NOVACYT

GROUP

Annual Report and Accounts

For the year ended December 2017

Contents

01 Business Overview

Novacyt is a rapidly growing, international diagnostics group, generating revenues from the sale of clinical products used in oncology, microbiology, haematology and serology testing.

The Group has considerable experience in the development, manufacture and commercialisation of molecular, protein and whole-cell diagnostic products and aims to become a leader in developing new products for the infectious disease and oncology testing markets. The Group has a strong intellectual property portfolio and considerable product and process ‘know-how’ in the key technologies used across its operating segments.

“Novacyt is delivering significant growth and is on the way to becoming a profitable and leading diagnostics company”

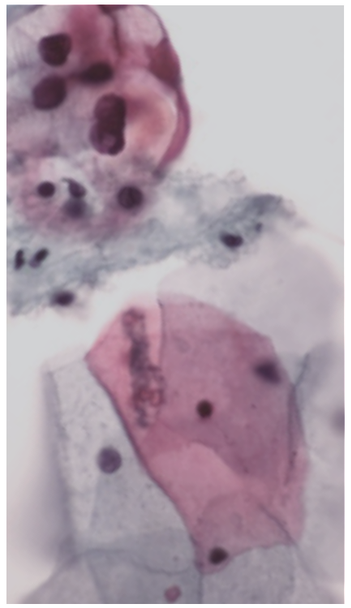
Who are we?

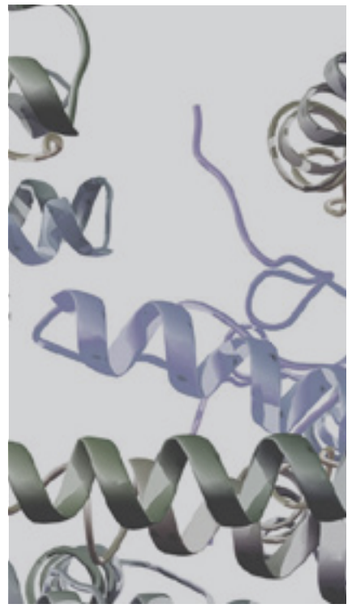
Novacyt is focused on developing, manufacturing and commercialising niche clinical diagnostic products to serve the infectious disease and oncology markets.

Why these market segments? Infectious diseases represent the largest segment of the clinical diagnostics market and oncology is the fastest growing segment of the clinical market.

Novacyt has a broad product range which is accredited and registered in over 100 countries and has three main product technology platforms which underpin its product portfolio and niche market focus. The three technology platforms are molecular-based products, (the fastest growing technology sector), whole-cell diagnostics products and protein-based diagnostic products.

The Company’s customers and end-users include universities, hospitals, clinics and testing laboratories. In markets such as the UK, the Company sells to end-users through its direct sales workforce, while in the majority of markets they are reached through an extensive overseas distributor and OEM partner network.





01 Business Overview

Our Growing Global Presence

Novacyt ended the year with

121 employees

(average for the year – 115 staff)

Established network of

300+ distributors & partners

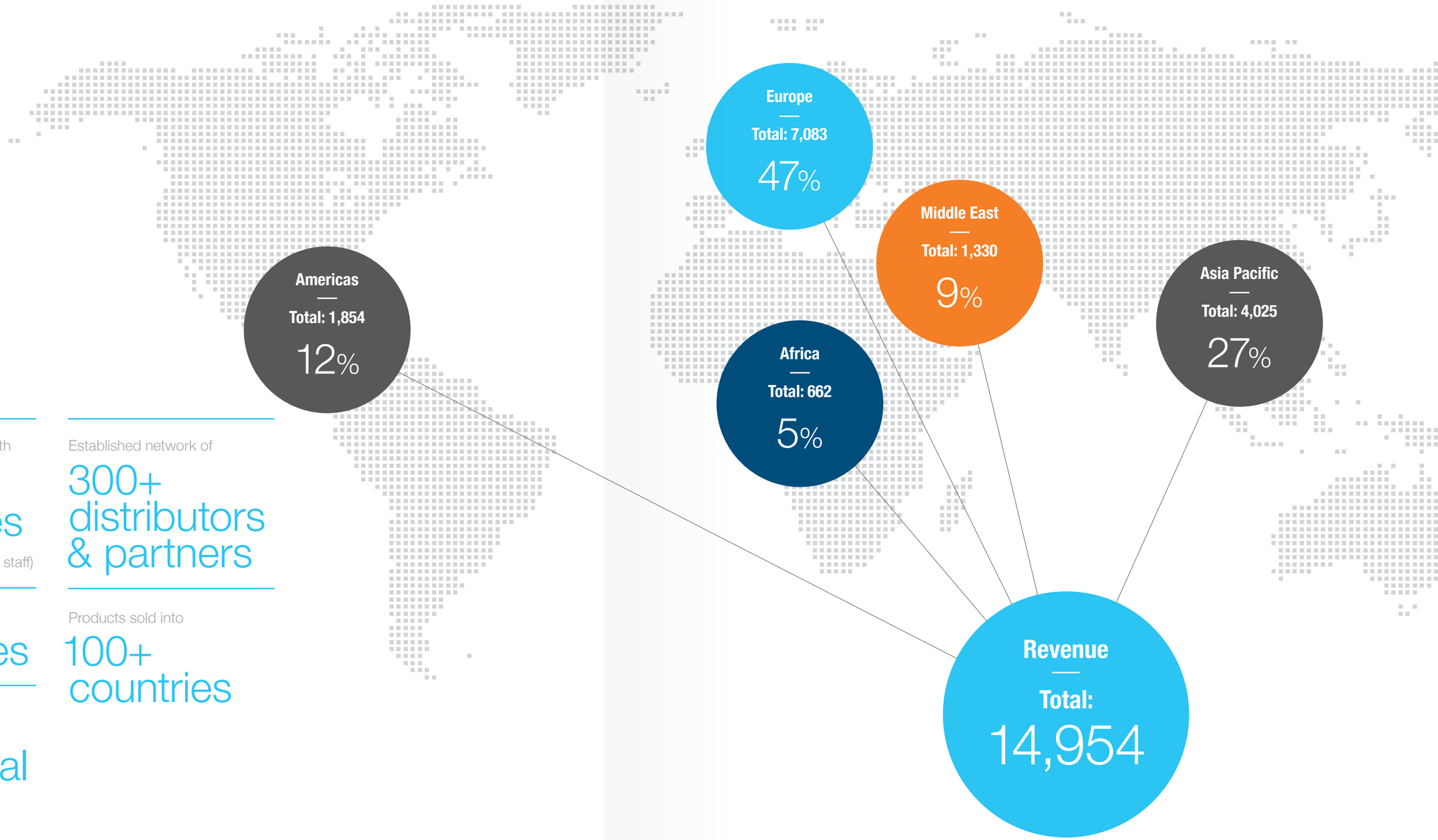
Based in

6 countries

Products sold into

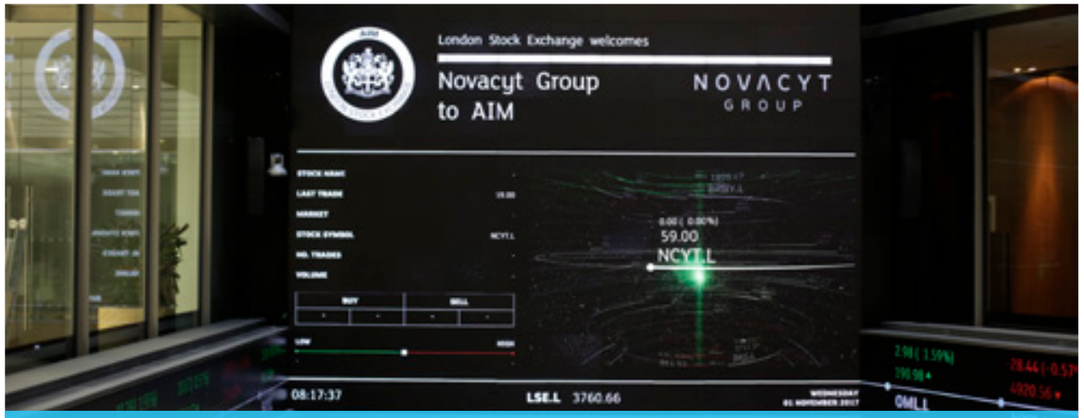
100+ countries

5 key operational sites



01 Business Overview

Highlights

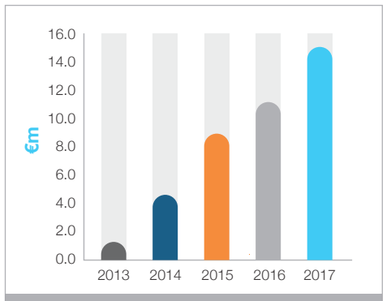


Pioneering dual listing with UK AIM as well as Euronext Growth, Paris listing

Deloitte. | In Extenso

50 | Technology Fast 50 2017 LAURÉAT

Île-de-France award of the Deloitte Technology Fast 50 French programme



Significant sales growth across entire business

Fastest growing region Asia Pacific

Launch of the first clinical, CE-IVD approved molecular product for Zika disease

183m tests manufactured in 2017

Invested in state-of-the-art new manufacturing facility

01 Business Overview

35 new staff hired during 2017 with a similar trend **forecast for 2018**

Successful placing of **14.7 new shares at €0.66** (59.38p) each and **admission to AIM** in November 2017

First CE marked molecular test

Sales in Asia Pacific grew by

68%

in 2017 continuing to be the fastest growing region

NOVAprep® sales of €2.2m

up **36%**

Significant year-on-year improvement of EBITDA loss to €0.8m (2016: €2.3m) with an H2 EBITDA loss of €0.3m **supporting the trajectory towards profitability**

Primerdesign sales increased to **£5.3m** (€6.1m) compared with pro forma sales of £4.2m (€5.1m) in the prior year, representing **27% growth** on a pro forma CER basis

EBITDA consists of operating profit/loss before exceptional items adjusted for amortisation, depreciation and long term incentive plan charges

Increased Group sales by

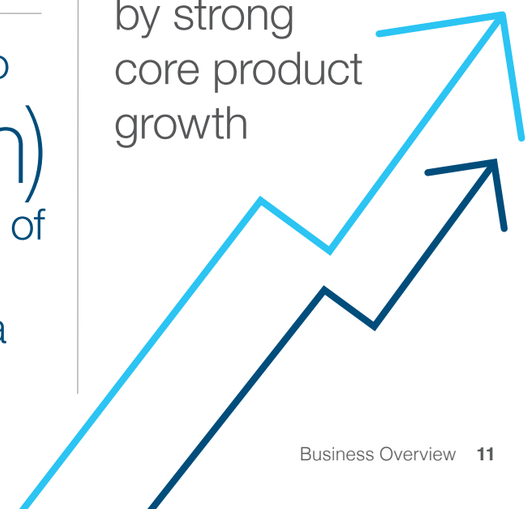
35%

to **€15.0m** (2016: €11.1m) and

43%

at CER

Lab21 saw **double digit sales growth** in both H1 & H2 at CER compared with 2016 driven by strong core product growth



01 Business Overview

Cautionary Statement

Sections of this annual report, including but not limited to the Directors' report, the Strategic report and the Remuneration report, may contain forward-looking statements with respect to certain plans and current goals and expectations relating to the future financial condition, business performance and results of the Company. These have been made by the Directors in good faith using information available up to the date on which they approved this report. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of the Company and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual future financial conditions, business performance, results or developments of the Company to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. Nothing in this document should be construed as a profit forecast.

Key Figures

FY2017 Sales

€15.0m

an annual increase of €3.9m or 35%

CAGR 4 year period

49%

consolidated revenue increase versus €4.5m in 2014

FY2017 Gross Margin

60%

an improvement of 5% since 2016

FY2017 EBITDA

-€0.8m

an annual improvement of €1.5m

Over 4m

women now tested for cervical cancer through NOVAprep® technology

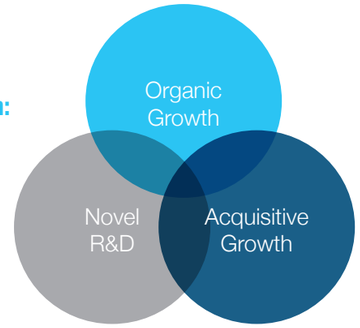
600

molecular products for RUO making it the most extensive molecular portfolio in the world

Our Strategy

"We are a high growth clinical diagnostics company focused on infectious disease and oncology markets"

The business is focused on three strategic pillars of growth:



The DNA of our Success

Proprietary technologies

Over 100

patents protecting its key products

Robust sales growth

Deloitte Fast 500 award 3 years running in recognition of being the fastest growing tech company in the EMEA region

Strong gross margins

44% to 60%

group consol gross margin increase between 2014-2017

Demonstrable M&A

Acquired Primerdesign for 2.2X revenue and 6.7X EBITDA

Committed employees

dynamic, experienced & 'can-do' values

High barriers to entry

focus on quality & clinical markets

01 Business Overview

Our Market

Academic research is the first step in the life sciences continuum where significant new research is taking place to understand the genetic nature of disease. Novacyt, through its novel molecular product range, generates revenues from supporting academic researchers with its ability to quickly develop and supply specific DNA and RNA kits for research use. This market requires products developed as Research Use Only (RUO) and does not require the extensive clinical validation necessary for clinical markets. This is a large and important market for Novacyt and currently underpins the core growth of the molecular product range.

The Company's largest target market is clinical diagnostics where its tests are developed and validated to the standards required for human clinical use. A critical component of improved clinical care is the accurate diagnosis not only of the disease, but the genetics underlying the disease state. The regulatory accreditations required for these products provide high barriers to entry and include the CE-Mark for many European and International markets, the CFDA for China and the FDA for the US market. Examples of the segments Novacyt's products are used in include syphilis, MRSA, C-Diff, cervical cancer, lung cancer and thyroid cancer.

Another key market for some of Novacyt's products is food testing, which is an increasingly stringent market as food safety becomes more important. Novacyt has some market-leading products used in food testing such as Listeria, Salmonella, Campylobacter, E-coli and other bacterial and fungal pathogens.

We have identified specific growth opportunities in the large, fast-growing but fragmented diagnostics market, particularly for the molecular products of Primerdesign and the whole-cell products of NOVAprep®, whilst also seeking to strengthen demand for the established protein products of Lab21.

Molecular diagnostics market

The Directors estimate that Primerdesign's core target molecular markets for RUO, IVD clinical and food pathogen testing **are worth approximately €14.7bn per annum, with an estimated growth of over 4.3% per annum. The RUO market, alone, is estimated to be worth €1.3bn[1] with the clinical market estimated at over €6.0bn[2].**

Whole-cell testing market

Cervical cancer screening is the largest and, in certain markets, one of the fastest growing cancer screening markets which uses a specific whole-cell testing technology called liquid-based cytology (LBC). The NOVAprep® product platform is initially focused in the cervical cancer screening market and the global PAP smear market was estimated at €3.5 bn[3] in 2017.

In China, cancer incidence and mortality has been increasing, making cancer the leading cause of death since 2010. There are an estimated 4.3m[4] new cases of cancer each year in China and, unlike many developed countries, the trends for many cancers are increasing. In women, the trend in the most common cancers standardised for each age group has been significantly upward for colon, breast, cervical, thyroid and lung cancers.

China is the fastest growing market for cervical cancer screening today and, by 2020, it is expected to be significantly larger than the US market, becoming the number one market for liquid-based cytology screening for the disease. There are estimated to be 60m cervical cancer screening tests performed annually in China today and, by 2020, this could grow to 150m cervical cancer screening tests per year.

Protein diagnostics market

Lab21 operates in an estimated €11.7bn total addressable market with a specific focus in microbiology, serology and haematology diagnostic markets.

[1] Novacyt half year 2017 results PR 16.08.17
[2] Novacyt half year 2017 results PR 16.08.17
[3] Transparency Market Research
[4] NOVAprep® Regulatory Update PR 23.02.17

02 Strategic Report

Chief Executive Officer's Review

"I am proud to be part of a dynamic, international business with an exciting and innovative portfolio of diagnostic products. At the heart of our business is the team of people with the skills and experience to execute our vision and objectives. At the heart of our culture is our energetic 'can-do' attitude and quest for innovation and quality."

Graham Mullis – CEO

€9.7m

raised with the support of new UK institutional investors and both new and current French institutional investors

€3.0m

successfully fundraised earlier in the year

UK IPO to further accelerate the growth trajectory

The financial year ending 31 December 2017 has been an exciting and transformational year for Novacyt and marks an important milestone year on our journey to become a profitable and leading clinical diagnostics company. During the period, the Company continued to make considerable progress in terms of its growth strategy and was successfully dual-listed on the London Stock Exchange's Alternative Investment Market ("AIM") in November 2017, where we raised €9.7m (£8.8m) (before expenses) with the support of new UK institutional investors and both new and current French institutional investors.

Admission to AIM represents a significant achievement and corporate milestone for the Company, and I am grateful for the dedicated support of my fellow directors and executive management in making this possible. The Admission also marked the first company with a dual-listing on Euronext Growth Paris and AIM, which it is anticipated will enable Novacyt to raise its international profile further and to accelerate our ambitious growth plans across key markets.

As previously stated at the time of Admission, the Company intends to use the money raised to accelerate its organic growth strategy, predominately including:

- investment in additional manufacturing capacity;
- expansion of the Group's commercial infrastructure; and
- investment in R&D to obtain CE-IVD approval for selected Primerdesign's Research-Use-Only (RUO) assays.

In November 2017, the Company announced that it had made a payment of €0.4m (£0.4m) in full and final repayment of the pending convertible bonds under a facility agreement entered into with Yorkville in July 2015. The Company has no intention to use the Yorkville facility in the future.

The successful fundraising of €3.0m (£2.6m) earlier in the year (full details of which may be found in the Financial Review on page 27) also enabled the commencement of construction of our new state-of-the-art manufacturing facility in Camberley, UK, which was completed in late 2017. In addition, it allowed the Company to increase the international reach of NOVAprep® and also to expand the regulatory approvals on NOVAprep®.

02 Strategic Report

Our strategy for achieving sustainable growth is based on three strategic pillars:

1. Organic growth

During the year, the Company delivered record sales growth of 35% across the entire business, with a specific focus on organic growth following the acquisition of Primerdesign in May 2016 and its subsequent integration into the Group.

As part of the strategic rationale to acquire Primerdesign, Novacyt identified future growth synergies within the business, which have been delivered during the period, in particular within the Asia Pacific region. Utilising Novacyt's existing sales channels, the Group has been able to increase the installed base of instruments in the Asia Pacific region of both NOVAprep® and Primerdesign's genesig® q16. Each installed genesig® q16 instrument works exclusively with Primerdesign's menu of approximately 550 genesig® reagents and, therefore, will also generate recurring revenues from genesig® reagent sales in the future. In 2017, the Group shipped a record number of its instruments to China in both molecular and cytology products and whilst our sales base is relatively small in the region, we remain encouraged by the pipeline that continues to build.

This investment in the Asia Pacific region has led to an increase in sales of NOVAprep® by 132% to €0.8m (£0.7m) compared to €0.3m (£0.3m) in 2016, representing the Group's fastest growing region. The appointment of our sales channel partner, MDL Asia, in 2016, coupled with our additional investment in China, has driven this growth. There is significant opportunity for further growth in the region, with the emergence of many cancer screening markets including China, Indonesia, Vietnam and Thailand, representing a total estimated market of approximately two billion people.

NOVAprep®'s continued strong sales and growing sales pipeline have resulted in the Company's decision to accelerate investment into further commercial infrastructure, particularly in China, and in the supply chain, including increasing stock levels of instruments. We look forward to building on our partnerships and remain focused on continuing to expand our geographical reach by targeting our investments across the Asia Pacific region in line with our strategy.

2. R&D

Novacyt intends to exploit its core strength of developing and successfully commercialising new products, particularly in the clinical molecular diagnostics market. Specifically, it intends to develop some of Primerdesign's RUO molecular diagnostic assays into clinical products. Significant progress was made during 2017 with the launch of our first clinical, CE-IVD approved product – Zika assay. Ultimately, the Group expects to identify up to 40 products from Primerdesign's current catalogue of approximately 550 non-clinical assays to develop for the clinical market during the next five years. We expect to launch five new CE Mark assays in 2018 focused on providing diagnostic tests used in patients post-transplantation.

We are also developing the genesig® q24, our next generation qPCR instrument, which is expected to be initially launched in the RUO and Life Science Research markets during H2 2018. Based around independent PCR "cores", with each core capable of being controlled independently, the q24 instrument is designed to process 24 samples within 30 minutes. This ultra-rapid processing and increased capacity allows Primerdesign assays to be developed and optimised to provide results in a fraction of the time currently required by other qPCR instruments and will provide greater speed and flexibility than the q16 instrument.

The Group will subsequently seek to launch a regulated CE-IVD version of the q24 instrument expected in 2019. This, combined with purpose designed CE-IVD assays, will provide Primerdesign with another unique instrument platform to add to the q16 to meet the growing needs and demands of the molecular diagnostics market place. Additional patent protection is currently being pursued in the development of this equipment platform which we expect to report on in due course.

Within the PCR market, the demand for ready-to-use reagent mixtures, called master mixes, is rapidly increasing and already a multi-million USD market. We have therefore recently developed our custom and off-the-shelf products in this specific PCR market segment. In Q2 2018, we expect to launch the world's first pick-and-mix master mix product which we have branded MYPlex™. The proprietary MYPlex™ master mixes allow customers to choose their own multiplex assays from a larger selection of targets to run on an open qPCR platform. This pick-and-mix product is the first of its kind in the diagnostics molecular market today. As well as providing unique opportunities for Primerdesign to develop a leadership position in this market, the development of a unique portfolio of PCR master mixes also provides further opportunities for licensing and business-to-business (B2B) partnerships.

3. Acquisitions

Novacyt operates in a large and fragmented diagnostics market with a significant number of small businesses successfully operating in their local, niche markets and territories. To accelerate growth and profitability, the Group intends to build on its existing and successful track record of sourcing and undertaking value-enhancing acquisitions.

In particular, Novacyt is seeking acquisition targets that are already revenue generating, profitable and offer geographic expansion of its sales and distribution channels with a focus on infectious disease or oncology diagnostics. A number of acquisition targets are already under evaluation in Europe and Asia, which might provide the opportunity for the Group to increase its direct sales presence to drive greater penetration of key markets with its proven products.

We believe that attractive buying multiples are possible in the current M&A market which, in combination with the Group's demonstrated ability to integrate assets successfully, is expected to be significantly accretive to sales growth, gross margins and, critically, earnings.

Key Performance Indicators ("KPIs")

The Group uses a range of measures to monitor performance. The Directors remain committed to Novacyt's growth strategy and, in 2017, continued to deliver against its three strategic pillars of organic, R&D and acquisition-led growth.

