2021:

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Cash outflows for leases accounted for as per IFRS 16	503	610
Expenses related to short-term and low-value leases	530	445
Total cash outflows for leases	**1,033**	**1,055**

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 optimise the performance of the business.

The capital structure of the Group consists of net debt (comprising debt less cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings in notes 33 to 37).

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

The Group is focused on cash management and this is reviewed on a regular basis by the Group Finance Director and the Chief Financial Officer. The funding mix of the business is reviewed and managed regularly by the Chief Financial Officer and the Chief Executive Officer.

Gearing ratio

The gearing ratio at the year end is as follows:

Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Debt (lease liabilities)	872	1,870
Cash and cash equivalents	86,973	101,746
Net (cash) / debt	**-86,101**	**-99,876**
Equity	**115,216**	**141,815**
Net (cash) / debt to equity ratio	**-75%**	**-70%**

Debt is defined as long-term and short-term borrowings and lease liabilities (excluding derivatives and financial guarantee contracts) as detailed in notes 25 and 26.

For both years, 2022 and 2021, debt in the table above relates to IFRS 16 lease liabilities.

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 2022**	**Year ended 31 December 2021**
Financial assets		
Cash and cash equivalents	86,973	101,746
Short term investments and receivables	25,359	30,439
Financial liabilities		
Fair value through profit and loss	-	836
Amortised cost	3,710	17,991

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 a material risk is identified 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 way 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:

	Assets and liabilities denominated in EUR		Assets and liabilities denominated in USD	
Amounts in £'000	**Year ended 31 December 2022**	Year ended 31 December 2021	**Year ended 31 December 2022**	Year ended 31 December 2021
Assets	17,395	15,028	5,151	9,100
Liabilities	-2,063	-1,419	-8	-39
Net Exposure	15,332	13,609	5,143	9,061

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and US Dollar currencies.

The following table details the Group's sensitivity to a 5% increase and decrease in GBP 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 Assets and Liabilities	
Amounts in £'000	**Year ended 31 December 2022**	**Year ended 31 December 2021**
EUR	15,332	13,609
Conversion rate	1.12932	1.19107
Impact GBP strengthening: FX + 5%	-730	-648
Impact GBP weakening: FX - 5%	807	716
USD	5,143	9,061
Conversion rate	1.20582	1.34894
Impact GBP strengthening: FX + 5%	-245	-431
Impact GBP weakening: FX - 5%	271	477

Amounts in £'000	Income Statement Year ended 31 December 2022	Year ended 31 December 2021
EUR	1,932	6,854
Conversion rate	1.17319	1,16307
Impact GBP strengthening: FX + 5%	-161	-169
Impact GBP weakening: FX - 5%	26	534
USD	3,020	5,871
Conversion rate	1.23697	1.37566
Impact GBP strengthening: FX + 5%	-216	-392
Impact GBP weakening: FX - 5%	79	185

Interest rate risk management

The Group is debt free and therefore it is not exposed to significant interest rate risk.

Credit risk management

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

The Group uses debt collection agencies and government-backed schemes to collect difficult aged debts as a last resort.

Trade receivables generally consists 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.

Reliance on major customers and concentration risk

In 2022 the Group was not dependent on one particular customer and there were no customers generating sales accounting for over 10% of revenue.

In 2021 Primer Design's revenue included approximately £9,702,000 from sales to the Group's largest customer. No other customers contributed 10% or more to the Group's revenue in 2021.

94% of trade receivables are with one counterparty, with whom there is a contract dispute as disclosed in note 44. Management considers it to be more likely than not that the 31 December 2022 balances are recoverable.

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 table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has 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.

