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

Amounts in £'000	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Continuing Operations			
Revenue	5	11,579	21,040
Cost of sales	7	-7,849	-15,294
Gross profit		**3,730**	**5,746**
Sales, marketing and distribution expenses	8	-3,950	-4,826
Research and development expenses	9	-3,228	-5,047
General and administrative expenses	10	-14,524	-12,090
Governmental subsidies		125	562
Operating loss before exceptional items		**-17,847**	**-15,655**
Other operating income	11	31	-
Other operating expenses	11	-11,700	-7,738
Operating loss after exceptional items		**-29,516**	**-23,393**
Financial income	12	3,410	3,969
Financial expense	12	-2,462	-629
Loss before tax		**-28,568**	**-20,053**
Tax income / (expense)	13	768	-2,148
Loss after tax from continuing operations		**-27,800**	**-22,201**
Loss from discontinued operations	37	-492	-3,529
Loss after tax attributable to owners of the Company (*)		**-28,292**	**-25,730**
Loss per share (£)	14	-0.40	-0.36
Diluted loss per share (£)	14	-0.40	-0.36
Loss per share from continuing operations (£)	14	-0.39	-0.31
Diluted loss per share from continuing operations (£)	14	-0.39	-0.31
Loss per share from discontinued operations (£)	14	-0.01	-0.05
Diluted loss per share from discontinued operations (£)	14	-0.01	-0.05

* There are no non-controlling interests.

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

Amounts in £'000	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Loss for the period recognised in the income statement		**-28,292**	**-25,730**
Items that may be subsequently reclassified to profit or loss:			
Translation reserves	34	363	-843
Total comprehensive loss		**-27,929**	**-26,573**
Comprehensive loss attributable to:			
Owners of the Company (*)		**-27,929**	**-26,573**

*There are no non-controlling interests.

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

Amounts in £'000	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Goodwill	15	21,446	6,646
Other intangible assets	16	10,232	3,121
Property, plant and equipment	17	4,183	2,751
Right-of-use assets	18	11,036	521
Non-current financial assets		57	-
Deferred tax assets	19	413	624
Total non-current assets		**47,367**	**13,663**
Inventories and work in progress	20	3,022	3,027
Trade and other receivables	21	36,034	33,662
Tax receivables	27	728	1,149
Prepayments and short-term deposits	22	2,601	2,418
Investments short-term		9	9
Cash and cash equivalents	23	44,054	86,973
Total current assets		**86,448**	**127,238**
Total assets		**133,815**	**140,901**
Lease liabilities short-term	24	1,209	609
Contingent consideration short-term	26	193	-
Provisions short-term	28	19,988	20,300
Trade and other liabilities	29	7,183	2,787
Tax liabilities		65	-
Other current liabilities	30	927	540
Total current liabilities		**29,565**	**24,236**
Net current assets		**56,883**	**103,002**
Lease liabilities long-term	24	12,495	263
Contingent consideration long-term	26	722	-
Provisions long-term	28	1,547	95
Deferred tax liabilities	19	2,241	1,041
Other long-term liabilities	31	3	50
Total non-current liabilities		**17,008**	**1,449**
Total liabilities		**46,573**	**25,685**
Net assets		**87,242**	**115,216**

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

Amounts in £'000	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Share capital	32	4,053	4,053
Share premium account	33	50,671	50,671
Own shares		-138	-91
Other reserves	34	1,599	-2,017
Equity reserve	35	1,155	1,155
Retained earnings	36	29,902	61,445
Total equity – owners of the Company		**87,242**	**115,216**
Total equity		**87,242**	**115,216**

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

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

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

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

Amounts in £'000	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Net cash used in operating activities	39	**-24,991**	**-13,729**
Operating cash flows from discontinued operations		*-689*	*-1,955*
Operating cash flows from continuing operations		*-24,302*	*-11,774*
Investing activities			
Acquisition of subsidiary net of cash acquired		-15,429	-787
Purchases of patents and trademarks		-154	-260
Purchases of property, plant and equipment		-517	-156
Sales of property, plant and equipment		26	-
Variation of deposits		116	-12
Interest received		2,023	638
Net cash used in investing activities		**-13,935**	**-577**
Investing cash flows from discontinued operations		*88*	*28*
Investing cash flows from continuing operations		*-14,023*	*-605*
Financing activities			
Repayment of lease liabilities		-1,110	-395
Repayment of bank loans		-2,355	-
Purchase of own shares – net		-47	-13
Paid interest expenses		-455	-108
Net cash used in financing activities		**-3,967**	**-516**
Financing cash flows from discontinued operations		*-325*	*-142*
Financing cash flows from continuing operations		*-3,642*	*-374*
Net decrease in cash and cash equivalents		**-42,893**	**-14,822**
Cash and cash equivalents at beginning of year		**86,973**	**101,746**
Effect of foreign exchange rate changes		-26	49
Cash and cash equivalents at end of year		**44,054**	**86,973**

NOTES TO THE ANNUAL ACCOUNTS

1. CORPORATE INFORMATION

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

The financial information contained in this report comprises the consolidated financial statements of the Company and its subsidiaries (hereinafter referred to collectively as the **"Group"**). The figures in the tables are prepared and presented in Great British Pounds ("GBP"), rounded to the nearest thousand ("£'000s").