The Group continues to focus on its medium-term financial target KPIs of;

- strong double-digit organic revenue growth per annum;
- maintenance of a high gross margin, above 60 per cent; and
- becoming profitable and free cash flow generative.

People

The Group recruited a total of 35 additional employees across the business during the year, in particular adding commercial and manufacturing capacity to help facilitate accelerated revenue growth. There was also continued investment in senior commercial hires, with the key appointments of Phil Sefton, Ruth Powell and Paul Eros as Managing Directors of the three business divisions, providing the foundations and the leadership to drive performance further.

I would like to personally thank all our employees for their dedication and commitment in driving our business forward.

Current trading and outlook

The Group made significant progress during the year, with a strong focus on commercial infrastructure expansion, manufacturing efficiency and development pipeline.

This momentum has continued into 2018, with Primerdesign, in January 2018, entering into a clinical assay development contract with GenePOC Inc., a Canada-based company and member of the Swiss-based biopharmaceutical Debiopharm Group™, which specialises in the development and manufacture of molecular diagnostic devices for the detection of infectious diseases closer to the patient. Under the terms of the services agreement, Primerdesign will develop a triplex molecular diagnostic assay to identify influenza A, influenza B and respiratory syncytial virus A and B (RSV A and B), which will subsequently be run on GenePOC's revogene™ instrument. GenePOC will also seek regulatory clearance for the triplex assay in the US through the US Food and Drug Administration (FDA) and CE-IVD marking in Europe under the In Vitro Diagnostic Directive.

We have an active pipeline of potential new B2B partners and I look forward to updating the markets with further progress in this area of our business. Novacyt is also planning to increase its direct sales, particularly in the UK, Europe and Scandinavia, with a target of four additional sales reps to be recruited during 2018.

During the first half of 2018, we have taken the strategic decision to focus NOVAprep® resources on the further optimisation of the platform in order to provide an enhanced product offering. As a result of the ongoing development, we do not anticipate the same level of sales growth to be achieved in the first half as previous periods. This does not affect our KPIs, in particular our plans for continued strong double-digit revenue growth for the Group as a whole.

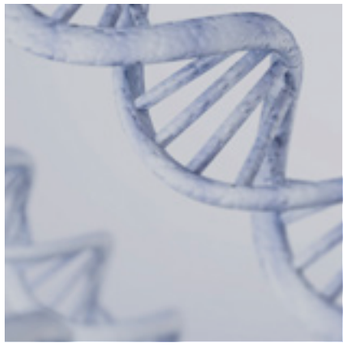
During 2018, the Group intends to continue to build on the organic sales progress made in 2017 and will continue to evaluate the potential for further acquisitions. Currently the business is focused on its aim of moving into EBITDA profitability during the year in order to become cash generative at the operating level.

G D Mullis

Graham Mullis
Chief Executive Officer
Novacyt S.A.

02 Strategic Report

Our Divisions



Molecular products – Primerdesign

Key metrics

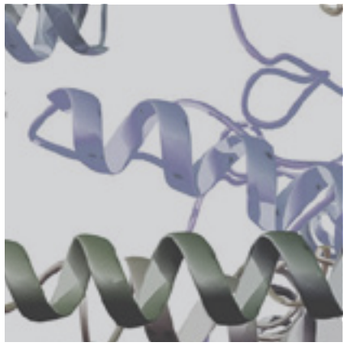
Primerdesign is a profitable designer, manufacturer and marketer of molecular 'real time' qPCR testing devices and reagents in the areas of infectious diseases and oncology.

Since its acquisition by the Company in May 2016, Primerdesign has continued to grow and has now been successfully integrated into the Group. It is on track to meet the ambitious growth targets set at the time of acquisition and its business-to-business (B2B) pipeline continues to build.

In July 2017, Novacyt achieved its first IVD CE Mark approval, in Zika, allowing for the assay to be used in clinical testing. The assay has been delivered on time and is expected to be launched into the clinical market shortly. This approval, which is anticipated to be the first in a succession of new clinical assays, demonstrates the Company's ability to develop CE-IVD assays. Transitioning a selection of Primerdesign's current RUO assays into the larger clinical market represents a key medium-term focus for the Company.

As part of the strategic rationale to acquire Primerdesign, Novacyt identified future growth synergies within the business, in particular within the Asia Pacific region and, in September 2017, we received our largest single order for Primerdesign's genesig® q16 instruments. The order for over 100 instruments was placed by a single customer based in China. This order represented approximately 50% of the total q16 instruments sold since its launch in early 2015.

During the period, the underlying Primerdesign business grew well, with 2017 revenues in China and Australia, the two largest Asia Pacific molecular markets, exceeding full year 2016 revenues by 224% on a consolidated basis. Sales in the US market also continued to be strong and were up 73% compared with last year on a consolidated basis. However, of note, since the World Health Organisation downgraded the disease, sales of Zika kits reduced significantly in 2017.



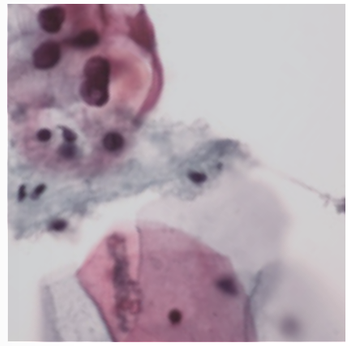
Protein products – Lab21 Products

Key metrics

Lab21 is a developer, manufacturer and distributor of a large range of protein-based infectious disease IVD products.

During the year, Lab21 sales increased 16% (CER) to €6.7m versus 2016 driven by the launch of multiple new products and entry into new territories. The tender market is continuing to show signs of improvement, positioning the division well for anticipated continued sales growth.

In line with the Group's continued commitment to commercial expansion, our new 15,000 square feet facility in Camberley now accommodates the increased manufacturing of Lab21's own products, with additional future capacity for NOVAprep®, which is forecast to show strong year-on-year growth.



Whole cell products – NOVAprep®

Key metrics

NOVAprep® is focused on the commercialisation of a proprietary and innovative cell collection and concentration device which is used in molecular testing and in combination with a next generation liquid-based cytology (LBC) platform, a technology which is increasingly replacing existing conventional PAP smear screening used for cervical cancer screening.

The Company has continued to make good progress in commercialising the NOVAprep® platform and, early in the year, the Company successfully registered its NOVAprep® HQ+ Orange vial as a US Food and Drug Administration (FDA) Class I device, allowing the NOVAprep® vial to be purchased by providers who can qualify the NOVAprep® vial for cytology or molecular use in the US market.

During the year, the Company also received China Food and Drug Administration (CFDA) approval for the NOVAprep® system for non-gynaecological cancer testing in China. This was in addition to the CFDA approval received in February 2015 for NOVAprep® use in cervical cancer screening. This additional non-gynaecological approval in China for NOVAprep® brings the technology to multiple new cancer markets and reinforces our direct sales investment in China, resulting in substantial growth of 202% to €0.4m in 2017 which is expected to increase in 2018.

The Company, during the period, also successfully registered NOVAprep® in Saudi Arabia with the Saudi Food and Drug Authority (SFDA) and launched the system in Q4 2017.

In addition to these approvals, the Company already holds approvals for NOVAprep® from markets including Australia, The Philippines, Qatar, Hong Kong and Vietnam. However, the Company remains committed to continued regulatory expansion in order to commercialise the NOVAprep® technology and is currently awaiting imminent approvals in Thailand and various countries in South America. In the meantime, in South America, with the system now registered in 11 of the 19 countries on the continent, the Company received its first vial orders in 2017.

02 Strategic Report

Chairman's Statement

"Over the past two years, your Board has been pursuing a two-pronged growth strategy through a combination of investment in the underlying business to achieve organic growth, in parallel with an acquisition strategy in order to create an exciting global diagnostics business."

James Wakefield – Non-Executive Director and Chairman of the Board

Dear Shareholder,

2017 saw Novacyt focus on organic growth following the acquisition of Primerdesign in May 2016. In its first full year following the integration of the acquisition, I am delighted to report that 2017 was a transformational year in terms of the Group's financial performance. With sales of €15.0m and an EBITDA loss narrowed to €0.8m, the Group has demonstrated its ability to grow sales with careful and prioritised investment. The Directors believe that, with its wide range of products and market focus, Novacyt can sustain this growth and deliver high levels of future profitability.

With further targeted accretive M&A, coupled with strong organic growth, the Directors believe that Novacyt can become a major global diagnostics player in the key markets that it serves. The recent pioneering dual-listing on the London AIM stock exchange is expected to increase the international profile of Novacyt and to give it access to a larger pool of institutional shareholders who can support our ambitious growth plans.

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 shareholders. There were a number of changes to the Board during the year, Alan Howard stood down as a Non-Executive Director in June 2017 and Juliet Thompson was appointed concurrently as a Non-Executive Director. Anthony Dyer, who joined the Group in 2010, was promoted to Finance Director in January 2017, and was subsequently appointed to the Board as CFO in June 2017. I would personally like to thank Alan for his dedication and support and the valuable contribution that he made during the period he served on the Board.

We have also made significant efforts to engage closely with our investors working with our brokers through a successful IPO on AIM and positioning ourselves for the next phase of growth.

At present the intention is to continue to invest in the growth of the business and therefore no dividend payment is planned by the Company. This position will be kept under review, particularly if future activities lead to significant levels of distributable profits and free cash.

Looking ahead, 2018 is set to be another exciting year for Novacyt. Our disciplined approach has served us well to date, delivering consistent revenue growth year-on-year, whilst establishing the capabilities and business foundations needed to enter our next phase of growth. In the year ahead, we expect to continue to build on the momentum of the past few years, and I look forward to updating you as we continue our progress.

James Wakefield
Non-Executive Director
and Chairman of the Board
Novacyt S.A.
2018

Novacyt can become a major global diagnostics player in the key markets that it serves

€15.0m

Novacyt sales in 2017

Delivering consistent revenue growth year-on-year

02 Strategic Report

Financial Review

During the year, Novacyt showed significant and continued revenue growth and gross margin improvements, while maintaining the momentum and trajectory towards near-term profitability at the EBITDA level.

Overview

It has been an important year in which the Group achieved a dual-listing on AIM to prepare for the future capital requirements of M&A and also delivered revenue growth of 35% and a €1.5m improvement in EBITDA to a loss of €0.8m. We have set ourselves an objective of delivering high sales growth, continuing to improve the gross margin and to achieve near-term EBITDA profitability. We have successfully balanced the investment required to achieve this growth, while managing costs to a level where EBITDA continues to improve every year since 2015. We have also consistently delivered on these objectives each half-year since 2015.

Financial performance

Revenue growth was underpinned by improvements in each of the three operating divisions, all of which achieved growth of at least 16% compared to 2016 on a constant exchange rate (CER) basis:

- Primerdesign FY17: €6.1m (£5.3m), FY16 proforma: €5.1m (£4.2m), +27% at CER
- NOVAprep® FY17: €2.2m (£1.9m), FY16: €1.6m (£1.3m), +36%
- Lab21 Group FY17: €6.7m (£5.8m), FY16: €6.2m (£5.0m), +16%

In the first full year since the acquisition of Primerdesign, sales of molecular products increased by 27% (CER) due to the growth in sales of genesig® q16 instruments and tests, driven by the €0.9m sale to a new customer in China in the fourth quarter. As sales have increased, the impact of high margin genesig® testing kits has ensured the divisional gross margin remains above 80%.

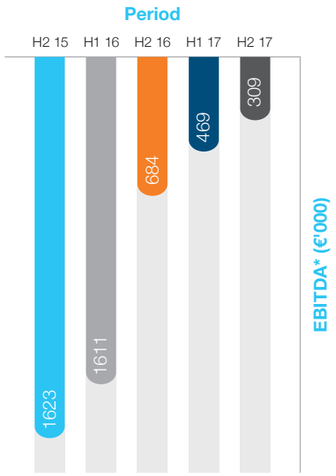
NOVAprep® sales grew by 36% to €2.2m in 2017 from €1.6m in 2016. The key driver for the growth is the increase in sales to the Asia Pacific region. NOVAprep® saw the largest revenue growth of the three business units in 2017 on a proforma basis. The 2017 gross margin is 46%, which is a slight decline from 49% in the prior year driven by higher instrument sales. Improving the margin in this business unit is a key management focus in 2018.

Lab21 Group sales grew by 16% (CER) for the full year and saw year-on-year double digit sales growth in both the first and second halves at CER compared with 2016 due to strong core product growth. The double digit revenue growth was achieved without impacting the gross margin, which increased to 45% in 2017 compared to 42% in 2016.

Group operating costs have increased year-on-year to support the continued growth of the business. Significant infrastructure investment has occurred during 2017, with a key investment being made in our new Head Office site in Camberley. A number of new staff have been hired across the Group in 2017 to ensure the business is structured in such a way as to build on the established growth trajectory.

The Group's underlying EBITDA loss has improved by €1.5m to €0.8m (2016: €2.3m loss) and continues a trend of a gradual reduction in losses as the Company works towards its objective of EBITDA profitability in 2018. The Company has now delivered four consecutive half-year EBITDA improvements since the end of 2015 and aims to continue this trend in 2018.

Group P&L Loss Summary



* EBITDA is the recurring operating loss adjusted for amortisation, depreciation and long term employee incentive plan (LTIP).

35%
revenue growth

€1.5m
improvement in EBITDA

4%
EBITDA loss as a percentage of revenue in H2 2017 compared to 39% in H2 2015

02 Strategic Report

The operating loss before exceptional items has fallen during 2017 to €1.9m from €3.1m. The improvement was not as pronounced as that of EBITDA due to the full year effect of amortisation of intangible fixed assets generated on the acquisition of Primerdesign, namely Customer Relationships and Trademarks. During the year, amortisation of such intangibles amounted to €482k (2016: €301k). Total depreciation charges of €396k (2016: €307k) and amortisation charges of €698k (2016: €472k) were broadly in line with the previous year excluding the impact of Primerdesign. During the year, an LTIP was put in place for senior management and resulted in a cost of €18k for the two months it was in operation.

The operating loss in 2017 was €4.1m down from €4.5m in 2016 and is stated after exceptional items amounting to €2.2m. The key components of the 2017 charges are the AIM listing project costs at €1.6m and €0.4m of restructuring charges consisting of €0.2m Lab21 Group site relocation costs and €0.2m of Group employee restructuring costs.

The total net loss in 2017 is €5.4m, reduced from €5.7m in 2016, and is stated after €1.2m of gross borrowing costs (2016: €1.0m – includes €0.4m non-cash IFRS charges e.g. in respect of amortising loan set-up costs over the loan term) and other financial expenses of €0.2m (2016: €0.2m). The 2017 other financial expenses comprises items such as exchange gains/losses, change in fair value of the Primerdesign warrants and the Primerdesign contingent consideration.

Loss per share significantly improved during 2017 to -€0.24 (2016: -€0.47) due to increased revenue and reduced net loss.

Financial position

Goodwill remained unchanged at €16.5m as management believe that no impairment was necessary following a year of strong revenue growth in both Primerdesign and Lab21 Products.

Trade and other receivables have increased significantly year-on-year by in excess of 60% or €1.4m. The key driver for this increase is the large Primerdesign sale to China in late 2017 for €0.9m. Removing this single sale, the increase is broadly in line with revenue growth.

Inventory has increased by €0.3m (20%) year-on-year in order to meet the greater sales demand of the growing business.

Borrowings have fallen from €6.3m to €3.9m during the year despite taking on a new three year €1.5m convertible bond. This has helped the company move from a net debt position of €3.4m at the end of 2016 to a net cash position of €0.5m at the balance sheet date. Total borrowings in 2017 include two main items: Kreos bonds totalling €2.6m (two bonds originally valued at €3.5m and €3.0m amortising monthly until July 2018 and May 2019, respectively) and the new Vatel convertible bond of €1.2m, amortising monthly until March 2020.

The first Primerdesign earn out milestone for £1.5m was achieved and paid in 2017 and this has resulted in the balance reducing from €2.6m to €1.1m in 2017. The final earn out milestone of £1.0m (disclosed under Contingent Considerations in the financial statements) is expected to be paid out in 2018.

Cash increased by €1.5m to €4.3m during 2017. Net cash used in operating activities increased from €2.6m to €4.6m due to the costs associated with dual-listing on AIM and restructuring costs that outweighed the cash savings made from the €1.5m EBITDA improvement.

Net cash outflow from investing activities fell sharply to €2.8m in 2017 from €7.4m in 2016. However, after adjusting for the impact of €6.7m of acquisition costs in 2016 and the €1.7m earn out payment in 2017, there was an increase in the outflows associated with investing activities due to an additional €0.5m spent on leasehold improvements as part of the move to new and upgraded headquarters in Camberley during 2017.

There were two significant share capital increases in 2017: a €3.0m raise in June and a €9.7m (€7.9m net of fees) raise in November as a result of listing on AIM. Year-on-year cash inflows from financing activities have reduced between 2016 and 2017 by €2.2m as Novacyt moves towards being cash self-sustaining. Novacyt took out a €1.5m three year convertible bond in the first half of 2017. Repayments of principal for all debt have increased in 2017 by €2.4m to €3.3m, consisting of repayments on two Kreos loans totalling €2.6m, Vatel repayments totalling €0.3m and OCABSA repayments totalling €0.3m. The 2016 repayments predominantly relate to Kreos bonds. Interest repayments have increased year-on-year by €0.9m driven by the new 2017 Vatel bond and additional Kreos repayments compared to 2016 (due to the second Kreos loan being issued in May 2016).

In November 2017 the Company successfully listed on AIM, raising €9.7m cash before expenses (€7.9m net of expenses) and ended the year with €4.3m of cash. This reduction in cash was driven largely by the £1.5m (€1.8m) payment for the first Primerdesign earn out milestone in November 2017, €1.8m of AIM listing project costs, €0.9m of debt servicing, a repayment of €0.4m in November 2017 in full and final repayment of the pending convertible bonds under a facility agreement entered into with YA Global Master SPV Ltd in July 2015, and the remainder was used for working capital requirements.

Audited financial statements will be released on 30 April 2018. The Auditor has confirmed that their audit procedures are substantially completed and no material changes to the figures contained in this press release are anticipated.

Anthony Dyer
Chief Financial Officer
Novacyt S.A.

€4.3m

cash balance at 31 December 2017

€3.1m

net current assets compared to -€1.5m net current liabilities in 2016

€2.4m

reduction in total borrowings between 2016 and 2017

03 Governance

The Board of Directors

An international, diversified Board.

James Wakefield
Non-Executive Director and Chairman of the Board

James is an experienced private equity investor, having spent over 30 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 currently also Chairman of Promedics Orthopaedics Limited, The Keyholding Company Limited and 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 has been a Non-Executive Director and Chairman of the Novacyt Group since 2014, and is also Chairman of the Nomination Committee.

James is a graduate of Harvard Business School (AMP).

Graham Mullis
Chief Executive Officer

Graham was appointed Chief Executive Officer of Novacyt in 2014, having previously been Chief Executive Officer of Lab21 since 2008. He has over 30 years of experience in the diagnostics, pharmaceuticals and medical device markets. Over the years, he has led and been involved in multiple successful exits, including that of Biocompatibles Eyecare, ClearLab International and VisionTec. He also founded a pharmaceutical licensing company called Optivue which focuses on repurposed drugs. Previous roles have included acting as a C-level Executive with Biocompatibles International plc, a FTSE 250 company, and 1-800 CONTACTS, a NASDAQ-listed company. He holds degrees in BSc Biochemistry & Physiology from Southampton University, United Kingdom and an MBA in Business Administration from Warwick Business School, United Kingdom.

Anthony Dyer
Chief Financial Officer

Anthony joined the Group in 2010 and has been Chief Financial Officer since January 2017. He has 17 years of experience in healthcare, pharmaceuticals and medical devices, working primarily with growth companies and executing M&A. Transactions executed include RiboTargets' combination with British Biotech, BioFocus' combination with Galapagos and Galapagos' e130 million divestment of its service division to Charles River Laboratories.

He holds a BSc (Hons) degree in Maths and Management Science from University of East Anglia, United Kingdom. He is a Fellow of the Association of Chartered Certified Accountants (FCCA).

03 Governance

Dr Andrew Heath MD, PhD
Independent Senior Non-Executive Director

Andrew is a healthcare and biopharmaceutical Executive with in-depth knowledge of the US and UK capital markets, with international experience in marketing, sales, R&D and business development. In addition to his role as Non-Executive Director for Novacyt since 2015, he is currently the Chairman of Shield Therapeutics plc, Vice Chairman and Senior Independent Director of Oxford Biomedica plc and Director of IHT LLC. From 1999 to 2008, he was the Chief Executive Officer of Protherics plc, taking the company from 30 to 350 members of staff and managing its eventual acquisition by BTG Plc for £220 million. Prior to this, he served as Vice President of marketing and sales for Astra Inc in the US and worked within clinical and academic medicine at Vanderbilt University. He is also a former Director of The BioIndustry Association.

He graduated in medicine from University of Gothenburg, Sweden, where he also completed his doctoral thesis in human toxicology. He is a fellow of the American Academy of Clinical Toxicology and a fellow of the UK Institute of Directors (IOD).

Andrew is Chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee.

Dr Edwin Snape
Independent Non-Executive Director

Ed has over 40 years of experience in founding, investing in and guiding the development of many public and private healthcare and specialty materials companies. He is a co-founder of NMT Capital (a successor of Nexus) and continues to work as one of its Senior Advisers. He is also a Senior Adviser to Maruho Co., Ltd, a Director of SAI Holding Company and a co-owner of Nexus Medical, LLC, the General Partner of Nexus Medical Partners II, L.P. Prior to NMT Capital, Ed was Managing General Partner of The Vista Group, a leading east coast venture capital firm, Chairman of Orien Ventures, a private equity firm with Pacific Rim affiliations and a Director of the Cygnus Funds, two UK-based private equity firms specialising in investments throughout Europe. He was also a Founder of a fund based in Indonesia. Early in his career, he founded the Liposome Company, which listed and was later sold to Elan Corporation for over US$500 million. Over the years, he has been a recipient of several awards in the material sciences industry, including the AB Campbell Award and the Hunt Silver Medal. He also holds several patents in the advanced materials field where he has pioneered various technological innovations and authored numerous technical papers.

He holds BSc and PhD degrees in Metallurgy from Leeds University, United Kingdom.

Ed is a member of the Remuneration Committee.

Jean-Pierre Crinelli
Non-Executive Director

Jean-Pierre is one of Novacyt's founders when the business was established 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'Etudes Comptable Supérieures, national diploma).

Jean-Pierre is a member of the Audit Committee.

