NOVACYT

GROUP

Annual Report and Accounts

For the year ended December 2018

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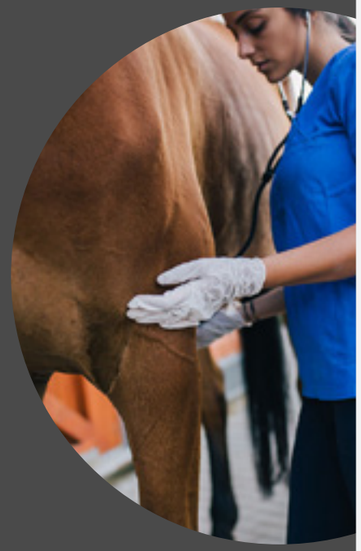


01 Business Overview

Novacyt is a rapidly growing, international diagnostics group, generating revenues from the sale of diagnostic and pathogen testing kits based on molecular and protein testing technologies and sold into human clinical, life science, food and industrial markets.

The Group has considerable experience in the development, manufacture and commercialisation of molecular and protein diagnostic reagent products and aims to become a leader in developing new products for the infectious disease and oncology testing markets.

"Novacyt is delivering significant sales growth, EBITDA profit and is on the way to becoming a leading diagnostics company."

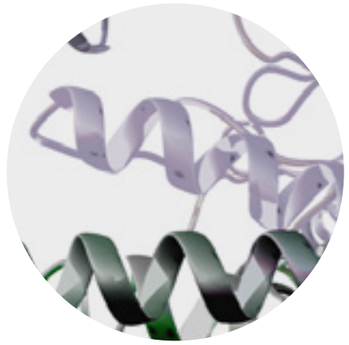
Who are we?

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 two main product technology platforms which underpin its product portfolio and niche market focus. The two technology platforms are molecular-based products, (the fastest growing technology sector) and protein-based diagnostic products (the largest and most established technology sector).

The Company's customers and end-users include universities, hospitals, clinics and testing laboratories (both with healthcare and industrial focus). 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 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:

- Organic
- Innovative R&D
- Acquisitive

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 innovative 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. Where appropriate, we also look to utilise the same technologies and products for application in veterinary diagnostics. A critical component of improved clinical care in food and veterinary diagnostics is the accurate diagnosis not only of the disease, but the genetic diagnosis, 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, 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 with the clinical market estimated at over €6.0bn.

Protein diagnostics market

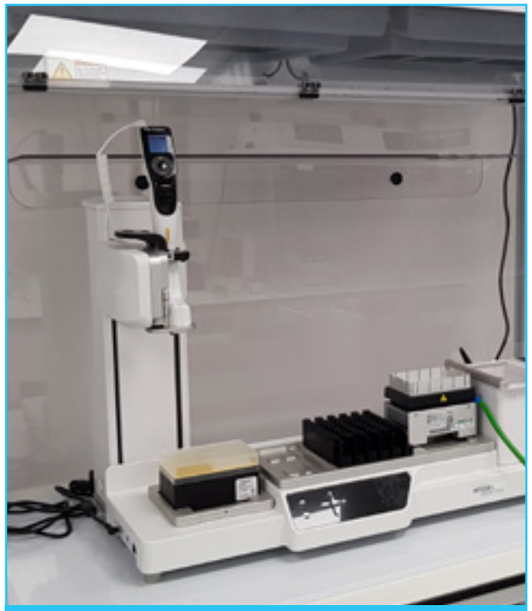
Lab21 operates in an estimated €11.7bn total addressable market with a specific focus in microbiology, serology and haematology diagnostic markets.

Novacyt competes in these established markets by offering good quality, high performing reagent products with long recognisable brands.

01 Business Overview

Highlights

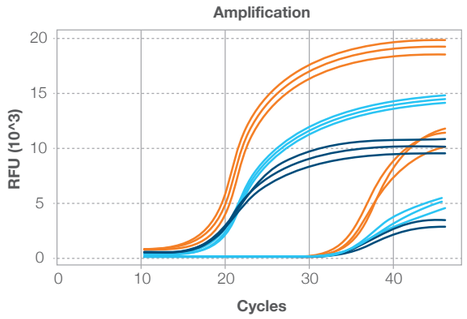
Organic Growth



Diagnostics supply agreement signed with Genesis Diagnostics

The figure shows the amplification plots obtained from the finalised multiplex developed for GenePOC (all primers, probes and templates in same well), demonstrating excellent detection down to 10 copies of all 3 respiratory targets.

Multiplex of FluA, FluB and RSV with 106 and 10 copies of each template.