The 2023 consolidated financial statements were approved by the Board of Directors on 29 May 2024.

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 2023</u> had no material impact on Novacyt's consolidated financial statements at 31 December 2023. These are:
    - Amendment to IAS 1 - Disclosure of accounting policies - This amendment clarifies how to determine whether an accounting policy is significant for the preparation of financial statements;
    - Amendment to IAS 8 - Definition of an accounting estimate - This amendment clarifies the distinction between a change in accounting policy and a change in accounting estimate, in the context of the application of IAS 8;
    - Amendment to IAS 12 - Deferred tax arising from a single transaction - The amendment concerns the accounting for deferred tax when an entity recognises transactions, such as leases or decommissioning obligations, by recognising both an asset and a liability;
    - IFRS 17 - Insurance Contracts - This standard amended the rules for measuring and recognising insurance contracts, which were previously set out in IFRS 4;
    - IFRS 17 and IFRS 9 - Disclosures in the case of first-time application of IFRS 17 and IFRS 9.

- <u>Standards or interpretations not mandatorily applicable in 2023</u> that would be available for an early application.

These new texts have not been applied in advance by the Group or are not applicable:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current Liabilities, Mandatory as of January 1, 2024;
- Amendments to IFRS 16 – Lease Liabilities Related to a Sale-Leaseback, Mandatory as of January 1, 2024;
- Publication of the first two IFRS sustainability reporting standards, mandatory from 1 January 2024.

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 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 15), the carrying amounts and useful lives of the other intangible assets (see note 16), deferred taxes (see note 19), trade receivables (see note 21) and provisions for risks and other provisions related to the operating activities (see note 28).

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

Basis of consolidation

The financial information includes all companies over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. 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 & Country		At 31 December 2023		At 31 December 2022	
		Interest percentage	**Consolidation method**	**Interest percentage**	**Consolidation method**
Biotec Laboratories Ltd	UK	100%	FC	100%	FC
IT-IS International Ltd	UK	100%	FC	100%	FC
Lab21 Healthcare Ltd	UK	100%	DO	100%	DO
Novacyt US Inc	USA	100%	FC	100%	FC
Novacyt Inc	USA	100%	FC	100%	FC
Microgen Bioproducts Ltd	UK	100%	DO	100%	DO

Novacyt SA	France	100%	FC	100%	FC
Novacyt Asia Ltd	Hong Kong	100%	FC	100%	FC
Novacyt China Ltd	China	100%	FC	100%	FC
Novacyt UK Holdings Ltd	UK	100%	FC	100%	FC
Primer Design Ltd	UK	100%	FC	100%	FC
Yourgene Health Ltd	UK	100%	FC	-	-
Yourgene Health UK Ltd	UK	100%	FC	-	-
Yourgene Genomic Services Ltd	UK	100%	FC	-	-
Yourgene Health SASU	France	100%	FC	-	-
Yourgene Health Inc	USA	100%	FC	-	-
Yourgene Health GmbH	Germany	100%	FC	-	-
Yourgene Health Canada Holdings Ltd	Canada	100%	FC	-	-
Yourgene Health Canada Investments Ltd	Canada	100%	FC	-	-
Yourgene Health Canada Inc	Canada	100%	FC	-	-
Yourgene Health (Singapore) Pte. Ltd	Singapore	100%	FC	-	-
Yourgene Health (Taiwan) Co. Ltd	Taiwan	100%	FC	-	-
Elucigene Ltd	UK	100%	FC	-	-
Delta Diagnostics Ltd	UK	100%	FC	-	-

Legend: *FC: Full consolidation*
DO: Discontinued operation

On 8 September 2023, Novacyt UK Holdings Limited purchased the entire share capital of Yourgene Health Ltd (formerly Yourgene Health plc), the holding company of the Yourgene Group, which had 14 subsidiaries at the date of acquisition.

On 31 October 2023 Novacyt disposed of two non-trading entities Cambridge Genomics Corporation and Yourgene Biosciences Co. Ltd both based in Taiwan.

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 37).

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.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they adopt the going concern basis of accounting in preparing the financial statements after having taken into account the available information they have for the future, and especially the cash forecast prepared for the next 12 months.

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

- The business plan for the next 12 months;
- The working capital requirements of the business;
- A positive cash balance at 31 December 2023 of £44,054,000;

- The possible outcomes of the Department of Health and Social Care “DHSC” commercial dispute having a trial date set for June 2024;
- Payment of the remaining Coastal Genomics earn-out milestones;
- No additional external funding has been forecast.

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

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. For the financial year 2023, this applies to Yourgene Health Ltd (formerly PLC) and its subsidiaries, which were acquired on the 8 September 2023.

- **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, IT-IS International and Yourgene Health 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, IT-IS International and Yourgene Health 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 4 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.

Post-acquisition any new property, plant and equipment and intangible assets adopt the Novacyt Group policy stated above.

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.

- 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.

Contingent consideration

The Group recognises a contingent consideration resulting from an acquisition of assets or securities at their fair value at the acquisition date. Subsequently, the amount of the contingent consideration classified as a financial liability is adjusted to reflect their fair value as of each reporting period and this adjustment is recognised in the consolidated income statement. If the contingent consideration is equity, it is not remeasured.