Juliet Thompson
Independent Non-Executive Director

Juliet has 20 years of experience working as an investment banker and strategic adviser 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. 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. Her experience includes senior roles (Managing Director, Head of Corporate Finance and Partner) at Stifel Financial Corp, Nomura Code Securities, WestLB Panmure, ICI PLC, Deloitte and Touche and HM Treasury. Juliet sits on the Board of Vectura, a London listed FTSE 250 company. Vectura is an industry-leading device and formulation business for inhaled products. In addition she is currently Non-Executive Director of Nexstim, a listed Finnish stroke therapy company and GI Dynamics Inc. a US based company.

Juliet is Chairman of the Audit Committee and is a member of the Remuneration and Nomination Committee.

03 Governance

Executive Team

In addition to Graham Mullis and Anthony Dyer, the Executive Directors, the Executive Team comprises the following individuals:

(Top row – from left to right)

1. Ian Wilde
Group RA & QA Director

2. Steve Gibson
Group Financial Controller

3. Anthony Dyer
Chief Financial Officer

4. Graham Mullis
Chief Executive Officer

5. Mandy Cowling
Corporate & Investor Relations Manager

(Bottom row – from left to right)

6. Phil Sefton
Managing Director Lab21 Division

7. Ruth Powell
Managing Director NOVAprep® Division

8. Paul Eros
Managing Director Primerdesign Division

9. Wendy Karban
Group HR Manager

03 Governance

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2017. The Corporate Governance Statement on pages 38 to 57 also forms part of this 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. 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 cancer and infectious disease diagnostics.

Review of business

The Chairman's Statement on page 22, the Chief Executive Officer's review on page 16 and the Strategic Report on pages 18 to 21 provide a review of the business, the Group's trading for the year ended 31 December 2017, key performance indicators and an indication of future developments and risks, and form part of this Directors' Report.

Future developments

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

Results and dividend

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 declare and pay any dividends in the short-to-medium-term. The Company currently intends to retain all of its future earnings to finance the growth and development of the Company.

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 2017.

Directors

The Directors of the Company who served during the year ended 31 December, and up to the date of this report, were:

Director	Capacity	Date of appointment if during the year	Date of resignation if during the year
James Wakefield	Non-Executive Director and Chairman of the Board		
Graham Mullis	Chief Executive Officer		
Anthony Dyer	Chief Financial Officer and Company Secretary	27 June 2017	
Dr Andrew Heath	Independent Senior Non-Executive Director		
Dr Edwin Snape	Independent Non-Executive Director		
Jean-Pierre Crinelli	Non-Executive Director		
Juliet Thompson	Independent Non-Executive Director	27 June 2017	
Alan Howard	Non-Executive Director		30 June 2017

The brief biographical details of the currently serving Directors are set out on pages 29 to 31.

Directors' interests

The Directors' interests in the Company's shares and the Novacyt LTIP are shown in the Directors' Remuneration Report on pages 44 and 47.

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 made no political nor charitable donations during the reporting period.

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 of 1/15th of one Euro each in nominal value. Except as otherwise provided by law, every shareholder has one vote for every fully paid up share of which he is 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 at 31 December 2017, the Company's issued share capital was €2,510,956, divided into 37,664,341 ordinary shares of 1/15th of one Euro each in nominal value.

Major interests

As at 31st March 2018, being the latest practicable day prior to the publication of this report, the Company had been notified of the following shareholdings amounting to 3 per cent or more of the issued share capital of the Company:

Shareholder	Number of shares held	Percentage of issued shares
Vatel Capital	3,739,486	10%
Legal and General Group	2,525,909	6.7%
Alto Invest	1,861,447	5%
Aurinvest Capital	893,632	2.4%

03 Governance

Dialogue with shareholders

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 system and the Company's website, www.novacyt.com. The Company is responsive to shareholder telephone and email enquiries throughout the year. In view of the recent admission to AIM, and the anticipation of additional investor relation-type activities, the Company will be considering establishing a formal investor relation role, and to recruit to fulfil this position.

The Board regards the annual general meeting as a particularly important opportunity for shareholders, members of the Board and the Executive Team to meet and exchange views. At the annual general meeting in June 2017, for example, fees payable to Non-Executive Directors were noted as a topic, and it was subsequently agreed that there would be a pool of €240,000 for such fees, reflecting the status of the Company now being listed on AIM.

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.

Significant agreements

The Company is not party to any significant agreement which 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.

Significant post-balance sheet events

No significant events have taken place since the reporting date.

Going concern

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

The going concern model covers the period up to and including April 2019. In making this assessment the Directors have considered the following elements:

- the working capital requirements of the business;
- a positive cash balance at 31 December 2017 of €4,345,000;
- the repayment of the current bond borrowings according to the agreed repayment schedules.

The forecast prepared by the Company shows that it is able to cover its cash needs during the financial year 2018 and until April 2019 without the raising of any further bank or other financing facility.

Independent Auditor

Deloitte LLP has indicated that they are willing to continue in office as the Group's Auditor. A resolution to re-appoint Deloitte LLP as Auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

Disclosure of information to the Auditor

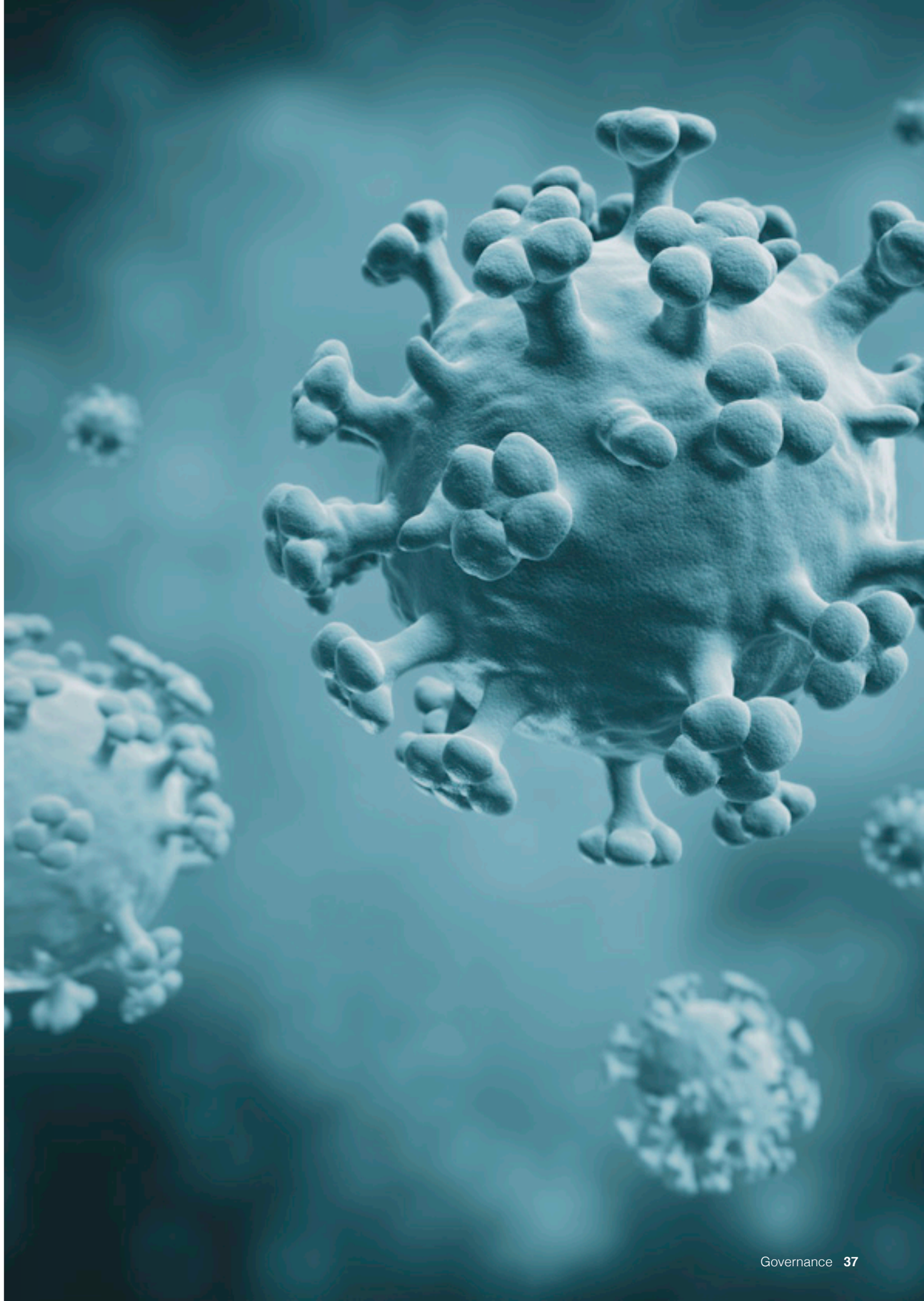
As far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's Auditor in connection with preparing their report) of which the Group's Auditor is unaware, and each Director has taken all reasonable steps that he ought to have taken as a Director in order to make himself 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 at Stance Avocats office, 37/39 Avenue Friedland, 75008 Paris on 11 June 2018 at 2pm. A copy of the notice is available on the Company's website at www.novacyt.com.

By order of the Board

Anthony Dyer
Chief Financial Officer
2018



03 Governance

An introduction from the Chairman

Dear Shareholders

I have pleasure in introducing this Corporate Governance Statement.

Novacyt S.A. is incorporated in France and, as well as being newly listed on AIM, is listed on Euronext Growth Paris.

The Directors recognise the value and importance of high standards of corporate governance. As the Company is admitted to trading on AIM, it is not required to comply with the UK Corporate Governance Code. However, from Admission, the Company intends to comply with the provisions of the QCA Code as far as is practical 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 will also continue to comply with all the requirements of being listed on Euronext Growth Paris.

In this section of the report, the Company's approach to governance is set out, and further information is provided on how the Board and its Committees have operated during the reporting period.

James Wakefield
Non-Executive Director and Chairman of the Board

The Board

The Board is responsible to the Company's shareholders and sets the Group's strategy for achieving long-term success. It is ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group.

The Board comprises seven members, of whom five are Non-Executive Directors, being James Wakefield, Dr Andrew Heath, Dr Edwin Snape, Jean-Pierre Crinelli and Juliet Thompson. The Non-Executive Directors are appointed to act in the best interests of the Company, and when relevant, appropriately record their concerns about the running of the Company. 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.

Jean-Pierre Crinelli was previously an Executive Director and a substantial shareholder of the Company and is, therefore, not considered independent. All other Non-Executive Directors are considered independent for the purpose of the QCA Code, as none have beneficial or non-beneficial shareholdings in the Company exceeding 3 per cent, nor receive remuneration other than in cash or shares, nor have an existing tenure of more than 12 years.

Dr Edwin Snape is a co-owner of Nexus Medical, LLC, the general partner of Nexus Medical Partners II, L.P., which has a current shareholding in the Company of less than 3 per cent. Accordingly, the Directors consider that Dr Edwin Snape satisfies the independence criteria as set out in the QCA Code.

Dr Andrew Heath is the Independent Senior Non-Executive Director.

The brief biographical details of the currently serving Directors are set out on pages 29 to 31.

The appointment of each of the Chairman and the other Non-Executive Directors may be terminated at any time with immediate effect by the shareholders at a general meeting (without notice or any payment in lieu of fees), or by the relevant Director on not less than three months' notice in writing to the Company.

Election of Directors

All members of the Board retire by rotation in accordance with the Articles of Association of the Company. At each annual general meeting, each Director who has served three years retires from office. A Director who retires at an annual general meeting may, if willing to act and upon proposal of the Board, be re-appointed by resolution of the shareholders. At the annual general meeting held on 27 June 2017, James Wakefield, Dr Edwin Snape and Graham Mullis retired and were re-appointed as Directors to the Board. Alan Howard, a previous Non-Executive Director, resigned from the Board with effect from 30 June 2017 and was replaced by Juliet Thompson as Non-Executive Director. The Board was also strengthened at the annual general meeting by the appointment of Anthony Dyer as Executive Director, which followed his promotion to the role of Chief Financial Officer.

At the forthcoming annual general meeting on 11 June 2018, Jean-Pierre Crinelli and Dr Andrew Heath will retire by rotation and, being eligible, will offer themselves for re-election.

Responsibilities of the Board

The Board is committed to achieving good standards of corporate governance, integrity and business ethics. The Board is responsible to shareholders for:

- setting the Group's strategy;
- 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.

Each year, the Board approves a budget for the following calendar year and agrees personal objectives for each of the two Executive Directors. The approved budget is then used to cascade business and personal objectives to other members of the Executive Team and to every employee of the Group, an approach which ensures consistency and alignment of the entire organisation to the business planning process.

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. 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 Chairman 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, whilst the Chief Executive Officer is responsible for the leadership of the business and implementation of the strategy.

The Directors may have access to independent professional advice, where needed, at the Group's expense.

03 Governance

Board meetings

The Directors meet at least nine times per year 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 12 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:

Director	Board[1]	Audit Committee[1]	Remuneration Committee[1]
James Wakefield	12/12	1/1	
Graham Mullis	12/12		
Anthony Dyer[2]	7/7		
Dr Andrew Heath	11/12		3/3
Dr Edwin Snape	11/12		3/3
Jean-Pierre Crinelli	10/12	1/2	
Juliet Thompson[2]	6/7	1/1	2/2
Alan Howard[3]	1/1	1/1	1/1

[1] 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 above table.
[2] Appointed on 27 June 2017.
[3] Resigned on 30 June 2017.

Induction of new Directors and professional development

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.

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.

External appointments

If considered appropriate, the Board may authorise Executive Directors 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.

Board performance and appraisal

The Board is committed to a formal annual Board evaluation involving completion of an annual appraisal form by each Board member reviewing the structure, behaviour, process, committees and profile of the Board.

Conflicts of interest

At each meeting the Board considers Directors' conflicts of interest.

Share dealing

The Directors understand the importance of complying with the rules and regulations both in the UK and in France relating to dealings by Directors and other applicable employees in the Company's shares. The Directors therefore intend to comply, and procure compliance with, Rule 21 of the AIM Rules for Companies relating to dealings as well as the Market Abuse Regulation (EU No. 596/2014) and the Company has adopted an appropriate share dealing code.

Board Committees

As an existing listed company on Euronext Growth Paris, the Company has in place an Audit Committee, a Remuneration Committee and a Nomination Committee. On Admission, the terms of reference of these Committees were updated to reflect market practice on AIM.

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

Nomination Committee

Details of the activities and responsibilities of the Nomination Committee are set out on page 42.

Audit Committee

A report on the duties of the Audit Committee and how it discharges its responsibilities is provided later in the Audit Committee report on pages 48 to 50.

Remuneration Committee

The Directors' Remuneration Report and details of the activities of the Remuneration Committee are set out on pages 44 to 47. It sets out a summary of the Group's policy on the remuneration policy, having due regard to the interests of shareholders and details of the elements of the remuneration package of each individual Director.

Internal control and risk management

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 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 which fairly and accurately reflect transactions, correctly evidence and control the Group's assets, provide 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:

- clear guidelines for the authorisation of significant transactions, including capital expenditure and disposals under defined levels of authority, which are formalised in the Group's Authorisation Policy & Procedures Manual;
- a formal risk register, which is regularly reviewed and updated;
- 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;
- cash flow, annual revenue and capital forecasts reviewed regularly during the year, 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;
- payroll is outsourced;
- monthly review of outstanding debtors
- regular meetings of the Executive Team; and
- an Audit Committee which 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.

Risk management is focused around the operational areas of the Group. The Group has a dedicated Regulatory Affairs and Quality Assurance Director who has extensive operational experience at senior management and board levels, and particularly strong experience in quality system development and regulatory compliance. He 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.

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.

03 Governance

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 Dr Andrew Heath. 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 which 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.

There had been a number of changes to the Board (one resignation and two appointments) prior to admission onto the AIM market. As a result, the first meeting of the Nomination Committee is planned for May 2018 to review the overall Board performance. This will be six months after the Company was admitted to the AIM market.

Corporate Responsibility

Corporate social responsibility

The Group recognises the importance of retaining experienced professionals across all areas of the business in order to deliver its strategic aims with high standards of practice throughout.

In recent years, the Group has invested to strengthen its team across all parts of the business, including science and technology, product, development, regulatory, business development, intellectual property and finance. In particular, senior personnel have been recruited to lead the continued growth of its three business units and provide the foundations and the leadership to further drive performance.

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.

Health and safety

The Group is committed to complying with all relevant health and safety regulations to its operations. As such, the Group has adopted a Health & Safety Policy which forms part of the Company Handbook issued to all employees upon commencement of employment within the Group. The overall responsibility for the policy is with Anthony Dyer.

The policy sets out arrangements and responsibilities across the Group, and includes aspects such as: 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); display screen equipment/visual display equipment; alcohol & drugs policy; and, smoking policy.

The Group is not aware of any orders made in respect of a breach of Health & Safety regulation.

Environment

The Directors consider that the nature of the Group's activities is not detrimental to the environment. The Group is committed to minimising any effect on the environment caused by its business operations. The Group maintains necessary levels of quality control and quality assurance standards throughout its laboratories, through the application of its quality management systems as demonstrated by its international standards, which include ISO 15189: 2012 in France in addition to three manufacturing facilities in the UK holding ISO 15189: 2012 & 9001, plus a clinical laboratory holding CPA and ISO 9001.

The Strategic report, comprising pages 16 to 27, has been approved by the Board and is signed by order of the Board by:

Anthony Dyer
Chief Financial Officer
2018

Registered office:

13 Avenue Morane Saulnier
78140 Vélizy-Villacoublay
France

Registered number:

491 062 527 (France)

03 Governance

Directors' Remuneration Report

As Chairman of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2017.

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 and adopted during the period.

Dr Andrew Heath
Chairman of the Remuneration Committee

Remuneration Committee

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.

Composition and meetings

The Remuneration Committee comprises at least two members, and all members are Non-Executive Directors considered independent. Dr Andrew Heath acts as Chairman of the Remuneration Committee, and Dr Edwin Snape and Juliet Thompson are the other members.

Only members of the Remuneration Committee have the right to attend meetings, but other Directors and external advisers 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 40.

Key decisions:

1. Executive Directors' employment contracts were reviewed and updated to reflect trading on AIM
2. The Company's LTIP was reviewed and implemented
3. Executive Team salaries and short-term bonuses were reviewed and agreed

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 Executive Management. In determining such policy, the Remuneration Committee takes into account all factors which 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 so as 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.

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. In 2017, bonuses were capped at 50 per cent of basic salary in respect of Graham Mullis, and 30 per cent of basic salary in respect of Anthony Dyer.

The Novacyt LTIP

Due to the complexities of being a French incorporated company with a UK-based management, it has proved difficult to establish a standard equity-based long-term incentive plan. Accordingly, the Board established and adopted the Novacyt LTIP on 17 October 2017 as an alternative to more standard long-term incentive plans. Executive Directors and employees of the Group are eligible to participate in the Novacyt LTIP.

The Novacyt LTIP is intended to give participants a right to receive a cash amount that is calculated based on the growth in value of a specified number of ordinary shares over a specified period of time. The Novacyt LTIP therefore allows the Company to grant to qualifying employees a phantom award over notional ordinary shares (a "Phantom Award").

Phantom Awards may be subject to performance or other conditions so that the Phantom Awards may not vest unless any such condition(s) have been satisfied or waived. Any performance conditions must be objective and will be determined by the Board before Phantom Awards are granted.

The Board may waive or vary a performance condition or other condition if events happen which cause the Board to consider that it has ceased to be an appropriate or fair measure of performance. A varied performance condition must, in the opinion of the Board, be materially no more difficult to satisfy.

Phantom Awards will vest on the third anniversary of the date of grant ("Vesting Date") provided to the extent any performance condition(s) applying to the Phantom Award have been met or waived. On the Vesting Date, participants will be entitled to be paid an amount equal to the difference between the closing price of an ordinary share on the Vesting Date and the closing price of an ordinary share on the date of grant, multiplied by the number of notional ordinary shares over which the Phantom Award has vested.

Phantom Awards will be satisfied in cash.

However, the Board may, in its discretion, satisfy Phantom Awards (or any part of them) by the allotment and issue of ordinary shares or the transfer of ordinary shares, subject to obtaining any necessary approvals and/or consents.

On the Vesting Date, the amount of the award will be calculated. Payment of the calculated amount will be made in three equal tranches on the third, fourth and fifth anniversary of the date of grant (each, a "Payment Date").

Payment of any tranche of the award will, in each case, be subject to the Company's ability to make the payment and the employee's continued employment on the relevant Payment Date.

The Company granted certain Phantom Awards under the Novacyt LTIP on Admission, further details of which are set out on page 47 of this report.

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.

Directors' remuneration

The remuneration of the Directors who served on the Company's Board during the year to 31 December 2017 was as follows:

	Year ended 31 December 2017				Year ended 31 December 2016			
	Basic salary and fees	Bonus	Pension	Total	Basic salary and fees	Bonus	Pension	Total
Executive Directors								
Graham Mullis *	251,244	297,522	11,420	560,186	263,171	140,024	11,963	415,158
Anthony Dyer *	169,503	157,678	8,769	335,950	154,876	67,001	7,768	229,646
Non-Executive Directors								
James Wakefield *	53,266	-	-	53,266	48,973	-	-	48,973
Dr Andrew Heath *	30,438	-	-	30,438	29,384	-	-	29,384
Dr Edwin Snape **	26,613	-	-	26,613	27,116	-	-	27,116
Jean-Pierre Crinelli ***	30,000	20,000	-	50,000	95,000	36,000	-	131,000
Juliet Thompson *	25,872	-	-	25,872	-	-	-	-

* Salaries paid in GBP and disclosed above in Euros, translated at the average exchange rate of 1.1414 in 2017 (2016: 1.2243)

** Salary paid in USD and disclosed above in Euros, translated at the average exchange rate of 0.8870 in 2017 (2016: 0.9038)

***Jean-Pierre Crinelli was employed as Executive Board Director before becoming Non-Executive Director in February 2016

Policy on Non-Executive Directors' remuneration

Non-Executive Directors receive a fixed fee and do not receive any pension payments or other benefits. No additional fees are payable in respect of membership of the Board's Committees.

The Non-Executive Directors do not participate in bonus or incentive schemes.

Directors' service contracts and letters of appointment

Copies of Directors' current service contracts and letters of appointment (listed here) are available for inspection at the Company's registered office.

Executive Director	Date of current service contract	Date of original service contract (if different)
Graham Mullis	9 August 2017	1 January 2008
Anthony Dyer	11 August 2017	1 November 2010
Non-Executive Director	**Date of current letter of appointment**	**Date of original letter of appointment (if different)**
James Wakefield	15 August 2017	12 October 2012
Dr Andrew Heath	11 August 2017	N/A
Dr Edwin Snape	11 August 2017	26 September 2014
Jean-Pierre Crinelli	15 August 2017	22 December 2006
Juliet Thompson	11 August 2017	N/A

As part of the IPO process, the Directors' original service contracts and letters of appointment were reviewed and the terms conformed to a format more applicable to an AIM listed company.

