

NOVACYT



NOVACYT GROUP
INTERIM ACCOUNTS 2024

Consolidated income statement as at 30 June 2024

Amounts in £'000	Notes	(Unaudited) Six month 30 June 2024	(Unaudited) Six month 30 June 2023
Continuing Operations			
Revenue	4	10,322	3,339
Cost of sales	6	-3,595	-1,674
Cost of sales - exceptional	7	19,753	-
Gross profit		26,480	1,665
Sales, marketing and distribution expenses		-3,090	-1,506
Research and development expenses		-1,499	-1,239
General and administrative expenses		-10,943	-5,579
General and administrative expenses - exceptional	7	-19,964	-
Governmental subsidies		-	125
Operating loss before exceptional items		-9,016	-6,534
Other operating income	8	-	-
Other operating expenses	8	-8,088	-1,862
Operating loss after exceptional items		-17,104	-8,396
Financial income	9	2,096	1,994
Financial expense	9	-2,910	-1,911
Loss before tax		-17,918	-8,313
Tax income	10	219	174
Loss after tax from continuing operations		-17,699	-8,139
Loss from discontinued operations		-	-209
Loss after tax attributable to owners of the Company		-17,699	-8,348
Loss per share (£)	11	-0.25	-0.12
Diluted loss per share (£)	11	-0.25	-0.12
Loss per share from continuing operations (£)	11	-0.25	-0.12
Diluted loss per share from continuing operations (£)	11	-0.25	-0.12
Loss per share from discontinued operations (£)	11	-0.00	-0.00
Diluted loss per share from discontinued operations (£)	11	-0.00	-0.00

Consolidated statement of comprehensive income as at 30 June 2024

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Unaudited) Six month 30 June 2023
Loss for the period recognised in the income statement	-17,699	-8,348
Items that may be reclassified subsequently to profit or loss:		
Translation reserves	794	474
Total comprehensive loss	-16,905	-7,874
Comprehensive loss attributable to:		
Owners of the Company (*)	-16,905	-7,874

(*) There are no non-controlling interests.

Statement of financial position as at 30 June 2024

Amounts in £'000	Notes	(Unaudited) Six month 30 June 2024	(Audited) Year ended 31 December 2023
Goodwill		21,273	21,446
Other intangible assets		8,937	10,232
Property, plant and equipment		3,764	4,183
Right-of-use assets		10,024	11,036
Non-current financial assets		53	57
Deferred tax assets		359	413
Total non-current assets		44,410	47,367
Inventories and work in progress	12	3,001	3,022
Trade and other receivables	13	16,955	36,034
Tax receivables		423	728
Prepayments and short-term deposits		1,663	2,601
Investments short-term		8	9
Cash and cash equivalents		32,939	44,054
Total current assets		54,989	86,448
Total assets		99,399	133,815
Lease liabilities short-term		1,352	1,209
Contingent consideration short-term		-	193
Provisions short-term	14	216	19,988
Trade and other liabilities	15	11,541	7,183
Tax liabilities		11	65
Other current liabilities		488	927
Total current liabilities		13,608	29,565
Net current assets		41,381	56,883
Lease liabilities long-term		11,791	12,495
Contingent consideration long-term		-	722
Provisions long-term	14	1,586	1,547
Deferred tax liabilities		1,998	2,241
Other long-term liabilities		3	3
Total non-current liabilities		15,378	17,008
Total liabilities		28,986	46,573
Net assets		70,413	87,242

Statement of financial position as at 30 June 2024 (continued)

Amounts in £'000	Notes	(Unaudited) Six month 30 June 2024	(Audited) Year ended 31 December 2023
Share capital	16	4,053	4,053
Share premium account		50,671	50,671
Own shares		-99	-138
Other reserves		2,393	1,599
Equity reserves		1,155	1,155
Retained earnings		12,240	29,902
Total equity - owners of the Company		70,413	87,242
Total equity		70,413	87,242

