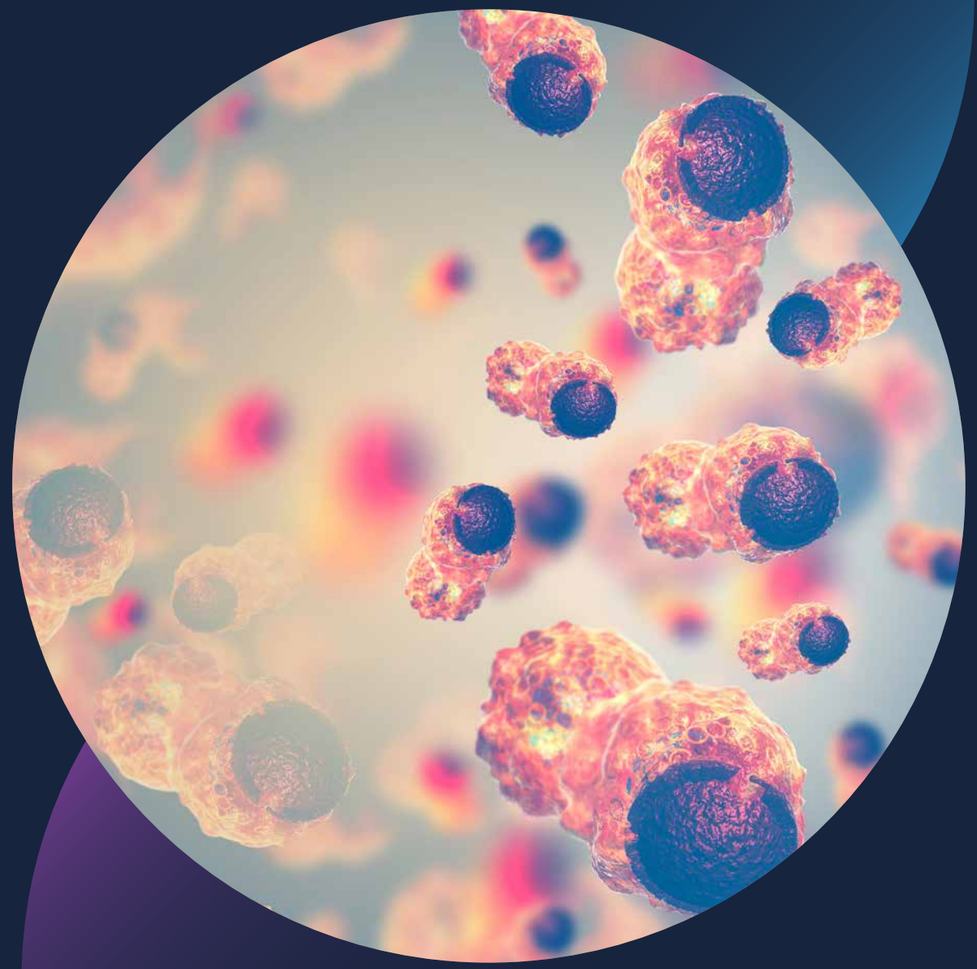
NOVACYT

Novacyt Annual Report and Accounts for the year ended 31 December 2023

Bringing Together Research, Instrumentation and Clinical Expertise



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Business Overview

Introduction

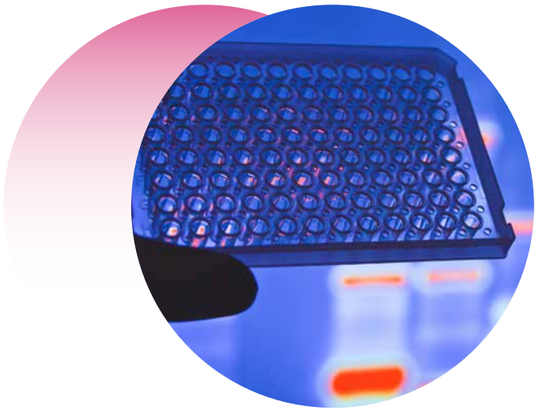
Novacyt is an international molecular diagnostics company providing a growing portfolio of integrated technologies and services, primarily focused on delivery of genomic medicine. The Group develops, manufactures, and commercialises a broad range of molecular assays, workflows and instrumentation for both research and clinical applications. The Group is recognised as a leader in reproductive health, precision medicine and infectious disease.

Our vision

To be a trusted provider of molecular diagnostics, enabled through our technical expertise, innovation and our global partnerships.

- **Clinical**
  A focused portfolio of *in vitro* diagnostic tests for human health
- **Research**
  A broad range of high quality, reliable reagents, and qPCR assays for the life science industry
- **Instrumentation**
  Ranger® Technology for DNA size selection and qPCR instrumentation products for in-field testing

These three key areas of focus for the enlarged Group are underpinned by our core expertise in areas such as Bioinformatics, Regulatory and Technical Services, which is explained in more detail on pages 6 to 7.



Building growth on our core expertise

Clinical *in vitro* diagnostics assay development

A key strength of the combined Group is the ability to develop clinical assays that will have a positive impact on human health. This isn't just a technical development workstream but comes from a deep understanding of unmet clinical needs, keeping on top of different healthcare reimbursement and insurance coverage policies and changes to clinical pathways, which create market opportunities for some clinical tests. The team can then develop products that meet the needs of clinicians using a range of different technologies such as NGS, ARMS and qPCR amongst others. Yourgene has a range of screening and diagnostic tests in the field of reproductive health, precision medicine and infectious disease.

Research tools for life sciences

The Primer Design life science division within the Group is focused on the design, manufacture, validation and supply of real-time PCR kits and reagents which offers our life science and research customers a comprehensive range (1200+) of qPCR assays that are high quality and accurate.

The portfolio covers a range of different applications including human health, animal and veterinary, food, water and agriculture pathogen kits. In addition, the team of friendly specialists has a wealth of expertise in developing custom assays for our partners. This includes qPCR assay design, multiplexing, custom and extraction workflow solutions. Primer Design has substantial experience in manufacturing finished products that are ready for distribution. We can manufacture molecular diagnostic assays in freeze-dried, air-dried and liquid formats.

Instrumentation

Novacyt has two different families of instrumentation both offering unique solutions to our customers' genetic testing needs. The core fundamental underpinning our instrumentation portfolio is building platforms, consumables and reagents that are built with our customers in mind.

- Ranger® Technology – this game-changing technology is used for next generation DNA size selection, enabling customers to enrich a specific target through real-time machine vision. Ranger® Technology is deployed in the LightBench and NIMBUS Select instruments, giving customers automation and scalability across multiple applications.
- MyGo and genesig™ q series of qPCR instruments both enable customers to take real-time PCR tests out of the laboratory, with portable options to run the instrument out in the field. This offers mobility, versatility and speed to meet any testing need.

Bioinformatics

Developing bespoke software analysis tools to work alongside our assays, instruments and workflows enables us to offer a comprehensive work package to a lab. Our Bioinformatics teams work closely with R&D teams to build data analysis tools to meet our customer needs. The Bioinformatics teams also work alongside our customers and Technical Services teams to ensure that data and reports that customers develop from our tests are accurate and that the test is performing as it should in the customers' hands. Many customers who do not have a specialist bioinformatics resource rely on us to provide easy to interpret clinical results through user-friendly software.

Regulatory expertise

The Yourgene team has a long history of nearly 10 years of having regulatory approved *in vitro* diagnostics tests, starting with the world's first NIPT assay, the IONA® test to receive its CE mark back in 2015. The In Vitro Diagnostic Regulation (IVDR 2017/746) replaced the current In Vitro Diagnostic Directive (IVDD 98/79/EC), and we are pleased to have received IVDR accreditation for the Yourgene® DPYD test in November 2023.

IVDR provides the regulatory framework for safe and effective tests for the benefit of patients. As a responsible IVD manufacturer, we are pleased to embrace these enhanced regulations and we are actively working to fulfil the IVDR requirements for our devices to meet the needs of our customers and to support the health decisions of their patient populations. In addition to the new challenges of IVDR, the experienced Regulatory team work hard to ensure other products are registered in additional non-European regions and are available for sale in regions such as Vietnam, Australia and Canada amongst others.

Technical services

Our global technical services team is well regarded by our customers. We receive consistent feedback that they provide excellent and detailed training programmes, pre and post installation support, hand-holding and ongoing operational support. Our teams pride themselves on being fast, responsive, supportive and proactive. The teams are very customer focused and aim to deliver a comprehensive service plan for our more complex NGS workflows such as NIPT. In addition, our dedicated Life Sciences team and technical and field support specialists continue to provide round-the-clock support to our customers with instrument servicing and repair, software updates, troubleshooting and technical advice.

Highlights

This has been a transformational year for the Novacyt Group with the acquisition of molecular diagnostics business Yourgene Health Ltd (formerly plc) on 8 September 2023. The acquisition adds scale and diversification to create a stronger global diagnostics business, with a complementary suite of genomic technologies and services.

Operational & commercial highlights (1 January 2023 to 31 December 2023) of the combined Group

Novacyt **Acquisition of Yourgene Health Ltd** (September 2023)

Lyn Rees and **John Brown CBE** join Novacyt Board (September 2023)

First IVDR accreditation for Yourgene DPYD assay for chemotoxicity (November 2023)

Yourgene Health is a **PacBio compatible partner** and **publication of a Technical Note for LightBench in long read sequencing** (November 2023)

Yourgene Health launch **MagBench automated DNA extraction platform** (August 2023)

Yourgene Health presents **Data Demonstrating Successful Fetal Fraction Enrichment in NIPT Workflows in EDTA Tubes at IPSD** (June 2023)

Launch of the **Primer Design Co-Prep ES instrument**, providing automated DNA and RNA extraction using Primer Design developed and optimised chemistry which allows for pathogen detection across numerous applications

Novacyt announce **DHSC trial date** (January 2023)

Financial highlights

Group revenue for FY2023 was	£11.6m
Group gross profit	£3.7m
Group EBITDA loss	£13.7m
Cash position on 31 December 2023 was	£44.1m

Strategic Report

"The acquisition and successful integration of Yourgene Health plc has significantly expanded the Group's product portfolio and strengthened our core strengths of in vitro diagnostic product development and commercialisation. This has put the Group in a great position to accelerate revenue growth both organically and through further selective acquisitions."

James Wakefield
Chairman, Novacyt S.A.

Chairman's Statement

2023 was a year of significant strategic change for the Novacyt Group as we continued shaping our product portfolio for a post-COVID-19 world. This change took place both organically by developing the existing portfolio of Primer Design and IT-IS and through the acquisition of Yourgene Health Ltd.

Our core Research Assays for life sciences are now well established with an extensive portfolio covering the areas of Human Healthcare, Animal & Veterinary and Food, Water and Agriculture all underpinned by a custom assay capability that enables bespoke solution development for customers. The acquisition of Yourgene Health has introduced some new high growth product areas such as Non-Invasive Parental testing, DPYD genotyping and Cystic Fibrosis screening. The acquisition has also increased our instrumentation portfolio with the addition of Ranger® Technology which provides industry-leading scalability and precision for DNA size selection.

As well as expanding the product portfolio the acquisition of Yourgene Health has significantly increased the Research and Development capability of the Group both in terms of scale and expertise. The larger commercial team means we have a better geographic footprint to sell all of our products and the increase in scale means we have access to better distribution channels in some territories. We have strengthened our regulatory capability which is an area of growing importance as we enter the era of IVDR. We are pleased with the progress we have made on integrating the two businesses and can see further opportunities for economies of both scale and skills as we move forward.

We have also seen significant change at Board level with both John Brown and Lyn Rees joining the Board in September 2023, Steve Gibson stepping up as CFO in January 2024 and Jo Mason joining from 1 May 2024. We are delighted that Lyn is taking on the role of CEO, effective from 1 May 2024, and on behalf of the Board, I would like to thank both Andrew Heath and James McCarthy who stepped down from the Board on 1 May 2024.

During the 2023 period under review, we generated revenues of £11.6m (including Yourgene Health from 8 September 2023) and the Company remains debt free with a cash position at 31 December 2023 of over £44 million. We are delighted to be working with Allegra Finance as our French listing sponsor and SP Angel Corporate Finance LLP as our Nominated Advisor/ Broker; Numis continues to act as our joint broker.

We are not proposing to pay a dividend for the financial year ended 2023. The future dividend policy will be reviewed on an annual basis as part of a wider review of capital allocation, which will be formulated in conjunction with the requirements for continued investment in the business or future acquisitions to maximise Shareholder value, taking into account the prevailing financial conditions in the markets in which the business operates.

The Company is listed on two stock exchanges: Euronext Growth Paris and AIM London. As such, the Board remains committed to maintaining the highest standards of transparency, ethics and corporate governance, whilst also providing leadership, controls and strategic oversight to ensure that we deliver value to all our stakeholders.

Finally, I would like to take this opportunity of thanking you, the Shareholders, for your continued support, and also to thank the Board, the Executive management team and all of our staff for their commitment and contribution to the business.

James Wakefield
Chairman, Novacyt S.A.

Focus on strategic growth with an expanded portfolio

Clinical *in vitro* diagnostics

Through the acquisition of Yourgene Health, the Novacyt Group has expanded it's portfolio of human clinical *in vitro* diagnostics products, workflows and services focused on three therapeutic areas: Reproductive Health, Precision Medicine and Infectious Diseases. Below is a deeper dive into some of our market-leading products within the clinical space.

Non-invasive prenatal testing (NIPT)

Prenatal screening has been revolutionised over the last ten years with the emergence of non-invasive prenatal testing (NIPT) enabling vast improvements in accuracy and precision through the detection of circulating fetal DNA (cfDNA) in maternal blood. Non-invasive prenatal testing has been so successful since its introduction that it has since been called the vanguard of genomic medicine. NIPT tests reduce the risk of false positives occurring, giving clinicians the confidence to refer mothers for an invasive test only when there is a high risk that the fetus is affected. This means fewer pregnant women will undergo unnecessary invasive follow-up procedures such as an amniocentesis or chorionic villus sampling (CVS) which can be stressful, painful and may carry a small risk of miscarriage. NIPT is a screening test, and all high-risk results must be followed up with a confirmatory invasive test.