The service agreements for both of the Executive Directors are between the relevant Director and Lab21 Ltd, which are terminable by either party upon 12 months' notice in respect of Graham Mullis, and 6 months' notice in respect of Anthony Dyer.

The appointment of the Non-Executive Directors may be terminated at any time with immediate effect by the shareholders at a general meeting (without notice or any payment in lieu of fees), or by the relevant Director on not less than three months' notice in writing to the Company.

Directors' shareholdings and share interests

Directors' shareholdings

The interests of the Directors who served during the year in the share capital of the Company as at 31 December 2017, 31 December 2016 and the date of this report or the date of their resignation (if earlier) were as follows:

	Number of ordinary shares		
Director	**31 December 2017**	**31 December 2016**	**As at date of report or date of resignation (if earlier)**
Graham Mullis and family	52,138	1,620	52,138
Anthony Dyer	16,839	-	16,839
James Wakefield	16,839	-	16,839
Dr Andrew Heath and family	16,839	-	16,839
Dr Edwin Snape	16,839	-	16,839
Jean-Pierre Crinelli	15,051	182	15,233
Juliet Thompson	-	-	-
Alan Howard	-	-	-

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

Directors' share interests awarded from the Phantom LTIP plan

Details of the number of notional shares under Phantom Awards granted under the Novacyt LTIP to Directors who served during the year are set out in the table below:

Director	As at 31 December 2016	Granted during the period	Satisfied during the period	Lapsed during the period	As at 31 December 2017	Earliest date from which exercisable	Expiry date
Graham Mullis	-	1,129,930	-	-	1,129,930	-	-
Anthony Dyer	-	376,643	-	-	376,643	-	-

These Phantom Awards will vest if the closing price of an ordinary share averaged over 30 consecutive dealing days prior to the vesting date exceeds €0.66 per share, being the Placing Price.

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 Andrew Heath
Chairman of the Remuneration Committee
2018

03 Governance

Audit Committee Report

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 Executive Team may be invited to attend as required. Independent Non-Executive Director, Juliet Thompson, being a chartered accountant, acts as Chairman of the Audit Committee, and its other members are Jean-Pierre Crinelli and Dr Andrew Heath.

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 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, re-appointment 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 Auditor is Deloitte LLP. Under French law, the mandatory term for auditors is six years. Deloitte LLP has been the auditor for six such years at the end of the audit of the annual accounts for the year ended 31 December 2017. The Audit Committee and the Board has, therefore, reviewed the current appointment and following comprehensive process will make recommendations to the 2018 AGM to re-appoint Deloitte.

The Audit Committee annually reviews the effectiveness of the external Auditor. This process involves the external Auditor presenting to the Audit Committee its proposed audit scope, such presentation last having taken place on 28 April 2017 in relation to the financial statements for the year ended 31 December 2017. The external Auditor also presents to the Audit Committee the output of its detailed year-end work and the Audit Committee challenges significant judgments (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 Auditor 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, 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. During the reporting period, non-audit services have been provided in respect of the AIM admission process. 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 44 to the financial statements.

03 Governance

Work undertaken by the Audit Committee during the period

The Audit Committee met twice during the period. Details of meeting attendance are shown in the Corporate Governance Statement on page 40. Deloitte LLP, as the Auditor, was also present at one of the meetings.

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

- consideration and approval of the unaudited interim financial statements for the period ended 30 June 2017;
- 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 2017;
- approval of the audit fees for the financial year ended 31 December 2017;
- 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; and
- review and approval of the continuing appointment of Deloitte LLP as the Group's Auditor.

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

No significant issues related to the financial statements

The Audit Committee, in conjunction with the Auditor, has considered 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 page 41.

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

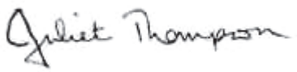
The directors have, at the time of approving the financial statements, a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing the financial statements.

The going concern model covers the period up to and including April 2019. In making this assessment the Directors have considered the following elements:

- the working capital requirements of the business;
- a positive cash balance at 31 December 2017 of €4,345,000;
- the repayment of the current bond borrowings according to the agreed repayment schedules.

The forecast prepared by the company shows that it is able to cover its cash needs during the financial year 2018 and until April 2019 without the raising of any further bank or other financing facility.

Approved on behalf of the Board



Juliet Thompson
Chairman of the Audit Committee
2018

03 Governance

Principal 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 may be thinly capitalised and susceptible to 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, certain 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, with additional operations in France, China, Australia and the US, 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 re-negotiation, 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, such as Primerdesign's focus on transferring assays from RUO to clinical CE-IVD products. 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 a 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 judgment 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.

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 timeframe. 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 so as 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.

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.

03 Governance

New IVDR regulations

The entire IVD industry within the EU is currently undergoing a significant regulatory transition from the existing In-vitro Diagnostic Directive (IVDD) (98/79/EC) to a new In-vitro Diagnostic Regulation (IVDR) (2017/746). The cumulative effect of the introduction of the new regulation will be a significantly increased burden on the resources of IVD manufacturers to maintain regulatory compliance and this could result in older products being deleted due to costs or products being wasted due to new classifications. It is not certain how the IVDR will apply to the UK as it is due to come into effect in 2022, after the UK is due to leave the EU.

Employment laws

The Group is also subject to various UK, French and EU regulations governing the Group's relationship with employees, including such matters as the treatment of part-time or agency workers, employers' National Insurance Contributions (or equivalent in France), 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.

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 but not limited to: R&D, product development, clinical trials and applications, 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.

UK leaving the European Union

A referendum was held in the UK on 23 June 2016 to decide whether the UK should remain in the EU. A vote was given in favour of the UK leaving the EU ("Brexit"). The extent of the impact of Brexit on the Group will depend in part on the nature of the arrangements that are put in place between the UK and the EU following Brexit and the extent to which the UK continues to apply laws and regulations that are based on EU legislation. In addition, the macroeconomic effect of Brexit on the healthcare industry is unknown. It remains unclear how Brexit will affect the UK's trading relationships, corporate taxation policy, movement of people and other regulatory affairs. As such, it is not possible to state accurately the impact that Brexit will have on the Group and its operations. Brexit could also potentially increase the regulatory compliance and/or tax burden on the Group. Brexit could restrict the Group's future activities and may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.

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.

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 that 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 which 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 material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.

03 Governance

Loss making

The Group is loss making and its ability to generate future profits and cash flow will depend inter alia upon its ability to increase sales of its products and control its future expenditures (including those on R&D and other investments such as acquisitions). Failure by the Group to become profitable or cash generative would without access to alternative finance source impair its ability to expand its business, maintain its R&D efforts or expand its product offerings. It also puts the Group at risk of bankruptcy and liquidation.

Additional financing requirements

The Group expects to incur further expenses in connection with its ongoing commercialisation and R&D activities in relation to its products. In addition, the Group has cash commitments through third party debt and a contingent earn-out structure relating to the recent acquisition of Primerdesign. In order to finance fully the Group's business plan, the Company may require more capital than is available from its existing cash balances and the net proceeds of the Fundraising.

Access to adequate additional financing, whether through debt financing, an equity capital raise or a suitable out-licensing or partnering transaction may not be available to the Group on acceptable terms, or at all. If the Group is unable to raise capital, the Group could be forced to delay, reduce or eliminate its R&D programmes or commercialisation efforts. Any additional equity fundraising may be dilutive for Shareholders and could depress the value of the Shares and may ultimately lead to total loss of shareholder value.

Terms of existing indebtedness

The Group's existing debt facilities impose operating and financial restrictions on the Group that could restrict inter alia the payment of dividends, incurring of additional indebtedness and the provision of guarantees. The need to meet such thresholds or observe such restrictions could hinder the Group's ability to carry out its business strategy. In addition, a breach of the terms of the Group's indebtedness could cause some or all of its indebtedness to become due and payable. The Company's and/or its direct and indirect subsidiaries' assets may not be sufficient to generate the funds necessary to repay such indebtedness in the event of its acceleration. Events beyond the Group's control may contribute to the failure of the Group to comply with such covenants.

Pursuant to the terms of the Group's existing debt facilities, the lenders have been provided with security over certain of the current and future assets of the Group. A failure to comply with the obligations set out in those debt facilities could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness.

Any such actions could adversely affect the Company's operating results and financial condition.

Repayment of existing indebtedness

The Company may not be able to refinance the amounts outstanding pursuant to the Group's existing debt facilities in order to repay the amounts outstanding or may not have generated enough cash from operations to meet these obligations. The Group's ability to make payments of principal and interest on, or to refinance, indebtedness related to the Group's existing debt facilities will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. Any such failure may impair the Group's ability to expand its business, maintain its R&D efforts or expand its product offerings. It also puts the Group at risk of liquidation.

Bad debtors

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, the Asia Pacific region (including China and India), Africa (including Nigeria) and South America (including Venezuela). 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.

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 Euro, the pound sterling and US dollar, which are the currencies of most of its receivables, expenditures, cash reserves and borrowings. The Euro, the pound sterling 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 Euros, 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.

04 Financial Statements

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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 on the same basis.

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 judgments 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 its 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 Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Graham Mullis
Chief Executive Officer

Anthony Dyer
Chief Financial Officer

Statutory auditor's report on the consolidated financial statements

Year ended December 31, 2017

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.

To the Novacyt Annual General Meeting,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Novacyt for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

Audit Framework

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

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

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report, and specifically we did not provide any prohibited non-audit services referred to in the French Code of Ethics (Code de déontologie) for statutory auditors.

Emphasis of matter

Without qualifying the above opinion, we draw your attention to the matter outlined in the "Going concern" note regarding the going concern assumptions used by the Board of Directors to prepare the December 31, 2017 consolidated financial statements.

Justification of our assessments

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

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

Going concern

As stated in the "Emphasis of matter" section of this report, the "Going concern" note describes the assumptions used by the Board of Directors to approve the consolidated financial statements while applying the going concern principle. Based on our procedures and the information made available to us to date, we assessed the reasonableness and appropriateness of the assumptions used by the Board of Directors. We also believe that the note to the consolidated financial statements provides an appropriate disclosure on the Company's situation with respect to the going concern principle.

04 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 an appropriate disclosure.

Verification of the information pertaining to the Group presented in the management report

As required by law, we have also verified, in accordance with professional standards applicable in France, 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 financial statements

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

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

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

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of this audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtains sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Neuilly-sur-Seine, April 27, 2018

Benjamin HAZIZA
The Statutory Auditor
Deloitte & Associés

05 Accounts and Notes

Consolidated income statement for the years ended 31 December 2016 and 31 December 2017

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Revenue	5	14,954	11,076
Cost of sales	7	-6,030	-4,996
Gross profit	-	**8,923**	**6,080**
Sales, marketing and distribution expenses	8	-3,249	-3,170
Research and development expenses	9	-819	-794
General and administrative expenses	10	-7,114	-5,616
Governmental subsidies	12	368	427
Operating loss before exceptional items	-	**-1,890**	**-3,074**
Costs related to acquisitions	13,37	-	-508
Other operating income	14	16	20
Other operating expenses	14	-2,197	-900
Operating loss after exceptional items	-	**-4,071**	**-4,461**
Financial income	15	466	736
Financial expense	15	-1,839	-1,983
Loss before tax	-	**-5,444**	**-5,708**
Tax (expense) / income	16	3	-2
Loss after tax attributable to owners of the company	-	**-5,442**	**-5,710**
Loss per share (€)	17	-0.24	-0.47
Diluted loss per share (€)	17	-0.24	-0.47

Amounts in '000 €

All results derive from continuing operations.

Consolidated statement of comprehensive income for the years ended 31 December 2016 and 31 December 2017

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Loss after tax		**-5,442**	**-5,710**
Items that will not be reclassified subsequently to profit or loss:			
Actuarial differences IAS19R		2	-1
Items that may be reclassified subsequently to profit or loss:			
Translation reserves		8	204
Total comprehensive loss		**-5,432**	**-5,507**
Comprehensive loss attributable to:			
Owners of the company (*)		**-5,432**	**-5,507**

Amounts in '000 €

(*) There are no non-controlling interests.

05 Accounts and Notes

Statement of financial position for the years ended 31 December 2016 and 31 December 2017

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Goodwill	18	16,466	16,466
Other intangible assets	19	4,840	5,333
Property, plant and equipment	20	1,573	1,096
Non-current financial assets	21	238	138
Other long-term assets	-	-	48
Non-current assets	**-**	**23,116**	**23,082**
Inventories and work in progress	23	1,942	1,614
Trade and other receivables	24	3,804	2,356
Tax receivables	-	271	211
Prepayments	25	537	313
Short-term investments	-	10	10
Cash & cash equivalents	26	4,345	2,856
Current assets	**-**	**10,908**	**7,360**
Total assets	**-**	**34,024**	**30,442**
Bank overdrafts and current portion of long-term borrowings	27	2,778	3,499
Contingent consideration (current portion)	28	1,126	1,647
Short-term provisions	29	50	66
Trade and other liabilities	30	3,692	3,504
Tax liabilities	-	-	77
Other current liabilities	31	137	24
Total current liabilities	**-**	**7,783**	**8,817**
Net current (liabilities) / assets	**-**	**3,125**	**-1,457**
Borrowings and convertible bond notes	27	1,115	2,756
Contingent consideration (non-current portion)	28	-	946
Retirement benefit obligations	40	14	14
Long-term provisions	29	158	89
Deferred tax liabilities	-	41	53
Total non-current liabilities	**-**	**1,327**	**3,857**
Total liabilities	**-**	**9,111**	**12,674**
Net assets	**-**	**24,914**	**17,768**
Share capital	32	2,511	1,161
Share premium account	33	58,281	47,120
Own shares	-	-176	-165
Other reserves	34	-2,815	-2,826
Equity reserve	35	422	345
Retained losses	36	-33,309	-27,867
Total equity - owners of the company	**-**	**24,914**	**17,768**
Total equity	**-**	**24,914**	**17,768**

Amounts in '000 €

Statement of changes in equity for the years ended 31 December 2016 and 31 December 2017

						Other group reserves					
	Notes	Share capital	Share premium	Own shares	Equity reserves	Acquisition of the shares of Primerdesign	Translation reserve	Other comprehensive income on retirement benefits	Total	Retained loss	Total equity
Balance at 1 January 2016			**32,382**	**- 98**	**-**	**-**	**- 69**	**- 12**	**- 81**	**- 22,157**	**10,525**
Actuarial gains on retirement benefits	-	-	-	-	-	-	-	- 1	- 1	-	- 1
Translation differences	-	-	-	-	-	-	204	-	204	-	204
Loss for the period	34	-	-	-	-	-	-	-	-	- 5,710	- 5,710
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**204**	**- 1**	**203**	**- 5,710**	**- 5,507**
Issue of share capital	31, 32	439	14,738	-	-	-	-	-	-	-	15,177
Own shares acquired/ sold in the period	-	-	-	- 67	-	-	-	-	-	-	- 67
Other changes	-	243	-	-	345	- 2,948	-	-	- 2,948	-	- 2,360
Balance at 31 December 2016	**-**	**1,161**	**47,120**	**- 165**	**345**	**- 2,948**	**135**	**- 13**	**- 2,826**	**- 27,867**	**17,768**
Actuarial gains on retirement benefits	-	-	-	-	-	-	-	2	2	-	2
Translation differences	-	-	-	-	-	-	8	-	8	-	8
Loss for the period	34	-	-	-	-	-	-	-	-	- 5,442	- 5,442
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**2**	**10**	**- 5,442**	**- 5,432**
Issue of share capital	31, 32	1,218	9,685	-	-	-	-	-	-	-	10,903
Own shares acquired/ sold in the period	-	-	-	- 11	-	-	-	-	-	-	- 11
Other changes	35	132	1,476	-	77	-	-	-	-	-	1,685
Balance at 31 December 2017	**-**	**2,511**	**58,281**	**- 176**	**422**	**- 2,948**	**143**	**- 11**	**- 2,816**	**- 33,310**	**24,914**

Amounts in '000 €

05 Accounts and Notes

Statement of cash flows for the years ended 31 December 2016 and 31 December 2017

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Net cash used in operating activities	**38**	**-4,646**	**-2,559**
Investing activities			
Purchases of patents and trademarks	-	-64	-212
Purchases of property, plant and equipment	-	-914	-336
Purchases of trading investments	-	-101	-75
Acquisition of subsidiary net of cash acquired	28, 37	-1,747	-6,741
Net cash generated from investing activities		**-2,826**	**-7,364**
Repayments of borrowings	-	-3,296	-915
Proceeds on issue of borrowings and bond notes	27	2,722	4,887
Proceeds on issue of shares	32, 33	11,080	7,856
Disposal (purchase) of own shares – Net	-	-11	-
Paid interest expenses	-	-1,506	-633
Net cash generated from financing activities	**-**	**8,989**	**11,195**
Net increase/(decrease) in cash and cash equivalents	**-**	**1,517**	**1,271**
Cash and cash equivalents at beginning of year / period	**-**	**2,856**	**1,681**
Effect of foreign exchange rate changes	-	-27	-96
Cash and cash equivalents at end of year / period	**-**	**4,345**	**2,856**

Amounts in '000 €

Notes to the Annual Accounts

1. APPLICABLE ACCOUNTING STANDARDS

Novacyt S.A. is incorporated in France and its principal activities are specialising in cancer and infectious disease diagnostics. Its registered office is located at 13 Avenue Morane Saulnier, 78140 Vélizy Villacoublay.

The financial information contained in this report comprises the consolidated financial statements of the Company and its subsidiaries (hereinafter referred to collectively as "**the Group**"). They are prepared and presented in '000s of euros.

The consolidated financial statements for the fiscal year ended December 31, 2017 were established in accordance with the international accounting standards and interpretations (IAS / IFRS) adopted by the European Union and applicable on December 31, 2017.

The 2017 consolidated financial statements were approved by the Board of Directors on April 25, 2018.

2. ADOPTION OF NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

- Standards, interpretations and amendments to standards with mandatory application for periods beginning on or after 1 January 2017:
  - Amendments to IAS 7: "disclosures enabling users of financial statements to evaluate changes in liabilities arising from financing activities, whether or not such changes result from cash flows"; and
  - Amendments to IAS 12: "clarify how to account for deferred tax assets related to debt instruments measured at fair value".
- Standards, interpretations and amendments to standards already published by the IASB and endorsed by the European Union but not yet mandatory as of 31 December 2017:
  - IFRS 9 "Financial Instruments";
  - IFRS 15 and amendments to IFRS 15 "Revenue from Contracts with Customers"; and
  - IFRS 16 "Leases".

These standards and interpretations have not been early adopted. The Group is currently examining the impact on the historical financial information of applying these. At this stage, it does not expect any material impact on its consolidated financial statements.

The texts adopted by the European Union are available on the website of the European Commission at the following address: **http://ec.europa.eu/finance/company-reporting/ifrs-financial-statements/index_en.htm**

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP

The preparation of the financial information under IFRS requires management to exercise judgment on the application of accounting policies, and to make estimates and assumptions that affect the amounts of assets and liabilities, and income and expenses. The underlying estimates and assumptions, made in accordance with the going concern principle, are based on past experience and other factors deemed reasonable in the circumstances. They serve as the basis for the exercise of judgment required in determining the carrying amounts of assets and liabilities that cannot be obtained directly from other sources. Actual amounts may differ from these estimates. The underlying estimates and assumptions are reviewed continuously. The impact of changes in accounting estimates is recognised in the period of the change if it affects only that period, or in the period of the change and subsequent periods if such periods are also affected.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, 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.

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The areas where assumptions and estimates are material in relation to the financial information are the measurement of goodwill resulting from the Company's acquisition of the Lab21 subgroup and Primerdesign (see note 18), the carrying amounts and useful lives of intangible assets (see note 19), deferred taxes (see note 22), trade receivables (see note 24) and provisions for risks and other provisions related to the operating activities (see note 29).

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

Basis of consolidation

The financial information includes all companies under exclusive control. The Company does not exercise joint control or have significant influence over other companies. Subsidiaries are consolidated from the date on which the Group obtains effective control.

Exclusively controlled companies are consolidated by the full consolidation method with recognition of non-controlling interests. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company 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 Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation. The Company's scope of consolidation included the following companies, all fully consolidated through the current and prior year.

Companies	Interest percentage	Control percentage	Consolidation method	Interest percentage	Control percentage	Consolidation method
Biotec Laboratories Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Healthcare	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Lab21 Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Microgen Bioproducts Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Myconostica Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Novacyt S.A.	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Novacyt Asia	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Novacyt China	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Np Tech Services Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Selah Technologies Llc	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC
Primerdesign Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC

FC: Full consolidation

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 euros. The financial statements of companies whose functional currency is not the euro are translated into euros as follows:

- balance sheet items are translated at the closing exchange rate, excluding equity items, which are stated at historical rates; and
- transactions in the income statement and statement of cash flows are translated at the average annual exchange rate.

Translation differences on earnings and equity are recognised directly in other comprehensive income under "Translation reserve" for the portion attributable to the Group. On disposal of a foreign company, the translation differences relating thereto and recognised in other comprehensive income are reclassified to profit or loss.

Exchange differences arising from intragroup balances are recognised as exchange losses or gains in the consolidated income statement.

Going concern

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

The going concern model covers the period up to and including April 2019. In making this assessment the Directors have considered the following elements:

- the working capital requirements of the business;
- a positive cash balance at 31 December 2017 of €4,345,000;
- the repayment of the current bond borrowings according to the agreed repayment schedules.

The forecast prepared by the Company shows that it is able to cover its cash needs during the financial year 2018 and until April 2019 without the raising of any further bank or other financing facility.

Business combinations and measurement of goodwill

Business combinations

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

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

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

- transaction costs are recognised immediately as operating expenses when incurred;
- any purchase price adjustment of an asset or a liability assumed is estimated at fair value at the acquisition date, and the initial assessment may only subsequently be adjusted against goodwill in the event of new information related to facts and circumstances existing at the acquisition date if this assessment occurs within the 12-month allocation period after the acquisition date. Any adjustment of the financial liability recognised in respect of an additional price subsequent to the intervening period or not meeting these criteria is recognised in the Group's comprehensive income;
- any negative goodwill arising on acquisition is immediately recognised as income; and

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- for step acquisitions, the achievement of control triggers the remeasurement at fair value of the interest previously held by the Group in profit or loss; loss of control results in the remeasurement of the possible residual interest at fair value in the same way.

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

Measurement of goodwill

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

Impairment testing

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

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

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

Intangible fixed assets

Patents

Patents on the balance sheet were acquired or created internally.

These patents have been recognised in accordance with the following rules:

- research phase: recognition of expenses in operating expenses; and
- development phase: recognition in assets insofar as the patents are identifiable assets controlled by the Company and from which future economic benefits will arise.

Each patent has been recognised in accordance with its value, corresponding to the costs incurred during the development phase or the acquisition price.

The event generating amortisation is the start of use, i.e. the filing date of the patent. Patents are amortised on a straight-line basis over 20 years.