Long-Term Incentive Plan (LTIP)

The LTIP share-based scheme is accounted for in accordance with IFRS 2 – Share-based Payment.

Share-based awards granted are measured at fair value on grant date, and the value is recognised as share-based compensation expense over the vesting period. The fair values of LTIP share schemes are determined by an external valuer using the Monte Carlo simulation model. Share-based compensation expense, when recognised, is charged to the consolidated income statements with the corresponding entry to reserve or liability, depending on the settlement method of the LTIP schemes within different period.

Novacyt granted shares to certain employees under a LTIP adopted on 1 November 2017. 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 vested on the third anniversary of the grant date and has been 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.

- **Yourgene Health**

Yourgene Health is an international genomics technology and services business, focussed on delivering molecular diagnostic and screening solutions, across reproductive health and precision medicine.

Revenue is recognised upon delivery of products sold and, where appropriate, after formal customer acceptance. Services revenue is recognised upon completion of the performance obligation. Warranty related revenue is recognised over the term of the agreement.

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 25%.

A tax asset will only be recognised when Management can reliably predict the outcome of the Patent Box claim and when there are sufficient short-term future taxable profits to allow the asset to be recovered.

Research and development tax credits

Primer Design Ltd, IT-IS International Ltd and Yourgene Health UK Ltd benefit from tax credits in respect of some of their research activities. The tax credit is calculated per financial year and deducted from the tax payable by the company in respect of the year during which research expenses were incurred. Tax credits that cannot be deducted from the tax expense are surrendered for a repayable tax credit and treated as a governmental subsidy in 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, IT-IS International and Yourgene Health.

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 2023 is £100,000 (2022: £791,000). The amortisation charge for the period is £702,000, including a £542,000 impairment charge, (2022: £156,000) and the cumulative amortisation is £1,350,000 (2022: £636,000).

- **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 2023 is £5,715,000 (2022: £1,888,000). The amortisation charge for the period is £1,729,000 including an impairment charge (2022: £501,000) and the cumulative amortisation is £9,150,000 (2022: £2,733,000).

- **Patents / Intellectual property**

The value of these assets, related to Yourgene Health, has been provisionally estimated and will be finalised as part of the process of allocating the purchase price of the assets held by the companies in the Yourgene Group.

The amortisation charge for the four months of 2023 included in the consolidation period has been determined based on their useful life. If necessary, it will be revised within the twelve month allowable window post-acquisition, in accordance with IFRS 3.

The carrying amount of patents / intellectual property at 31 December 2023 is £3,552,000 (2022: £235,000). The amortisation charge for the period is £211,000 (2022: £21,000) and the cumulative amortisation is £2,184,000 (2022: £74,000).

- **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 carried 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 and Yourgene Health acquisitions 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 £28,151,000 against which a credit loss provision of £865,000 has been applied. At the date of signing the financial statements, £23,957,000 of the 31 December 2023 receivables, relating to products delivered during 2020, were overdue due to the contract dispute with the Department of Health and Social Care "DHSC" (see note 44). Management considers it to be more likely than not that the 31 December 2023 balances are recoverable; this is a significant judgement.

- **Provisions**

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

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

  - **Provisions for restoration of premises**

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

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

- **Provisions for product warranty**

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

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 15) is considered likely to result in a material adjustment. Where there are other areas of estimates these have been deemed not material.

- **Measurement of goodwill**

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

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

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

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Goodwill Primer Design	6,255	6,384
Cumulative impairment of goodwill	-4,103	-
Net value	2,152	6,384
Goodwill IT-IS International	9,437	9,437
Cumulative impairment of goodwill	-9,437	-9,175
Net value	-	262
Goodwill Yourgene Health – provisional amount	**19,294**	**-**
Total goodwill	**21,446**	**6,646**

Sensitivity analysis has been performed on the goodwill balance and is presented in note 15.

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

- **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 2023**	**Year ended 31 December 2022**
Geographical area		
United Kingdom	3,363	10,123
France	1,059	243
Europe (excluding UK and France)	1,840	3,606
America	1,658	4,481
Asia-Pacific	2,768	1,852
Middle East	443	377
Africa	448	358
Total revenue	**11,579**	**21,040**

Revenue has fallen due to a lower demand for COVID-19 tests.

Sales in France have increased due to Yourgene Health having a strong presence in the country via the Yourgene Health SASU trading entity.

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

- **Primer Design**

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

- **IT-IS International**

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

- **Lab21 Products**

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

- **Corporate**

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

- **Yourgene Health**

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

- **Intercompany eliminations**

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

The Chief Operating Decision Maker is the Chief Executive Officer.