Statement of changes in equity as at 30 June 2024

Amounts in £'000

	Share capital	Share premium	Own shares	Equity reserves	Other Group reserves			Total	Retained earnings	Total equity
					Other	Translation reserve	OCI on retirement benefits			
Balance at 1 January 2023	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
Translation differences	-	-	-	-	-	794	-	794	-	794
Loss for the period	-	-	-	-	-	-	-	-	-17,699	-17,699
Total comprehensive loss for the period	-	-	-	-	-	794	-	794	-17,699	-16,905
Own shares acquired/sold in the period	-	-	39	-	-	-	-	-	-	39
Others	-	-	-	-	-	-	-	-	37	37
Balance at 30 June 2024	4,053	50,671	-99	1,155	846	1,555	-8	2,393	12,240	70,413

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 £3,253k is a result of the acquisition of Yourgene Health.

The variation of £37k in the column 'Retained earnings' in 2024 is mainly the result of the foreign exchange difference when accounting for the capital reduction of Yourgene Health Taiwan Ltd.

Statement of cash flows as at 30 June 2024

Amounts in £'000	Notes	(Unaudited) Six month 30 June 2024	(Unaudited) Six month 30 June 2023
Net cash used in operating activities	17	-9,087	-5,691
<i>Operating cash flows from discontinued operations</i>		-	-1,287
<i>Operating cash flows from continuing operations</i>		-9,087	-4,404
Investing activities			
Sales of property, plant and equipment		-	13
Purchases of patents and trademarks		-104	-35
Purchases of property, plant and equipment		-738	-138
Variation of deposits		-84	120
Acquisition of subsidiaries net of cash acquired		-898	-2
Interest received		691	1,052
Net cash (used in)/from investing activities		-1,133	1,010
<i>Investing cash flows from discontinued operations</i>		-	88
<i>Investing cash flows from continuing operations</i>		-1,133	922
Financing activities			
Repayment of lease liabilities		-900	-483
Purchase of own shares – net		39	-32
Paid interest expenses		-	-19
Net cash used in financing activities		-861	-534
<i>Financing cash flows from discontinued operations</i>		-	-320
<i>Financing cash flows from continuing operations</i>		-861	-214
Net decrease in cash and cash equivalents		-11,081	-5,215
Cash and cash equivalents at beginning of year		44,054	86,973
Effect of foreign exchange rate changes		-34	-24
Cash and cash equivalents at end of period		32,939	81,734

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD TO 30 JUNE 2024

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 Group 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 (“£’000”).

This condensed consolidated interim financial information does not constitute full statutory accounts. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the twelve months ended 31 December 2023. Statutory accounts for the year ended 31 December 2023 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The auditor’s report on those accounts was unqualified. The financial information for the half years 30 June 2024 and 30 June 2023 is unaudited and the twelve months to 31 December 2023 is audited.

2. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP

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

The financial information has been prepared on the historical cost basis except in respect of those financial instruments that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial information is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The areas where assumptions and estimates are material in relation to the financial information are the measurement of goodwill (see note 15 of the 2023 Statutory Accounts for further details), the carrying amounts and useful lives of the other intangible assets (see note 16 of the 2023 Statutory Accounts for further details), deferred taxes (see note 19 of the 2023 Statutory Accounts for further details), trade receivables (see note 21 of the 2023 Statutory Accounts and note 13 of the 2024 Interim Accounts for further details) and provisions for risks and other provisions related to the operating activities (see note 28 of the 2023 Statutory Accounts and note 14 of the 2024 Interim Accounts for further details).

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

The accounting policies applied by the Group in these condensed consolidated interim financial statements are substantially the same as those applied by the Group in its financial statements for the year ended 31 December 2023 and which form the basis of the 2024 financial statements. The methodology for selecting assumptions underpinning the fair value calculations has not changed since 31 December 2023.

Basis of consolidation

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.