NIPT was first launched as a super-lab service offering in the USA and China, but the market need for clinical laboratories wishing to run their own local NIPT service created great clinical demand. In 2015 Yourgene launched the IONA® test (CE-IVD) and changed the NIPT screening landscape. The IONA® test was the pioneer, the first to market as an IVD kitted product, enabling the democratisation of NIPT for a network of clinical laboratories globally. Today, Yourgene has a comprehensive offering of NIPT workflows, utilising next generation sequencing, that have been built with labs in mind, and clinical prenatal screening services in the UK and Taiwan.

Yourgene has four different NIPT workflows for labs based on different sequencing platforms (Illumina and Thermo Fisher) and different regulatory landscapes.

- IONA® Nx NIPT Workflow – CE-IVD based on Illumina Nextseq 550 Dx
- The IONA® test workflow – CE-IVD based on Thermo Fisher Ion Torrent
- Sage™ prenatal screen – RUO based on Thermo Fisher Ion Torrent
- Yourgene Nx NIPT Workflow – LDT customisable workflow on Illumina Nextseq 550 Dx

The majority of the above NIPT workflows have a broad range of benefits to our lab customers enabling them to offer an accurate, comprehensive, competitive clinical NIPT service, including:

- A broad clinical menu including clinically actionable microdeletion syndromes.
- Fetal fraction enrichment technology.
- Low re-draw rates.
- Highly flexible workflow that can be scaled.
- Manual or automated workflow.

DPYD genotyping

DPYD assay is used to identify patients with Dihydropyrimidine Dehydrogenase (DPD) deficiency, through the rapid detection of six clinically relevant variants in the DPD enzyme. Patients with a DPD deficiency have a high risk of severe, and sometimes lethal, side effects following the administration of 5-Fluorouracil (5-FU), a widely used chemotherapy agent used in the treatment of many cancers including colorectal, head and neck, breast, pancreatic and stomach cancer.

An estimated two million people globally are treated with fluoropyrimidines (including 5-FU) each year, with between 10-30% of these patients suffering severe side effects associated with DPD deficiency. DPYD genotyping for 5-FU toxicity has been adopted in many countries internationally with screening introduced into cancer care clinical pathways following government reimbursement in England, Wales, Germany, Spain, Belgium and the Ontario province of Canada. The screening enables clinicians to reduce the risk of increased toxicity from 5-FU exposure in these patients by lowering the treatment dose, or alternate drug therapy where indicated.

The Yourgene® DPYD assay is the first to conform to the new EU IVDR regulations and is one of the first pharmacogenomics tests in the market providing clinicians and patients with additional confidence in the high-quality and accuracy of this test which is increasingly becoming an essential screening requirement ahead of cancer patient treatment.

Cystic fibrosis screening

Cystic Fibrosis (CF) has become the most common life-shortening hereditary genetic condition affecting 1 in 2500 live births in Caucasians. Within defined geographical populations and ethnic groups, there are variations in the predominant mutations. To address this variation, Yourgene provides a range of CE-IVD products designed specifically for these populations and groups. The kits use Amplification-Refractory Mutation System (ARMS) technology and genetic analysers to detect point mutations, insertions or deletions in DNA.

Yourgene® Cystic Fibrosis *Base* is a pan-European CF testing kit designed specifically to address the most common mutations found across populations of European origin. Alongside this assay, Yourgene Health offer several population-specific bolt-on panels, as well as bespoke offerings for national programmes. The assay is designed with all clinically relevant diagnostic scenarios in mind, including newborn screening and male factor infertility testing.

Focus on strategic growth with an expanded portfolio

Instrumentation

Ranger® Technology:

Ranger® Technology offers industry-leading scalability and precision for DNA size selection, ensuring maximal enrichment every time, providing clinical and research laboratories with true walk away time, reducing workflow costs and improving yields. It offers a fast, effective and efficient automated solution for separating DNA molecules based on their size and electrical charge; it uses patent-protected, machine-vision algorithms to interpret the gel electrophoresis process in real time.

Ranger® Technology is deployed in our state-of-the-art DNA sample preparation platforms, LightBench, LightBench Detect and NIMBUS Select. One of the greatest benefits of the technology is that it enables true target enrichment that is both automated and scalable and this can be utilised across different applications:

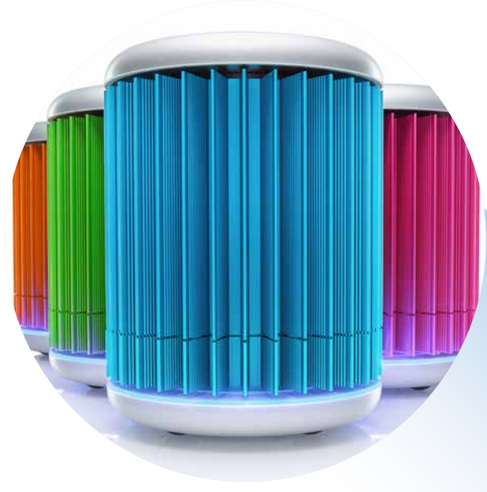
- NIPT – Ranger® is used in the IONA® Nx and Sage 32 NIPT workflows to enrich fetal fraction, giving more accurate results, first time.
- Oncology and liquid biopsy – Ranger® uses dynamic ctDNA target enrichment to enable early detection, capturing patients with cancer earlier and therefore improving patient outcomes.
- Gene synthesis – Ranger's unique approach to sample visualization and automated size-selection, ensuring higher sample purity, decreasing failure rates and lowering overall costs in gene editing and gene synthesis workflows.
- Long read sequencing – LightBench has been shown to enable PacBio customers to optimise size selection for long-read sequencing libraries. Yourgene Health is a PacBio compatible partner.

MyGo and genesig™ q-series qPCR instrumentation:

We are a global leader in developing and manufacturing accurate, robust, compact and portable ranges of qPCR instruments to meet the needs of space-limited laboratory testing and in-field testing.

The MyGo Mini S qPCR instrument is a compact real-time PCR instrument, ideal for use outside of the laboratory, or for when bench space is at a premium. MyGo Pro and MyGo Pro ESR qPCR instruments are multiplex real-time PCR instruments ideal for a wide variety of applications including life-science research, food speciation testing and viral determination and quantification.

genesig™ q16 and q32 real-time PCR instruments are accurate and robust yet portable, enabling 16 or 32 simultaneous reactions, and are designed to work across many in-field applications and at point-of-need workflows.



Research assays for life sciences

Real-time PCR is an exceptionally powerful research tool. With the correct kits, reagents and experimental design, it is quick and easy to generate high quality meaningful data with real-time PCR. We have a growing and expansive portfolio of assays available across three key verticals, and these assays are available in a range of different formats of test kits – Advanced, Complete, Easy, Standard and Multiplex, all built to meet the needs of a broad range of customers.

Human healthcare

The human pathogen detection kit range forms the largest part of the genesig™ portfolio and is ever growing. This segment includes hundreds of kits for pathogenic bacteria, viruses, protozoa, parasites amongst many others. We have a range of respiratory assays in the range looking at influenza A and B, RSV, SARS-CoV2 amongst others. In addition, the infectious disease range is comprehensive and covers sexually transmitted disease, viral and bacterial gastrointestinal disease, and tropical vector-borne diseases such as dengue fever and zika virus. These focus areas of human healthcare have substantial addressable markets. At Primer Design we are always horizon scanning to understand when the next pathogen outbreak could be to ensure we are available to support any aid agencies, such as WHO, with rapid and reliable assays.

Animal & veterinary

The veterinary range is currently the fastest growing part of the genesig™ portfolio with nearly 400 assays available for pathogen testing. qPCR-based veterinary kits attract a lot of attention and this product range addresses some truly unique challenges in the field. Primer Design specialises in tests for companion animals (cats, dogs, household pets) and equine, along with a comprehensive range of animal and veterinary diagnostics covering all major animal groups, be it livestock, birds or exotic animals.

Food, water and agriculture

An exciting area of non-human diagnostics, this growing field has shown an uptake in the use of our qPCR assays. qPCR methods are proven to be the fastest and most accurate way for screening water and food. We offer highly sensitive kits for food-borne pathogens, agriculture, meat and fish speciation, allergen testing and water contaminants. We have 68 assays for food contamination and 63 assays covering aquaculture.

Custom assays

Our expertise extends to custom development solutions across multiple sectors including human health, animal and veterinary diagnostics and the food, water and agricultural markets, offering a full suite of services for diagnostic companies: assay design, prototype testing, optimization, validation, regulatory support and kit manufacturing. We tailor solutions to in-house and open-format qPCR platforms, ensuring maximum performance. This comprehensive approach empowers our partners to bring innovative diagnostic tests to market with efficiency and confidence.

Primer Design's deep expertise makes us an ideal partner for custom assay and workflow development. With over 500 custom assays created and a global presence spanning 100 countries, we possess a wealth of experience to draw upon. This, combined with our rapid turnaround times of two to six weeks, empowers our clients to accelerate their route-to-market with tailored solutions. Our focus on innovation and customer collaboration positions us to consistently deliver the tools diagnostic companies need for success.

Chief Executive Officer's Review

Lyn Rees
Chief Executive Officer, Novacyt S.A.

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

Yourgene acquisition and integration

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

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

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

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

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

Chief Executive Officer's Review

Portfolio update

1. Clinical

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

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

Reproductive health

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

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

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

Precision medicine

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

Infectious diseases

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

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

2. Instrumentation

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

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

Having a stronger data set in these new use cases will drive further adoption and market penetration.

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

3. Research use only

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

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

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

Chief Executive Officer's Review

4. Genomic services

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

Taiwan update

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

Strengthened board

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

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

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

DHSC

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

The Company is unable to provide additional comment at this time but will provide further updates as appropriate and to the extent it is permitted to do so.

Current trading and outlook

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

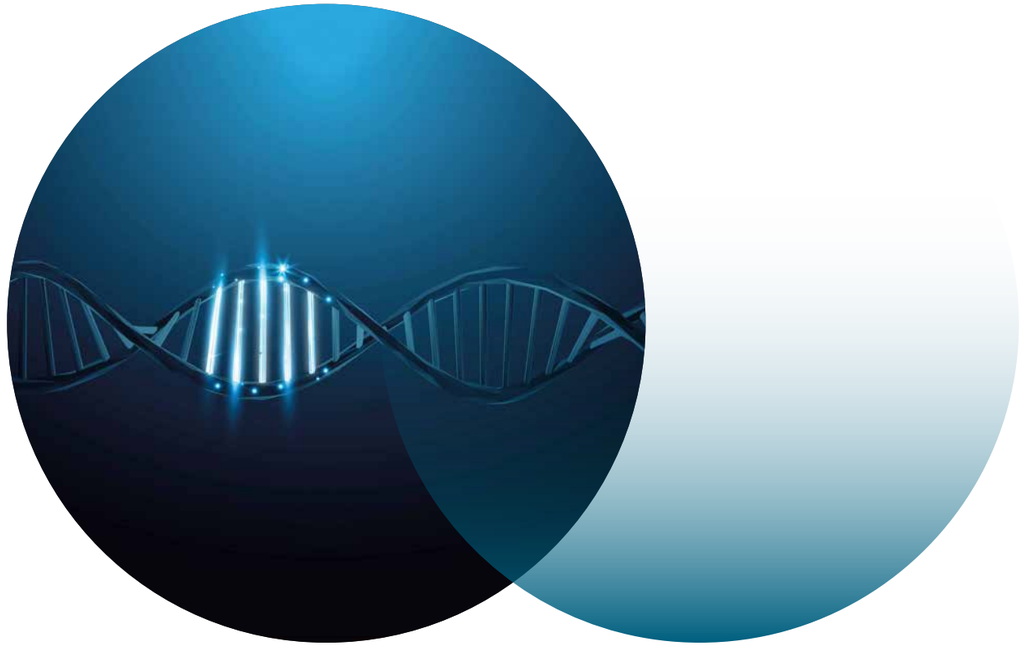
Post-acquisition we have implemented actions that will deliver annual cost reductions to the Group of over £4.0m for 2024, and we will continue to look at further opportunities to right size the cost base.

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

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

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

Lyn Rees
Chief Executive Officer
May 2024



Section 172 (1) Statement

The Directors acknowledge their duty under s172 of the Companies Act 2006 and consider that they have, both individually and together, acted in the way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they have had particular regard to:

The likely consequences of any decision in the long term

The Group's long-term strategic objectives, including progress made during the year, and principal risks to these objectives, are set out in the Chief Executive Officer's Review on pages 16 to 21, and in the Principal Risks and Risk Management section on pages 66 to 75 respectively.

The interests of the Company's employees

Our employees are fundamental to the Group achieving its long-term strategic objectives, and further disclosure on how we look after the interests of our employees is contained in Principle 3 of the Corporate Governance Statement on pages 48 to 49.

The need to foster the Company's business relationships with suppliers, customer and others

A consideration of our relationship with wider stakeholders and their impact on our long-term strategic objectives is disclosed in Principles 2 and 3 of the Corporate Governance Statement on pages 48 to 49.

The impact of the Company's operations on the community and the environment

The Group operates honestly and transparently. We consider the impact of our day-to-day operations on the community and the environment, and how this can be minimised, as more fully explained in Principle 3 of the Corporate Governance Statement on pages 48 to 49. Further disclosure on how we promote a corporate culture based on ethical values and behaviours is included in Principle 8 of the Corporate Governance Statement on page 54.

The desirability of the Company maintaining a reputation for high standards of business conduct

Our intention is to behave in a responsible manner, operating within a high standard of business conduct and good corporate governance. This is explained more fully in our Corporate Governance Statement on pages 48 to 55, and is also encapsulated in our risk management framework on pages 66 to 74.

The need to act fairly between members of the Company

Our intention is to behave responsibly towards our Shareholders and to treat them fairly and equally so that they may also benefit from the successful delivery of our strategic objectives.

Financial Review

Steve Gibson
Chief Financial Officer, Novacyt S.A.