Headcount

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

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

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

Breakdown of revenue by operating segment and geographic area

- Year ended 31 December 2023

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

- Year ended 31 December 2022

Amounts in £'000	**Primer Design**	**IT-IS International**	**Total**
Geographical area			
United Kingdom	10,051	72	10,123
France	218	25	243
Europe (excluding UK and France)	3,154	452	3,606
America	4,134	347	4,481
Asia-Pacific	1,373	479	1,852
Middle East	347	30	377
Africa	357	1	358
Total revenue	**19,634**	**1,406**	**21,040**

Breakdown of result by operating segment

- Year ended 31 December 2023

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

- Year ended 31 December 2022

Amounts in £'000	Primer Design	IT-IS International	Corporate	Intercompany Eliminations	Total
Revenue	19,634	1,417	-	-11	21,040
Cost of sales	-14,710	-2,026	-	1,442	-15,294
Sales and marketing costs	-4,231	-321	-274	-	-4,826
Research and development	-4,458	-589	-	-	-5,047
General and administrative	-7,668	-1,046	-1,261	-	-9,975
Governmental subsidies	490	72	-	-	562
Earnings before interest, tax, depreciation and amortisation as per management reporting	**-10,943**	**-2,493**	**-1,535**	**1,431**	**-13,540**
Depreciation and amortisation	-1,699	-405	-44	33	-2,115
Operating (loss) / profit before exceptional items	**-12,642**	**-2,898**	**-1,579**	**1,464**	**-15,655**
Other operating expenses	-1,766	-5,285	-687	-	-7,738
Operating (loss) / profit after exceptional items	**-14,408**	**-8,183**	**-2,266**	**1,464**	**-23,393**
Financial income	6,045	44	2,684	-4,804	3,969
Financial expense	-542	-171	-4,353	4,437	-629
Loss before tax	**-8,905**	**-8,310**	**-3,935**	**1,097**	**-20,053**

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

Please note that in accordance with IFRS 5 the results of the Lab21 Products segment for 2023 and 2022 have been reported on a separate line 'Loss from discontinued operations' in the consolidated income statement, which is shown below loss before tax and thus all items above loss before tax have a nil value.

7. COST OF SALES

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

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

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

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

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

8. SALES, MARKETING AND DISTRIBUTION EXPENSES

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Advertising expenses	275	459
Distribution expenses	240	258
Employee compensation and social security contributions	2,956	3,606
Travel and entertainment expenses	203	184
Other sales and marketing expenses	276	319
Total sales, marketing and distribution expenses	**3,950**	**4,826**

Labour costs have reduced year on year as a result of the redundancy programmes undertaken by the Group. The impact of these savings has been partially offset by the inclusion of employee costs as a result of the Yourgene Health acquisition.

9. RESEARCH AND DEVELOPMENT EXPENSES

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Employee compensation and social security contributions	2,205	2,704
Other expenses	1,023	2,343
Total research and development expenses	**3,228**	**5,047**

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

Other expenses, which covers R&D consumables, non-capitalised development costs and quality control/assurance expenses, has fallen year on year as external expenditure was scaled back.

10. GENERAL AND ADMINISTRATIVE EXPENSES

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

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

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

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

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

11. OTHER OPERATING INCOME AND EXPENSES

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

Operating expenses

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

Goodwill associated with the Primer Design acquisition was impaired in 2023 due to reduced future expected cash flow generation.

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

Restructuring expenses are driven by the Group restructuring programmes.

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

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

12. FINANCIAL INCOME AND EXPENSE

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Financial foreign exchange gains	639	2,506
Discount of financial instruments	-	3
Interest received from discontinued operations	735	779
Other financial income	2,036	681
Total financial income	**3,410**	**3,969**
Interest on IFRS 16 liabilities	-455	-45
Financial foreign exchange losses	-1,606	-139
Discount of financial instruments	-32	-31
Interest paid to discontinued operations	-227	-413
Other financial expense	-142	-1
Total financial expense	**-2,462**	**-629**

2023 financial foreign exchange gains and losses are driven by revaluations of 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.

Financial foreign exchange gains in 2022 were driven by revaluations of the LTIP liability and bank and intercompany accounts held in foreign currencies.

13. TAX INCOME / (EXPENSE)

The UK corporation tax rate of 19% increased to 25% from 1 April 2023. The legislation to effect these changes was enacted before the balance sheet date and UK deferred tax has been calculated accordingly.

Taxation for other jurisdictions 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 2023**	**Year ended 31 December 2022**
Current tax		
Current year income / (expense)	237	-224
Deferred tax		
Deferred tax income / (expense)	531	-1,924
Total taxation income / (expense) in the income statement	**768**	**-2,148**

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

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Loss before taxation	**-28,568**	**-20,053**
Tax at the UK corporation tax rate (2023: 23.5% - 2022: 19%)	6,714	3,810
Effect of different tax rates of subsidiaries operating in other jurisdictions	47	95
Change of the tax rate for the calculation of the deferred tax	168	3,571
Effect of non-deductible expenses and non-taxable income	-1,805	-1,224
Recognition / (Derecognition) of deferred tax assets	274	-8,047
Change in unrecognised deferred tax assets	-4,977	-287
Other adjustments	347	-66
Total taxation expense for the year	**768**	**-2,148**

At 31 December 2023, the Group has unused tax losses of £133,739,000 (2022: £72,097,000) available for offset against future relevant profits.

The key item making up the non-deductible expenses in 2023 and 2022 is the impairment of goodwill.

14. LOSS PER SHARE

The loss per share is calculated based on the weighted average number of shares outstanding during the period. The diluted loss per share is calculated based on the weighted average number of shares outstanding and the number of shares issuable as a result of the conversion of dilutive financial instruments. At 31 December 2023 there are no outstanding dilutive instruments.