Customer relationships

In accordance with IFRS 3, the Company's acquisition of Primerdesign resulted in the recognition of the value of the acquired customer base on the balance sheet. The value of this asset was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

Customer relationships will be amortised on a straight-line basis over nine years.

Trademark

The acquisition price of Primerdesign by the Company was also "allocated" in part to the Primerdesign trademark. The value of this asset was determined by discounting the cash flows that could be generated by licensing the trademark, estimated as a percentage of revenue derived from information available on comparable assets.

The trademark will also be amortised on a straight-line basis over nine years.

Other intangible assets

Intangible assets include licences recognised at cost and amortised over useful lives of between 7 and 20 years.

Intangible assets under construction

Pursuant to IAS 38, the Group capitalises development costs (external costs and personnel expenses), provided that they meet the following criteria:

- the Group has the intention, as well as the financial and technical capacity, to complete the development project;
- the asset will generate future economic benefits; and
- the cost of the intangible asset can be measured reliably.

Assets under construction are not amortised until the development programme has been completed and the asset brought into use. Other research and development expenses not meeting the criteria set out above are expensed directly.

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:

- Patents: Straight-line basis – 20 years
- Leasehold improvements: Straight-line basis – 2 to 15 years
- Trademark: Straight-line basis – 9 years
- Customers: Straight-line basis – 9 years
- Industrial machinery and equipment: Straight-line basis – 3 to 6 years
- General fittings, improvements: Straight-line basis – 3 to 5 years
- Transport equipment: Straight-line basis – 5 years
- Office equipment: Straight-line basis – 3 years
- Computer equipment: Straight-line basis – 2 to 3 years

The depreciation or amortisation of fixed assets begins when they are ready for use and ceases at their disposal, scrapping or reclassification as assets held for sale in accordance with IFRS 5.

Given the nature of its assets, the Group does not recognise residual value on the items of property, plant and equipment it uses.

Depreciation and amortisation methods and useful lives are reviewed at each reporting date and revised prospectively if necessary.

Asset impairment

Depreciable and non-depreciable assets are subject to impairment testing when indications of loss of value are identified. In assessing whether there is any indication that an asset may be impaired, the Company considers the following external and internal indicators:

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 Company operates or in which the asset is used; and
- increases in market interest rates or other market rates of return during the year when it is likely that such increases will significantly reduce the market value and/or value in use of the asset.

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 cash-generating unit (CGU) to which it belongs, a CGU being the smallest homogeneous group of identifiable assets generating cash flows that are largely independent of other assets or groups of assets.

The carrying amount of an asset is its gross value less, for depreciable fixed assets, accumulated depreciation and impairment losses.

In the event of loss of value, an impairment charge is recognised in profit or loss. Impairment is reversed in the event of a change in the estimate of the recoverable value or if indications of loss of value disappear. Impairment is recognised under "Depreciation, amortisation and provisions for impairment of property, plant and equipment and intangible assets" in the income statement.

Intangible assets not subject to amortisation are tested for impairment at least once a year.

Leases

Leases in which the Group is the lessee are analysed on the basis of their substance and financial reality, and are classified either as operating leases or finance leases.

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. It is treated as the acquisition of an asset by the lessee, financed by a loan granted by the lessor.

The Group does not have any finance leases.

Operating leases

An operating lease is a contract that does not transfer substantially all the risks and rewards incidental to ownership to the lessee. Lease payments under an operating lease are expensed on a straight-line basis over the entire lease term, even if payments are not made with the same regularity.

The lease agreement for the Company's offices in Vélizy can be analysed as an operating lease.

A provision for restoration of leased office space to good condition has been set aside to address the contractual obligations arising from lease contracts.

Inventories

Inventories are carried at the lesser of their acquisition cost and their recoverable amount. The acquisition cost of inventories includes materials and supplies, and, where applicable, personnel expenses incurred in transforming inventories into their current state. It is calculated using the weighted average cost method. The recoverable amount represents the estimated selling price less any marketing, sales and distribution expenses.

The gross value of goods and supplies includes the purchase price and incidental expenses.

A provision for impairment, equal to the difference between the gross value determined in accordance with the above terms and the current market price or the realisable value less any proportional selling costs, is recognised when the gross value is greater than the other stated item.

Trade receivables

Trade receivables are recognised upon transfer of ownership, which generally corresponds to delivery for sales of goods and the rendering of the service for services.

Receivables are recorded at their fair value, which corresponds most often to their nominal value. Receivables may be impaired by means of a provision, to take into account any difficulties in recovering the outstanding amounts. Provisions for impairment are determined by comparing the acquisition cost and the likely realisable value, which is defined as the present value of the estimated recoverable amounts.

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

Cash and cash equivalents

Cash equivalents are held in order to meet short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent, it must be readily convertible into a known amount of cash and be subject to an insignificant risk of change in value. Cash and cash equivalents comprise cash funds, current bank accounts and marketable securities (cash Undertakings for Collective Investment in Transferable Securities "UCITS", negotiable debt securities, etc.) that can be liquidated or sold within a very short time (generally less three months at the acquisition date) and which have a negligible risk of change in value. All such items are measured at fair value, with any adjustments recognised in profit or loss.

Financial liabilities

Borrowings are initially recognised at fair value. They are subsequently accounted for using the amortised cost method, based on the effective interest rate. Under this principle, any arranging costs are carried in the balance sheet item relating to the relevant borrowings and amortised in financial expense over the life of the loan.

Compound financial instruments

Some financial instruments contain both a liability and an equity component. This is notably the case of the Obligations Convertibles en Actions avec Bons de Souscription d'Actions (convertible bonds with warrants attached), "OCABSAs", which are bonds convertible into shares with warrants. The various components of these instruments are accounted for and presented separately according to their substance, as defined in IAS 32 "Financial Instruments: Disclosure and Presentation". The amortised cost is calculated on the basis of the liability only, once the equity component and, in this case, the embedded derivative have been separated.

Primerdesign contingent consideration

The Company negotiated contingent consideration for the acquisition of the Primerdesign securities with the Primerdesign's former shareholders, subject to the achievement of a revenue target. The final payment will be made around June 2018.

In accordance with IAS 39, the financial liability has been remeasured at its fair value as of the balance sheet date to take into account changes in the exchange rate of sterling on the one hand and the discounting of the liability on the other hand.

Trade payables

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

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

Provisions

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

The provisions are for the restoration of leased premises, an industrial relations litigation, and a long-term management incentive plan.

Long-term incentive plan

Novacyt granted certain employees to purchase shares under a long-term management incentive plan adopted on 1 November 2017. The exercise price is set at the share price on the grant date and the options will be settled in cash. The options will fully vest on the third anniversary of the grant date. The payment expenses are calculated under IFRS 2 "Share-based payments". The accounting charge is spread across the vesting period to reflect the services received and a liability recognised on the balance sheet.

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Employee benefits

Group employees receive short-term benefits (paid leave, sick leave, etc.) and post-employment benefits via defined contribution and defined benefit plans (retirement bonuses, pensions, etc.).

For defined-contribution plans, payments made by the Group are expensed in the period in respect of which they are due.

Post-employment benefits relate mainly to retirement bonuses, and solely cover the Company's employees. Defined benefits are the subject of a calculation performed by an actuary, based on the following parameters:

- retirement at the age of 64 for managers;
- retirement at the age of 62 for non-managers;
- wage increases at a rate of 3% per annum, i.e. the long-term inflation rate plus 1%;
- discount rate of 1.5% in 2016 and 1.4% in 2017, in line with the average rate of private sector bonds issued in euros (blue chip) for durations equivalent to the commitments in question;
- staff turnover based on the Group's actual experience: projection of 0.5 resignations over the next 12 months;
- life expectancy based on the Insee 2012-2014 mortality table; and
- average rate of social security contributions of 41.10% in 2016 and 40.16% in 2017.

Rights expressed as months of wages resulting from the application of national agreements and the "Pharmaceuticals, pharmacy, veterinary products: production & trade" collective agreement. Retirement benefits are expensed when due. The provision for this expense is reversed in the same period.

Discontinued operations and assets held for sale

Discontinued operations and assets held for sale are restated in accordance with IFRS 5. There were no discontinued operations or assets held for sale during the periods presented.

Consolidated revenue

The applicable standard is IAS 18 "Revenue". Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Novacyt S.A.'s activity

Revenue from "sales of goods" consists primarily of the sale of machines (automated equipment, accessories and spare parts to distributors and industrial partners or sold directly from laboratories or hospitals). Revenue is recognised upon transfer of the risks and rewards incidental to ownership, which corresponds to the date on which the machines are delivered to the distributor or the end customer in the case of direct sales.

Revenue from "production sold" is the activity involving the distribution of consumables such as bottles and settling systems.

The activity of Lab21 and its subsidiaries

Lab21 provides laboratory-based diagnostic services. Revenue is recognised when the service is rendered (diagnosis made).

Lab21's subsidiaries manufacture and sell reagents and kits for bacterial and blood tests.

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

Primerdesign's activity

Primerdesign designs, manufactures and distributes test kits for certain diseases in humans, animals and food products. These kits are intended for laboratory use and rely on "polymerase chain reaction" technology. Revenue is recognised when the test kits are sold. The company accounts for the sale of the product upon delivery.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences, and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current and deferred tax

A deferred tax liability is recognised on timing differences related to accelerated depreciation. It only covers Primerdesign.

Government subsidies

Directly taxed industrial and commercial companies that record research expenditure are entitled to a tax credit in France, which is the case of Novacyt S.A. The tax credit is calculated per calendar year and deducted from the tax payable by the company in respect of the year during which research expenses were incurred. Tax credits that cannot be deducted from tax expense are refunded to the Company. The granting of the tax credit is independent of the Group's tax position. The Group has accordingly elected to treat it as a subsidy. It appears in an item covering subsidies in the income statement.

The Lab21 subgroup companies and Primerdesign also benefit from tax credits for their research activities. Such tax credits are treated as subsidies in the income statement.

In France, the law amending the 2012 budget introduced a new tax credit from 1 January 2013, known as the competitiveness and employment tax credit (crédit d'impôt pour la compétitivité et l'emploi – CICE). Its calculation is based on a portion of the salaries paid to employees of French companies. It is paid by the state, regardless of the position of the entity in respect of corporation tax. It has been decided to classify this income as a reduction in personnel expenses.

Loss per share

The Group reports basic and diluted losses per common share. Basic losses per share are calculated by dividing the profit attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

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

Exceptional items

Exceptional items are those costs or incomes that in the view of the Board of Directors, require separate disclosure by virtue of their size or incidence, and are charged/credited in arriving at operating profit in the historical financial information.

The exceptional items in the historical financial information relate to the costs in relation to the acquisitions of Lab21 and Primerdesign, the impairment of goodwill in relation to Lab21 and other one-off income and expenses as detailed in note 13.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

The preparation of the financial information in accordance with IFRS requires management to exercise judgment on the application of accounting policies, and to make estimates and assumptions that affect the amounts of assets and liabilities, and income and expenses. The underlying estimates and assumptions, made in accordance with the going concern principle, are based on past experience and other factors deemed reasonable in the circumstances. They serve as the basis for the exercise of judgment required in determining the carrying amounts of assets and liabilities that cannot be obtained directly from other sources. Actual amounts may differ from these estimates. The underlying estimates and assumptions are reviewed continuously. The impact of changes in accounting estimates is recognised in the period of the change if it affects only that period, or in the period of the change and subsequent periods if such periods are also affected.

Critical accounting judgments in applying the Group's accounting policies

The following is a critical judgment, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the historical financial information.

Discount rate used to determine the carrying amount of the Group's defined benefit obligation

The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgment is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

The areas where assumptions and estimates are material in relation to the historical financial information are the measurement of goodwill resulting from the Company's acquisition of the Lab21 subgroup and Primerdesign (see note 18), the carrying amounts and useful lives of intangible assets (see note 19), deferred taxes (see note 22), trade receivables (see note 24) and provisions for risks and other provisions related to the operating activities (see note 29).

Key sources of estimation uncertainty

The Group has a number of key sources of estimation uncertainty as listed below. Of these items only the measurement of goodwill, the measurement of useful lives of intangible assets, measurement of fair value of assets and liabilities in business combinations, recognition of deferred taxes and the value trade and other receivables are considered likely to give material adjustment. Others are areas of estimates not material.

Measurement of goodwill

Goodwill is tested for impairment on an annual basis. The recoverable amount of goodwill is determined mainly on the basis of forecasts of future cash flows.

The total amount of anticipated cash flows reflects management's best estimate of the future benefits and liabilities expected for the relevant cash-generating unit (CGU).

The assumptions used and the resulting estimates sometimes cover very long periods, taking into account the technological, commercial and contractual constraints associated with each CGU.

These estimates are mainly subject to assumptions in terms of volumes, selling prices and related production costs, and the exchange rates of the currencies in which sales and purchases are denominated. They are also subject to the discount rate used for each CGU.

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

The carrying amount of goodwill at the balance sheet and related impairment loss over the periods are shown below:

	Year ended 31 December 2017	Year ended 31 December 2016
Goodwill Lab21	19,042	19,042
Impairment of goodwill	-9,786	-9,786
Net value	**9,256**	**9,256**
Goodwill Primerdesign	7,210	7,210
Impairment of goodwill	-	-
Net value	**7,210**	**7,210**
Total Goodwill	**16,466**	**16,466**

Amounts in '000 €

Measurement and useful lives of intangible assets

Other intangible assets (except for goodwill) are considered to have a finite economic useful life. They are amortised over their estimated useful lives that are reviewed at each reporting date. In the event of impairment, an estimate of the asset's recoverable amount is made.

The main intangible assets requiring estimates and assumptions are the Primerdesign trademark and the customer relationships attached to Primerdesign.

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

Trademark

The value of this asset was determined by discounting the cash flows that could be generated by licensing the trademark, estimated as a percentage of revenue derived from information available on comparable assets.

This asset is amortised on a straight-line basis over a period of nine years, estimated as its useful life. It is also tested for impairment. Its recoverable amount is determined on the basis of forecasts of future cash flows. The total amount of anticipated cash flows reflects management's best estimate of the future benefits and liabilities expected from the operation of the trademark.

The assumptions used and the resulting estimates are subject to discount rate, percentage of revenue and useful life assumptions.

The carrying amount of the Primerdesign trademark at 31 December 2017 is €540,000 after an amortisation of €119,000 recognised in 2016 and 2017.

Customer relationships

The value of this asset was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

Customer relationships are amortised on a straight-line basis over a period of nine years, estimated as its useful life. It is also tested for impairment. Its recoverable amount is determined on the basis of forecasts of future cash flows over an estimated period of time. The total amount of anticipated cash flows reflects management's best estimate of the future benefits and liabilities expected from customer relationships.

The assumptions used and the resulting estimates are subject to assumptions in respect of the discount rate, additional margin generated by customers after remuneration of contributing assets and useful lives.

The carrying amount of the Primerdesign customer relationship at 31 December 2017 is €3,012,000 after amortisation of €664,000 recognised in 2016 and 2017.

Business combinations

As part of the acquisitions of Lab21 and Primerdesign, the identifiable assets and liabilities acquired, including intangible assets, were recognised at their fair value in accordance with IFRS 3 'Business combinations'. The determination of the fair values on acquired assets and liabilities is based, to a considerable extent, on management's estimation.

Deferred taxes

Deferred tax assets are recognised only insofar as it is probable that the Group will have future taxable profits against which the corresponding temporary difference can be offset. Deferred tax assets are reviewed at each balance sheet date and impaired in the event of a risk of non-recovery.

For deferred tax assets on tax loss carry forwards, the Group uses a multi-criteria approach that takes into account the recovery timeframe based on the strategic plan, but which also factors in the strategy for the long-term recovery of tax losses in each country.

On the basis of the analysis performed, considering that the deferred tax losses could not be used within a reasonable period of time, the Group has decided not to recognise any deferred tax asset.

Trade and other receivables

An estimate of the risks of non-receipt based on commercial information, current economic trends and the solvency of individual customers is made in order to determine the need for impairment on a customer-by-customer basis.

Provisions

The carrying amount of provisions as at 31 December 2016 and 2017 are as per the table below:

	Year ended 31 December 2017	Year ended 31 December 2016
Retirement benefit obligations	14	14
Provisions for restoration of premises	140	89
Long-term management incentive plan	18	-
Provisions for litigation	50	66
Total Provisions	**222**	**169**

Amounts in '000 €

Pensions and other post-employment benefits

The Group's assessment of the assets and liabilities relating to pension liabilities and other post-employment commitments requires the use of statistical data and other parameters designed to anticipate future developments. These parameters include actuarial assumptions such as the discount rate, the rate of wage increases, the retirement date, and the turnover and mortality rates. Actuarial calculations are performed by actuaries independently of the Group. At the date of preparation of the financial information, the Group considers that the assumptions used to evaluate these commitments are appropriate and justified.

Provisions for restoration of premises

The amount of provisions is determined by management on the basis of available information, experience and, in some cases, expert estimates.

When these obligations are settled, the amount of the costs or penalties that are ultimately incurred or paid may differ significantly from the amounts initially provisioned and regularly reviewed, and may therefore have a significant effect on the Group's future results.

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

Litigations

Certain of the Group's subsidiaries may be party to regulatory, judicial or arbitration proceedings that, in view of the relating uncertainties, may have a material impact on the Group's financial position.

The Group's management lists current proceedings, regularly reviews their progress and assesses the need to establish appropriate provisions or to change their amount if the occurrence of events during the course of the proceedings necessitates a reassessment of the risk. Internal or external advisers are involved in determining the costs that may be incurred.

The decision to set aside provisions to cover a risk and the amount of such provisions are based on the risk assessment on a case-by-case basis, management's assessment of the unfavourable nature of the outcome of the proceeding in question (probability) and the ability to reliably estimate the associated amount.

5. REVENUE

The table below shows revenue from ordinary operations:

	Year ended 31 December 2017	Year ended 31 December 2016
Manufactured goods	12,520	9,453
Services	1,021	870
Traded goods	1,045	417
Other	368	336
Total Revenue	**14,954**	**11,076**

Amounts in '000 €

A portion of the Group's revenue is generated in foreign currencies (particularly in sterling). The group has not hedged against the associated currency risk.

The breakdown of revenue by operating segment and geographic area is presented in note 6.

05 Accounts and Notes

6. OPERATING SEGMENTS

Segment reporting

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

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

The Group has identified three operating segments, whose performances and resources are monitored separately.

Cytology

This segment corresponds to the sale of machines (automated equipment, accessories and spare parts to distributors and partners, or directly to laboratories or hospitals) and consumables (mainly bottles and storage systems) in the field of cytology. This is the Group's core business.

Diagnostics

This segment corresponds to diagnostic activities in laboratories, and the manufacturing and distribution of reagents and kits for bacterial and blood tests. This is the activity conducted by Lab21 and its subsidiaries.

Molecular testing

This segment represents the activities of recently acquired Primerdesign, which designs, manufactures and distributes test kits for certain diseases in humans, animals and food products. These kits are intended for laboratory use and rely on "polymerase chain reaction" technology.

The Chief Operating Decision Maker is the Chief Executive Officer.

Reliance on major customers

The Group is not dependent on a particular customer, there are no customers generating sales accounting for over 10% of revenue.

Breakdown of revenue by operating segment and geographical area

At 31 December 2017

Geographical area	Cytology	Diagnostics	Molecular products	Total
Africa	-	299	363	662
Europe	1,205	3,347	2,531	7,083
Asia Pacific	761	1,608	1,656	4,025
America	-	661	1,192	1,854
Middle East	239	739	352	1,330
Revenue	**2,204**	**6,655**	**6,095**	**14,954**

Amounts in '000 €

At 31 December 2016

Geographical area	Cytology	Diagnostics	Molecular products	Total
Africa	-	376	249	625
Europe	1,095	3,217	1,620	5,932
Asia Pacific	326	1,555	511	2,392
America	-	542	690	1,232
Middle East	171	506	218	895
Revenue	**1,592**	**6,196**	**3,288**	**11,076**

Amounts in '000 €

Breakdown of result by operating segment

Year ended 31 December 2017

	Cytology	Diagnostics	Molecular products	Total
Revenue	2,204	6,655	6,095	14,954
Cost of sales	-1,191	-3,670	-1,170	-6,030
Sales and marketing costs	-1,307	-1,003	-959	-3,269
Research and development	-192	-115	-513	-819
General & administrative expenses	-2,196	-3,145	-1,752	-7,093
Governmental subsidies	123	119	127	368
Operating profit/(loss) before exceptional items	**-2,559**	**-1,160**	**1,828**	**-1,890**
Costs related to acquisitions	-	-	-	-
Other operating income	16	-	-	16
Other operating expenses	-1,632	-532	-33	-2,197
Operating profit/(loss)	**-4,175**	**-1,692**	**1,795**	**-4,071**
Financial income	449	3	-	452
Financial expense	-1,487	-320	-18	-1,825
Profit/(Loss) before tax	**-5,214**	**-2,008**	**1,777**	**-5,444**
Tax (expense) / credit	-1	-	3	3
Profit/(Loss) after tax	**-5,214**	**-2,008**	**1,777**	**-5,442**
Attributable to owners of the company	**-5,214**	**-2,008**	**1,777**	**-5,442**
Attributable to non-controlling interests	**-**	**-**	**-**	**-**

Amounts in '000 €

Year ended 31 December 2016

	Cytology	Diagnostics	Molecular products	Total
Revenue	1,592	6,196	3,288	11,076
Cost of sales	-804	-3,585	-607	-4,996
Sales and marketing costs	-1,295	-1,360	-515	-3,170
Research and development	-388	-131	-275	-794
General & administrative expenses	-1,823	-2,814	-979	-5,616
Governmental subsidies	210	162	55	427
Operating profit/(loss) before exceptional items	**-2,508**	**-1,532**	**967**	**-3,073**
Costs related to acquisitions	-508	-	-	-508
Other operating income	1	19	-	20
Other operating expenses	-864	-	-36	-900
Operating profit/(loss)	**-3,879**	**-1,513**	**931**	**-4,461**
Financial income	546	149	41	736
Financial expense	-1,307	-676	-	-1,983
Profit/(Loss) before tax	**-4,640**	**-2,040**	**972**	**-5,708**
Tax (expense) / credit	-2	-	-	-2
Profit/(Loss) after tax	**-4,642**	**-2,040**	**972**	**-5,710**
Attributable to owners of the company	**-4,642**	**-2,040**	**972**	**-5,710**

Amounts in '000 €

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

05 Accounts and Notes

7. COST OF SALES

	Year ended 31 December 2017	Year ended 31 December 2016
Purchases and movement in inventories of raw materials and other supplies	3,949	3,074
Purchases and movement in inventories of traded goods	576	291
Movement in finished goods and work in progress	-59	98
Change in stock provision	-17	15
Non-stock items and supplies	18	140
Freight costs	165	143
Direct labour	1,331	1,168
Other	69	67
Total	**6,030**	**4,996**

Amounts in '000 €

8. SALES, MARKETING AND DISTRIBUTION EXPENSES

	Year ended 31 December 2017	Year ended 31 December 2016
Remuneration of intermediaries and fees	475	430
Advertising expenses	238	251
Distribution expenses	326	278
Employee compensation and social security contributions	1,557	1,642
Travel and representation expenses	241	210
Other sales and marketing expenses	411	359
Total	**3,249**	**3,170**

Amounts in '000 €

9. RESEARCH AND DEVELOPMENT EXPENSES

	Year ended 31 December 2017	Year ended 31 December 2016
Employee compensation and social security contributions	705	693
Other expenses	115	101
Total	**819**	**794**

Amounts in '000 €

10. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2017	Year ended 31 December 2016
Purchases of non-stored raw materials and supplies	232	166
Subcontracting	247	137
Lease and similar payments	468	427
Maintenance and repairs	149	170
Insurance premiums	152	133
Legal and professional fees	1,208	1,098
Travel and entertainment expenses	363	327
Banking services	61	71
Employee compensation and social security contributions	2,430	1,913
Allowances to and reversals of depreciation, amortisation and provisions	1,089	840
Other general and administrative expenses	716	334
Total	**7,114**	**5,616**

Amounts in '000 €

11. EMPLOYEE BUSINESS UNIT SPLIT

	Year ended 31 December 2017	Year ended 31 December 2016
Cytology	15	13
Diagnostics	62	61
Molecular products	38	28
Total	**115**	**102**

12. GOVERNMENTAL SUBSIDIES

Directly taxed industrial and commercial companies that record research expenditure are entitled to a tax credit in France, which is the case of Novacyt S.A. Other companies within the Group, located chiefly in the United Kingdom, benefit from a similar scheme. The tax credit is calculated per calendar year and deducted from the tax payable by the company in respect of the year during which research expenses were incurred. Tax credits that cannot be deducted from tax expense are refunded to the company. The granting of the tax credit is independent of the Group's tax position.