Overview

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

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

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

Business combinations

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

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

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

Revenue

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

At a business unit level, Primer Design delivered sales totalling £5.0m and IT-IS International £1.0m for 12 months' trading activity. Yourgene delivered sales of £5.6m post-acquisition in 2023 (approximately four months).

Gross profit

The business delivered a gross profit of £3.7m (32%), compared with £5.7m (27%) in 2022. The margin, at 32%, is significantly below the Group's historic margin (60%+) predominantly due to the impact of stock adjustments in the form of i) booking a higher stock provision than normal as a result of providing for all remaining COVID-19 associated stock, and ii) writing-off stock that had not been provided for previously. Excluding the impact of these items, the margin would be in excess of 60%.

Operating expenditure

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

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

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

Financial Review

EBITDA

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

Operating loss

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

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

Loss after tax from continuing operations

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

Loss from discontinued operations

In accordance with IFRS 5, the net result of the Lab21 Products business has been reported on a separate line "Loss from discontinued operations" in the consolidated income statement for 2023 and 2022.

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

Earnings per share

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

Business combinations – pro forma view

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

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

Non-current assets

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

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

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

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

Current assets

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

Trade and other receivables have increased by £2.3m to £36.0m at 31 December 2023 mainly as a result of the inclusion of the Yourgene receivable balances. The trade receivables balance includes a £24.0m unpaid DHSC invoice raised in December 2020, in respect of products delivered during 2020 that remains unpaid at the date of publishing the accounts. Recovery of the invoice is dependent on the outcome of the contract dispute. Also included in trade and other receivables is a £8.5m VAT receivable balance (December 2022: £8.3m), that mainly relates to UK VAT paid on sales invoices in dispute with the DHSC. As these sales have not been recognised in accordance with IFRS 15, the revenue, trade receivable and VAT element of the transactions have been reversed, resulting in a VAT debtor balance.

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

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

Current liabilities

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

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

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

Other provisions and short-term liabilities are broadly flat year-on-year at £20.9m (December 2022: £20.8m). The largest balance relates to a product warranty provision for £19.8m booked in 2020 to cover Management's view of the maximum cost of replacing products in relation to the ongoing commercial dispute with the DHSC that remains unchanged in 2023.

Financial Review

Non-current liabilities

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

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

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

Cash flow

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

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

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

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

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

The Group remains debt free at 31 December 2023.

Steve Gibson
Chief Financial Officer
Novacyt S.A.

Sustainability

Novacyt continues to focus on Environment, Social and Governance ("ESG") matters. We are pleased to share ESG data in this Annual Report and will continue to develop our approach over time. Environment and Social information is covered in this section, while our overall approach to Governance is addressed on pages 36 to 75.

Environment: measuring our impact

Streamlined energy & carbon reporting

This report is Novacyt's fourth year of reporting under the new Streamlined Energy & Carbon Reporting requirements.

The reporting period is the same as the Company's financial year, 1 January 2023 to 31 December 2023. Yourgene Health plc was acquired on 8 September 2023, therefore we have included their data from the date of acquisition.

Organisation boundary and scope of emissions

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2018. These sources fall within Novacyt's consolidated financial statement.

An operational control approach has been used in order to define the organisational boundary. This is the basis for determining the Scope 1, 2 and 3 emissions for which Novacyt is responsible, and includes emissions from Novacyt's two operational facilities, Primer Design, based in Southampton, UK; and IT-IS International, based in Stokesley, Middlesbrough, UK plus the newly acquired Yourgene Health site at Manchester, UK from 8 September 2023.

The Microgen and Lab21 businesses were closed during 2022, therefore we have removed the data relating to them from 2022 to create a comparable baseline.

Methodology

The following methodology was applied in the preparation and presentation of this data:

- the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute (the "WBCSD/WRI GHG Protocol");
- application of appropriate emission factors to Novacyt's activities to calculate GHG emissions;
- application of location-based emission factors for electricity supplies;
- inclusion of all the applicable Kyoto gases, expressed in carbon dioxide equivalents, or CO_2e; and
- presentation of gross emissions as Novacyt does not purchase carbon credits (or equivalents).

Total energy use

The total energy use for Novacyt for the year ending 31 December 2023 was 993,638 kWh including four months of Yourgene Health data. This represents a 69% increase in total emissions compared to the year ending 31 December 2022 (588,023 kWh) which excludes Yourgene Health data. On a like-for-like basis, excluding the Yourgene Health data, total energy use reduced by over 30% from 588,023 kWh to 402,087 kWh. The underlying decrease in emissions in 2023 relative to 2022 can be mainly attributed to the further reductions in operations and production post COVID-19.

Total energy usage

	2022				2023				
	Primer Design	IT-IS	Yourgene	Total	Primer Design	IT-IS	NUKH	Yourgene	Total
Gas[1]	73,787	106,575	0	180,362	**61,820**	**61,522**	**0**	**166,702**	**290,044**
Electricity[2]	356,991	50,670	0	407,661	**220,003**	**55,893**	**0**	**427,698**	**703,594**
Transport[3]	–	–	–	–	–	–	–	–	**0**
Total	430,778	157,245	0	588,023	**281,822**	**117,415**	**0**	**594,401**	**993,638**

References:

[1] Scope 1 covers direct emissions from sources owned or controlled by the Company, including emissions from fuel combustion (e.g. emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.), process emissions (e.g. emissions from chemical production in owned or controlled process equipment), and fugitive emissions (e.g. intentional and unintentional). Of the aforementioned facilities or assets, only natural gas combustion within boilers is applicable to Novacyt's operations.

[2] Scope 2 covers energy use and related emissions from electricity purchased for Novacyt's own use.

[3] Scope 3 covers energy use and related emissions from business travel in rental cars or employee owned-vehicles where Novacyt is responsible for purchasing the fuel. Novacyt does not purchase fuel for business travel or employee-owned vehicles, as such Scope 3 emissions are not applicable based on the defined organisational boundary.

Sustainability

Absolute emissions

The total Scope 1, 2 and 3 GHG emissions from Novacyt's operations in the year ending 31 December 2023 were 197.2 tonnes of CO_2 equivalent (tCO_2e) using a 'location-based' emission factor methodology for Scope 2 emissions. This represents a 78% increase in total emissions compared to the year ending 31 December 2022 (110.8 tCO_2e). On a like-for-like basis, if we exclude the Yourgene Health data which was consolidated from 8 September 2023, we see the total Scope 1, 2 and 3 GHG emissions drop to 79.6 tonnes of CO_2 equivalent (tCO_2e) in 2023 compared to 110.8 tonnes in 2022, a reduction of 28%. As with total energy use, the decrease in total emissions in 2023 relative to 2022 can be mainly attributed to the reduction in operations and production post-COVID-19 during the course of 2023.

Absolute emissions (tCO_2e)

	2022				**2023**			
	Primer Design	IT-IS	Yourgene	Total	**Primer Design**	**IT-IS**	**Yourgene**	**Total**
Scope 1[4]	13.4	19.4	0	32.9	**11.3**	**11.2**	**30.4**	**53.0**
Scope 2[5]	68.3	9.7	0	77.9	**45.1**	**11.5**	**87.7**	**144.2**
Scope 3[6]	–	–	–	–	–	–	**–**	**0.0**
Total	81.7	29.1	0	110.8	**56.4**	**22.7**	**118.1**	**197.2**

References:

[4] Scope 1 data calculated by multiplying total fuel consumption (gas – kWh) by the UK Government GHG Conversion Factor for natural gas defined for the given year (2022: 0.18219kg CO_2e/kWh; 2023: 0.18256 kg CO_2e/kWh).

[5] Scope 2 data calculated by multiplying total electricity consumption (kWh) by the UK Government GHG Conversion Factor for electricity generated defined for the given year (CO_2e/kWh; 2022: 0.19121 kg CO_2e/kWh; 2023: 0.20496 kg CO_2e/kWh).

[6] Novacyt does not purchase fuel for business travel or employee-owned vehicles, as such Scope 3 emissions are not applicable based on the defined organisational boundary.

Intensity ratios

As well as reporting the absolute emissions, Novacyt's GHG emissions are reported below on the metrics of kg of CO_2 equivalent per full-time employee ("FTE") and kg of CO_2 equivalent per square foot of occupied areas. These are the most appropriate metrics given that the majority of emissions result from the operation of Novacyt's offices and the day-to-day activities of the employees. All of the intensity ratios have been calculated using Scope 1 and Scope 2 emissions only.

The intensity metrics based on floor area in the year ending 31 December 2023 was 40.6 kg CO_2e per m^2 which is an increase of 50% versus last year. The employee number metric in the year ending 31 December 2023 was 1,155.2 kg CO_2e per FTE using the location-based method which is an increase of 110% versus prior year.

Intensity ratios

	2022		**2023**	
	kg CO_2e/FTE[7]	kg CO_2e/m^2[8]	**kg CO_2e/FTE[9]**	**kg CO_2e/m^2[10]**
Scope 1	163.5	8.0	**310.3**	**10.9**
Scope 2	387.8	19.0	**845.0**	**29.7**
Scope 3	–	–	**–**	**–**
Total GHG emissions	551.3	27.0	**1,155.2**	**40.6**

References:

[7] Number of FTE equivalents in 2022 was 201 excluding Yourgene Health.

[8] Building area in 2022 was 4,108.2m^2 excluding Yourgene Health.

[9] Number of FTE equivalents in 2023 was 171 including a pro-rated 4 months for Yourgene Health.

[10] Building area in 2022 was 4,108.2m^2 compared to 4.859m^2 in 2023 including a pro-rated amount for Yourgene Health.

Energy efficiency actions undertaken

For the purposes of this annual report, we focus on the actions of the Novacyt Group prior to the acquisition of Yourgene Health. We look forward to reporting on the enlarged Group from next year.

During the course of 2023 we completed consolidation of manufacturing in Southampton on one site which has eliminated the need to transfer stock between sites and, where possible, we have reduced partial shipments to customers to minimise shipping costs. The consolidation onto one site has also reduced material waste and energy consumption.

The organisation continues to strive to get to right-first-time manufacturing, averaging 99%, which is eliminating waste. This, coupled with improved customer communication, has assisted supply chain forecasting leading to a reduction in unsold products.

Novacyt continues to reduce single-use waste and maintain a standard recycling practice across all sites using recycling bins, compactors and third-party recycling organisations. As we have consolidated on one site in Southampton, materials have been recycled where possible rather than being disposed of, and the roll-out of automatic LED lighting is now substantially complete.

The importance of talent to Novacyt

Novacyt prides itself on the talented people we employ. Our staff are critical to our vision to be a trusted provider of molecular diagnostics, enabled through our technical expertise, innovation and our global partnerships, whilst contributing to the retention of our competitive advantage in an increasingly challenging market. Passionate, resilient and committed, our people are agile in their response to opportunities, demonstrating innovation and drive to deliver.

How we attract and retain talent

We use several methods to attract talent from the market. We operate a small, preferred supplier list of partnership recruitment agencies and advertise vacancies widely across our sites, on our website and via various recruitment platforms and social media sites. We also have a “refer a friend” scheme in place which rewards employees for successful introductions to the business. In early 2024 we welcomed a seasoned Talent Manager to our staff who brought with him a deep understanding of our sector and the calibre of staff required to be successful within it.

The effect of the acquisition of Yourgene Health and subsequent restructuring

Following the acquisition of Yourgene Health in September 2023, a restructuring exercise took place to leverage the synergies of the extended organisation, streamlining operations by reducing duplicate roles and aligning the structure.

Attrition rate

Our attrition rate (unplanned turnover) was 20% for 2023, a further fall on the two previous years, demonstrating that we continue to reduce voluntary leavers. The enhancement of engagement and retention of our highly skilled staff is a key area of focus for the Executive Leadership Team and senior managers.

How we support our employees

We provide an employee assistance programme to support our employees and their families in times of adversity. The EAP offers confidential assessments, short-term counselling, referrals and signposting to other agencies to employees with work or personal issues. We have mental health first aiders across the business who can also provide immediate face-to-face support and signposting.

We partner with specialist occupational health organisations who advise on how best to re-integrate into work staff who have been absent due to illness or extenuating circumstances.

We offer a competitive and comprehensive range of employment benefits. We also hold regular digital engagement surveys and Townhall events to support communication, listen to the concerns and ideas of our people and act and provide feedback on these.

Social diversity and inclusion

Novacyt actively supports diversity and inclusion and seeks to create a culture where everyone feels comfortable to be themselves at work and have their contribution valued and where individual differences can be celebrated. This approach is captured in our Equality, Inclusion and Diversity policy.

Novacyt is currently 52% male/48% female across the employee population, with the manager-base 59% male and 41% female.

Training and development

Novacyt are committed to the upskilling of our staff and to promoting internally wherever possible to ensure a valid career path for individuals. In the previous six months, 22 internal promotions and six secondments have taken place. In addition, there is an active mentoring scheme in place across the business.

Training requirements are identified via performance reviews and both planned and ad hoc training is provided at all levels as appropriate. Where possible, we also support individuals who wish to undertake professional qualifications or apprenticeships.

Alongside internal training, our talented Field Application Services team also continue to invest in upskilling our external partners.

Health & safety

We have clear policies on health and safety and employ competent persons within our business. Employees are provided with health and safety training, protective clothing and other equipment as appropriate.

Contributing to communities and wider society

At Novacyt, we believe in contributing to the communities in which we operate and in 2023 continued to make numerous donations to schools and charities in the vicinity of our facilities in Southampton and Manchester. The charity committees of these sites were combined after the acquisition of Yourgene Health, and the focus remains on supporting local people in ways which are meaningful to our staff, for example homeless hostels and under-privileged children, in addition to some support for national charities, often via matched funding for sponsored efforts made by our staff. Total spend in this area in 2023 was £15,370.

The Novacyt Group is proud to continue to play a part in supporting local communities and we are humbled by the impact made by our endeavours on so many people during 2023.