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Companies	At 30 June 2024		At 30 June 2023	
	Interest percentage	Consolidation method	Interest percentage	Consolidation method
Biotec Laboratories Ltd	-	-	100%	FC
IT-IS International Ltd	100%	FC	100%	FC
Lab21 Healthcare Ltd	100%	DO	100%	DO
Novacyt US Inc	100%	FC	100%	FC
Novacyt Inc	100%	FC	100%	FC
Microgen Bioproducts Ltd	100%	DO	100%	DO
Novacyt SA	100%	FC	100%	FC
Novacyt Asia Ltd	100%	FC	100%	FC
Novacyt China Ltd	100%	FC	100%	FC
Novacyt UK Holdings Ltd	100%	FC	100%	FC
Primer Design Ltd	100%	FC	100%	FC
Yourgene Health Ltd	100%	FC	-	-
Yourgene Health UK Ltd	100%	FC	-	-
Yourgene Genomic Services Ltd	100%	FC	-	-
Yourgene Health SASU	100%	FC	-	-
Yourgene Health Inc	100%	FC	-	-
Yourgene Health GmbH	100%	FC	-	-
Yourgene Health Canada Holdings Ltd	100%	FC	-	-
Yourgene Health Canada Investments Ltd	100%	FC	-	-
Yourgene Health Canada Inc	100%	FC	-	-
Yourgene Health (Singapore) Pte. Ltd	100%	FC	-	-
Yourgene Health (Taiwan) Co. Ltd	100%	FC	-	-
Elucigene Ltd	100%	FC	-	-
Delta Diagnostics Ltd	100%	DO	-	-

Legend: FC: Full consolidation
DO: Discontinued operation

Biotec Laboratories Ltd was dissolved on 20 February 2024.

Going concern

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

The going concern model covers the period up to and including September 2025. In making this assessment, the directors have considered the following elements:

- The business plan for the next 12 months;
- The working capital requirements of the business;

- A positive cash balance at 30 June 2024 of £32,939k;
- Payment of £5,000k to settle the Department of Health and Social Care “DHSC” commercial dispute in July 2024;
- Receiving £12,165k of VAT back from HMRC following conclusion of the DHSC commercial dispute in August 2024, and;
- No additional external funding has been forecast.

As such the forecast prepared by the Group shows that it is able to cover its cash needs during the financial year 2024 up until September 2025.

Measurement of goodwill

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

Impairment testing

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

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

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

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.

Trade payables

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

will result in the recognition of a financial expense in the income statement. Trade and other payables are eliminated from the statement of financial position when the corresponding obligation is discharged.

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

Provisions

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

The provisions are for the restoration of leased premises, risks related to litigations and product warranties.

Long-Term Incentive Plan (LTIP)

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

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

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 was 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.

In April 2024, a new Performance Share Awards programme for executive management was announced. The 2024 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 2024 and ending on 31 December 2026, 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 2023 which was £0.63. This will then be compared to the equivalent figure in December 2026.

Consolidated revenue

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

- Step 1 – Identify the contract(s) with a customer
- Step 2 – Identify the performance obligations in the contract
- Step 3 – Determine the transaction price
- Step 4 – Allocate the transaction price to the performance obligations in the contract
- Step 5 – Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

Under IFRS 15.53, the Group can use either:

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

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

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

- If the amount of consideration is highly susceptible to factors outside the Group's influence;
- Whether the uncertainty about the amount of consideration is not expected to be resolved for a long period of time;
- The Group's experience (or other evidence) with similar types of contract;

- The Group has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances; and
- The contract has a large number and broad range of possible consideration amounts.

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

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.

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.

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

In the application of the Group's accounting policies, 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.

- **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 30 June 2024, the Group had trade receivables of £3,694k against which a credit loss provision of £406k has been applied.

Key sources of estimation uncertainty

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

- **Measurement of goodwill**

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

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

4. REVENUE

The table below shows revenue on a geographical basis:

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Unaudited) Six month 30 June 2023
Geographical area		
United Kingdom	2,288	814
France	1,299	196
Rest of Europe	1,902	584
America	1,474	764
Asia-Pacific	2,748	749
Africa	280	192
Middle East	331	40
Total revenue	10,322	3,339

Revenue has increased as a result of the inclusion of sales from Yourgene Health post-acquisition, that were not present in H1 2023.

The breakdown of revenue by operating segment and geographic area is presented in note 5.

5. OPERATING SEGMENTS

Segment reporting

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

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

The Group has identified four operating segments whose performance and resources are monitored separately:

◦ Yourgene Health

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

◦ **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.