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Net loss attributable to owners of the Company	-28,292	-25,730
Impact of dilutive instruments	-	-
Net diluted loss attributable to owners of the Company	-28,292	-25,730
Weighted average number of shares (actual amount)	70,626,248	70,626,248
Impact of dilutive instruments	-	-
Weighted average number of diluted shares	70,626,248	70,626,248
Loss per share (£)	**-0.40**	**-0.36**
Diluted loss per share (£)	**-0.40**	**-0.36**
Loss per share from continuing operations (£)	*-0.39*	*-0.31*
Diluted loss per share from continuing operations (£)	*-0.39*	*-0.31*
Loss per share from discontinued operations (£)	*-0.01*	*-0.05*
Diluted loss per share from discontinued operations (£)	*-0.01*	*-0.05*

15. GOODWILL

Goodwill is the difference recognised, upon consolidation of a company, between the fair value of the purchase price of its shares and the net assets acquired and liabilities assumed, measured in accordance with IFRS 3.

Cost	**£'000**
At 1 January 2022	30,358
Exchange differences	1,144
At 31 December 2022	31,502
Acquisition of the Yourgene Health Group of companies	19,542
Disposal of Cambridge Genomics Corporation and Yourgene Biosciences Co. Ltd	-276
Exchange differences	-419
At 31 December 2023	**50,349**
Accumulated impairment losses	
At 1 January 2022	18,887
Impairment of the IT-IS International goodwill	5,156
Exchange differences	813
At 31 December 2022	24,856
Impairment of the Primer Design goodwill	4,113
Impairment of the IT-IS International goodwill	262
Exchange differences	-328
At 31 December 2023	**28,903**
Carrying value	
At 1 January 2022	11,471
At 31 December 2022	6,646
At 31 December 2023	**21,446**

Primer Design

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

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

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

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						
	2,152	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
WACC rates	10.0%	4,963	5,341	5,761	6,231	6,760	7,359	8,043
	11.0%	4,077	4,378	4,710	5,076	5,483	5,939	6,451
	12.0%	3,342	3,587	3,854	4,146	4,467	4,822	5,217
	13.0%	2,725	2,926	3,144	3,381	3,640	3,923	4,235
	14.0%	2,199	2,367	2,547	2,743	2,954	3,184	3,435
	15.1%	1,704	1,843	1,992	2,152	2,325	2,510	2,711
	16.0%	1,353	1,473	1,602	1,739	1,886	2,044	2,214
	17.0%	1,008	1,112	1,221	1,338	1,463	1,596	1,739
	18.0%	705	794	888	989	1,095	1,208	1,329

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 impair the Primer Design goodwill.

IT-IS International

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

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

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

Yourgene Health

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

The goodwill calculation is presented in note 38 'Business combinations'.

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

16. OTHER INTANGIBLE ASSETS

Amounts in £'000	Customer relationships	Trademarks	Development costs	Patents	Software	Total
Cost						
At 1 January 2022	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
Acquisitions	–	–	48	61	45	154
Business combinations	5,548	14	1,419	3,569	69	10,619
Other disposals	–	–	-1,000	-157	–	-1,157
Foreign exchange impact	-28	-12	–	36	-2	-6
At 31 December 2023	**10,141**	**1,429**	**664**	**3,818**	**463**	**16,515**
Amortisation						
At 1 January 2022	-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
Amortisation for the year	-851	-160	-404	-209	-97	-1,721
Exceptional impairment	-878	-542	–	–	–	-1,420
Other disposals	–	–	578	30	–	608
Foreign exchange impact	36	9	–	-11	–	34
At 31 December 2023	**-4,426**	**-1,329**	**-**	**-264**	**-264**	**-6,283**
Net book value						
At 1 January 2022	2,339	938	69	327	37	3,710
At 31 December 2022	1,888	791	23	235	184	3,121
At 31 December 2023	**5,715**	**100**	**664**	**3,554**	**199**	**10,232**

The increase in intangible assets is driven by the assets acquired through the 2023 acquisition of Yourgene Health.

17. PROPERTY, PLANT AND EQUIPMENT

Amounts in £'000	Leasehold improvements	Plant and machinery	Office equipment	Total
Cost				
At 1 January 2022	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
Acquisitions	58	433	26	517
Business combinations	2,482	10,792	835	14,109
Other disposals	-134	-745	-173	-1,052
Foreign exchange impact	15	91	6	112
At 31 December 2023	**3,171**	**14,480**	**1,207**	**18,858**
Depreciation				
At 1 January 2022	-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
Depreciation for the year	-317	-1,108	-155	-1,580
Business combinations	-1,274	-9,381	-610	-11,265
Other disposals	135	385	165	685
Foreign exchange impact	-5	-84	-5	-94
At 31 December 2023	**-1,901**	**-11,819**	**-955**	**-14,675**
Net book value				
At 1 January 2022	810	3,408	376	4,594
At 31 December 2022	310	2,278	163	2,751
At 31 December 2023	**1,270**	**2,661**	**252**	**4,183**

The increase in property, plant and equipment is driven by the assets acquired through the 2023 acquisition of Yourgene Health.

Other disposals in 2022 included 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.