Assay development contract for diagnosis of respiratory infections with GenePOC

Over 450 q16 units sold since launch in 2015

Innovative R&D Growth

New Infectious Mononucleosis product

2 new CE-IVD marked molecular assays for EBV, BKV

Acquisitive Growth

Acquisition of Infectious Disease Business from Omega Diagnostics

01 Business Overview

Continuing operations delivered consolidated revenue growth of

9%

at CER

Recently completed the rapid development of an **African Swine Flu assay** to help address the current swine flu food supply-chain limitations in China, Vietnam and certain European countries

Group gross margin increased to **63%** in 2018 from 62% in 2017

Primerdesign gross margin **grew 3% year-on-year to 84%**

Almost tripled Omega ID business adjusted EBITDA margin to

28%

post acquisition

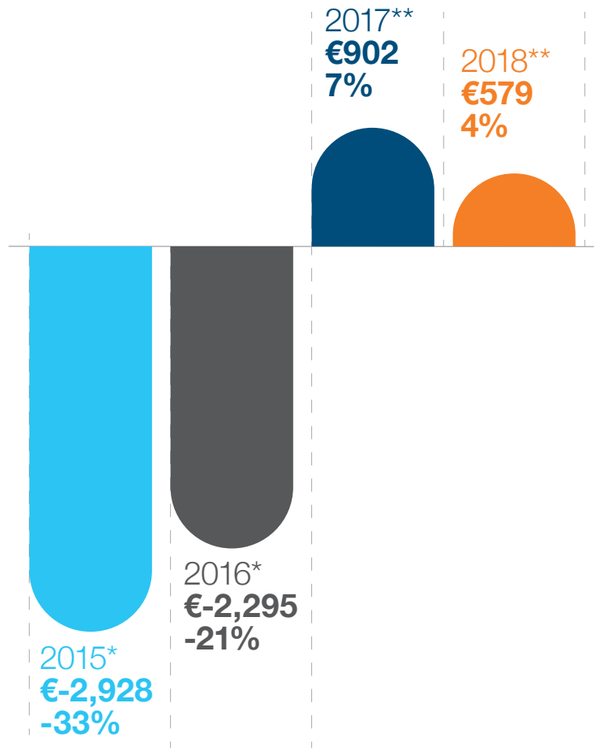
Year ended with

119

employees*

*including NOVAprep® employees

Positively adjusted **EBITDA position**



*Includes NOVAprep® **Excludes NOVAprep®

Significant recruitment expected to continue in 2019

01 Business Overview

Group figures*

Number of customers served in 2018

1,066

(UK = 342, International = 724)

Lab21 Healthcare sales revenues of

€3.8m

Primerdesign sales revenues of

€6.2m

Microgen Bioproducts sales revenues of

€2.9m

Number of countries sold into during 2018

148

*NOVAprep® business unit eliminated from the operating results for continuing operations, under the provisions of IFRS 5.

LAB 21 HEALTHCARE	MICROGEN BIOPRODUCTS	PRIMER DESIGN
Largest sales region outside the UK Asia Pacific	**Largest sales region outside the UK** Europe	**Largest sales region outside the UK** Europe
Biggest growth region in 2018 MEA (Middle East and Africa)	**Biggest growth region in 2018** MEA (Middle East and Africa)	**Biggest growth region in 2018** USA & Canada
Top 5 export markets in 2018 • Indonesia • Bangladesh • Nigeria • India • Iran	**Top 5 export markets in 2018** • USA • Italy • France • Japan • Poland	**Top 5 export markets in 2018** • USA • France • China • South Africa • Canada

Biggest selling product lines in 2018
• Blood grouping antisera
• Syphilis serology (RPR/TPHA)
• Febrile antigens
• Rapid Tests
• Latex serology
	Biggest selling product lines in 2018
	• MID-67 Listeria ID Kit
	• Bacterial ID kit
	• Latex test kit
	• Path-Chek swabs
	• Vials of Bacterial Typing Anti-Serum
		Biggest selling product lines in 2018
		• Genesig Real-Time Detection Kit
		  • Top 3 targets:
		  - Aspergillus species
		  - Hepatitis B Virus
		  - Pig/pork meat speciation
		• Genesig q16 Real-Time PCR Instrument
		• PrecisionPLUS qPCR Master Mix
		• Oasig Lyophilised qPCR Master Mix

02 Strategic Report

Chairman's Statement

"The Board is confident that Novacyt will deliver long term shareholder value following a challenging year for Novacyt and its shareholders in 2018. We look forward to demonstrating the intrinsic value of the continuing business as we move into 2019."

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

The restructure of the Group and new focus on its profitable reagent development and manufacturing business units is a key step in creating this long term value. The Group's financial performance has been transformed without the losses from NOVAprep®, as shown in the 2018 results, and demonstrates our expectations for the future financial performance of the Group. The continuing operations include the business units of Primerdesign, Microgen Bioproducts and Lab21 Healthcare which includes the acquisition of the Infectious Disease Business from Omega Diagnostics in June 2018. During the period, these continuing operations produced sales of €13.7m and EBITDA profit of £0.6m, reaching the significant milestone of profitability at an operational level. The Board is confident the Group has the business assets, the management, the determination and a supportive shareholder base which will support this progress to deliver high levels of future profitability.