Governance

The Board of Directors

James Wakefield

Non-Executive Director and Chairman of the Board

James is an experienced private equity investor, having spent over 35 years in the finance industry. He has been involved with over 50 businesses of varying sizes and stages of development across a wide range of sectors, including Board representation as Chairman or non-executive director in a number of these. He is Chairman of WestBridge Capital LLP of which he was a founder partner in 2008. He previously spent 18 years at Bridgepoint (previously NatWest Equity Partners) and, prior to that, spent 4 years at NatWest Markets/ NatWest Investment Bank. He is also Chairman of the Nomination Committee and a graduate of Harvard Business School (AMP).

Lyn Rees

Chief Executive Officer

Lyn is a seasoned executive in global healthcare and IVD markets. Since Lyn joined Yourgene Health plc in 2018 he has been instrumental in the transformation of the business. He led the group through four acquisitions including Elucigene Diagnostics and Coastal Genomics and the fundraising to underpin those deals. Lyn was appointed to be CEO of the Novacyt Group on 1 May 2024.

Prior to joining Yourgene Health, Lyn was Group CEO at British Biocell International (now BBI Group) for over 9 years. Lyn has completed seven acquisitions during his tenure at BBI Group, all of which have been successfully integrated. He founded BBI Detection and BBI Animal Health and has demonstrated a strong track record of organic and acquisitive growth. Before that he spent several years as the Managing Director and founder of BBI Healthcare in 2006, following the successful purchase of the GlucoGel product. He first began his business career as the European Marketing Manager at Shimano Europe BV. Lyn holds a degree in Business Studies from the University of Wales. Lyn is also a Non-Executive Director with MyHealthChecked plc.

The Board of Directors

Dr John Brown CBE

Independent Non-Executive Director

Dr John Brown joined the Novacyt Group Board in September 2023 as Non-Executive Director and was previously on the Yourgene Health plc Board from July 2019. John has extensive experience in the life sciences sector. He is Chairman of Laverock Therapeutics Ltd and Calcivis Ltd. He was until recently Chairman of Synpromics Ltd, BioCity Group, the Cell and Gene Therapy Catapult and Senior Non-Executive Director of Acacia Pharma plc. Previously he was Chairman of Kyowa Kirin International plc, BTG plc, Axis-Shield plc, Touch Bionics Ltd and CXR Biosciences Ltd and Senior Non-Executive Director of Quantum Pharma plc.

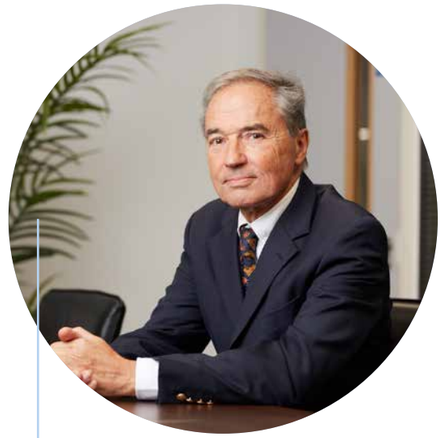
In the public sector he is Chairman of the Roslin Foundation, a Fellow and past Treasurer of the Royal Society of Edinburgh, an Honorary Professor of the University of Edinburgh and was previously a Member of MRC Council. He was made a CBE in 2011.

Juliet Thompson

Independent Non-Executive Director

Juliet has 20 years of experience working as an investment banker and strategic advisor to healthcare companies in Europe. She has built a strong track record of advising companies on corporate strategy, equity and debt fundraisings and international M&A. Her experience includes senior roles (managing director, head of corporate finance and partner) at Stifel Financial Corp, Nomura Code Securities and WestLB Panmure. Juliet sits on the Board of: Indivior PLC, a FTSE 250 UK global pharmaceutical company working to develop medicines to treat addiction; Organox Ltd, a private company that was spun out of Oxford University; and Angle plc, an AIM listed company with an FDA approved product with application in the liquid biopsy market.

Juliet is also a trustee of Leadership through Sport & Business, a social mobility-focused charity, and trustee of the De Hann family trusts and Director of their associated investment companies. She is a member of the Institute of Chartered Accountants in England and Wales (ACA) and holds a BSc degree in Economics from the University of Bristol, UK. Juliet is Chair of the Audit Committee and is a member of the Remuneration and Nomination Committees.



Jean-Pierre Crinelli

Independent Non-Executive Director

Jean-Pierre is one of Novacyt's founders, having established the business in July 2006. He has some 30 years of experience in the car and electrical components industry, with various roles in M&A and business restructuring. During this period, he was located for 10 years in Singapore, North America, Belgium and Italy.

He holds a Diplôme from ESC Le Havre (business school, France) and a DECS (Diplôme d'Études Comptable Supérieures, national diploma).

Jean-Pierre is a member of the Audit and Remuneration Committees.

The Board of Directors

Dr Jo Mason

Chief Scientific Officer*

Dr Jo Mason is the Chief Scientific Officer for the Novacyt Group and prior to the acquisition she was CSO and a Board member at Yourgene Health. Jo has been a champion of modernising diagnostics with the use of genomic technologies having previously held positions as VP Biodiscovery with Cambridge Epigenetix, where she led the development of clinical epigenomic technologies particularly in the area of early cancer diagnostics, the Director of Sequencing and Sample Acquisition for Genomics England, where she managed the delivery of samples and whole genome sequencing for the 100,000 Genomes Project.

She has previously acted as an advisor on the DOH Rare Disease Policy board, MHRA Genomics for Diagnosis forum and UK NEQAS – Genomics England steering committee, Genomics England sequencing advisory board and BIA genomics advisory committee.

Jo previously worked for Oxford University Hospitals NHS Foundation Trust where she set up and managed a NGS Core facility leading translational research, offering disease-specific diagnostic panels and introducing whole genome sequencing into the diagnostic setting. Prior to joining Oxford, Jo managed an NGS Core facility in Malaysia and led the Comparative Genomics group at Public Health England studying novel and dangerous pathogens.

Dr Mason holds a PhD from Cambridge in Molecular and Cellular Biology.

* Subject to approval at the next Shareholders' meeting.

Steve Gibson

Chief Financial Officer*

Steve joined Novacyt in 2017 and has served as Group Finance Director since 2020 until 2024 when he joined the Board and was promoted to CFO. Prior to joining Novacyt, Steve spent over 10 years in various finance departments at Hewlett-Packard and then Hewlett Packard Enterprise in positions of increasing seniority. Steve is a Chartered Management Accountant (CIMA) and has more than 18 years of international commercial experience.

* Subject to approval at the next Shareholders' meeting.

Directors' Report

General information and principal activity

Novacyt S.A. is a public limited company incorporated and registered in France with registered number 491 062 527.

Review of business

The Chairman's Statement on page 11, the Chief Executive Officer's Review on page 16 and the Strategic Report on pages 10 to 35, provide a review of the business, the Group's trading for the year ended 31 December 2023, key performance indicators and an indication of future developments and risks, and form part of this Directors' Report.

The Company is listed on both Euronext Growth Paris and on the Alternative Investment Market ("AIM") of the London Stock Exchange. Its principal activities in the year under review were specialising in infectious disease diagnostics.

Future developments

Likely future developments in the business of the Group are discussed in the Strategic Report.

Results and dividends

The results for the period and financial position of the Company and the Group are as shown in the financial statements and are reviewed in the Strategic Report.

Since its inception, the Company has not paid any dividends and the Directors do not intend to recommend a dividend at present. In the future, the Company's dividend policy will form part of a wider review of capital allocation, which will be formulated in conjunction with the requirements of the business.

The Directors will only recommend dividends when appropriate, and they may, from time to time, revise the Company's dividend policy. No dividends will be proposed for the financial year ended 31 December 2023 so we can continue to invest in R&D, manufacturing and commercial aspects of the business.

Directors

The Directors of the Company who served during the year ended 31 December 2023 and up to the 30 April 2024 are listed below.

The brief biographical details of the currently serving Directors are set out on pages 37 to 41.

Director	Capacity
James Wakefield	Non-Executive Director and Chairman of the Board
James McCarthy	Acting Chief Executive Officer (Chief Financial Officer until 2 January 2024) Company Secretary (until 30 April 2024)
Juliet Thompson	Independent Non-Executive Director
Andrew Heath	Independent Senior Non-Executive Director (until 30 April 2024)
Jean-Pierre Crinelli	Independent Non-Executive Director
Lyn Rees	Executive Director (from 8 September 2023)
Dr John Brown	Independent Non-Executive Director (from 8 September 2023)
Steve Gibson	Chief Financial Officer (from 2 January 2024) Company Secretary (from 1 May 2024)

Directors' interests

The Directors' interests in the Company's shares and the Novacyt LTIP are shown in the Directors' Remuneration Report on pages 57 to 59.

No Director has any beneficial interest in the share capital of any subsidiary or associate undertaking.

Directors' indemnity provisions

The Directors have the benefit of an indemnity, which is a qualifying third-party indemnity provision as defined by s236 of the Companies Act 2006. The indemnity was in force throughout the financial period and at the date of approval of the financial statements. In addition, the Group has purchased and maintains Directors' and Officers' liability insurance in respect of itself and its Directors.

Political and charitable donations

The Company created a Charity Committee who were responsible for organising a number of charitable donations and activities during the reporting period, as explained further on page 35.

Financial instruments – risk management

The Group's financial risk management policy is set out in note 41 to the financial statements.

Share capital structure

The Company's share capital, traded on Euronext Growth Paris and AIM, comprises a single class of ordinary shares each having a nominal value of 1/15th of one Euro. Except as otherwise provided by law, every Shareholder has one vote for every fully paid up share of which they are the holder. Each ordinary share creates a share in the Company's assets, profits and in any liquidation surplus. In the event of a liquidation of the Company, any outstanding cash would be distributed to each Shareholder in proportion to their holdings in the Company.

The share rights follow the ordinary shares from owner to owner and any transfers of the shares include all dividends due and unpaid, and those due and, where applicable, the share of the reserves (following payment of any outstanding liabilities) of the Company.

Movements in the Company's issued share capital during the year under review are set out in note 32 to the financial statements.

As of 31 December 2023, 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.

Major interests

As at 31 March 2024, the Company had no Shareholders with significant shareholdings above 3% of the issued share capital of the Company.

UK Bribery Act 2010

The Group is committed to complying with the UK Bribery Act 2010, both within its UK and overseas business activities.

As such, the Group has implemented an anti-bribery policy, which has been adopted by the Board, designed to ensure that the Group operates in an open, transparent and ethical manner. This policy applies to the Board and employees of the Group, and to temporary workers, consultants, contractors and agents acting for, or on behalf of, the Group (both in the UK and overseas). The policy generally sets out their responsibilities in observing and upholding a "zero tolerance" position on bribery in all jurisdictions in which the Group operates, as well as providing guidance to those working within the Group on how to recognise and deal with bribery issues and the potential consequences.

Management at all levels of the Group is responsible for ensuring that those reporting to them, internally and externally, are made aware of and understand this policy.

Directors' Report

Significant agreements

The Company is not party to any significant agreement that takes effect, alters or terminates upon a change of control of the Company other than the Directors' service contracts, details of which are set out in the Remuneration Report.

Statement of engagement with suppliers, customers and others in a business relationship with the Group

The Directors are mindful of their statutory duty to act in a way they each consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, as set out in the s172(1) statement on pages 22 to 23. A review of the Group's approach to developing and maintaining relationships with its wider stakeholders, and the impact on the Group's long-term strategic objectives, is set out under Principle 3 of the Corporate Governance Statement on pages 48 and 55.

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.

Independent auditor

Deloitte LLP has indicated that they are willing to continue in office as the Group's auditor. Under French law the company were required to appoint a second auditor and Alberis Audit were appointed for a period of 6 years to approve the financial statements up to the year ended 31 December 2026.

Disclosure of information to the auditor

As far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's auditor in connection with preparing their report) of which the Group's auditor is unaware, and each Director has taken all reasonable steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held on 26 June 2024, further information can be found on the Company's website at www.novacyt.com.

By order of the Board

Steve Gibson
Chief Financial Officer

An Introduction from the Chairman

Dear Shareholders,

As Chairman of Novacyt S.A., it is my responsibility to lead the Board to ensure that the Group has in place the strategy, people, structure and culture to deliver value to Shareholders and other stakeholders of the Group over the medium to long term. During 2023, the Group has continued to pursue its strategy to become a leading, global clinical diagnostics company. This strategy has been accelerated by the acquisition of Yourgene Health plc in September 2023 which has expanded the product portfolio and our geographic footprint. I would like to welcome all of the Yourgene Health plc employees to Novacyt and I am very pleased with the speed with which we have integrated both businesses.

James Wakefield
Non-Executive Director and
Chairman of the Board

We have made significant changes to the Board in the last six months with both Lyn Rees and Dr John Brown joining the Board in September 2023 and Steve Gibson stepping up as CFO from January 2024. Recently we announced further changes to the Board with Lyn Rees being appointed CEO and Dr Jo Mason joining as an executive Board member effective from 1 May 2024 with Dr Andrew Heath and James McCarthy both leaving the Board on the same date. All of the proposed Board changes are subject to shareholder approval which we will seek at the next AGM planned for 26 June 2024.

Internal control procedures and actions continue to be reviewed, with improvements made when identified. On behalf of the Board, I am, therefore, pleased to present our Corporate Governance Statement for the year ended 31 December 2023.

Novacyt S.A. is incorporated in France and is listed on Euronext Growth Paris and AIM. The Directors recognise the value and importance of high standards of corporate governance. As the Company is traded on AIM, it is not required to comply with the UK Corporate Governance Code. However, the Board has adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework. The Company complies with the provisions of the QCA Code as far as is practicable for a company of Novacyt S.A.'s size, nature and stage of development, and in accordance with the regulatory framework that applies to companies admitted to trading on AIM.

The Company also continues to comply with all the requirements of being listed on Euronext Growth Paris. It is the responsibility of the Board to ensure that the Group is managed for the long-term benefit of all Shareholders and stakeholders, with effective and efficient decision-making. Corporate governance is an important aspect of this, reducing risk and adding value to our business. As individual Directors, we are mindful of our statutory duty to act in the way each of us considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, as set out in our s172(1) statement on pages 22 to 23.