18. RIGHT-OF-USE ASSETS

Amounts in £'000	Land and buildings	Plant and machinery	Motor vehicles	Total
Cost				
At 1 January 2022	2,665	39	–	2,704
Additions	153	8	–	161
Disposals	-1,359	-28	–	-1,387
Reclassifications	10	–	–	10
At 31 December 2022	1,469	19	–	1,488
Additions	306	–	54	360
Business combinations	13,660	856	78	14,594
Disposals	-632	-11	-43	-686
Foreign exchange impact	31	5	–	36
At 31 December 2023	**14,834**	**869**	**89**	**15,792**
Depreciation				
At 1 January 2022	-885	-31	–	-916
Depreciation for the year	-1,415	-13	–	-1,428
Disposals	1,359	28	–	1,387
Reclassifications	-10	–	–	-10
At 31 December 2022	-951	-16	–	-967
Depreciation for the year	-778	-73	-3	-854
Business combinations	-3,360	-182	-72	-3,614
Disposals	632	11	43	686
Foreign exchange impact	-7	–	–	-7
At 31 December 2023	**-4,464**	**-260**	**-32**	**-4,756**
Net book value				
At 1 January 2022	1,780	8	–	1,788
At 31 December 2022	518	3	–	521
At 31 December 2023	**10,370**	**609**	**57**	**11,036**

The increase in right-of-use assets is predominantly driven by the leased premises acquired through the 2023 acquisition of Yourgene Health as per note 24.

The 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.

19. 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 2022	-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
Business combinations	-	-1,938	-	-	6	-	-1,932
Credit / (charge) to income statement	239	509	-	-	-217	-	531
Impact of FX variation	-	-10	-	-	-	-	-10
At 31 December 2023	**-407**	**-1,834**	**-**	**-**	**413**	**-**	**-1,828**

At 31 December 2023, deferred tax liabilities amounting to £407,000 (2022: £646,000) reflect the tax advantage from investments in fixed assets that is obtained in advance of depreciation charges.

At 31 December 2023, deferred tax liabilities amounting to £1,834,000 (2022: £395,000) result from the recognition of brand and customer relationships intangible assets as part of the Yourgene Health acquisition in September 2023.

The £2,125,000 deferred tax asset balance at 1 January 2022 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 2023	Year ended 31 December 2022
Deferred tax assets	413	624
Deferred tax liabilities	-2,241	-1,041
Net deferred tax (liabilities) / assets	**-1,828**	**-417**

The following table shows the deferred tax assets not presented in the statement of financial position, that are mainly made up of unused tax losses:

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Novacyt SA	1,993	2,299
Novacyt UK Holdings	4,506	3,645
IT-IS International	1,268	725
Primer Design	12,281	10,624
Yourgene Health	13,450	-
Total unrecognised deferred tax assets	**33,498**	**17,293**

20. INVENTORIES AND WORK IN PROGRESS

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

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

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

21. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

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

22. PREPAYMENTS AND SHORT-TERM DEPOSITS

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Liquidity contract	2	51
Short-term deposits	107	183
Prepaid expenses	2,492	2,184
Total prepayments and short-term deposits	**2,601**	**2,418**

Prepaid expenses include the annual Group commercial insurance, rent, rates and prepaid support costs.

The year-on-year movement is minimal as 2022 included prepaid stock that was delivered in 2023, largely offset by the inclusion of Yourgene Health prepayments.

23. CASH AND CASH EQUIVALENTS

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

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Available cash	44,054	86,973
Total cash and cash equivalents	**44,054**	**86,973**

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.

24. LEASE LIABILITIES

The following tables show lease liabilities carried at amortised cost.

- Maturities

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

- Change in lease liabilities in 2023 and 2022

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

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

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

Repayment of borrowings and lease liabilities in 2023

Note 24 – Lease liabilities	£'000
Change in lease liabilities in 2023: repayment	-1,110
Total repayments in 2023 as per note 24	-1,110

Statement of cash flows for the year 2023	
Cash used in financing activities: repayment of lease liabilities	-1,110

Repayment of borrowings and lease liabilities in 2022

Note 24 – Lease liabilities	£'000
Change in lease liabilities in 2022: repayment	-503
Total repayments in 2022 as per note 24	-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

26. CONTINGENT CONSIDERATION

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Contingent consideration short-term	193	-
Contingent consideration long-term	722	-
Total contingent consideration	**915**	**-**

The balance as at 31 December 2023 relates to the Yourgene Health acquisition of Coastal Genomics Inc. (now called Yourgene Health Canada Inc) in Canada in 2020. This balance represents an earn-out milestone payment contingent upon achieving revenue targets. Approximately £693,000 was paid in January 2024 following a settlement deal being agreed.

27.TAX RECEIVABLES

The main items making up the 2023 tax receivable balance of £728,000 relates to research and development tax credits (SME regime) accruals covering 2022 and 2023.

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.

28. PROVISIONS

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

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

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

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

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

The provisions for the restoration of the premises are an estimation of amounts payable to cover dilapidations at the end of the rental periods, thus at the following dates:

- Primer Design Ltd: November 2025;
- IT-IS International Ltd: September 2025 and December 2028, as there are two sites that do not have co-terminus leases.
- Yourgene Health: January 2026, August 2026, January 2028, September 2029, September 2030, and February 2037 as there are multiple sites that do not have co-terminus leases.