The Group is listed on two regulated stock exchanges: Euronext Growth Paris and AIM London. As such, the Board remains committed to maintaining the highest standards of transparency, ethics and corporate governance, whilst also providing leadership, controls and strategic oversight to ensure that we deliver value to all shareholders. There were no changes to the Board during the year.

We have made significant efforts to engage closely with our investors working together with our brokers while we position ourselves for the next phase of growth.

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

Looking ahead, 2019 is set to be a year of transition for Novacyt as it disposes of NOVAprep® and the Clinical lab business units, and focuses on its core remaining operations to drive strong financial performance. In these businesses, we are seeking to build on the momentum of the past few years and the Board looks forward to updating you on continued progress.

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

02 Strategic Report

Chief Executive Officer's Review

"We have taken the difficult decision to sell the NOVAprep® and Clinical lab business units which are non-core to the reagent development and manufacturing expertise of the Novacyt Group. As we work through the disposal of these business units whilst focusing on continuing to develop the core business, I wanted to thank the shareholders and employees of Novacyt for their patience and support during this transition period. The resulting more focused and profitable reagent based diagnostics business has very exciting growth prospects for the future."

Graham Mullis,
CEO,
Novacyt S.A.

Milestone EBITDA of €0.6m

Overview

Novacyt has achieved the major milestone of adjusted EBITDA profitability within its continuing operations for both FY2018 and the restated results of FY2017, following its announced intention to divest the non-core NOVAprep® business unit. This reinforces the financial strength of its core, continuing reagent manufacturing businesses: Primerdesign (molecular diagnostics) and Lab21 Products (protein diagnostics). In the current challenging financial markets, we believe this places Novacyt into a strong competitive position as an adjusted EBITDA profitable, technology focused, high growth diagnostics company.

During 2018, Novacyt commenced a strategic review to explore ways to maximise the future value of certain non-core assets within the Group. A decision was reached to dispose of the NOVAprep® and Lab21 Clinical Lab businesses: processes which remain ongoing. The continuing businesses within the Group are, therefore, focused on the development, manufacture, sales and distribution of diagnostic reagents used in infectious disease markets. The decision to move away from large instrumentation means Novacyt can capitalise on its core expertise in reagents and continue to drive stronger margins.

The Group has been reorganised internally from a divisional to a centralised structure, enabling us to align the organisation to create greater integration and synergies across each of the core business units during 2019 and beyond, to further enhance financial performance. I would like to extend my thanks and appreciation to colleagues involved in these changes who have shown continued commitment and support for the Novacyt business with some outstanding leadership from the executive management team.

Novacyt remains committed to its growth strategy based on the three strategic pillars of organic growth, acquisitive growth and growth from new product development.

02 Strategic Report

Organic Growth

The core reagent products are based on molecular and protein diagnostic technologies and the Group's extensive product menu generates sales from clinical testing, food testing and animal testing diagnostics. The Group will continue to invest in commercial infrastructure for its clinical and food sales channels and will look for a strategic partner in the animal testing market.

The molecular products' business provides the Group's most significant growth opportunity which continues to develop following the successful acquisition of Primerdesign. In 2018, molecular sales increased to €6.2m (£5.5m), up 3% (CER) year-on-year, with revenue growth in the core international business strong at over €0.5m (£0.5m) or 11%. Total molecular sales growth in 2017 was positively impacted by a large one-off sale to China in excess of $1m (£0.9m). Excluding this one-off sale in 2017 would have resulted in a year-on-year growth of over 20% for the Primerdesign business in 2018. In 2019, further investment is planned to expand the Group's direct sales channel.

Lab21 revenues in the year were €7.5m (£6.6m), an increase of 14% on 2017 at CER, with growth being driven by the acquisition of Omega ID.

Acquisitive Growth

The Company has always been clear that significant opportunities exist in the diagnostics market to acquire new high growth products and accelerate financial performance with attractive and accretive M&A. The Company has been able to demonstrate this during the past five years through the acquisitions of Lab21, Primerdesign and Omega ID as it has significantly increased sales from €1.2m to €13.7m and turned losses into EBITDA profitability. With attractive buying multiples and the Group's demonstrated ability to integrate assets successfully, acquisitions are expected to continue to be significantly accretive to sales growth, gross margins and earnings.