The QCA Code sets out ten principles, in three broad categories, and in this Corporate Governance Statement, I have set out the Group's application of the QCA Code, including, where appropriate, cross references to other sections of the Annual Report and to our website.

James Wakefield
Non-Executive Director and Chairman of the Board

QCA Principles

Deliver growth

1. Establish a strategy and business model that promote long-term value for Shareholders

The Board is responsible to Shareholders for setting the Group's strategy by: maintaining the policy and decision-making process around which the strategy is implemented; ensuring that necessary financial and human resources are in place to meet strategic aims; monitoring performance against key financial and non-financial indicators; providing leadership whilst maintaining the controls for managing risk; overseeing the system of risk management; and setting values and standards in corporate governance matters.

The Board has established a strategy and business model which seek to promote long-term value for Shareholders and the business focused on the twin objectives of Portfolio development and Geographic expansion underpinned by our credentials as a global first responder. In parallel, the business will use its balance sheet to accelerate the strategy through licensing, partnerships or acquisitions.

2. Seek to understand and meet Shareholder needs and expectations

The Company has a strong commitment to market communication, with the Directors seeking to be accountable against the stated strategic objectives of the Group. The Company maintains regular contact with Shareholders through publications such as the Annual Report and Accounts, operational updates, regular press announcements made via a regulatory information service and the Company's website.

The Company is responsive to Shareholder telephone and email enquiries throughout the year and the Board regards the AGM as a particularly important opportunity for Shareholders and members of the Board to meet and exchange views.

The Company receives occasional feedback direct from investors, which is carefully considered by the Board, with appropriate action being taken where the Board believes it is in the interests of Shareholders to do so.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

In addition to its Shareholders, the Company believes its main stakeholder groups are its employees, clients, suppliers and relevant statutory authorities in its areas of operation.

The Group is committed to maintaining the highest standards of corporate social responsibility in its business activities by: aiming to comply with all applicable laws and regulations, wherever the Group operates; achieve and comply with relevant quality and people management standards; consult with, and respond to, the concerns of its stakeholders; work towards realising the Group's mission and vision statements; and behave with honesty and integrity in all the Group's activities and relationships with others and reject bribery and corruption in all its forms.

The Board recognises the benefits of a diverse workforce, which enables the Group to make better decisions about how to optimise resources and work by eliminating structural and cultural barriers and bias. It allows us to: protect and enhance our reputation by recognising and respecting the needs and interests of diverse stakeholders; deliver strong performance and growth by attracting, engaging and retaining diverse talent; and innovate by drawing on the diversity of perspectives, skills, styles and experience of our employees and stakeholders.

The Group is committed to ensuring that it treats its employees fairly and with dignity. This includes being free from any direct or indirect discrimination, harassment, bullying or other form of victimisation. The Group has policies in place to encourage employees to speak up about any inappropriate practices or behaviour.

The Group believes that having empowered and responsible employees who display sound judgement and awareness of the consequences of their decisions or actions, and who act in an ethical and responsible way, is key to the success of the business.

The operation of a profitable business is a priority and that means investing for growth as well as providing returns to its Shareholders. To achieve this, the Group recognises that it needs to operate in a sustainable manner and therefore has adopted core principles to its business operations, which provide a framework for both managing risk and maintaining its position as a good "corporate citizen", and also to facilitate the setting of goals to achieve continuous improvement.

The Group encourages feedback from its clients through engagement with individual customers. As a consequence of such feedback, the Group has collaborated with multiple existing and prospective clients to develop and validate new products, work flows and know-how to improve accuracy, testing turnaround times, cost per test, and ultimately deliver improved clinical outcomes for millions of individual patients globally.

The Board is aware of the need to maintain good working relationships with the Group's key suppliers and receives regular updates from the Executive team on key supply agreements.

Health & safety

The Group is committed to complying with all relevant health & safety regulations in its operations. As such, all employees are trained on the relevant health & safety procedures upon commencement of employment within the Group. This training includes: emergency procedures; security recommendations; accidents/incidences and first aid; manual handling/ lifting and moving; work-related upper limbs' disorders (including strains to hands and arms) and; display screen equipment/visual display equipment assessment. We also have a section in our employee handbook covering alcohol, drugs and smoking.

The Group is not aware of any orders made in respect of a breach of health & safety regulations during the period.

Environment

The Directors consider that the nature of the Group's activities is not detrimental to the environment. The Group adopts a systematic approach to its environmental responsibility and has good knowledge of the environmental impacts caused by its operations. The Group aims to meet all relevant environmental standards in its production and products. The Group aims to establish, implement and maintain a risk-based programme to reduce or minimise any negative environmental impact caused by its operations, taking precautionary measures as soon as there is reason to believe that an action could harm the environment.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has overall responsibility for the Group's system of internal control and for reviewing the effectiveness of internal control to safeguard Shareholders' investment and the Group's assets. There is an ongoing process for identifying, evaluating and managing the significant risks the Group faces.

The Board delegates to the Executive team the responsibility for designing, operating and monitoring both the risk management and internal control systems, and the maintenance of effective internal controls within the Group. The Company also has a whistleblowing policy.

The systems and controls in place include policies and procedures, which relate to the maintenance of records that fairly and accurately reflect transactions, correctly evidence and control the Group's assets, provide

QCA Principles

reasonable assurance that transactions are recorded as necessary to enable the preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS"), and review and reconcile reported results.

The Group's key internal controls are:

- establishing a comprehensive risk register for the Group;
- a regular review of the Group's insurance policies with its insurance broker to ensure that the policies are appropriate for the Group's activities and exposures;
- a comprehensive system for consolidating financial results from Group companies and reporting these financial results to the Board;
- reviewing cash flow, annual revenue and capital forecasts regularly during the year, along with regular monitoring of management accounts and capital expenditure reported to the Board and comparisons with forecasts;
- financial controls and procedures, including in respect of bank payments, bank reconciliations and petty cash;
- monthly review of outstanding debtors;
- regular meetings of the Executive team;
- an Audit Committee that approves audit plans and published financial information and reviews reports from the external auditor arising from the audit and deals with significant control matters raised.

The Board monitors the activities of the Group through regular Board meetings and it retains responsibility for approving any significant financial expenditure or commitment of resources.

Risk management is focused around the operational areas of the Group. The Group has a dedicated Head of Quality Assurance/Regulatory Affairs, who has extensive operational experience at senior management and Board levels, and particularly strong experience in quality system development and regulatory compliance. She is responsible for a Regulatory team operating across the Group, working at identifying and prioritising operational risks and working with the operational teams to mitigate the identified risks. This work is supported by the risk assessment procedure in place across the Group, with the objective to ensure that risk assessment of the Group's equipment, procedures and processes is approached consistently across the Group.

With the assistance of the Audit Committee, the Board's review process is principally based on reviewing regular reports from the Executive team to consider whether significant risks are identified, evaluated, managed and controlled effectively, and whether any significant weaknesses are promptly remedied. The system is designed to manage rather than eliminate the risk of failure to achieve the Company's objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of, and benefit from, internal control systems.

Details of the principal risks currently facing the Group and how they are mitigated are set out on pages 66 to 75. The Board confirms that it has, during the reporting period, reviewed on an ongoing basis the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems and has reviewed insurance provisions. No significant failing or weaknesses have been identified.

Maintain a dynamic management framework

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Chairman, James Wakefield, is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role. The Company is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders.

To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board and Committee meetings. All Directors have access to the advice and services of the Chief Financial Officer/Company Secretary, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In between Board meetings, the Executive Directors maintain regular informal contact with the Non-Executive Directors. Whilst the Board retains overall responsibility for, and control of, the Group, day-to-day management of the business is conducted by the Executive Directors, who meet with the senior management team on a weekly basis.

Board of Directors

The composition of the Board during the period is summarised in the table on page 42 of the Directors' Report. As at the end of 2023, the Board comprises seven members, of which five are Non-Executive Directors, all of whom are independent, namely James Wakefield, Andrew Heath, Juliet Thompson, Jean-Pierre Crinelli and John Brown.

Independence of Directors

The Directors acknowledge the importance of the principles of the QCA Code that recommend that a company should have at least two independent Non-Executive Directors. The Board has, therefore, considered and determined that all Directors are independent of the Executive management and free from any relationship that could materially affect the exercise of their independent judgement. None have beneficial or non-beneficial shareholdings in the Company exceeding 3%.

All the Non-Executive Directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The Non-Executive Directors are of sufficient experience and competence that their views carry significant weight in the Board's decision-making and when relevant, would record their concerns about the running of the Company. At each meeting, the Board considers Directors' conflicts of interest.

The Non-Executive Directors have regular opportunities to meet without Executive Directors being present (including time after Board and Committee meetings).

Time commitments

Non-Executive Directors receive a formal appointment letter on joining the Board, which identifies the terms and conditions of their appointment.

A potential director candidate (whether an Executive Director or Non-Executive Director) is required to disclose all significant outside commitments prior to their appointment.

The Board is satisfied that both the Chairman and the Non-Executive Directors are able to devote sufficient time to the Company's business.

If considered appropriate, the Board may authorise the Executive Director to take Non-Executive positions in other companies and organisations, provided the time commitment does not conflict with the Director's duties to the Company, since such appointments should broaden their experience. The acceptance of appointment to such positions is subject to the approval of the Chairman.

QCA Principles

Attendance at Board and Committee meetings

The Directors meet regularly for formal Board meetings to discuss and decide the Group's business, financial performance and strategic decisions. In addition, and as required, the Board meets more frequently by conference call to discuss and decide on matters considered more urgent, such as those relating to acquisitive growth.

During the reporting period, the Board met in person or via conference calls eight times.

In advance of each meeting of the Directors, the Board is provided with relevant information to ensure that it can properly carry out its role. For each meeting, the Directors generally consider the minutes of the previous meeting and any action points, recent forecast and operations, cash flows and progress on any particular projects.

The attendance of each Director at Board and Committee meetings during the period is set out in the table below. Attendance is expressed as the number of meetings attended/number eligible to attend. Directors' attendance by invitation at meetings of Committees of which they are not a member is not reflected in the following table.

Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
James Wakefield	10/10		3/3	
James McCarthy	10/10			
Dr Andrew Heath	9/10	3/5	3/3	3/3
Juliet Thompson	9/10	5/5	3/3	3/3
Jean-Pierre Crinelli	9/10	5/5		3/3
*Lyn Rees	4/4			
*Dr John Brown	3/4			

* Lyn Rees and Dr John Brown were invited to join the Board effective from 8 September 2023 and their appointment ratified at the AGM on 26 October 2023.

6. Ensure that, between them, the Directors have the necessary up-to-date experience, skills and capabilities

At the end of 2023 the Board contained two Executive and five Non-Executive Directors with an appropriate balance of sector, financial and public market skills and experience to deliver the Group's strategy for the benefit of Shareholders over the medium to long term. The Board considers that the Non-Executive Directors bring a wide experience at a senior level of business operations and strategy and have an expanse of knowledge and expertise gained from other areas of business.

The skills and experience of the Board are set out in their biographical details on pages 37 to 40. The experience and knowledge of each of the Directors gives them the ability to constructively challenge the strategy and to scrutinise performance. The Board also has access to external advisors where necessary.

New Directors are presented with appropriate levels of background information on the Company, meet the management, visit sites and spend time with the Chairman and other Directors as required. The induction is tailored to meet each new Director's specific needs.

Throughout their period in office, the Directors are continually updated on the Group's business, the industry and competitive environment in which it operates, corporate social responsibility matters and other changes affecting the Group by written briefings and meetings with senior Executives.

Each Director takes responsibility for maintaining their skill set, which includes roles and experience with other boards and organisations as well as attending formal training and seminars.

The Executive Directors receive regular and ongoing updates from their professional advisors covering financial, legal, tax and the Euronext Growth Paris and AIM Rules.

The Company Secretary provides information and advice on corporate governance and individual support to Directors on any aspect of their role, particularly supporting the Chairman and those who chair Board Committees. The Company Secretary is also responsible for ensuring that Board procedures are followed, that the Company complies with company law and with the Euronext Growth Paris and AIM Rules.

The Company is a strong supporter of diversity in the boardroom and, during the reporting period, the Board comprised one female and six male Directors. The Company remains of the opinion that appointments to the Board should be made relative to a number of different criteria including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Board evaluation

The Board is mindful that it needs to continually monitor and identify ways in which it might improve its performance. The Chairman routinely assesses the performance of the Board and its members and discusses any issues, problems or shortcomings with the relevant Director(s). Likewise, the Senior Independent Director reviews the performance of the Chairman.

Although it is not an AIM requirement for an external Board appraisal to be undertaken, the Board believes that gaining independent input on a regular basis is best practice. The first of these appraisals was planned to take place in mid-2023 as part of a three-year rolling cycle. However, the acquisition of Yourgene Health changed the Board composition and we decided it was best to postpone the review to a later date. Further proposed changes to the Board means we will have added four new Board members within the last year.

QCA Principles

8. Promote a corporate culture that is based on ethical values and behaviours

The Company recognises the importance of investing in its employees to provide foundations and leadership to drive performance further regardless of age, race, religion, gender or sexual orientation or disability. Our core Company values are the building blocks for developing our dynamic and challenging culture within the Group.

These values represent our philosophy which, through our people and organisation, will help the business deliver our Company goals. The values represent how each of us can contribute to the success of the Company both now and in the future as an individual and also as part of the wider team.

- To treat each other with trust, dignity and respect.
- Enabling, empowering and energising others to make things happen.
- Work as a team with colleagues and across functions.
- Innovation, inspiration and motivation, creating an open culture where people are valued for their contribution.
- Novacyt endeavours to deliver the best quality service to all of our internal and external customers.

The Group recognises the importance of investing in its employees and, as such, the Group provides opportunities for training and personal development and encourages the involvement of employees in the planning and direction of their work. These values are applied regardless of age, race, religion, gender, sexual orientation or disability.