	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 2022							
Variable interest rate instruments		–	–	–	–	–	–
Fixed interest rate instruments	1.2	634	63	231	315	–	1,243
31 December 2021							
Variable interest rate instruments		–	–	–	–	–	–
Fixed interest rate instruments	1.2	1,408	91	11,638	1,086	859	15,082

The following table details the Group's expected maturity for its non-derivative financial assets. The table below has 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 2022						
Non-interest bearing	–	8	1,040	112	24,393	25,553
Variable interest rate instruments	0.7	86,973	-	-	-	86,973
31 December 2021						
Non-interest bearing	–	5,737	278	24,296	188	30,499
Variable interest rate instruments	0.1	101,746	-	-	-	101,746

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
	31/12/22	31/12/21				
1) Contingent consideration in relation to the IT-IS International acquisition (current and non-current portion)	-	836	2	Payment made in September 2021 and October 2022. Estimated according to the probability of payment		

Fair value measurements recognised in the statement of financial position

Amounts in £'000	Year ended 31 December 2022 Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Debts from the acquisition of shares	–	–	–	–
Total liabilities at FVTPL	**–**	**–**	**–**	**–**

Amounts in £'000	Year ended 31 December 2021 Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Debts from the acquisition of shares	–	836	–	836
Total liabilities at FVTPL	**–**	**836**	**–**	**836**

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

The table above only shows the fair value of the financial liabilities as the fair value of the applicable financial assets are not materially different from their carrying value.

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

There are no financial liabilities in the statement of financial position at 31 December 2022 or 31 December 2021 that are not measured at fair value but for which fair value must be disclosed.

42. RELATED PARTIES

Parties related to Novacyt SA are:

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

Remuneration of key management personnel

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Fixed compensation and company cars	1,605	2,176
Variable compensation	15	590
Social security contributions	224	412
Contributions to supplementary pension plans	26	48
Termination benefits	-	371
Cash based payment benefits – LTIP	17	-
Total remuneration	**1,887**	**3,597**

Aggregate Directors' remuneration

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Fixed compensation and company cars	988	897
Variable compensation	-	350
Social security contributions	155	181
Contributions to supplementary pension plans	-	11
Fees	38	32
Total remuneration	**1,181**	**1,471**

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

43. AUDIT FEES

Amounts in £'000	Year ended 31 December 2022	Year ended 31 December 2021
Fees payable to the Company's Auditor and its associates in respect of the audit		
Group audit of these financial statements	67	103
Audit of the Company's subsidiaries' financial statements	200	260
Total audit remuneration	**267**	**363**
Fees payable to the Company's Auditor and its associates in respect of non-audit-related services		
Audit-related assurance services	-	-
All other services	-	5
Total non-audit-related remuneration	**-**	**5**

Estimated 2021 audit fees were over accrued, this reversed in 2022.

44.CONTINGENT LIABILITIES

During 2021, the Group received notification of a contract dispute between its subsidiary, Primer Design Ltd, and the DHSC related to revenue totalling £129,125,000 in respect of performance obligations satisfied during the financial year to 31 December 2020.

During 2021, a further £49,034,000 (including VAT) of products and services were delivered and invoiced to the DHSC which have subsequently been included as part of the ongoing dispute. Management made the judgement that in accordance with IFRS 15, Revenue from Contracts with Customers, it was not appropriate at that stage in the dispute to recognise as revenue, any sales invoices raised to the customer in 2021 that were in dispute. However, Management remains committed to obtaining payment for these goods and services.

Payment for £23,957,000 of invoices in respect of products delivered during 2020 remains outstanding at the date of publishing the annual accounts and recovery of the debt is dependent on the outcome of the dispute.

On 25 April 2022, legal proceedings were issued against Novacyt and Primer Design Ltd in respect of amounts paid to Primer Design Ltd totalling £134,635,000 (including VAT) by the DHSC. This refers to £132,814,000 (including VAT) of reagent sales out of a total disputed amount of £154,950,000 (£129,125,000 excluding VAT as previously reported) plus

£1,821,000 (£1,517,000 excluding VAT) of q16 instruments which have been added to the dispute. This takes the total 2020 revenue in dispute to £130,642,000.

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

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

Management have reviewed the position at 31 December 2022 and deem this to be an appropriate reflection of the current commercial dispute.

Management and the Board of Directors have reviewed the product warranty provision totalling £19,753,000 booked in 2020 in relation to the DHSC dispute and have deemed that it remains appropriate at 31 December 2022.

45. SUBSEQUENT EVENTS

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