This tax credit is treated as an operating subsidy or, more exactly, as a governmental subsidy.

	Year ended 31 December 2017	Year ended 31 December 2016
Government subsidies	368	427
Total	**368**	**427**

Amounts in '000 €

13. COSTS RELATED TO ACQUISITIONS

On 12 May 2016, the Group took control of the British company Primerdesign, through the acquisition of 100% of its shares by Novacyt S.A. The costs related to the acquisition amounted to 508 k€ and are the expenses for the acquisition of the shares of Primerdesign.

14. OTHER OPERATING INCOME AND EXPENSES

	Year ended 31 December 2017	Year ended 31 December 2016
Other operating income	16	20
Other operating income	**16**	**20**
Provision for litigation with employees	-171	-
Restructuring expenses	-78	-348
Set-up China structure	-	-107
IFRS transition expenses	-	-95
IPO preparation	-1,631	-288
Relocation expenses	-176	-57
Other expenses	-141	-5
Other operating expenses	**-2,197**	**-900**

Amounts in '000 €

The restructuring expenses of €348,000 in the year ended 31 December 2016 and €78,000 in the period ended 31 December 2017 relate to indemnities to employees in relation to restructuring taken place during this period.

The IPO preparation expenses of €288,000 in the year ended 31 December 2016 and €1,631,000 in the period ended 31 December 2017 relate to the fees incurred in preparation for the company's AIM listing in 2017.

15. FINANCIAL INCOME AND EXPENSE

	Year ended 31 December 2017	Year ended 31 December 2016
Exchange gains	287	416
Change in fair value of options	140	178
Reversals of financial provisions	-	110
Other financial income	39	32
Financial income	**466**	**736**
Interest on loans	-1,202	-1,047
Exchange losses	-251	-565
Contingent consideration	-386	-235
Other financial expense	-	-136
Financial expense	**-1,839**	**-1,983**

Amounts in '000 €

Financial income

Exchange gains

Exchange gains in the year ended 31 December 2017 resulted from recurring operations and, in the amount of €156,000, from variations in sterling on the contingent consideration liability between the Primerdesign acquisition date and the reporting date.

Change in fair value of options

The company's liability in relation to Primerdesign warrants was first accounted for in June 2016 at the original EUR 444K valuation. The December 2016 balance relates to the revaluation of Primerdesign warrants liability from €444,000 to €266,000.

The December 2017 balance relates to the revaluation of the Primerdesign warrants liability from €266,000 to €126,000.

Financial expense

Interest on loans

The interest charge is mainly related to the Kreos and Vatel bond notes.

Exchange losses

Exchange losses in 2016 and 2017 were mainly those recorded by the British company Lab21 Ltd on its operations.

For 2016, the loss is related to exchange loss on the monthly revaluation of the Novacyt loan in Lab21 Ltd's books, with the loan balance growing from £2.9m in January 2016 to £3.7m in December 2016.

For 2017, £172,000 (€196,000) related to exchange loss on the monthly revaluation of the Novacyt loan in Lab21 Ltd's books, with the loan balance growing from £3.6m in January 2017 to £5.6m in December 2017.

Contingent consideration

The contingent consideration in 2016 and 2017 relate to the discounting of the contingent consideration liability in favour of Primerdesign shareholders.

16. INCOME TAX

	Year ended 31 December 2017	Year ended 31 December 2016
Corporation tax	-	-
Current year	3	-2
Adjustment in respect of prior years	-	-
Deferred tax	-	-
Total tax (expense) / income in the year	**3**	**-2**

Amounts in '000 €

The charge for the year / period can be reconciled to the profit in the income statement as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Result / (Loss) before taxation	-5,444	-5,708
Tax at the French corporation tax rate (2017: 33.33%, 2016: 33.33%)	-1,815	-1,902
Impact of the accelerated tax depreciation	17	9
Effect of non-deductible expenses	-523	67
Other timing differences	140	-145
Tax losses utilised	-	-
Research tax credits	-191	-123
Losses not recognised for deferred tax	2,082	1,978
Effect of different tax rate of subsidiaries operator of other jurisdictions	293	114
Total tax expense / income for the year	**3**	**-2**

Amounts in '000 €

As at 31 December 2017 the Group has unused tax losses of €55,963,000 (2016: €49,585,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses since visibility as to when taxable profits are available is insufficient.

05 Accounts and Notes

The main consolidated companies do not pay income taxes, but receive tax credits for their research and development expenditures. These tax credits are recorded as “governmental subsidies” in the consolidated income statement.

17. LOSS PER SHARE

Loss per share is calculated based on the weighted average number of shares outstanding during the period. Diluted loss per share is calculated based on the weighted average number of shares outstanding and the number of shares issuable as a result of the conversion of dilutive financial instruments.

	Year ended 31 December 2017	Year ended 31 December 2016
Net loss attributable to owners of the company	-5,442	-5,711
Impact of dilutive instruments	-	-
Net loss attributable to owners of the company	**-5,442**	**-5,711**
Weighted average number of shares	23,075,634	12,086,038
Impact of dilutive instruments	-	-
Weighted average number of diluted shares	**23,075,634**	**12,086,038**
Earnings per share (in euros)	**-0.24**	**-0.47**
Diluted earnings per share (in euros)	**-0.24**	**-0.47**

Amounts in ‘000 €

Pursuant to IAS 33, options whose exercise price is higher than the value of the Company’s security were not taken into account in determining the effect of dilutive instruments.

18. 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	€
At 1 January 2016	19,042
Recognised on acquisition of a subsidiary	7,210
At 31 December 2016	26,252
Recognised on acquisition of a subsidiary	-
At 31 December 2017	26,252
Accumulated impairment losses	
At 1 January 2016	9,786
Exchange differences	-
Impairment losses for the year	-
Eliminated on disposal of a subsidiary	-
At 31 December 2016	9,786
Exchange differences	-
Impairment losses for the period	-
Eliminated on disposal of a subsidiary	-
At 31 December 2017	9,786
Carrying value at 31 December 2016	16,466
Carrying value at 31 December 2017	**16,466**

Amounts in ‘000 €

Primerdesign

Primerdesign entered the scope of consolidation on 12 May 2016. Goodwill totalling €7,210,000 has been identified:

Components of the purchase price of securities	
Value of Novacyt S.A. securities tendered	3,430k
Option to purchase Novacyt S.A. securities	445k
Cash paid	7,081k
Contingent consideration forecast to be payable in 2017 and 2018	2,610k
Total purchase price	13,566k
Value at the date of acquisition of assets and liabilities on the Primerdesign balance sheet	2,021k
Value of the Primerdesign customer base	3,676k
Value of the Primerdesign trademark	660k
Goodwill	7,210k

Amounts in ‘000 €

The contingent consideration of €2,610,000 is due in the event of the achievement of revenue targets; a first payment was made in November 2017 for €1,747,000 and the final payment is currently estimated to be paid in June 2018. The value of this liability was determined based on the best estimates of management at the date of the acquisition.

In accordance with IFRS 3, the Company’s acquisition of Primerdesign resulted in the recognition of assets consisting of “customer relationships” and the trademark separately from goodwill. These assets fit the definition posed by the IASB’s conceptual framework, which cites resources controlled by the company as the result of past transactions and from which the company expects to obtain future economic benefits.

The value of “customer relationships” was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

The value of the trademark was determined by discounting the cash flows that could be generated by licensing the Primerdesign trademark, estimated as a percentage of revenue derived from information available on comparable assets.

IFRS 3 provides for a period of 12 months from the takeover to complete the identification and measurement of the fair value of assets acquired and liabilities assumed. Therefore, since May 2017, the gross amount of goodwill is no longer subject to adjustment.

Lab21

All the shares of the Lab21 Ltd subgroup were acquired on 30 June 2014. Goodwill totalling €19,042,000 has been identified:

- Purchase price of securities: €18,847k
- Lab21’s adjusted equity as of 30 June 2014: - €1,952k
- Goodwill transferred from Lab21: €2,147k
- Goodwill: €19,042k

The deadline for the identification and measurement of assets and liabilities has expired. The gross amount of goodwill can therefore no longer be changed.

Goodwill is subject to impairment testing annually, and whenever there is an indication of loss of value. To perform this testing, goodwill is deemed to have been assigned to the subgroup of the British companies comprising Lab21 and its subsidiaries, housed in the “Diagnostics” operating segment.

The goodwill impairment testing performed on 31 December 2015 resulted in a goodwill impairment in the amount of €9,786,000, bringing goodwill to a recoverable amount of €9,256,000.

05 Accounts and Notes

The impairment testing of the CGU as of 31 December 2017 was conducted by the DCF (discounted cash flow) method, with the key assumptions as follows:

- five-year business plan;
- extrapolation of cash flows beyond five years based on a growth rate of 1.5%; and
- discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 15%.

The implementation of this approach demonstrated that the value of the Enterprise Value amounted to €10,115,000, which is greater than the carrying amount of this asset. As such, no impairment was recognised in the year ended 31 December 2017.

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

		Terminal growth rates						
	10,115	**0.0%**	**0.5%**	**1.0%**	**1.5%**	**2.0%**	**2.5%**	**3.0%**
WACC rates	**12.5%**	11,583	11,886	12,198	12,535	12,902	13,303	13,745
	13.0%	11,108	11,383	11,666	11,969	12,298	12,657	13,051
	13.5%	10,667	10,918	11,175	11,449	11,746	12,068	12,420
	14.0%	10,257	10,487	10,720	10,970	11,238	11,529	11,844
	14.5%	9,875	10,086	10,299	10,526	10,770	11,033	11,317
	15.0%	9,518	9,712	9,907	10,115	10,337	10,575	10,833
	15.5%	9,184	9,362	9,542	9,732	9,935	10,152	10,386
	16.0%	8,871	9,035	9,200	9,375	9,561	9,759	9,972
	16.5%	8,576	8,728	8,881	9,042	9,212	9,394	9,589

Amounts in '000 €

This sensitivity table shows the difference in the recoverable amounts of the Enterprise Value depending on change in the discount rate (WACC) and the perpetual growth rate. Our sensitivity analysis shows that an increase of 1% in the WACC would result in the need to impair the Lab21 goodwill.

19. OTHER INTANGIBLE ASSETS

	At 1 January 2017	Additions	Disposals	Reclass	Charge for the period	Effect of foreign exchange rate changes	At 31 December 2017
Cost							
Development costs	207	-	-	-	-	- 7	199
Concessions, patents and similar rights	1,700	72	-	39	-	- 2	1,810
Software	141	29	-	-	-	- 5	164
Trademark	659	-	-	-	-	-	659
Customer base	3,676	-	-	-	-	-	3,676
Other intangible assets	43	112	-	- 39	-	- 2	113
	6,426	**212**	**-**	**-**	**-**	**- 17**	**6,622**
Amortisation							
Development costs	- 20	-	-	-	- 41	1	- 60
Concessions, patents and similar rights	- 603	-	-	-39	- 144	2	- 785
Software	- 126	-	-	-	- 16	5	- 137
Trademarks	- 46	-	-	-	- 73	-	- 119
Customer base	- 255	-	-	-	- 409	-	- 664
Other intangible assets	- 43	-	-	39	- 15	1	- 18
	- 1,093	**-**	**-**	**-**	**- 698**	**9**	**- 1,783**
Carrying amount	**5,333**	**212**	**-**	**-**	**- 698**	**-**	**4,840**

Amounts in '000 €

	At 1 January 2016	Additions	Acquisition of a subsidiary	Disposals	Charge for the period	Effect of foreign exchange rate changes	At 31 December 2016
Cost							
Development costs	186	49	-	-	-	- 28	207
Concessions, patents and similar rights	1,551	163	-	- 8	-	- 6	1,700
Software	147	-	16	-	-	- 22	141
Trademark	-	-	659	-	-	-	659
Customer base	-	-	3,676	-	-	-	3,676
Other intangible assets	3	-	43	-	-	- 3	43
	1,887	**212**	**4,394**	**- 8**	**-**	**- 59**	**6,426**
Amortisation							
Development costs	-	-	-	-	- 21	1	- 20
Concessions, patents and similar rights	- 470	-	-	1	- 139	5	- 603
Software	- 117	-	- 16	-	- 11	18	- 126
Trademarks	-	-	-	-	- 46	-	- 46
Customer base	-	-	-	-	- 255	-	- 255
Other intangible assets	- 3	-	- 43	-	-	3	- 43
	- 590	**-**	**- 59**	**1**	**- 472**	**27**	**- 1,093**
Carrying amount	**1,297**	**212**	**4,335**	**- 7**	**- 472**	**- 32**	**5,333**

Amounts in '000 €

20. PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2017	Additions	Disposals	Charge for the period	Effect of foreign exchange rate changes	Reclass & transfers	At 31 December 2017
Cost							
Technical facilities, equipment and tools	2,304	159	- 86	-	- 38	-	2,339
Office equipment	45	121	- 9	-	- 3	43	197
Transport equipment	47	2	-13	-	-	-	36
Computer equipment	271	41	-	-	- 9	-	303
Leasehold improvements	513	591	- 5	-	- 24	- 43	1,030
Property, plant and equipment under construction	348	-	-	-	-	-	348
	3,528	**914**	**-113**	**-**	**- 75**	**-**	**4,254**
Accumulated depreciation							
Technical facilities, equipment and tools	-1,216	-	75	- 275	27	-	- 1,723
Office equipment	-40	-	9	- 25	2	- 21	- 74
Transport equipment	-13	-	13	- 7	-	-	- 24
Computer equipment	-582	-	-	- 30	8	-	- 254
Leasehold improvements	-233	-	5	- 58	8	21	- 258
Tangible assets under construction	-348	-	-	-	-	-	- 348
	-2,432	**-**	**102**	**- 396**	**45**	**-**	**-2,681**
Carrying amount	**1,096**	**914**	**-11**	**- 396**	**- 30**	**-**	**1,573**

Amounts in '000 €

	At 1 January 2016	Additions	Acquisition of a subsidiary	Disposals	Charge for the period	Effect of foreign exchange rate changes	Reclass & transfers	At 31 December 2016
Cost								
Technical facilities, equipment and tools	1,756	274	429	-29	-	-127	1	2,304
Office equipment	51	2	-	-	-	-7	-1	45
Transport equipment	73	-	1	-27	-	-	-	47
Computer equipment	284	17	44	-36	-	-38	-	271
Leasehold improvements	255	43	270	-1	-	-54	-	513
Property, plant and equipment under construction	348	-	-	-	-	-	-	348
	2,767	**336**	**744**	**-93**	**-**	**-226**	**-**	**3,528**
Accumulated depreciation								
Technical facilities, equipment and tools	-1,219	-	-	-	-3	6	-	-1,216
Office equipment	-41	-	-	11	-10	-	-	-40
Transport equipment	-31	-	-28	36	-23	33	-	-13
Computer equipment	-249	-	-232	29	-224	94	-	-582
Leasehold improvements	-196	-	-20	1	-47	29	-	-233
Tangible assets under construction	-348	-	-	-	-	-	-	-348
	-2,084	**-**	**-280**	**77**	**-307**	**162**	**-**	**-2,432**
Carrying amount	**683**	**336**	**464**	**-16**	**-307**	**-64**	**-**	**1,096**

Amounts in '000 €

21. NON-CURRENT FINANCIAL ASSETS

	Year ended 31 December 2017	Year ended 31 December 2016
Rental deposits	131	24
Liquidity contract	9	20
Guaranty deposit - distributor in China	94	94
Other	4	-
Total	**238**	**138**

Amounts in '000 €

22. DEFERRED TAX ASSETS

Most of the Group's major companies has tax loss carry forwards. Their period of use is unlimited. No deferred tax assets have been recognised in the accounts since visibility as to when it will be possible to utilise the carry forwards against taxable profits is insufficient.

The following table shows the deferred tax assets not presented in the balance sheet.

	Year ended 31 December 2017	Year ended 31 December 2016
Novacyt	6,975	5,899
Lab21	4,698	4,346
Healthcare	1,172	1,041
Microgen	47	33
Total unrecognised deferred tax assets	**12,892**	**11,319**

Amounts in '000 €

23. INVENTORIES AND WORK IN PROGRESS

	Year ended 31 December 2017	Year ended 31 December 2016
Raw materials	931	820
Work in progress	135	173
Finished goods	562	489
Traded goods	316	152
Stock provisions	-2	-20
Total	**1,942**	**1,614**

Amounts in '000 €

The cost of inventories recognised as an expense includes €2,000 (Dec. 2016: €20,000) in respect of write-downs of inventory to net realisable value.

24. TRADE AND OTHER RECEIVABLES

Trade and other receivables

	Year ended 31 December 2017	Year ended 31 December 2016
Trade and other receivables	3,111	2,072
Allowance for doubtful debts	-92	-140
Accrued income	117	89
Tax receivables (excluding income tax)	489	284
Other receivables	180	51
Total trade and other receivables	**3,804**	**2,356**

Amounts in '000 €

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

	Year ended 31 December 2017	Year ended 31 December 2016
Amount receivable not past due	1,021	1,121
Amount receivable past due but not impaired	1,998	811
Amount receivable impaired (gross)	92	140
Less impairment	-92	-140
Total	**3,019**	**1,932**

Amounts in '000 €

Ageing of past due but not impaired receivables

	Year ended 31 December 2017	Year ended 31 December 2016
Not more than 3 months	1,707	579
More than 3 months but not more than 6 months	159	97
More than 6 months but not more than 1 year	37	80
More than 1 year	94	55
Total	**1,998**	**811**

Amounts in '000 €

Ageing of past due and impaired receivables

	Year ended 31 December 2017	Year ended 31 December 2016
Balance at the beginning of the period	140	174
Impairment losses recognised	86	3
Amounts written off during the year as uncollectible	-5	-
Amounts recovered during the year	-124	-
Impairment losses reversed	-	-15
Foreign exchange translation gains and losses	-5	-22
Balance at the end of the period	**92**	**140**

Amounts in '000 €

25. PREPAYMENTS

	Year ended 31 December 2017	Year ended 31 December 2016
Issuance costs - current	-	53
Prepaid expenses	537	260
Total	**537**	**313**

Amounts in '000 €

The 2017 balance includes a €195,000 prepayment for Q16 instruments in the Primerdesign business in the UK to ensure that the expected 2018 sales demand is met.

26. CASH AND CASH EQUIVALENTS

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

	Year ended 31 December 2017	Year ended 31 December 2016
Money market deposits	13	13
Available cash	4,332	2,843
Cash and cash equivalents	**4,345**	**2,856**

Amounts in '000 €

27. BORROWINGS

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

Maturities as of 31 December 2017

	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total
Bond notes	2,664	1,028	3,692
Bank borrowings	66	87	153
Accrued interest on borrowings	49	-	49
Total financial liabilities	**2,778**	**1,115**	**3,894**

Amounts in '000 €

Maturities as of 31 December 2016

	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total
Bond notes	3,017	2,603	5,620
Bank borrowings	67	153	220
Accrued interest on borrowings	415	-	414
Total financial liabilities	**3,499**	**2,756**	**6,254**

Amounts in '000 €

Change in borrowings and financial liabilities in 2017

	At 31 December 2016	Increase	Repayment	Conversion	At 31 December 2017
Bond notes	5,620	2,664	- 3,227	-1,365	3,692
Bank borrowings	220	-	- 67	-	153
Accrued interest on borrowings	414	49	-414	-	49
Total financial liabilities	**6,254**	**2,713**	**- 3,708**	**-1,365**	**3,894**

Amounts in '000 €

Change in borrowings and financial liabilities in 2016

	At 31 December 2015	Increase	Repayment	At 31 December 2016
Bond notes	3,284	4,221	-1,885	5,620
Bank borrowings	32	250	-62	220
Accrued interest on borrowings	57	429	-72	414
Total financial liabilities	**3,373**	**4,900**	**-2,019**	**6,254**

Amounts in '000 €

As of 31 December 2016, the Group's financing primarily comprised:

- a bond subscribed by Kreos Capital IV Ltd in the amount of €3.5 million, issued on 15 July 2015, with an interest rate of 12.5% for a term of three years, with the first repayment due on 1 February 2016; and
- a second bond subscribed by Kreos Capital V Ltd in the amount of €3.0 million issued on 12 May 2016, with an interest rate of 12.5% for a term of three years, with the first repayment due on 1 November 2016.

As of 31 December 2017, the Group's financing primarily comprised:

- a bond subscribed by Kreos Capital IV Ltd in the amount of €3.5 million on 15 July 2015;
- a bond subscribed by Kreos Capital V Ltd in the amount of €3 million issued on 12 May 2016; and
- a convertible bond subscribed by Vatel in the amount of €1.5 million issued on 31 March 2017, with an interest rate of 7.9% for a term of 3 years. The Vatel Bonds are convertible into Shares only where the Company fails to comply with its payment obligations under the agreement within 15 days of receipt of a notice of an event of default.