The Group believes that it has robust policies and procedures for combating bribery and corruption.

The Group recognises that commercial success depends on the full commitment of all its employees and commits to respecting their human rights, to provide them with favourable working conditions that are free from unnecessary risk and to maintain fair and competitive terms and conditions of service at all times.

The performance and reward system endorses the desired ethical behaviours across all levels of the Group.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Chairman, James Wakefield, is responsible for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the Shareholders. Lyn Rees, CEO, is responsible for the leadership of the business and implementation of the strategy. By dividing responsibilities in this way, no one individual has unfettered powers of decision-making.

The Board reserves for itself a range of key decisions to ensure that it retains proper direction and control of the Group, and a formal schedule of matters reserved for decision by the Board has been adopted by the Board since admission to AIM, a copy of which can be found at www.novacyt.com. Such matters include business strategy and management, financial reporting (including the approval of the annual budget), Group policies, corporate governance matters, major capital expenditure projects, material acquisitions and divestments and the establishment and monitoring of internal controls. This schedule may be updated by the Board and approved by the Board only. The day-to-day management of the business has been delegated to the Chief Executive Officer and the wider Executive team.

The appropriateness of the Board's composition and corporate governance structures are reviewed through the ongoing Board evaluation process and on an ad hoc basis by the Chairman together with the other Directors, and these will evolve in parallel with the Group's objectives, strategy and business model as the Group develops.

Board Committees

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee; the terms of these Committees reflect market practice on AIM. These Committees of the Board have formally delegated responsibilities.

Copies of each Committee's terms of reference are available on the Company's website at www.novacyt.com.

Audit Committee

The Audit Committee is chaired by Juliet Thompson, and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on, and for reviewing reports from the Group's auditor relating to the Group's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee meets at least twice a year. Jean-Pierre Crinelli is the other member of the Audit Committee.

A report on the duties of the Audit Committee and how it discharges its responsibilities is provided on pages 62 to 65.

Remuneration Committee

The Remuneration Committee was chaired by Dr Andrew Heath, until he left the Board on 1 May 2024. Dr John Brown CBE will be Chair of the Renumeration Committee from 1 May 2024, and reviews the performance of the Executive Directors, and determines their terms and conditions of service, including their remuneration, having due regard to the interests of Shareholders. The Remuneration Committee meets at least twice a year. Juliet Thompson and Jean-Pierre Crinelli are the other members of the Remuneration Committee.

The Directors' Remuneration Report and details of the activities and responsibilities of the Remuneration Committee are set out on pages 57 to 59.

Nomination Committee

The Nomination Committee is chaired by James Wakefield, and identifies and nominates, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee meets at least once a year. John Brown and Juliet Thompson are the other members of the Nomination Committee. Details of the activities and responsibilities of the Nomination Committee are set out on page 56.

Build trust

10. Communicate how the Company is governed and is performing

As explained earlier in this Corporate Governance Statement, the Board has established a Nomination Committee, an Audit Committee and a Remuneration Committee. The work of each of the Board Committees undertaken during the year ended 31 December 2023 is detailed on pages 56 to 65.

The Board places its responsibility to the Company's Shareholders and setting the Group's strategy for achieving long-term success as a high priority. The Group's website is regularly updated with all press releases, AGM and EGM results and investor presentations.

The results of the votes received in relation to the 2023 AGM and EGM are available on the Company's website where all ordinary resolutions proposed were passed. As part of the AGM, the Company also met to hold an extraordinary general meeting. The meeting was not deemed quorate due to the minimum number of voting rights under French company law not being present or represented at the meeting. Consequently, the meeting did not take place.

The Board maintains a healthy dialogue with all of its stakeholders. Throughout the course of the year, the Board communicates with Shareholders directly on any views, concerns and expectations they may wish to express.

Nomination Committee Report

The Company established a Nomination Committee during 2017 prior to its admission onto the AIM market.

James Wakefield acts as Chairman of the Nomination Committee and its other members are Juliet Thompson and John Brown. All members of the Nomination Committee are considered independent.

The Nomination Committee is responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise, and to ensure that the Board consists of members with the range of skills and qualities needed to meet its principal responsibilities in a way that promotes the protection of the interests of stakeholders and compliance with the requirements of the AIM Rules.

The Nomination Committee will meet at least once a year and at such other times as the Chairman or any other member of the Nomination Committee requires.

Directors' Remuneration Report

Key responsibilities

The Remuneration Committee determines performance-related targets for the members of the Executive team, reviews their performance and makes recommendations to the Board on matters relating to their remuneration and terms of employment.

The Remuneration Committee also makes recommendations to the Board on proposals relating to all long-term incentive scheme structures and any future option schemes, and the granting of any share options under such schemes. The remuneration and terms and conditions of appointment of the Non-Executive Directors are set by the Board.

As Chairman of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2023.

This report does not constitute a Directors' Remuneration Report in accordance with the Companies Act 2006. As a Company whose shares are admitted to trading on AIM, the Company is not required by the Companies Act to prepare such a report. We do, however, have regard to the principles of the QCA Code, which we consider to be appropriate for an AIM company of our size. The report provides a general statement of policy on Directors' remuneration as it is currently applied, and details the remuneration for all Directors during the year. It also provides a summary of the Novacyt LTIP, which was established during 2022.

Composition and meetings

The Remuneration Committee comprises at least two members, and all members are Non-Executive Directors considered independent. Dr John Brown acts as Chairman of the Remuneration Committee, Juliet Thompson and Jean-Pierre Crinelli are the other members. Only members of the Remuneration Committee have the right to attend meetings, but other Directors and external advisors may be invited to attend all or part of any meeting as and when appropriate. No Director may be involved in discussions relating to their own remuneration. The Remuneration Committee meets as appropriate but not less than twice a year. During the period, the Remuneration Committee met three times. Details of meeting attendance are shown in the table in the Corporate Governance Statement on page 52.

Policy on Executive remuneration

The Remuneration Committee is responsible for determining and agreeing with the Board the framework or broad policy for the remuneration of the Executive team. In determining such policy, the Remuneration Committee takes into account all factors that it deems necessary including the relevant legal and regulatory requirements and corporate governance guidelines. The Remuneration Committee also takes into account emerging best practice and guidance from major institutional Shareholders. The objective of the Company's remuneration policy is to attract, retain and motivate individuals of the quality required to run the Company successfully without paying more than is necessary, having regard to views of Shareholders and other stakeholders.

The Remuneration Committee recognises that the remuneration policy should have regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals, with a significant proportion of remuneration being structured to link rewards to corporate and individual performance, designed to promote the long-term success of the Company.

The Remuneration Committee, when setting the remuneration policy for Executive Directors, also has regard to the pay and employment conditions across the Group, particularly when conducting salary reviews. The main elements of the remuneration packages of the Executive Directors are as follows.

Directors' Remuneration Report

Basic annual salary and pension

Basic salary is reviewed annually by the Remuneration Committee, usually in February, and takes into account a number of factors including the current position and progress of the Group, individual contribution and market salaries for comparable organisations. The Company makes contributions into the private pension schemes of the Executive Directors.

Discretionary bonus

At the discretion of the Remuneration Committee, taking into account performance against certain financial and individual targets, an Executive Director may be entitled to an annual discretionary cash bonus on such terms and subject to such conditions as may be decided from time to time by the Remuneration Committee.

The Novacyt 2022 Performance Share Awards Scheme

This LTIP replaced the previous phantom share award scheme which ended in November 2020.

The 2022 Performance Share Awards (structured as nil-cost options[1]) currently applies to James McCarthy only as former Acting Chief Executive Officer. The performance shares will vest ("Vest") after three financial years (the "Performance Period") subject to the Company achieving Total Shareholder Return ("TSR") Growth conditions as follows:

TSR Growth	% of the Award that may vest
Less than 10% p.a.	Nil
Equal to 10% p.a.	25%
Greater than 10% p.a. but less than 30% p.a.	Pro-rata between 25% and 100% on a straight-line basis
Equal to or greater than 30% p.a.	100%

The baseline for TSR is based on the average closing price of the Company's shares in December 2021, which was £3.54. This will then be compared to the equivalent figure in December 2024.

Once vested, a Performance Share Award shall normally remain exercisable up until the tenth anniversary of the date of grant (3 February 2022 for these awards).

As former Acting Chief Executive Officer James McCarthy will be required to hold 50% of vested shares, or such other percentage determined by the Board from time to time (less any shares sold to pay any tax liability), for a minimum period of one year after the vesting date.

Benefits in kind

Executive Directors are entitled to benefits in kind commensurate with their position, including company car allowance, private medical and death in service insurance.

[1] Executive salary and short-term bonus was reviewed and agreed.

Directors' remuneration

The remuneration of the Directors who served on the Company's Board during the year to 31 December 2023 was as follows:

	Year ended 31 December 2023				
	Basic salary and fees	Bonus	Pension	LTIP	Total
Executive Directors					
James McCarthy [1]	**354,476**				**354,476**
Lyn Rees [2]	**104,345**		**3,663**		**108,008**
Non-Executive Directors					
James Wakefield	**120,000**				**120,000**
Andrew Heath [4]	**48,925**				**48,925**
Juliet Thompson	**48,925**				**48,925**
Jean-Pierre Crinelli [5]	**34,037**				**34,037**
John Brown [2]	**15,242**				**15,242**

	Year ended 31 December 2022				
	Basic salary and fees	Bonus	Pension	LTIP	Total
Executive Directors					
James McCarthy	**354,517**				**354,517**
David Allmond [3]	**372,708**				**372,708**
Non-Executive Directors					
James Wakefield	**128,333**				**128,333**
Andrew Heath	**49,399**				**49,399**
Juliet Thompson	**49,399**				**49,399**
Jean-Pierre Crinelli [5]	**33,686**				**33,686**
Edwin Snape [6]	**36,784**				**36,784**

[1] James McCarthy left the Board on 1 May 2024

[2] Lyn Rees and John Brown were elected as Directors during the AGM held on 26 October 2023

[3] David Allmond resigned as Director on 10 November 2022

[4] Andrew Health left the Board on 1st May 2024

[5] Salaries paid in Euros and disclosed in GBP, translated at the average exchange rate of 1.149930 in 2023 (2022: 1.173187)

[6] Edwin Snape retired as Director on 31 December 2022

Performance Share Awards Scheme

Directors' shareholdings and share interests

The interests of the Directors who served during the year in the share capital of the Company as of 31 December 2023, 31 December 2022 and the date of this report, are as follows:

	As at the date of report	31 December 2023	31 December 2022
James McCarthy	49,670	49,670	49,670
James Wakefield	43,839	43,839	43,839
Dr Andrew Heath and family[1]	20,000	20,000	20,000
Juliet Thompson	–	–	–
Jean-Pierre Crinelli	33,981	33,981	33,981
David Allmond[2]	–	–	43,500
Edwin Snape[3]	–	–	17,919

[1] Dr Andrew Heath left the Board on 1 May 2024

[2] David Allmond resigned as Director on 10 November 2022

[3] Edwin Snape retired as Director on 31 December 2022

All interests are beneficially held. There is no requirement for Directors to hold shares in the Company.

Directors' share interests under the 2022 Performance Share Awards Scheme

The Performance Share Awards allocated to the Executive team under the 2022 Performance Share Awards scheme, which represent 0.3% of the current issued share capital, are as follows:

Participants		LTIP Award # Shares
James McCarthy[4]	Former Acting CEO	228,333
Total		**228,333**

[4] James McCarthy left the Board on 1 May 2024

Conclusion

This report is intended to explain clearly the remuneration approach adopted by the Company and to enable Shareholders to appreciate how it underpins the Group's business growth and strategic objectives. The Board considers that the current remuneration policy is fair and is fully aligned with the interests of Shareholders.

Dr John Brown CBE
Chairman of the Remuneration Committee

Audit Committee Report

Key responsibilities

The Audit Committee administers the financial reporting of the Company and related risks, internal controls, compliances and ethics.

It must coordinate with management and the auditors to come up with financial reporting for the Group results that is compliant with International Financial Reporting Standards, as adopted by the EU, and French GAAP for the parent Company.

Ensuring the financial reports are accurate, the Audit Committee should be aware of the processes and internal controls put in place by the company's management.

The Audit Committee is responsible for appointing individual auditors, along with evaluating their performance and compensation. In some organisations, they may oversee the internal auditors as well.

The Audit Committee comprises at least two members, with at least one Non-Executive Director considered independent, including the Chairman.

In addition, the Chief Financial Officer and other members of the Company may be invited to attend as required.

Independent Non-Executive Director, Juliet Thompson, being a chartered accountant, acts as Chair of the Audit Committee, and its other member is Jean-Pierre Crinelli.

Summary of the role of the Audit Committee

The Audit Committee's primary responsibility is to monitor the quality of internal controls and ensure that the financial performance of the Group is properly measured and reported on.

It receives and reviews reports from the Executive team and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group.

The Audit Committee meets as appropriate, but not less than twice a year, and minutes are recorded for each meeting by the Chief Financial Officer.

The Audit Committee is able to call for information from the Executive team and has unrestricted access to the Company's external auditors.

The Audit Committee operates within specific terms of reference that include:

- Reviewing management procedures to monitor the effectiveness of the accounting systems, accounting policies and internal controls;
- Conducting a regular and ongoing process of risk assessment;
- Reviewing the scope and planning of the external audit;
- Reviewing the findings of the external auditor's and management's response;
- Reviewing the annual financial statements before their submission to the Board for approval;
- Making recommendations to the Board concerning the appointment and remuneration of the external auditor;
- Reviewing any profit forecasts or working capital statements published in any bid document or listing particulars as investigated and verified by the Company's auditor and/or reporting accountant;
- Reviewing from time to time the cost effectiveness of the audit including a review of the performance of the external auditor;
- Monitoring the fees paid to the external auditor and where the external auditor supplies a substantial volume of non-audit services to the Company, to keep the nature and extent of such services under review, in order to achieve a balance between objectivity and value for money; and
- Having the right to obtain outside legal help and any professional advice, at the Company's expense, which might be necessary for the fulfilment of its duties.