◦ **Corporate**

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

◦ **Intercompany eliminations**

This column 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.

Reliance on major customers and concentration risk

In H1 2024 and H1 2023 the Group was not dependent on one particular customer and there were no customers generating sales accounting for over 10% of revenue.

Breakdown of revenue by operating segment and geographic area

◦ At 30 June 2024

Amounts in £'000	Primer Design	IT-IS International	Yourgene Health	Total
Geographical area				
United Kingdom	565	25	1,698	2,288
France	127	29	1,143	1,299
Rest of Europe	391	98	1,413	1,902
America	415	94	965	1,474
Asia-Pacific	401	102	2,245	2,748
Africa	193	1	86	280
Middle East	91	-	240	331
Total revenue	2,183	349	7,790	10,322

NOVACYT

◦ At 30 June 2023

Amounts in £'000	Primer Design	IT-IS International	Total
Geographical area			
United Kingdom	796	18	814
France	159	37	196
Rest of Europe	379	205	584
America	689	75	764
Asia-Pacific	555	194	749
Africa	172	20	192
Middle East	28	12	40
Total revenue	2,778	561	3,339

Breakdown of result by operating segment

◦ 6 month ended 30 June 2024

Amounts in £'000	Primer Design	IT-IS International	Corporate	Yourgene Health	Intercompany Eliminations	Total
Revenue	2,183	349	-	7,790	-	10,322
Cost of sales	-362	-299	-	-2,937	3	-3,595
Cost of sales - exceptional	19,753	-	-	-	-	19,753
Sales and marketing costs	-724	-122	-254	-1,990	-	-3,090
Research and development	-382	-233	-130	-820	66	-1,499
General and administrative	-1,576	-511	-346	-5,118	-	-7,551
General and administrative - exceptional	-19,964	-	-	-	-	-19,964
Earnings before interest, tax, depreciation and amortisation as per management reporting	-1,072	-816	-730	-3,075	69	-5,624
Depreciation and amortisation	-639	-67	-43	-2,660	17	-3,392
Operating (loss)/profit before exceptional items	-1,711	-883	-773	-5,735	86	-9,016
Other operating income	-	-	-	-	-	-
Other operating expenses	-7,734	-52	-91	-211	-	-8,088
Operating (loss) / profit after exceptional items	-9,445	-935	-864	-5,946	86	-17,104
Financial income	4,940	4	1,210	107	-4,165	2,096
Financial expense	-13	-93	-5,563	-1,406	4,165	-2,910
Loss before tax	-4,518	-1,024	-5,217	-7,245	86	-17,918

NOVACYT

6 month ended 30 June 2023

Amounts in £'000	Primer Design	IT-IS International	Corporate	Intercompany Eliminations	Total
Revenue	2,778	561	-	-	3,339
Cost of sales	-1,309	-374	-	9	-1,674
Sales and marketing costs	-1,281	-202	-23	-	-1,506
Research and development	-1,047	-192	-	-	-1,239
General and administrative	-3,007	-729	-684	-	-4,420
Governmental subsidies	154	-29	-	-	125
Earnings before interest, tax, depreciation and amortisation as per management reporting	-3,712	-965	-707	9	-5,375
Depreciation and amortisation	-935	-209	-33	18	-1,159
Operating (loss)/profit before exceptional items	-4,647	-1,174	-740	27	-6,534
Other operating income	-	-	-	-	-
Other operating expenses	-757	-13	-1,092	-	-1,862
Operating (loss) / profit after exceptional items	-5,404	-1,187	-1,832	27	-8,396
Financial income	3,058	69	1,650	-2,783	1,994
Financial expense	-749	-28	-3,917	2,783	-1,911
Loss before tax	-3,095	-1,146	-4,099	27	-8,313

6. COST OF SALES

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Unaudited) Six month 30 June 2023
Cost of inventories recognised as an expense	3,491	1,157
Change in stock provision	-991	-175
Freight costs	23	32
Direct labour (including subcontractor costs)	992	664
Other	80	-4
Total cost of sales	3,595	1,674

In H1 2024, the stock provision has decreased by a net £991k (H1 2023: decreased by £175k). Stock, which had previously been provided for, has been written off and disposed of during H1 2024, 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 increased year-on-year in line with the growth in sales.