The provision for product assurance warranties predominantly relates to the notification of a product warranty claim with the DHSC (see note 44). Management have assessed the DHSC product warranty provision held at 31 December 2022 and have deemed that it is still appropriate at 31 December 2023.

29. TRADE AND OTHER LIABILITIES

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

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

30. OTHER CURRENT LIABILITIES

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Deferred income and advance payments received from customers	927	540
Total other current liabilities	**927**	**540**

Other current liabilities predominantly relates to customer payments received in advance of receiving the products or service. It has increased since December 2022 due the inclusion of Yourgene Health liabilities.

31. OTHER LIABILITIES LONG-TERM

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Share-based payment benefits – LTIP, long-term	3	50
Total other liabilities long-term	**3**	**50**

The 2023 other liabilities long-term balance relates to the 2022 share-based LTIP scheme.

32. SHARE CAPITAL

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

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

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

33. SHARE PREMIUM ACCOUNT

Amounts in £'000	
Balance at 1 January 2022	**50,671**
Balance at 31 December 2022	**50,671**
Balance at 31 December 2023	**50,671**

34. OTHER RESERVES

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

35. EQUITY RESERVE

Amounts in £'000	
Balance at 1 January 2022	**1,155**
Balance at 31 December 2022	**1,155**
Balance at 31 December 2023	**1,155**

This reserve represents the equity component of warrants and loans.

36.RETAINED EARNINGS/LOSSES

Amounts in £’000

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

37. 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. At the end of June 2022 both businesses 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 2023 and 2022:

Amounts in £'000 **Discontinued Operations**	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Revenue	-	1,448
Cost of sales	-	-1,102
Gross profit	**-**	**346**
Sales, marketing and distribution expenses	-	-320
Research and development expenses	-	-22
General and administrative expenses	-	-3,059
Operating loss before exceptional items	**-**	**-3,055**
Other operating expenses	-28	-290
Operating loss after exceptional items	**-28**	**-3,345**
Financial income	230	1,181
Financial expense	-694	-953
Loss before tax	**-492**	**-3,117**
Taxation (expense) / income	-	-412
Loss after tax from discontinued operations	**-492**	**-3,529**

2023 balances relate to interest on intercompany balances and the clearance of balance sheet items to allow the entities to be closed.

38. BUSINESS COMBINATIONS

Acquisition of Yourgene Health Ltd (formerly PLC)

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

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

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

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

Intangible assets	£10,618,000
Property, plant and equipment	£2,844,000
Right-of-use assets	£10,980,000
Inventory	£2,541,000
Trade receivables	£2,473,000
Other current assets	£4,252,000
Cash	£1,289,000
Lease liabilities	-£13,283,000
Bank borrowings	-£2,367,000
Contingent liabilities (note 26)	-£1,020,000
Deferred tax liabilities	-£1,932,000
Trade payables and accruals	-£13,353,000
Other current liabilities	-£5,914,000
Fair value of assets acquired and liabilities assumed	-£2,872,000

Goodwill	£19,542,000

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

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

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

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

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

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

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

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

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

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

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

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

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

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

39.NOTES TO THE CASH FLOW STATEMENT

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

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

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

The details for the change in the stock provision are covered in notes 7 and 20.

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 (including service charges) is £325,772, 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 (including service charges) was £146,750. This lease terminated in May 2023.

Microgen Bioproducts Ltd

The Watchmoor Point leased premises had a mixed use for office, storage and laboratory purposes. The annual charge for the site was £175,643 (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. The leases commenced in October 2022 and will run until September 2025. The annual charge for the site is £33,763 (including service charges).

In December 2023 the company renewed the lease for MMC House, for mixed use of office, storage and production purposes. The lease will run to December 2028, with an annual charge of £60,000.

Yourgene Health

In February 2022 Yourgene Health Ltd took out a new leased premise, Skelton House, based in Manchester, UK, which has mixed use for office, storage, production and laboratory purposes. The annual charge for the site (including car park rent) will be £999,000 after the rent-free period ends in August 2024. The lease runs to February 2037.

Yourgene Health Ltd has a second leased site in Manchester, UK, which is vacant, having moved its operations to Skelton House in 2022. The annual charge for the site is £282,000 (including service charges). This lease runs to September 2029.

In September 2021 Yourgene Health Canada Inc took out a leased premise, Broadway, used mainly for storage and production purposes. The annual charge for the site is £112,000. The lease runs to August 2026.

Yourgene Health Canada Inc has a second leased site, Nanaimo Unit 206, used as office space. The annual charge for the site is £16,000. This lease was renewed in December 2023 and runs to January 2028.

Yourgene Health (Singapore) Pte Ltd has a three-year office space lease at Galaxis Workloft, Singapore, with an annual charge of £28,000 (including service charges). This lease runs until January 2026.

In October 2020 Yourgene Health (Taiwan) Co. Ltd, took out a new leased premise, Farglory U-Town, based in New Taipei City, Taiwan, which has a mixed use for office, storage, production and laboratory purposes. The annual charge for the site (including 5% tax) increases from £138,000 to £151,000 over the term of the lease, after the rent-free period, which ended in February 2021. The lease runs to September 2030.