The Audit Committee is responsible for ensuring the "right tone at the top" and that the ethical and compliance commitments of the Executive team and other employees are understood throughout the Group.

External auditors

The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and assesses annually the qualifications, expertise, resources, remuneration and independence of the external auditor. The Audit Committee receives reports on the external audit firm's own internal quality control procedures and confirmation of the auditor's independence. The Audit Committee ensures that appropriate plans are in place for the external auditor each annual cycle.

The Group's external auditors are Deloitte LLP and Alberis Audit. Under French law, the mandatory term for auditors is six years. Deloitte LLP was reappointed as external auditor during the AGM held in 2018 and has now been the auditor for 12 years at the end of the audit of the annual accounts for the year ended 31 December 2023, in addition, Alberis Audit were appointed in 2021 for a period of 6 years to approve the financial statements up to the year ended 31 December 2026.

The Audit Committee annually reviews the effectiveness of the external auditor. This process involves overseeing the relationship with the Group's external auditor, including reporting to the Board each year whether it considers the audit contract should be put out to tender, adhering to any legal requirements for tendering or rotation of the audit services contract as appropriate, reviewing and monitoring the external auditor's objectivity and independence, agreeing the scope of their work and fees paid to them for audit, and assessing the effectiveness of the audit process. The external auditor presents to the Audit Committee the output of its detailed year-end work and the Audit Committee challenges significant judgements (if any). In making its assessment of external auditor effectiveness, the Audit Committee reviews the audit engagement letters before signature, reviews the external auditor's summary of Company issues and conducts an overall review of the effectiveness of the external audit process and the external auditor. The Audit Committee reports its findings to the Board.

The Audit Committee and the Board have been satisfied with the performance of the external auditors during the year and with the policies and procedures they have in place to maintain their objectivity and independence. The Audit Committee also approves in advance any non-audit services to be performed by the auditor such as tax compliance and advisory work and audit-related assurance services (e.g. reviews of internal controls and reviewing the Group's interim financial statements).

Any non-audit services that are to be provided by the external auditor are reviewed in order to safeguard auditor objectivity and independence. Accordingly, the Board can confirm that, during the reporting period, there have been no non-audit services that are considered to have impaired the objectivity and independence of the external auditor. A full breakdown of payments made to the external auditor during the financial year is disclosed within note 43 to the financial statements.

Work undertaken by the Audit Committee during the period

The Audit Committee met five times during the period. Details of meeting attendance are shown in the Corporate Governance Statement on page 52.

Deloitte LLP and Alberis Audit, as the auditors, were also present at one of the meetings.

Audit Committee Report

The key matters considered by the Audit Committee whilst discharging its duties and responsibilities are set out below:

- Review of the Annual Report and Accounts for the year ended 31 December 2022;
- Consideration and approval of the unaudited interim financial statements for the period ended 30 June 2023;
- Review of the financial integrity of the Group's financial statements including relevant corporate governance statements;
- Review of the Company's interim report for the six months ended 30 June 2023;
- Approval of the audit fees for the financial year ended 31 December 2023;
- Approval of non-audit work to be carried out by the auditor;
- Consideration of the independence and objectivity of the external auditor;
- Review of the internal controls and risk management systems within the Group;
- Consideration of the requirement for the Group to have an internal audit function;
- Review of the effectiveness of the external auditor, as more fully described above;
- Discussions with the auditor on the audit approach and strategy, the audit process, significant audit risks and key issues of focus for the annual audit;
- Review and approval of the continuing appointment of Deloitte LLP as the Group's auditor and Alberis Audit as second auditor.

The ultimate responsibility for reviewing and approving the financial statements in the interim and annual reports remains with the Board.

The Audit Committee, in conjunction with the auditor, has considered that there are no significant issues relating to the preparation of the financial statements contained in this Annual Report.

Risk management and internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing the effectiveness of internal control to safeguard Shareholders' investment and the Group's assets. There is an ongoing process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the process, which has been in place throughout the period and up to the date of approval of the Annual Report and Accounts.

The Board's internal control and risk management review process (conducted with the assistance of the Audit Committee), is outlined on pages 66 to 74.

Internal audit

The Board has reviewed the need for a separate internal audit function and concluded that such a function is not currently appropriate for a size of company such as the Group, and because the internal audit principles already fall under the remit of the Audit Committee.

Going concern

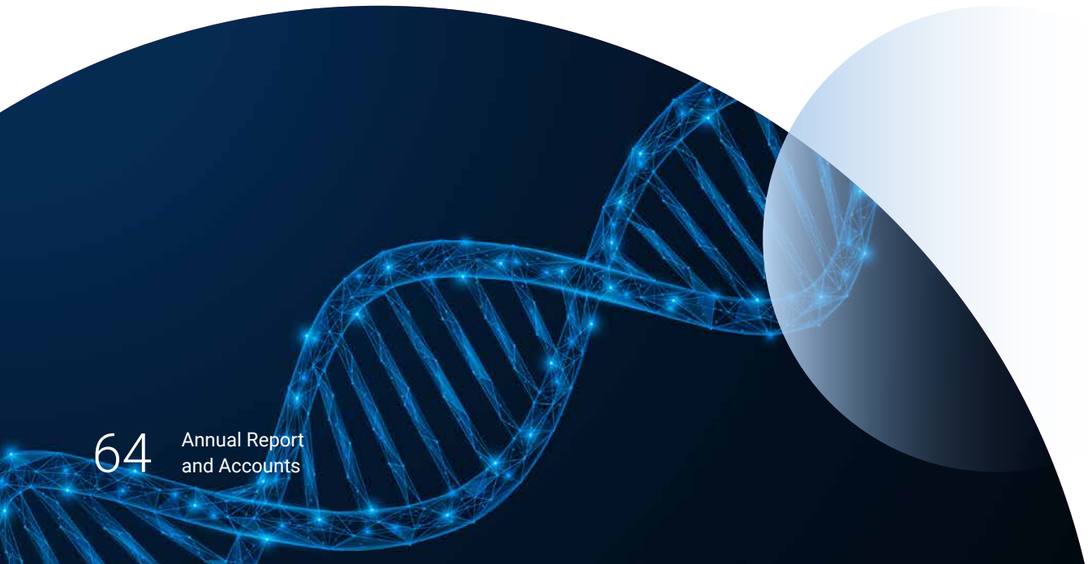
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they adopt the going concern basis of accounting in preparing the financial statements after having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

Juliet Thompson
Chair of the Audit Committee



Principle Risks and Risk Management

The Group's risk management strategy is a key responsibility of the Board of Directors. The Board ensures that all major risks are understood and appropriately managed in light of the Group's strategy and objectives and is satisfied that the Group's risk management and internal control systems are adequate.

The Group's risk management framework supports the risk assessment procedure across the Group, with the objective of ensuring that the assessment of the strategic, operational, financial and external risks of the Group is approached consistently Group-wide.

At this stage of the Company's development, the Board does not consider it to be appropriate to establish an internal audit function, but this will be kept under review.

The principal risks faced by the Group are set out below.

The pace of development in the healthcare industry	The Group operates within the biotechnology sector, a complex area of the healthcare industry. Rapid scientific and technological change within the biotechnology sector could lead to other market participants creating approaches, products and services equivalent or superior to the diagnostic testing products and services offered by the Group, which could adversely affect the Group's performance and success. If the Group is unable to keep pace with these changes in the biotechnology sector and in the wider healthcare industry, the demand for its technological platforms and associated products and services could fall.
Competitive pressures	Companies operating within the biotechnology sector are subject to competitive forces that may result in price discounting and product obsolescence. Better resourced competitors may be able to devote more time and capital towards the R&D process, which, in turn, could lead to scientific and/or technological breakthroughs that may materially alter the outlook or focus for markets in which the Group operates. In addition, a certain number of the Group's competitors may have significantly greater financial and human resource capacity and, as such, better manufacturing capability or sales and marketing expertise. Competitors could also resort to price discounting or other sales and marketing strategies. Equally, new companies with alternative technologies and products may also emerge.
Geographic markets	The Group is largely based in the UK, and its products are distributed to and sold across multiple jurisdictions. In each of these jurisdictions, there may be a number of associated risks in respect of which the Group will have no, or limited, control. These may include: contract renegotiation, contract cancellation, economic, social or political instability or change, hyperinflation, currency non-convertibility or instability, and changes of laws affecting foreign ownership, taxation, working conditions, rates of exchange, exchange control and licensing.
Product development	Additional products and services developed through the element of the Group's strategy focused on R&D transformation will be required to drive the Group's growth. The development of such additional diagnostic testing products and services may take longer than expected or not be successful at all, which may adversely impact the Group's ability to generate revenues and achieve sustainable profitability. In addition, the value of additional diagnostics tests and products may not prove as robust as currently envisaged by the Group. Any delays or unbudgeted expenditures incurred by the Group could postpone or halt the commercialisation of particular diagnostics tests and products.
Product liability claims	The Group faces an inherent risk of product liability and associated adverse publicity as a result of the sales of its products. Criminal or civil proceedings might be filed against the Group by patients, the regulatory authorities, pharmaceutical companies and any other third party using or marketing its products. Any such product liability claims may include allegations of defects in manufacturing, defects in design, negligence, strict liability, a breach of warranties and a failure to warn of dangers inherent in the product. If the Group cannot successfully defend itself against product liability claims, it may incur substantial liabilities or be required to limit commercialisation of its products, if approved. Even successful defence could require significant financial and management resources. Although the Group maintains a level of insurance that is customary for its industry to cover its current business, any claim that may be brought against the Group could result in a court judgement or settlement in an amount that is not covered, in whole or in part, by its insurance or that is in excess of the limits of its insurance coverage. Its insurance policies also have various exclusions and the Group may be subject to a product liability claim for which the Group has no coverage.

Principle Risks and Risk Management

Reliance on sole suppliers	Due to the specific and innovative nature of some of the Group's products, there may only be a single supplier of goods or services to the Group in respect of those products or services, which may or may not be pursuant to the terms of exclusive supplier agreements. The Group's purchases may be delayed if that single supplier, in respect of any one product or service, has its own manufacturing difficulties or is not able to meet the purchase requirements of the Group within a reasonable time frame. Further, any exclusive supplier arrangements may be terminated by either the supplier or the Company on notice. In the event of serious delays or non-performance by such suppliers, or upon such arrangements being terminated, the Group's own stock levels could diminish or be exhausted. The Group may consider expanding its current supplier base to reduce the reliance on certain suppliers. However, there is no guarantee that they will be successful in doing so in a manner that complies with regulatory requirements.
Reliance on third-party distributors	The Group uses third-party distributors in a number of its business areas. Although the Group enters into agreements with such distributors, it cannot ultimately control their actions and they may underperform or not act in the best interests of the Group. Furthermore, the distribution agreements may be terminated by the distributors or the Group. If so, and if appropriate from the Group's strategy at that time, the Group may seek to find a replacement distributor but there can be no guarantee that they will be successful in doing so.
Acquisition strategy	A core part of the Group's strategy is to undertake acquisitions that are strategically complementary to its existing businesses. The success of such a strategy will depend on the Group's ability to identify potential targets, complete the acquisition of such targets on favourable terms, including securing appropriate financing, and to generate value from the acquired targets. This strategy may not be successful under all or any market conditions. The Group may not be able to acquire targets on attractive terms or to generate resulting returns for Shareholders and prospective investors.
Litigation and arbitration	From time to time, the Group may be subject to litigation arising from its operations, distribution and sales. Damages claimed, awarded, settled or paid under any litigation or arbitration may be material or may be indeterminate, and the outcome of such litigation or arbitration may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations. Please refer to note 44 of the Annual Accounts regarding the ongoing DHSC dispute.
Key personnel	The Group depends on the services of its key personnel, which includes a number of individuals some of whom are currently on a short notice period of three months or less. The Group's ability to manage its R&D and product development activities, wider operations and financing will depend in large part on the efforts of its key personnel. The loss of services of key personnel, the inability to attract, retain and integrate suitably qualified personnel or delays in hiring required personnel, could delay the achievement of the Group's objectives and strategy.
Tenders	A proportion of the Group's revenues stem from tenders awarded to the Group and it is not possible to control and/or predict the outcomes of these tender processes. The success of such tender awards is based upon the ability of the organisation or country to finance tenders, and then it is based upon the historical performance, price and quality of the competitors who have been invited to participate in the tender process. The Group may not be successful in future tender processes. The failure to gain new business through the award of tender contracts may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.
Regulatory environment	The Group's products are subject to various laws, regulations and standards in each of the jurisdictions in which products are manufactured and distributed. These laws, regulations and standards may change and, if the Group fails to meet those regulatory or other requirements, it could face delays or prohibitions on the operation of its business. The Group's ability to conduct business is predicated on being in compliance with all licence requirements as specified by each relevant jurisdiction. The Group may not continue to hold all of the necessary consents, approvals and licences required to conduct its business, and where new permissions are required, these may be delayed or not forthcoming. If any new approvals or licences are required in order for the Group to carry on its business, the Group could face delays or prohibitions on the development, manufacture, sale or distribution of its products, which may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.

Principle Risks and Risk Management

New IVDR regulations

The entire IVD industry within the EU has undergone a significant regulatory transition from the In Vitro Diagnostic Directive ("IVDD") (98/79/EC) to the new In Vitro Diagnostic Regulation ("IVDR") (2017/746). There are a limited number of notified bodies available to IVDD manufacturers, which reflects a risk that the industry may not be ready when the new IVDR regulations come into force. In recognition of this, the European Commission has delayed the full implementation of IVDR for existing products until 2025, 2026 or 2027 depending on the risk classification of the device.

The cumulative effect of the introduction of the new regulations has significantly increased burden on the resources of IVD manufacturers to maintain regulatory compliance, and this may have resulted in older products being deleted due to cost of compliance or the up classification of products and the increased scrutiny by notified bodies. The IVDR applies to any products sold in Europe. The risk here is that the review periods are so long due to limited notified bodies that we are unable to get all devices approved in time and some have to be withdrawn from European markets. A further risk is that significant changes to the products cannot be made during the transition period until the products are compliant to IVDR standards, and even then the approval time for a significant change is potentially prohibitive.