7. COST OF SALES - EXCEPTIONAL & GENERAL AND ADMINISTRATIVE EXPENSES - EXCEPTIONAL

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Unaudited) Six month 30 June 2023
Reversal of DHSC related product warranty provision	-19,753	-
Total cost of sales - exceptional	-19 753	-
DHSC bad debt write off	19,964	-
Total general and administrative expenses - exceptional	19,964	-

Cost of sales - exceptional is a credit balance as a result of releasing the DHSC product warranty provision for £19,753K, following the settlement.

General and administrative expenses - exceptional relates to the bad debt write off of £19,964k in relation to the DHSC December 2020 invoice, that as per the terms of the settlement agreement in June 2024 will not be paid.

8. OTHER OPERATING INCOME AND EXPENSES

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Unaudited) Six month 30 June 2023
Other operating income	-	-
Total other operating income	-	-
Acquisition related expenses	-29	-666
DHSC contract dispute costs	-7,372	-640
Restructuring expenses	-379	-543
Other expenses	-308	-13
Total other operating expenses	-8,088	-1,862

DHSC contract dispute costs relate to legal and professional fees and product storage costs incurred in the resolution of the commercial dispute. The settlement figure of £5,000k agreed with the DHSC is included within this category.

Restructuring expenses in 2024 relate to Group-wide restructuring charges, as the Group continues to reduce its cost base.

2023 acquisition related expenses were associated with the acquisition of Yourgene Health plc.

9. FINANCIAL INCOME AND EXPENSE

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Unaudited) Six month 30 June 2023
Financial foreign exchange gains	1,380	519
Interest received from discontinued operations	-	415
Other financial income	716	1,060
Total financial income	2,096	1,994
Interest on IFRS 16 liabilities	-361	-19
Financial foreign exchange losses	-2,471	-1,731
Discount of financial instruments	-42	-3
Interest paid to discontinued operations	-	-158
Other financial expense	-36	-
Total financial expense	-2,910	-1,911

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.

10.TAX INCOME

The main rate of corporation tax in the UK increased to 25% from 1 April 2023. The H1 2024 financials have been calculated using a corporation tax rate of 25%.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Unaudited) Six month 30 June 2023
Current tax income		
Current year tax income	52	123
Deferred tax income		
Deferred tax income	167	51
Total tax income in the income statement	219	174

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

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Unaudited) Six month 30 June 2023
Loss before taxation	-17,918	-8,313
Tax at the UK corporation tax rate (2024: 25%, 2023: 19%)	4,480	1,580
Effect of different tax rates of subsidiaries operating in other jurisdictions	-49	159
Change of the tax rate for the calculation of deferred tax	-	272
Effect of non-deductible expenses and non-taxable income	-562	-40
Change in unrecognised deferred tax assets	-3,737	-1,761
Other adjustments	87	-36
Total tax income for the period	219	174

11. 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 30 June 2024, there are no outstanding dilutive instruments.

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Unaudited) Six month 30 June 2023
Net loss attributable to owners of the Company	-17,699	-8,348
Weighted average number of shares	70,626,248	70,626,248
Loss per share (£)	-0.25	-0.12
Diluted loss per share (£)	-0.25	-0.12
<i>Loss per share from continuing operations (£)</i>	<i>-0.25</i>	<i>-0.12</i>
<i>Diluted loss per share from continuing operations (£)</i>	<i>-0.25</i>	<i>-0.12</i>
<i>Loss per share from discontinued operations (£)</i>	<i>-0.00</i>	<i>-0.00</i>
<i>Diluted loss per share from discontinued operations (£)</i>	<i>-0.00</i>	<i>-0.00</i>

12. INVENTORIES AND WORK IN PROGRESS

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Audited) Year ended 31 December 2023
Raw materials	10,482	10,691
Work in progress	1,406	1,751
Finished goods	3,168	3,631
Stock provisions	-12,055	-13,051
Total inventories and work in progress	3,001	3,022

13. TRADE AND OTHER RECEIVABLES

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Audited) Year ended 31 December 2023
Trade and other receivables	3,694	27,509
Expected credit loss provision	-406	-223
Tax receivables – Value Added Tax	13,390	8,541
Other receivables	277	207
Total trade and other receivables	16,955	36,034

Trade and other receivables has fallen since December 2023 predominantly as a result of the DHSC settlement, whereby the December 2020 unpaid invoice for £23,957k has now been written off as it will no longer be paid.