The table below shows the impact of the leases in the consolidated income and cash flow statements for the financial years 2023 and 2022:

Amounts in £'000	**Year ended 31 December 2023**	**Year ended 31 December 2022**
Cash outflows for leases accounted for as per IFRS 16	-1,110	-503
Expenses related to short-term and low-value leases	-340	-530
Total cash outflows for leases	**-1,450**	**-1,033**

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 32 to 36).

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 Financial Controller and the Chief Financial Officer. The funding mix of the business is reviewed and managed 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 2023	Year ended 31 December 2022
Debt (lease liabilities)	13,704	872
Cash and cash equivalents	44,054	86,973
Net (cash) / debt	**-30,350**	**-86,101**
Equity	**87,242**	**115,216**
Net (cash) / debt to equity ratio	**-35%**	**-75%**

Debt is defined as long-term and short-term borrowings and lease liabilities (excluding derivatives and financial guarantee contracts) as detailed in notes 24 and 25.

For both years, 2023 and 2022, 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 2023	Year ended 31 December 2022
Financial assets		
Cash and cash equivalents (note 23)	44,054	86,973
Short term investments and receivables	27,669	25,359
Financial liabilities		
Fair value through profit and loss	915	-
Amortised cost	20,332	3,710

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:

Amounts in £'000	At 31 December 2023			At 31 December 2022		
	Assets	**Liabilities**	**Net Exposure**	**Assets**	**Liabilities**	**Net Exposure**
EUR	16 702	-2 081	14 621	17 395	-2 063	15 332
USD	4 290	-2 823	1 467	5 151	-8	5 143
CAD	607	-429	178	-	-	-
SGD	130	-178	-48	-	-	-
TWD	268	-258	10	-	-	-

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 2023	Year ended 31 December 2022
EUR	14,567	15,332
Conversion rate	1.15270	1.12932
Impact GBP strengthening: FX + 5%	-694	-730
Impact GBP weakening: FX - 5%	767	807
USD	1,467	5,143
Conversion rate	1.27313	1.20582
Impact GBP strengthening: FX + 5%	-70	-245
Impact GBP weakening: FX - 5%	77	271

	Income Statement	
Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
EUR	379	1,932
Conversion rate	1.14993	1.17319
Impact GBP strengthening: FX + 5%	-17	-161
Impact GBP weakening: FX - 5%	21	26
USD	-31	3,020
Conversion rate	1.24026	1.23697
Impact GBP strengthening: FX + 5%	1	-216
Impact GBP weakening: FX - 5%	-2	79

Currencies CAD, SGD and TWD have not been modelled as their impact is immaterial.

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 2023 and 2022 the Group was not dependent on one particular customer and there were no customers generating sales accounting for over 10% of revenue.

85% 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 2023 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 2023							
Variable interest rate instruments	-	-	-	-	-	-	-
Fixed interest rate instruments	4.0	1,476	4,940	2,121	6,804	9,617	**24,958**
31 December 2022							
Variable interest rate instruments	-	-	-	-	-	-	-
Fixed interest rate instruments	1.2	634	63	231	315	-	**1,243**

The year-on-year increase is due to the inclusion of lease liabilities associated with the acquisition of Yourgene Health.

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 2023						
Non-interest bearing	–	14,803	434	589	24,692	**40,518**
Variable interest rate instruments	4.3	3,936	27,268	-	-	**31,204**
31 December 2022						
Non-interest bearing	–	8	1,040	112	24,393	**25,553**
Variable interest rate instruments	0.7	86,973	-	-	-	**86,973**

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
	31/12/23	31/12/22				
1) Contingent consideration in relation to the Yourgene Health acquisition of Coastal Genomics (current and non-current portion)	915	-	2	Part payment made in January 2024.	-	-

Fair value measurements recognised in the statement of financial position

Amounts in £'000	Level 1	Level 2	Level 3	Total
	Year ended 31 December 2023			
Financial liabilities at FVTPL				
Contingent consideration	–	915	–	915
Total liabilities at FVTPL	**–**	**915**	**–**	**915**

Amounts in £'000	Level 1	Level 2	Level 3	Total
	Year ended 31 December 2022			
Financial liabilities at FVTPL				
Contingent consideration	–	–	–	–
Total liabilities at FVTPL	**–**	**–**	**–**	**–**

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

Aggregate Directors' remuneration

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

Other related party transactions

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

43. AUDIT FEES

Amounts in £'000	Year ended 31 December 2023	Year ended 31 December 2022
Fees payable to the Company's Auditor and its associates in respect of the audit		
Group audit of these financial statements	208	67
Audit of the Company's subsidiaries' financial statements	351	200
Total audit remuneration	**559**	**267**
Fees payable to the Company's Auditor and its associates in respect of non-audit-related services		
Audit-related assurance services	-	-
All other services	-	-
Total non-audit-related remuneration	**-**	**-**

Audit fees in 2023 have increased as a result of the acquisition of Yourgene Health and include additional one off first year audit costs.

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. The total amount of revenue in dispute is £130,642,000 (£156,770,000 including VAT) in respect of performance obligations satisfied during the financial year to 31 December 2020.

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

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

On 25 April 2022, legal proceedings were issued against Novacyt and Primer Design Ltd in respect of amounts paid to Primer Design Ltd totalling £134,635,000 (including VAT) by the DHSC.

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

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

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

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

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

45. SUBSEQUENT EVENTS

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