In addition to the loans above, the Group financed its short-term working capital needs through convertible notes issued with warrants. On 31 July 2015, the Board of Directors approved the principle of the issue of 20 OCABSA warrants (the "Warrants") exercisable at the discretion of the Company over the subsequent 36 months, in several successive tranches representing bond debt in a maximum amount of €5 million, as part of a private placement subscribed by the YA Global Master SPV Ltd private equity fund.

The convertible bonds (Obligations Convertibles en Actions –"OCA") are issued at par, i.e. €10,000 each, with an interest rate of 2% per annum, and have a maturity of nine months from issue. The Company must redeem unconverted OCAs upon maturity.

The bond debt represented by the OCAs (par value of an OCA taking into account, if applicable, the corresponding interest) can be converted into shares at the request of the holder, on the basis of the following conversion rate: 95% of the lowest of the five (5) average daily prices of the Company's share weighted by volume (as reported by Bloomberg) immediately preceding the request for the conversion of the relevant OCA, without it being possible for this amount to be lower than the par value of the Company's share, i.e. 1/15th of a euro. The OCAs are transferable subject to the Company's prior written consent.

The number of equity warrants to be issued upon each issuance of OCABSAs is that which will be multiplied by the exercise price of the equity warrants (determined under the terms set out below). The amount received will be equal to half of the par value of the 25 OCAs issued, i.e. €125,000.

The equity warrants will be immediately detached from the OCAs and will be transferable from issue. They may be exercised from issue until the 36th month inclusive following their issue date (the "Exercise Period"). Each equity warrant will entitle the holder thereof, during the Exercise Period, to subscribe for one (1) new Novacyt S.A. share.

The exercise price of the equity warrants is equal to 110% of the closing price of the Novacyt share on the day immediately preceding the Warrant exercise request date giving rise to the issuance of the OCAs from which the equity warrants will be detached (or the issue date of the OCAs for the first tranche of OCAs, i.e. 31 July 2015).

The OCAs and the warrants will not be the subject of a request for admission to trading on Alternext Paris, and as such will not be listed.

In accordance with IAS 32, the first tranche of the bond issued on 31 July in the amount of €250,000 (tranche 1) breaks down as follows:

- the conversion option, treated in this case as an embedded derivative under IAS 32, worth €13,158, was recorded at "fair value through profit or loss" in current borrowings;
- the equity warrants, valued at €9,831 overall, were treated as equity instruments and accounted for net of tax, i.e. €6,554; and
- the residual amount, €227,011, was recognised at amortised cost under current financial liabilities.

Between 1 January 2016 and 31 December 2016, the Company exercised 8 Warrants (OCABSA warrants), each resulting in the issuance of 25 OCABSAs in a total amount of €250,000. In accordance with IAS 32, each tranche of bonds issued during the year has been broken down in the same way as the first instalment and in identical amounts. Issuance is as follows:

- issuance of the second tranche on 1 March 2016 (tranche 2): all OCABSAs were converted during the year;
- concurrent issuance of the third and fourth tranches on 18 April 2016 (tranches 3 and 4): all OCABSAs were converted during the year;
- concurrent issuance of the fifth and sixth tranches on 2 August 2016 (tranches 5 and 6): all OCABSAs were converted during the year; and
- concurrent issuance of the seventh, eighth and ninth tranches on 26 September 2016 (tranches 7, 8 and 9): only the tranche 7 OCABSAs were converted during the year. (It should nevertheless be noted that 20 tranche 8 OCABSAs were converted on 4 January 2017.)

Between 1 January 2017 and 30 June 2017, the Company has converted all OCABSA bonds issued in the eighth and ninth tranches: 20 OCABSAs on 4 January 2017 and 5 OCABSAs on 23 February 2017 for tranche 8, and 10 OCABSAs on 23 February 2017 and 15 OCABSAs on 13 April 2017 for tranche 9.

The Company also exercised 2 OCABSA warrants on 17 February 2017, each giving rise to the issuance of a tranche of 25 OCABSAs totalling €250,000 (tranches 10 and 11), all 50 OCABSAs having been converted on 15 May 2017.

Since 1 July 2017, the Company exercised the tranches 12, 13, 14 and 15 of the contract, representing 4 Warrants (OCABSA warrants) each resulting in the issuance of 25 OCABSAs in a total amount of €1,000,000. All OCABSAs were converted.

Between 1 January 2017 and 31 December 2017, the Company exercised 6 OCABSA warrants, each giving rise to the issuance of a tranche of 25 OCABSAs totalling €250,000. In accordance with IAS 32, each tranche of the bond issued during the year was split on the same terms than the first one. The issuances are as follows:

- concurrent issuance of the tenth and eleventh tranches on 17 February 2017 (tranches 10 and 11): all OCABSAs were converted during the year; and
- concurrent issuance of the twelfth, thirteenth, fourteenth and fifteenth tranches on 20 July 2017 (tranches 12, 13, 14 and 15): the tranches 12 and 13 OCABSAs were converted during the year, the tranche 14 was partly converted, 10 OCABSAs on 25 September 2017, and partly redeemed early, 15 OCABSAs on 2 November 2017, and all the OCABSAs of the fifteenth tranche were redeemed early on the same day.

28. CONTINGENT CONSIDERATION

The contingent consideration related to the acquisition of the Primerdesign shares

	Year ended 31 December 2017	Year ended 31 December 2016
Contingent consideration (non-current portion)	-	1,647
Contingent consideration (current portion)	1,126	946
	1,126	**2,593**

Amounts in '000 €

The movement in the liability between 31 December 2016 and 31 December 2017 is due to the variance of the foreign exchange rate (contingent liability is denominated in Pounds Sterling), offset by the discounting of the liability.

29. PROVISIONS

Nature of and change in provisions for risks and charges for the period from 1 January 2017 to 31 December 2017

	At 1 January 2017	Increase	Reduction	Change in exchange rates	At 31 December 2017
Provisions for restoration of premises	89	55	-	-4	140
Long-term management incentive plan	-	18	-	-	18
Long-term provision	**89**	**73**	**-**	**-4**	**158**
Provisions for litigation	66	-	- 16	-	50
Short-term provision	**66**	**-**	**- 16**	**-**	**50**

Amounts in '000 €

Nature of and change in provisions for risks and charges for the period from 1 January 2016 to 31 December 2016

	At 1 January 2016	Increase	Reduction	Change in exchange rates	At 31 December 2016
Provisions for restoration of premises	103	-	-	-14	89
Long-term provision	**103**	**-**	**-**	**-14**	**89**
Provisions for litigation	66	-	-	-	66
Short-term provision	**66**	**-**	**-**	**-**	**66**

Amounts in '000 €

Provisions chiefly cover:

- a provision for litigation with personnel;
- provisions for the restoration of the premises as per the lease agreements; and
- a provision for a long-term incentive plan to the management of the group.

The provisions for the restoration of the premises should generate a cash payment at the end of the rental periods, thus at the following dates:

- Lab21 Ltd: March – April 2019;
- Lab21 Healthcare Ltd: September 2018; and
- Microgen Ltd: September 2017.

The provision for litigation generates a cash payment in February 2018.

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

30. TRADE AND OTHER PAYABLES

	Year ended 31 December 2017	Year ended 31 December 2016
Trade payables	1,746	2,087
Accrued invoices	1,042	694
Social security liabilities	553	348
Tax liabilities	123	53
Other liabilities	102	29
Options classified as liabilities	127	293
Total trade and other payables	**3,692**	**3,504**

Amounts in '000 €

Options treated as liabilities relate to:

- the Company's equity warrants granted to former Primerdesign shareholders in the amount of €127,000 as of end-December 2017 and €266,000 as of end-December 2016. This is a component of the purchase price of Primerdesign; and
- the conversion option attached to tranches 8 and 9 of the OCABSAs unconverted as of 31 December 2016, in the amount of €27,000.

31. OTHER CURRENT LIABILITIES

	Year ended 31 December 2017	Year ended 31 December 2016
Deferred income	137	24
Total	**137**	**24**

Amounts in '000 €

32. SHARE CAPITAL

As of 1 January 2016, the Company's share capital of €479,281 was divided into 7,189,214 shares with a par value of 1/15th of a euro each.

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

- On 22 February 2016, the Company decided to increase its capital through the issue of 2,365,815 shares subject to one or more capital increases in a total amount of at least 7,000,000 euros or the receipt of an equivalent amount. This transaction subject to a condition precedent is consideration for the contribution of 59,893 shares of Primerdesign Ltd by its shareholders.
- On 29 March 2016, the Company completed a capital increase from €479,280.87 to €569,423.20 through the issue of 1,352,135 shares at a price of €1.40 per share, with a share premium of €1,802,846.67.
- On 29 March 2016, the Company completed a capital increase from €569,423.20 to €574,089.87 through the issue of 70,000 shares at a price of €1.40 per share, with a share premium of €93,333.33.
- On 21 April 2016, the Company completed a capital increase from €574,089.87 to €669,328 through the issue of 1,428,572 shares at a price of €1.40 per share, with a share premium of €1,904,762.67.
- On 26 April 2016, the Company completed a capital increase from €669,328 to €674,101.27 through the issue of 71,599 shares at a price of €1.401 per share, with a share premium of €95,537.84.
- On 3 May 2016, the Company completed a capital increase from €674,101.27 to €678,963.40 through the issue of 72,932 shares at a price of €1.376 per share, with a share premium of €95,493.43.
- On 11 May 2016, the Company noted that the condition precedent on the capital increase through a contribution in kind approved on 22 February 2016 had been lifted. Share capital was consequently increased from €678,963.40 to €836,684.40 through the issue of 2,365,815 shares at a price of €2.696 per share, with a share premium of €6,220,514.
- On 19 May 2016, the Company completed a capital increase from €836,684.40 to €842,372.20 through the issue of 85,317 shares at a price of €1.176 per share, with a share premium of €94,645.53.
- On 23 May 2016, the Company completed a capital increase from €842,372.20 to €867,933.40 through the issue of 383,418 shares at a price of €1.176 per share, with a share premium of €425,338.80.
- On 1 June 2016, the Company completed a capital increase from €867,933.40 to €935,650.53 through the issue of 1,015,757 shares at a price of €1.40 per share, with a share premium of €1,354,342.67.
- On 25 August 2016, the Company completed a capital increase from €935,650.53 to €943,967.66 through the issue of 124,757 shares at a price of €1.20 per share, with a share premium of €141,766.20.
- On 7 September 2016, the Company completed a capital increase from €943,967.66 to €949,438.26 through the issue of 82,059 shares at a price of €1.22 per share, with a share premium of €94,723.84.
- On 21 September 2016, the Company completed a capital increase from €949,438.26 to €957,421.66 through the issue of 119,751 shares at a price of €1.26 per share, with a share premium of €142,424.93.
- On 5 October 2016, the Company completed a capital increase from €957,421.66 to €962,942.86 through the issue of 82,818 shares at a price of €1.21 per share, with a share premium of €94,937.14.
- On 1 December 2016, the Company completed a capital increase from €962,942.86 to €969,517.06 through the issue of 98,613 shares at a price of €1.02 per share, with a share premium of €91,814.69.
- On 15 December 2016, the Company completed a capital increase from €969,517.06 to €1,151,183.73 through the issue of 2,725,000 shares at a price of €1.00 per share, with a share premium of €2,543,333.33.
- On 21 December 2016, the Company completed a capital increase from €1,151,183.73 to €1,161,134.20 through the issue of 149,257 shares at a price of €1.01 per share, with a share premium of €140,799.53.
- On 4 January 2017, the Company completed a capital increase from €1,161,134.20 to €1,173,905.27 through the issue of 191,566 shares at a price of €1.05 per share, with a share premium of €188,373.37.
- On 23 February 2017, the Company completed a capital increase from €1,173,905.27 to €1,184,487 through the issue of 158,726 shares at a price of €0.953 per share, with a share premium of €140,684.94.
- On 13 April 2017, the Company completed a capital increase from €1,184,487 to €1,196,713.87 through the issue of 183,403 shares at a price of €0.827 per share, with a share premium of €139,448.13.
- On 15 May 2017, the Company completed a capital increase from €1,196,713.87 to €1,237,170.53 through the issue of 606,850 shares at a price of €0.828 per share, with a share premium of €462,015.56.
- On 12 June 2017, the Company completed a capital increase from €1,237,170.53 to €1,384,874.73 through the issue of 2,215,563 shares at a price of €0.85 per share, with a share premium of €1,735,524.35.
- On 19 June 2017, the Company completed a capital increase from €1,384,874.73 to €1,472,482.46 through the issue of 1,314,116 shares at a price of €0.85 per share, with a share premium of €1,029,390.87.
- On 14 August 2017, the Company completed a capital increase from €1,472,482.46 to €1,482,491.86 through the issue of 150,141 shares at a price of €0.667 per share, with a share premium of €90,135.04.
- On 22 August 2017, the Company completed a capital increase from €1,482,491.86 to €1,502,310.46 through the issue of 297,279 shares at a price of €0.674 per share, with a share premium of €180,548.07.
- On 7 September 2017, the Company completed a capital increase from €1,502,310.46 to €1,519,671.66 through the issue of 260,418 shares at a price of €0.770 per share, with a share premium of €183,161.00.

05 Accounts and Notes

- On 25 September 2017, the Company completed a capital increase from €1,519,671.66 to €1,528,317.46 through the issue of 129,687 shares at a price of €0.774 per share, with a share premium of €91,731.98.
- On 23 October 2017, the Company completed a capital increase from €1,528,317.46 to €2,031,701.26 through the issue of 7,550,757 shares at a price of €0.660 per share, with a share premium of €4,480,115.82.
- On 1 November 2017, the Company completed a capital increase from €2,031,701.26 to €2,510,956.06 through the issue of 7,188,822 shares at a price of €0.660 per share, with a share premium of €4,265,369.10.

As of 31 December 2017, the Company's share capital of €2,510,956.06 was divided into 37,664,342 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	Unit value per share	Number of shares issued
At 1 January 2016	**479**	**0.07**	**7,189,214**
Capital increases	439	0.07	6,591,464
Contribution of Primerdesign securities	158	0.07	2,365,815
Capital increase by conversion of OCABSA	85	0.07	1,270,521
At 31 December 2016	**1,161**	**0.07**	**17,417,014**
Capital increases	1,218	0.07	18,269,258
Capital increase by conversion of OCABSA	132	0.07	1,978,070
At 31 December 2017	**2,511**	**0.07**	**37,664,342**

Amounts in '000 €

33. SHARE PREMIUM

Balance at 1 January 2016	**32,382**
Premium arising on issue of equity shares	15,338
Expenses of issue of equity shares	- 622
Balance at 31 December 2016	**47,120**
Premium arising on issue of equity shares	12,987
Expenses of issue of equity shares	- 1,826
Balance at 30 June 2017 (unaudited)	**58,281**

Amounts in '000 €

34. OTHER RESERVES

Balance at 1 January 2016	**- 81**
Translation differences	204
Other variations	-1
Acquisition on Primerdesign shares	-2,948
Balance at 31 December 2016	**- 2,826**
Translation differences	8
Other variations	2
Balance at 31 December 2017	**- 2,815**

Amounts in '000 €

The €2,948,000 change in share consideration in relation to the acquisition of Primerdesign in 2016 reflects the difference between the share premium amount arising from the capital increase on 22 February 2016, compared to the fair value of the same shares at the time of completion of the acquisition on 12 May 2016.

35. EQUITY RESERVE

Balance at 1 January 2016	**-**
Grant to Kreos Capital of Novacyt S.A. warrants	283
Conversion of the OCABSA Yorkville	62
Balance at 31 December 2016	**345**
Conversion of the OCABSA Yorkville	76
Balance at 31 December 2017	**421**

Amounts in '000 €

This reserve represents the equity component of warrants and loans.

36. RETAINED LOSSES

Balance at 1 January 2016	**- 22,157**
Net loss for the period	- 5,710
Balance at 31 December 2016	**- 27,867**
Net loss for the period	- 5,442
Balance at 31 December 2017	**- 33,309**

Amounts in '000 €

37. ACQUISITION OF SUBSIDIARIES

Acquisition of Primerdesign

On 12 May 2016, the Group took control of British company Primerdesign, through the acquisition of 100% of its shares by Novacyt S.A. For the purpose of simplification and as a result of this having no material impact, the initial consolidation is deemed to have taken place on 1 May 2016.

Primerdesign specialises in the design, manufacture and sale of molecular diagnostic kits. It also markets a molecular biology technology platform.

This acquisition offers the Group scope to extract synergies derived from the commercialisation of the Primerdesign offering via the Novacyt network and from the complementary technological nature of the cytology and molecular biology sectors.

The purchase price was €13,566,000, breaking down as follows:

Value of Novacyt securities tendered	3,430k
Option to purchase Novacyt securities	445k
Cash disbursed	7,081k
Contingent consideration payable in 2017 and 2018	2,610k
Total purchase price	**13,566k**

Amounts in '000 €

05 Accounts and Notes

The fair value of assets acquired and the liabilities assumed are as follows:

Net property, plant and equipment and intangible assets	473k
Customer relationships	3,676k
Trademark	660k
Inventories	462k
Trade receivables	531k
Other receivables	487k
Net cash and cash equivalents	764k
Trade payables	-281k
Other liabilities	-416k
Fair value of assets acquired and liabilities assumed	**6,356k**

Amounts in '000 €

Goodwill	**7,210k**

Amounts in '000 €

The net cash impact of the acquisition of Primerdesign is as follows:

Cash paid	-9,691k
Cash acquired	749k
Net cash impact	**-8,942k**

Amounts in '000 €

The fair value of assets includes unimpaired trade receivables with a net value of €531,000.

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

The fair value of the Novacyt S.A. securities tendered as consideration for the acquisition of the Primerdesign securities was determined on the basis of the market price on the date of the transaction.

The contingent consideration was estimated at the sum of €2,665,000 payable in the event of achievement of sales targets in the three years following the acquisition. The contingent consideration was estimated on the basis of estimated revenue and has been discounted.

The acquisition costs amounted to €508,000. They are included on the statement of comprehensive income in the year ended 31 December 2016 as "Costs related to acquisitions".

Primerdesign contributed €3,288,000 to consolidated revenue in the year ended 31 December 2016 and €971,000 to net profit or loss attributable to owners of the company between its consolidation on 1 May 2016 and 31 December 2016.

If the acquisition of Primerdesign were deemed to have been completed on 1 January 2016, the opening date of the Group's 2016 financial year, consolidated revenue would have amounted to €12,925,000 and net profit or loss attributable to owners of the company to a loss of €5,424,000.

The table below presents the group income statement for the 12 months' period ended on 31 December 2016 as if the acquisition of Primerdesign had been completed on 1 January 2016.

	31 December 2016 Pro forma
Revenue	12,925
Cost of sales	-5,297
Gross profit	**7,628**
Sales and marketing costs	-3,451
Research and development	-895
General & administrative costs	-6,410
Governmental subsidies	372
Recurring operating loss	**-2,756**
Costs related to acquisitions	-508
Other operating income	20
Other operating expenses	-935
Operating loss	**-4,179**
Financial income	781
Financial expenses	-1,983
Loss before tax	**-5,381**
Tax expense	-44
Loss after tax	**-5,425**
Total net loss	**-5,425**
Attributable to owners of the company	-5,425
Attributable to non-controlling interests	-

Amounts in '000 €

38. NOTES TO THE CASH FLOW STATEMENT

	Year ended 31 December 2017	Year ended 31 December 2016
Loss for the year / period	-5,442	-5,710
Adjustments for:		
Depreciation, amortisation and impairment loss	1,265	826
Unwinding of discount on contingent consideration	386	86
(Increase) / decrease of fair value	-140	293
Gains / (losses) on disposal of fixed assets	11	23
Operating cash flows before movements of working capital	**-3,920**	**-4,482**
(Increase) / decrease in inventories	-377	141
(Increase) / decrease in receivables	-1,805	338
Increase / (decrease) in payables	425	766
Cash used in operations	**-5,678**	**-3,236**
Changes in debt issues expenses	-19	-71
Income taxes paid	-148	-299
Finance costs	1,199	1047
Net cash used in operating activities	**-4,646**	**-2,559**

Amounts in '000 €

05 Accounts and Notes

39. OPERATING LEASE

	Year ended 31 December 2017	Year ended 31 December 2016
Lease payments under operating leases recognised as an expense in the year	468	427

Amounts in '000 €

The Group has a number of operating leases, primarily for the rental of offices or premises intended for production.

Operating leases rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Novacyt S.A.

In France, Novacyt S.A. has taken out a nine-year lease for its offices ending on 14 February 2022. The lease contract contains clauses relating to membership of the onsite communal restaurant, the payment of insurance premiums and other rental charges. The rent is revised on each anniversary because it is indexed to the national cost of construction index. The annual charge for the site (with service charges) was €60,976 in 2017.

Primerdesign Ltd

An operating lease currently exists for the York House site which is currently a mixed use for office, storage, and laboratory purposes. The lease originally commenced in November 2015 for a five-year period to November 2020. This was originally for the majority of the ground floor of the building. This area incurred an annual charge £79,883 per annum (including service charges) and a £4,717 rent free period. A variation to the lease was signed in March 2017 to enable increased capacity at the site and the use of all of the upstairs of the York House site. This was led to an additional annual charge of £22,560 (including service charges). The annual charge for the site (with service charges) is now £107,160 per annum.

Microgen Ltd

An operating lease existed for the Admiralty Way site which had a mixed use for office, storage, and laboratory purposes. The lease commenced in October 2015 for a two-year period to September 2017. The annual charge was £93,539. Microgen vacated the old site in H2 FY 2017. As a consequence, a new lease has been signed for the Watchmoor Park site which will again be mixed use. This commenced in May 2017, and will run until May 2032. There are rent review clauses in May 2022 and 2027. The annual charge for the site is £173,173 per annum (including service charges).

Healthcare Ltd

An operating lease currently exists for the Bridport site which is currently used for manufacturing, storage and laboratory purposes. The lease originally commenced in October 2013 for a five-year period to September 2018. There is an option to extend. The annual charge for the site is £38,903 per annum.

Lab 21 Ltd

An operating lease currently exists for the Park House site which is currently a mixed use for office, storage and laboratory purposes. The lease originally commenced in April 2014 for a five-year period to April 2019. The annual charge for the site including service charges is £63,700 per annum (which includes a £4,550 rent free period).

The transactions performed on assets received under operating leases are subject to contracts providing the following minimum future payments:

	Year ended 31 December 2017	Year ended 31 December 2016
Future minimum payments in respect of non-cancellable contracts		
Payments due in less than 1 year	435	334
Payment due in more than 1 year and less than 5 years	904	288
Total	**1,339**	**622**

Amounts in '000 €

40. RETIREMENT BENEFIT OBLIGATIONS

The cost of defined-benefit plans is determined at the end of each year in accordance with the projected unit credit method. The calculation is based on an actuarial method using assumptions with regard to future salary and retirement age.