The 'Tax receivables – Value Added Tax' balance included £12,165k relating to VAT paid in the UK on sales invoices that will not be paid by the DHSC as per the terms of the settlement agreement. This has subsequently been repaid to Novacyt in August 2024.

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.

14. PROVISIONS

The table below shows the nature of and changes in provisions for risks and charges for the period from 1 January 2024 to 30 June 2024:

Amounts in £'000	(Audited) At 1 January 2024	Increases	Reversals	Impact of foreign exchange	(Unaudited) At 30 June 2024
Provision for retirement benefits	7	-	-	-	7
Provisions for restoration of premises	1,540	43	-	-4	1,579
Provisions long-term	1,547	43	-	-4	1,586
Provisions for restoration of premises	36	-	-36	-	-
Provision for litigation	157	-	-	-	157
Provisions for product warranty	19,795	17	-19,753	-	59
Provisions short-term	19,988	17	-19,789	-	216

Provisions short term has fallen since December 2023 predominantly as a result of the DHSC settlement, whereby the product warranty provision made in relation to the dispute, totalling £19,753k, has been reversed.

15. TRADE AND OTHER LIABILITIES

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Audited) Year ended 31 December 2023
Trade payables	2,384	2,311
Accrued invoices	3,091	3,585
Payroll related liabilities	885	1,114
Tax liabilities - Value Added Tax	168	159
Other liabilities	5,013	14
Total trade and other liabilities	11,541	7,183

Other liabilities in 2024 includes the £5,000k settlement due to the DHSC. This was subsequently paid in July 2024.

16.SHARE CAPITAL

	Amount of share capital in £'000	Amount of share capital in €'000	Unit value per share in €	Number of shares issued
(Audited) At 31 December 2023	4,053	4,708	0.07	70,626,248
(Unaudited) At 30 June 2024	4,053	4,708	0.07	70,626,248

As of 30 June 2024 and 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.

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

17. NOTES TO THE CASH FLOW STATEMENT

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Unaudited) Six month 30 June 2023
Loss for the period	-17,699	-8,348
<i>Loss from discontinued operations</i>	-	-209
<i>Loss from continuing operations</i>	-17,699	-8,139
Adjustments for:		
Depreciation, amortisation, impairment loss and provisions	-16,356	877
Losses on disposal of assets	-	89
Other revenues and charges without cash impact	361	-
Income tax credit	-219	-299
Operating cash flows before movements of working capital	-33,913	-7,681
Decrease in inventories (*)	1	568
Decrease in receivables	20,058	908
Increase in payables	5,154	758
Cash used in operations	-8,700	-5,447
Income taxes received	304	789
Finance income	-691	-1,033
Net cash used in operating activities	-9,087	-5,691
<i>Operating cash flows from discontinued operations</i>	-	-1,287
<i>Operating cash flows from continuing operations</i>	-9,087	-4,404

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

Amounts in £'000	(Unaudited) Six month 30 June 2024	(Unaudited) Six month 30 June 2023
Decrease in the gross value of inventory	992	743
Decrease in the stock provision	-991	-175
Total variation of the net value of inventories	1	568

The details for the change in the stock provision are covered in notes 6 and 12.

18.SUBSEQUENT EVENTS

In July 2024, Novacyt paid the DHSC £5,000k as per the terms of the settlement agreement, as communicated in the press release on 11 June 2024.

Novacyt divested Yourgene Health Taiwan on 31 July 2024 for an upfront consideration of nil dollars, with the possibility of earnouts totalling up to \$2,000k upon hitting certain targets.

In August 2024, Novacyt successfully reclaimed £12,165k in VAT from HMRC, in relation to invoices that will no longer be paid by the DHSC as per the terms of the settlement agreement.