The UK, in turn, is applying its own regulatory regime to IVDDs, which will involve applying a UK certification mark for any products sold in the UK and this increases the regulatory burden.

Employment laws

The Group is also subject to various UK and US regulations governing the Group's relationship with employees, including such matters as the treatment of part-time or agency workers, employers' National Insurance contributions, overtime and other working conditions. A failure to comply with one or more regulations could result in the imposition of sanctions, including the closing of facilities for an indeterminate period of time or third-party litigation.

European General Data Protection Regulation

The Group is committed to ensuring compliance with European General Data Protection Regulation ("GDPR"). Failure to demonstrate appropriate actions to comply with GDPR could result in a one-off discretionary caution or can escalate to a fine of up to 4% of annual global turnover.

Information technology

The Group is heavily reliant upon its information technology systems to enable it to manage a growing business and to service its customers online. Information systems are used across all aspects of the Group's business, including R&D, product development, sales, production, stock control, distribution, and accounting and finance. The Group's business would be adversely affected by a material or sustained breakdown in its key computer and communication systems.

In addition, the Group may face online security breaches, including hacking and vandalism. The Group cannot guarantee absolute protection against unauthorised attempts to access its information technology and communication systems, including malicious third-party applications that may interfere with or exploit security flaws in its products and services.

Protection of intellectual property rights

The Group's ability to compete depends, in part, upon the successful protection of its intellectual property, in particular its patents, trademarks, know-how and trade secrets. The Group seeks to protect its intellectual property through the filing of worldwide patent and trademark applications, as well as robust confidentiality obligations on its employees (and any contractors).

Despite these precautions that may be taken by the Group to protect its intellectual technology and products, unauthorised third parties may attempt to copy, or obtain and use, its technology and products.

A third party may infringe upon the Group's intellectual property, release information considered confidential about the Group's intellectual property and/or claim technology that is registered to the Group. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its intellectual property, or block sales of its products by alleging a breach of their intellectual property. Applications filed by the Group in respect of new patents and trademarks may also not be granted.

The Directors intend to defend the Group's intellectual property vigorously through litigation and other means.

Principle Risks and Risk Management

Infringement of third-party patents and other intellectual property rights

The Group's products may infringe or may be alleged to infringe existing patents or patents that may be granted in the future, which may result in costly litigation and could result in the Group having to pay substantial damages or limit the Group's ability to commercialise its products.

If the Group is sued for patent infringement, the Group would need to demonstrate that its products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and the Group may not be able to do this. If the Group is found to have infringed a third-party's patent, the Group could be required to obtain a licence from such third party to continue developing and marketing its products and technology, or the Group may elect to enter into such a licence in order to settle litigation or in order to resolve disputes prior to litigation. However, the Group may not be able to obtain any required licence on commercially reasonable terms or at all. Even if the Group is able to obtain a licence, it could be non-exclusive, thereby giving its competitors access to the same technologies licensed to the Group, and could require the Group to make substantial royalty payments. The Group could also be forced, including by court order, to cease commercialising the infringing technology or products.

A finding of infringement could prevent the Group from commercialising its products or force the Group to cease some of its business operations, which could materially harm its business. Claims that the Group has misappropriated the confidential information or trade secrets of third parties could have a similarly negative impact on its business.

Protection of trademarks

The Group owns certain trademarks that are important to its business and competitive position. Third parties may infringe or misappropriate these rights by, for example, imitating the Group's products, asserting rights in, or ownership of, the Group's trademarks or other intellectual property rights or in trademarks that are similar to trademarks that the Group owns. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its trademarks by alleging a breach of their trademarks and intellectual property.

Applications filed by the Group in respect of new trademarks may not be granted. In addition, some of the Group's intellectual property may not be capable of being registered as belonging to the Group in all types of trademarks and all classes and the Group may, therefore, have difficulty protecting such intellectual property. Further, the Group may not be able to prevent others from using its brands (or other intellectual property that is not registered as belonging to the Group) at all or in a particular market.

If the Group is unable to protect its intellectual property rights against infringement or misappropriation, or if others assert rights in or seek to invalidate its intellectual property rights, this could have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.

Customer concentration

There was no single customer that contributed 10% or more to the Group's revenue in 2023.

Bad debts

The Group sells to companies of all sizes from small to medium-sized enterprises, to blue-chip institutions, and operates in emerging markets, such as the Middle East, Asia-Pacific, Africa and South America. Whilst the Group has, to date, successfully managed the risk of being paid for products and services sold into these companies and regions, as the Group grows and its customer-base and distribution channels expands, there could be a higher risk that new customers do not pay in a timely manner and that bad debt increases.

Principle Risks and Risk Management

Foreign exchange rates

The Group operates on a global basis and it has exposure to foreign exchange risk on purchases and sales that are denominated in currencies other than the Pound Sterling, Euro and US Dollar, which are the currencies of most of its receivables, expenditures, cash reserves and borrowings. The Pound Sterling, Euro and US Dollar exchange rates have fluctuated significantly in the past and may do so in the future. Consequently, revenue, expenditure, cash and borrowings may be higher or lower than anticipated by the Group.

In addition, the financial statements of the Group are denominated in Pounds Sterling which, therefore, give further exposure to foreign exchange rate fluctuations and may impact the financial results reported to its Shareholders, particularly as profits and losses arising from foreign currency transactions and on settlement of amounts receivable and payable in foreign currency are dealt with through the profit and loss statement.

Financial Statements

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and applicable law, and have elected to prepare the parent company financial statements under French GAAP.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- Prepare the financial statement on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the Group's financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Statutory auditors report on the consolidated financial statements

For the year ended 31 December 2023

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

This statutory auditor's report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to Shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Financial Statements

To the NOVACYT Shareholders' meeting

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of NOVACYT SA for the year ended 31 December 2023.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of 31 December 2023 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

Audit framework

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

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

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period from 1 January 2023 to the date of our report.

Material uncertainty related to going concern

We draw attention to note 3 to the financial statements which describes the material uncertainty resulting from events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter

We draw attention to the following matter: - note 44; Contingent Liabilities and note 45; Subsequent Events, identifying an ongoing commercial dispute and disclosing the underlying assumptions and the potential impacts in the consolidated financial statements.

Our opinion is not modified in respect of this matter.

Justification of assessments

In accordance with the requirements of Articles L.821-53 and R.821-180 of the French Commercial Code relating to the justification of our assessments and in addition to the matter described in the "Material uncertainty related to going concern" section, we inform you of the following assessments that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

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

Goodwill

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

Specific verifications

We have also performed in accordance with professional standards applicable in France the specific verifications required by law and regulations of the information pertaining to the Group presented in the Board of Directors' management report.

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Statutory auditor's responsibilities for the audit of the consolidated financial statements

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

As specified in Article L.821-55 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

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

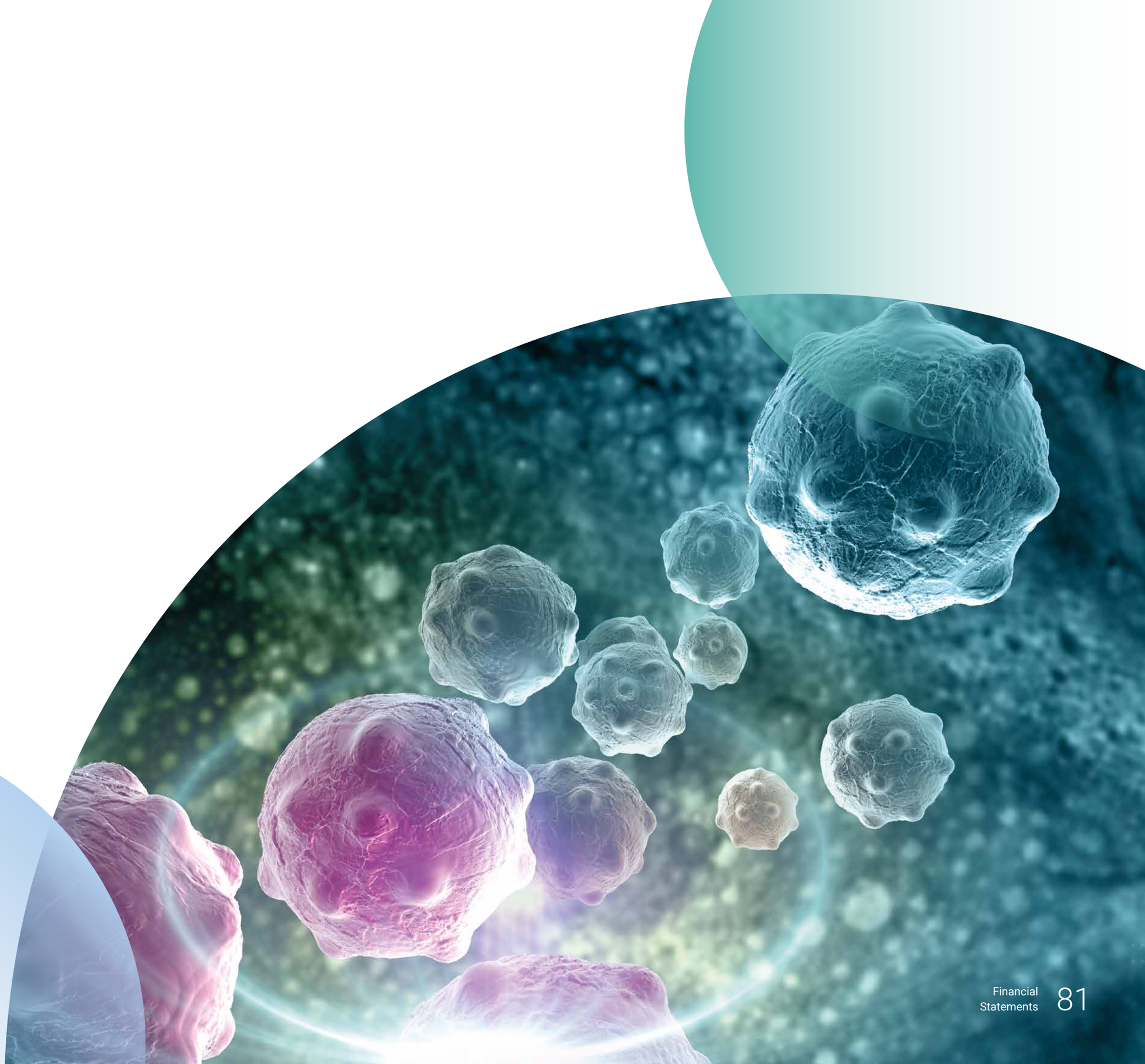
- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw

Financial Statements

attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

The Statutory Auditors
French original signed by
Alberis Audit
Deloitte & Associés
Guillaume TURCHI
Benoit PIMONT



Accounts and Notes

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**

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
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**
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	Share capital	Share premium	Own shares	Equity reserves	Other Group reserves: Other	Other Group reserves: Translation reserve	Other Group reserves: OCI on retirement benefits	Other Group reserves: 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

– Standards, interpretations and amendments to standards with mandatory application for the period beginning on or after 1 January 2023 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.

– Standards or interpretations not mandatorily applicable in 2023 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;

Notes to the Annual Accounts

- 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 loses 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.

		At 31 December 2023		At 31 December 2022	
Companies & Country		**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	–	–

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.

Notes to the Annual Accounts

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.

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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.

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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.

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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 amounts of the contingent considerations are adjusted to reflect the best estimate available to the Group and this adjustment is recognised in the consolidated income statement.

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 a 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 expenses, when recognised, are charged to the consolidated income statement with the corresponding entry to reserves or liabilities, depending on the settlement method of the LTIP scheme within that 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

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- 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, focused 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.

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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.

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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.

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- **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, focused 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 geographical 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**

Notes to the Annual Accounts

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.

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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.

Notes to the Annual Accounts

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.

Notes to the Annual Accounts

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.

Notes to the Annual Accounts

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**

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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.

Notes to the Annual Accounts

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.

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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**

Notes to the Annual Accounts

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 receivables 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**

Notes to the Annual Accounts

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

Notes to the Annual Accounts

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 relate 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.

Notes to the Annual Accounts

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 relate to customer payments received in advance of receiving the products or service. It has increased since December 2022 due to 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**

Notes to the Annual Accounts

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.

Notes to the Annual Accounts

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.

Notes to the Annual Accounts

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 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.

Notes to the Annual Accounts

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 are 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 new leased premises, 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 leased premises, 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 new leased premises, 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%**

Notes to the Annual Accounts

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 on the previous page 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:

	At 31 December 2023			At 31 December 2022		
Amounts in £'000	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 tables detail 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

Notes to the Annual Accounts

	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 consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

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

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

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 table on the following page details the Group's expected maturity for its non-derivative financial assets. The table 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				
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

Year ended 31 December 2023

Amounts in £'000	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Contingent consideration	–	915	–	915
Total liabilities at FVTPL	**–**	**915**	**–**	**915**

Year ended 31 December 2022

Amounts in £'000	Level 1	Level 2	Level 3	Total
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**

Notes to the Annual Accounts

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 has 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.

Company Information

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Company Secretary	Steve Gibson
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Joint Broker	**Deutsche Numis** The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT United Kingdom
French Listing Sponsor	**Allegra Finance** 213 Boulevard Saint-Germain 75007 Paris France

Legal advisers to the Company	**English law:** **Stephenson Harwood LLP** 1 Finsbury Circus London EC2M 7SH United Kingdom **Pitmans LLP** 47 Castle Street Reading RG1 7SR United Kingdom **French law:** **Frieh Brault & Associes** 9 Rue Alfred de Vigny 75008 Paris
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UK Auditors	**Constantin Limited** Statutory Auditor 25 Hosier Lane London EC1A 9LQ United Kingdom
Bankers	**Banque Populaire Val de France** Accueil Entreprises Trs 2 Avenue De Milan 37924 Tours Cedex 9 **Barclays Bank plc** 48a-50 Lord Street Liverpool L2 1TD United Kingdom

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