The Group's defined benefit plan relates to bonuses payable under collective agreements in a lump sum on retirement and concerns only the employees of the French company Novacyt. Pursuant to the law and collective agreements, the Group gives a bonus to each employee upon retirement, expressed in number of months' salary (calculated on the basis of the wages paid during the 12 months preceding retirement) and seniority within the Group.

Net expense for the year/period

	Year ended 31 December 2017	Year ended 31 December 2016
Service cost	5	4
Financial cost	-	-
Other items	-3	-31
Expense (income)	**2**	**-27**

Amounts in '000 €

Change in the actuarial liability

	Year ended 31 December 2017	Year ended 31 December 2016
Obligation – beginning of year	**14**	**40**
Service cost	4	4
Decreases/payments	-2	-31
Financial cost	-	-
Actuarial gains and losses	-2	1
Obligation – end of year	**14**	**14**

Amounts in '000 €

Breakdown of actuarial gains and losses

	Year ended 31 December 2017	Year ended 31 December 2016
Effect of experience	-2	-
Change in demographic assumptions	-	-
Change in financial assumptions	-	1
Actuarial gains and losses	**-2**	**1**

Amounts in '000 €

Actuarial assumptions

The assumptions used for measuring change in obligations in respect of retirement benefits are presented in the table below:

	Year ended 31 December 2017	Year ended 31 December 2016
Retirement age – managers	64	64
Retirement age – non-managers	62	62
Wage increases	3.00%	3.00%
Rate of social security contributions	40.16%	41.10%
Discount rate	**1.40%**	**1.50%**

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 the debt and equity balance. 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 (borrowings disclosed in note 27 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained losses in notes 33 to 37).

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

The Group's focus is on cash management and this is reviewed on a regular basis by the Group Financial Controller and the Chief Financial Officer. The funding mix of the business is reviewed and managed regularly by the CFO and the CEO.

Gearing ratio

The gearing ratio at the year-end is as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
Debt	-3,893	-6,255
Cash and cash equivalents	4,345	2,856
Net debt	**-452**	**3,399**
Equity	**24,914**	**17,768**
Net Debt to Equity ratio	**-2%**	**19%**

Amounts in '000 €

Debt is defined as long-term and short-term borrowings (excluding derivatives and financial guarantee contracts) as detailed in note 27.

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

Significant accounting policy

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

	Year ended 31 December 2017	Year-ended 31 December 2016
Financial assets		
Cash & cash equivalents	4,345	2,856
Loans and receivables	3,563	2,220
Financial liabilities		
Fair value through profit and loss	127	293
Amortised cost	7,909	11,657

Amounts in '000 €

Financial risk management objectives

The Group's Finance Function is responsible for managing the financial risks relating to the running of the business. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

If there are any material risks then the Group would look to mitigate that risk through the appropriate measure such as hedging against currency fluctuations.

The Group does not use derivative financial instruments to hedge these risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are not managed utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets		Net exposure	
	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
GBP	-733	-3,858	1,464	1,288	731	-2,570
USD	-103	-137	1,453	476	1,350	339
CNY	-	-	6	3	6	3
CHF	-74	-	-	54	-	54

Amounts in '000 €

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the UK entities that are included in the operating segments "Diagnostics" and "Molecular Testing".

The following table details the Group's sensitivity to a 5% increase and decrease in euros against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity.

	Net exposure	
	Year ended 31 December 2017	Year ended 31 December 2016
GBP	731	-2,570
Conversion rate	0.887980	0.856640
Impact EUR strengthening : FX + 5 %	-35	-216
Impact EUR weakening : FX - 5 %	38	-509
USD	1,350	339
Conversion rate	1.183621	1.054100
Impact EUR strengthening : FX + 5 %	-64	-16
Impact EUR weakening : FX - 5 %	71	18

Amounts in '000 €

Interest rate risk management

The Group borrows funds at fixed interest rate and therefore it is not exposed to significant interest rate risk.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with 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 consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

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

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is based on the earliest date when the Group may be required to pay.

	Effective interest rate (%)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
31 December 2017						
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	19.6%	304	607	2,254	1,250	4,415
31 December 2016						
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	21.7%	263	526	2,312	3,158	6,259

Amounts in '000 €

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including 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
31 December 2017						
Non-interest bearing	-	6,863	520	235	229	7,847
31 December 2016						
Non-interest bearing	-	4,035	784	139	118	5,076

Amounts in '000 €

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 31/12/16	Fair value as at 31/12/17	Fair value hierarchy	Valuation technique (s) and key input (s)	Significant unobservable input (s)	Relationship of unobservable inputs to fair value
1) Contingent consideration (current and non-current portion)	2,592	1,126	3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration	Discount rate of 16% for December 2016. No discount for December 2017	If the discount rate was 1 point higher or lower while other variables were held constant, the carrying amount would respectively decrease by 17K€ and increase by 18K€ at December 2016
2) Trade and other payables: Options classified as liabilities - Warrant Primerdesign	267	126	2	Monte Carlo simulation model	Expected volatility of 52.80 used for December 2017	If the expected volatility was 5% higher or lower while other variables were held constant, the carrying amount would respectively increase by 13K€ and decrease by 16K€ as at December 2017
3) Trade and other payables: Options classified as liabilities - Warrant Yorkville	26	-	1	Quoted bid prices in an active market	N/A	N/A

Fair value measurements recognised in the statement of financial position

	Year ended 31 December 2017			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivatives financial liabilities	-	126	1,126	1,252
Total	**-**	**126**	**1,126**	**1,252**

	Year ended 31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivatives financial liabilities	26	267	2,592	2,885
Total	**26**	**267**	**2,592**	**2,885**

Amounts in '000 €

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

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

	Carrying amount	
	Year ended 31 December 2017	Year ended 31 December 2016
Financial liabilities		
Bonds	2,605	5,422
Convertible loan notes	1,157	448
Bank loans at fixed interest rate	153	384

	Fair value	
	Year ended 31 December 2017	Year ended 31 December 2016
Financial liabilities		
Bonds	2,737	5,888
Convertible loan notes	1,083	433
Bank loans at fixed interest rate	153	384

Amounts in '000 €

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

	Fair value hierarchy
Bonds	3
Convertible loan notes	3
Bank loans at fixed interest rate	3
Accrued interest	3

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

42. COMMITMENTS GIVEN AND RECEIVED

The guarantees given by the Group are as follows.

Under the terms of the bond contracts subscribed by Kreos Capital IV Ltd and Kreos Capital V Ltd, and as a guarantee of perfect repayment of this loan and interest, fees, commissions or other amounts due, the Group has agreed to the following guarantees in favour of the two structures:

- pledge of the business;
- senior pledge on receivables;
- non-possessory pledge of inventories; and
- senior and non-recourse pledge of bank accounts.

The amount of guaranteed loans is presented in note 27 "Borrowings".

The Company has also granted Primerdesign shareholders a variable contingent consideration, settlement of which is scheduled for mid-2018. As security for the payment of such sums, third-line pledge on business assets and collateral subject to English law (mortgage debentures) have been implemented.

43. RELATED PARTIES

Parties related to Novacyt S.A. are:

- the managers, whose compensation is disclosed below; and
- the directors of Novacyt S.A. and Lab21.

Remuneration of key management personnel

	Year ended 31 December 2017	Year ended 31 December 2016
Fixed compensation and company cars	990	979
Variable compensation	480	216
Social security contributions	191	196
Long-term incentive plan	18	-
Contributions to supplementary pension plans	47	44
Total	**1,726**	**1,435**

Amounts in '000 €

Aggregate directors' remuneration

	Year ended 31 December 2017	Year ended 31 December 2016
Fixed compensation and company cars	428	489
Variable compensation	437	140
Social security contributions	113	123
Post-employment benefits	-	253
Contributions to supplementary pension plans	16	12
Fees	99	108
Total	**1,094**	**1,125**

Number of directors	**7**	**7**

Amounts in '000 €

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

Loans to related parties

	Year ended 31 December 2017	Year ended 31 December 2016
CUP92 (director company, J.P. Crinelli)	-	41
A. Howard, Director	-	35
E. Snape, Director	-	17
Total	**-**	**93**

Amounts in '000 €

05 Accounts and Notes

44. AUDIT FEES

	Year ended 31 December 2017	Year ended 31 December 2016
Fees payable to the Company's auditor and its associates in respect of the audit		
Group audit of these financial statements	111	112
Audit of the Company's subsidiaries' financial statements	170	122
Total audit remuneration	**281**	**234**
Fees payable to the Company's auditor and its associates in respect of non-audit related services		
Audit-related assurance services	33	128
Tax compliance services	-	-
Tax advisory services	-	-
All other services – AIM listing fees	215	25
Total non-audit related remuneration	**248**	**152**

Amounts in '000 €

45. IMPACT OF BREXIT ON THE GROUP'S ACTIVITY

Companies operating in the "Diagnostics" and "Molecular testing" sectors are established in the United Kingdom. It is difficult to anticipate the impact of Brexit on trade relations and regulatory constraints. The tax consequences depend on the outcome of negotiations between Europe and the United Kingdom, and to date, are undetermined. Management is seeking to identify market, operational and legal risks and to take the appropriate adaptation measures as required.

46. SUBSEQUENT EVENTS

No significant events have taken place since the reporting date.

06 Definitions and Glossary

Definitions

The following definitions apply throughout this annual report, unless the context requires otherwise.

"Admission"	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
"AIM"	a market operated by the London Stock Exchange
"AIM Rules for Companies"	the rules (including the guidance notes thereto) for AIM companies published by the London Stock Exchange, as amended from time to time
"AIM Rules for Nominated Advisers"	the rules for nominated advisers to AIM companies published by the London Stock Exchange, as amended from time to time
"Allegra"	Allegra Finance SA, a company registered in France with number 489 130 153
"Allegra Introduction Agreement"	the agreement dated 19 September 2017 between Allegra and the Company relating to the procurement of subscribers for Subscription Shares
"AMF"	General Regulation of the Autorite´ Des Marche´s Financiers of France, which comprises the French takeover rules
"Articles"	the articles of association of the Company upon Admission
"Audit Committee"	the audit committee of the Board as constituted from time to time
"Board" or "Directors"	the directors of the Company, whose names are set out on page 29 to 31 of this document
"Business Day"	a day (other than a Saturday or Sunday) on which banks are open for general business in London, United Kingdom
"Canada"	Canada, its territories and possessions, any province of Canada and all other areas subject to the jurisdiction of Canada
"CDI"	CREST Depository Interests, which represent an entitlement to Shares held through a nominee service, and Shareholders, when referred to in this document, includes the holders of those CDIs through that nominee service
"CM-CIC"	Groupe CIC, a French financial institution that is part of the Cre´dit Mutuel group
"Company"	Novacyt S.A.
"CREST"	the relevant system (as defined in the CREST Regulations) operated by Euroclear (as defined in the CREST Regulations)
"CREST Regulations"	the UK Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755) and any modification thereof or any regulations in substitution thereof for the time being in force
"Disclosure and Transparency Rules"	the disclosure guidance and transparency rules made by the Financial Conduct Authority under Part VI of FSMA
"EEA"	the European Economic Area
"Enlarged Share Capital"	the issued share capital of the Company upon Admission comprising the Existing Shares and the New Shares
"EU"	the European Union
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST
"Euroclear France"	Euroclear France SA, a company registered in France with number 542 058 086
"Euronext Growth Paris"	Euronext Growth in Paris, a market dedicated to small and midcap companies operated by Euronext. Formerly known as Alternext Paris
"Executive Directors"	Graham Mullis and Anthony Dyer
"Executive Team"	the Executive Directors and those employees of the Group as set out on page 32 of this document
"Existing Shares"	the 22,924,762 Shares in issue as at the date of this document
"Financial Conduct Authority"	the UK Financial Conduct Authority
"FSMA"	the UK Financial Services and Markets Act 2000, as amended from time to time
"Fundraising"	together, the Placing and the Subscription
"Group" or "Novacyt"	the Company, its direct and indirect subsidiaries and a branch
"IFRS"	International Financial Reporting Standards
"Invest Securities"	Invest Securities SA, a company registered in France with number 439 866 112
"Kreos IV"	Kreos Capital IV (UK) Limited
"Kreos V"	Kreos Capital V (UK) Limited
"Joint Brokers"	Stifel and WG Partners
"Lab21"	Lab21 Ltd together with its direct and indirect subsidiaries
"London Stock Exchange"	London Stock Exchange plc
"Member States"	the member states of the EEA
"New Shares"	together, the Placing Shares and the Subscription Shares
"Nomination Committee"	the nomination committee of the Board as constituted from time to time
"Non-Executive Directors"	James Wakefield, Dr Andrew Heath, Dr Edwin Snape, Jean-Pierre Crinelli and Juliet Thompson
"Novacyt LTIP"	the Novacyt S.A. Long Term Incentive Plan
"NOVAprep®"	Novacyt S.A., Novacyt China Limited, Novacyt S.A. UK and Novacyt Asia Limited
"Official List"	the Official List of the UK Listing Authority
"Order"	the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended or replaced)
"QCA"	The Quoted Companies Alliance
"QCA Code"	the QCA Corporate Governance Code for Small and Mid-Sized Quoted Companies, as amended from time to time
"Placing"	the conditional placing of the Placing Shares by the Joint Brokers as agents for the Company on the terms and conditions set out in the Placing Agreement
"Placing Agreement"	the conditional agreement dated 18 October 2017 between the Company, the Directors and the Joint Brokers relating to the Placing
"Placing Price"	59.38 pence per New Share
"Placing Shares"	the 7,051,590 new Shares to be issued pursuant to the Placing
"Primerdesign"	Primer Design Ltd
"Prospectus Rules"	the prospectus rules of the Financial Conduct Authority made under Part VI of the FSMA
"Regulatory Information Service"	one of the regulatory information services authorised by the UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies
"Remuneration Committee"	the remuneration committee of the Board as constituted from time to time
"Securities Act"	the United States Securities Act of 1993, as amended from time to time
"Shareholder"	a holder of Shares
"Shares"	ordinary shares of 1/15th of one Euro each in the share capital of the Company
"Stifel"	Stifel Nicolaus Europe Limited, a company registered in England and Wales with company number 03719559, which is authorised and regulated by the Financial Conduct Authority
"Subscriber"	those persons subscribing for Subscription Shares pursuant to the Subscription
"Subscription"	the conditional subscription for the Subscription Shares pursuant to the Subscription Letters
"Subscription Letters"	the letters of subscription entered into between the Company and the Subscribers
"Subscription Shares"	the 7,687,989 new Shares to be issued pursuant to the Subscription
"Subsidiary"	as defined in section 1159 and Schedule 6 of the UK Companies Act 2006
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the UK Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List
"UK Placing Shares"	those Placing Shares being subscribed by investors based in the UK and who have elected to receive settlement via CREST
"US" or "United States"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to the jurisdiction of the United States of America
"VAT"	value added tax
"Vatel Capital"	FCPI Dividendes Plus n84 and FCPI Dividendes Plus n85, two investment funds managed by Vatel Capital SAS
"WG Partners"	WG Partners LLP, a limited liability partnership registered in England and Wales with number OC369354, which is authorised and regulated by the Financial Conduct Authority
"Yorkville"	YA Global Master SPV Ltd
"€" or "Euros" or "EUR"	Euro
"£" or "pound sterling"	British pounds sterling and "pence" shall refer to British pence
"US$"	US dollars

06 Definitions and Glossary

Glossary and technical terms

Set out below is a glossary of selected technical and other terms used in this annual report.

“B2B”	business-to-business
“CAGR”	compound annual growth rate
“CE”	Conformite´ Europe´enne, a European health & safety product label
“CFDA”	the China Drug and Food Administration
“CPS”	cytology PAP smear
“cytology”	the branches of biology and medicine concerned with the structure and function of plant and animal cells
“diagnostics”	the process of detection and identification of a disease
“DNA”	deoxyribonucleic acid, a self-replicating material that is present in nearly all living organisms as the main constituent of chromosomes. It is the carrier of genetic information
“EBITDA”	earnings before interest, tax, depreciation and amortisation. In this document, EBITDA is presented before exceptional items
“EMEA”	Europe, the Middle East and Africa
“EN ISO”	European standard, in accordance with the standards set by the International Organisation for Standardisation
“FDA”	the US Food and Drug Administration
“genesig q16 instrument” or “q16 instrument”	an instrument sold by the Group designed to undertake DNA testing using the Group’s genesig reagents
“HCV”	the hepatitis C virus, which is a virus that can cause an infectious disease that primarily affects the liver
“HIV”	human immunodeficiency virus
“HPV”	the human papilloma virus, which is the name for a group of viruses that affect human skin and the moist membranes lining the human body
“HR”	human resources
“haematology”	the study and treatment of blood and blood-forming organs
“IT”	information technology
“IVD”	in vitro diagnostics, which are medical devices used for testing material external to a living organism
“KPIs”	key performance indicators
“LBC”	liquid based cytology, which is a technique for collecting cytological samples in order to detect different cancers from solid tumour
“microbiology”	the branch of biology that deals with the structure, function, uses, and modes of existence of microscopic organisms
“molecular diagnostics”	applying molecular biology to medical testing by using biological markers based on an individual’s genetic code and how their cells express their genes as proteins to determine a test result
“NGOs”	non-governmental organisations
“Notified Body”	an independent body appointed and accredited by an agency within one of the European countries, usually governmental, as being capable of assessing whether a product to be placed on the market meets certain preordained standards
“oncology”	the study and treatment of tumours and cancer
“open platforms”	instruments that have been designed to allow any reagent manufacturer to develop assays and reagents that can operate on the instrument
“PAP smear”	a procedure for testing for cervical cancer in women and involves collecting cells from the cervix
“pathogen”	a bacterium or a virus or other microorganism that can cause a disease
“PCR”	polymerase chain reaction
“QA”	quality assurance
“qPCR”	quantitative real-time polymerase chain reaction
“RA”	regulatory affairs
“RUO”	research use only
“serology testing”	testing to detect the presence of antibodies in the body against a microorganism
“STD”	a sexually transmitted disease
“TDM”	therapeutic drug monitoring
“TGA”	the Australian Therapeutic Goods Administration
“WHO”	the World Health Organisation
“Zika”	a virus that is mainly spread by mosquitoes and which causes mild fever symptoms but can be associated with a higher incidence of microcephaly in babies born to mothers infected during pregnancy

07 Company Information

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Company Secretary	Anthony Dyer
Registered office	**Novacyt S.A.** 13 Avenue Morane Saulnier 78140 Vélizy-Villacoublay France
Registered number	491 062 527 (France)
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Joint Broker to the Company	**WG Partners LLP** 85 Gresham Street London EC2V 7NQ United Kingdom
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:** **Stance Avocats** 37-39 Avenue de Friedland Paris 75008 France
Auditors	**Deloitte & Associés** 185 Avenue Charles du Gaulle 92524 Neuilly-sur-Seine Cedex France **Deloitte LLP** 2 New Street Square London EC4A 3BZ United Kingdom
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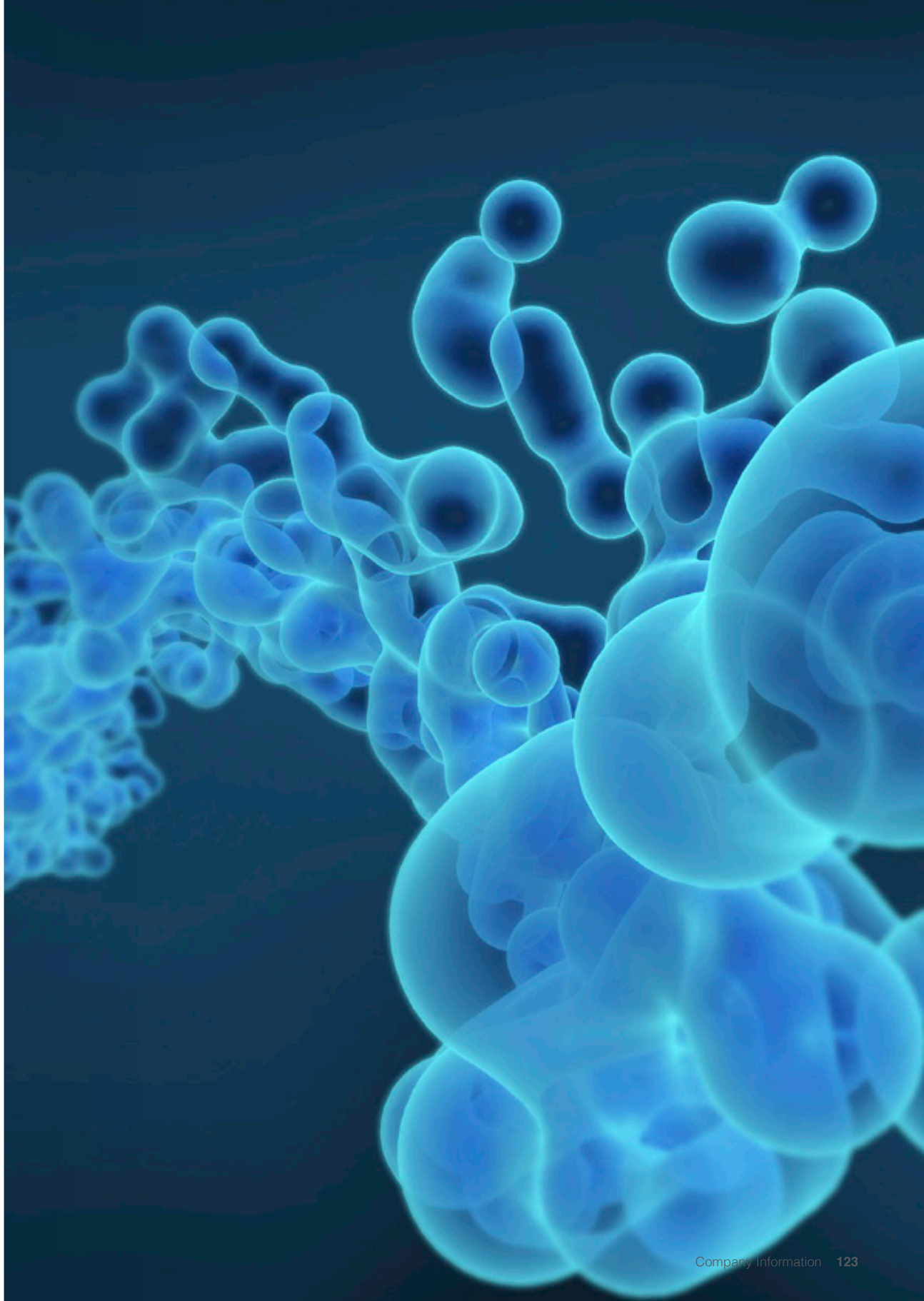
Registrars	**Computershare** The Pavilions Bridgwater Road Bristol BS13 8AE United Kingdom

Notes



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