In May 2018, the Company successfully raised €4.0 million through bonds to fund the acquisition of the profitable Omega ID business which helped the Group accelerate its EBITDA profitability during the second half of 2018 and give the Group greater access to certain key markets to help create operational synergies. During the first six months of integrating the business assets, Novacyt was able to generate an EBITDA margin of 28% from this acquisition, which has almost tripled its underlying EBITDA margin due to manufacturing and overhead cost savings. This level of performance is expected to continue into 2019 where the full year benefit of the acquisition will be seen.

While the financial markets remain uncertain, Novacyt has no current immediate plans for further acquisitions but will continue to monitor and assess opportunities that have the potential to benefit the Group.

R&D

During 2018, a number of significant B2B opportunities were secured and new products and further CE-IVD marked molecular diagnostic kits were launched. This reflects the Group's commitment to our core strengths of in-vitro diagnostics product development, commercialisation and contract manufacturing as we focus on our molecular and protein reagent manufacturing business units, Primerdesign and Lab21 Products.

A key target is to expand our clinical molecular menu following the launch in 2018 of two new molecular CE Mark assays (BKV and EBV), with three additional complementary molecular assays for immunosuppressed patients set to be launched in 2019.

During the year, significant operational development of the qPCR instrument, the q16 was made, allowing Novacyt to reduce test cycle times further for some assays down from 120 minutes to 45 minutes which the Company believes is class-leading. Further developments are planned in 2019 with the launch of the next-generation and larger qPCR instrument: the q32. In addition, Primerdesign has just launched the newly developed African Swine Flu assay where significant demand is currently experienced in China, Vietnam and some Eastern European countries, again showing how responsive its development capabilities are to market demands.

G D Mullis

Graham Mullis,
Chief Executive Officer,
Novacyt S.A.

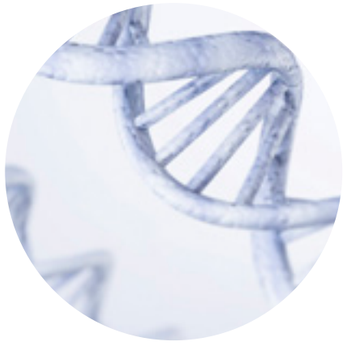
Molecular sales increased to €6.2m

€7.5m Lab21 revenues

During 2018, a number of significant B2B opportunities were secured

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 based in Southampton, UK. With thousands of customers in over 100 countries around the World, Primerdesign has a growing reputation in its field. Primerdesign now consists of a substantial team of friendly and dynamic molecular experts, all dedicated to giving our customers a fantastic experience and all thriving in a highly professional environment.

Since its acquisition by the Company in May 2016, Primerdesign has continued to grow and is now a significant part of the Group. With ambitious growth targets set at the time of acquisition, its direct sales operations and its business-to-business (B2B) pipeline continues to build showing great strength and promise for future growth.

During 2018, Primerdesign secured significant B2B relationships with Genesis Diagnostics, GenePoc and Applied Microarray.

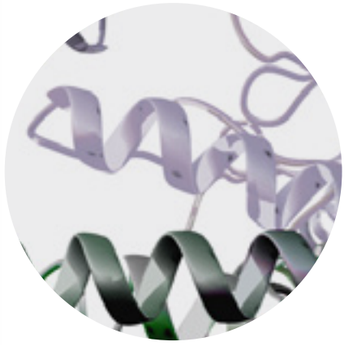
Following its first IVD CE Mark approval for Zika in July 2017, Novacyt produced a further two IVD CE marked products during 2018, further demonstrating the Company's ability to develop CE-IVD assays. Transitioning a selection of Primerdesign's current RUO assays into the larger clinical market by expanding its menu of molecular diagnostic tests for monitoring post-transplantation and immunosuppressed patients, remains 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. In follow-up to our largest single order for Primerdesign's genesig® q16 instruments received in 2017, we received a further order in December 2018 for another 100 instruments, paid for in advance from a new customer in the Asia Pacific region.

Primerdesign has now sold over 450 q16 units since its launch in 2015. As instrument sales grow, the Company expects a pull-through effect in relation to repeat genesig® reagent sales.

Following investment in both direct and distributor sales channels, Primerdesign increased its commercial reach which resulted in strong growth in International Markets of 13%, with significant double digit growth in the USA of 51%.

Additional manufacturing space has been secured at the Southampton site, which the Company expects to provide sufficient capacity for the planned molecular sales growth over the next few years.



Protein products – Lab21 Products

Key metrics

Lab21 is a developer, manufacturer and distributor of a large range of protein-based infectious disease IVD products with Microgen Bioproducts Ltd based in Camberley and Lab21 Healthcare Ltd based in Bridport, both in the UK.

Microgen Bioproducts has over 20 years of experience in providing high quality diagnostic products for clinical and food testing laboratories and Microgen Bioproducts has a reputation for exceptional customer service and sales support to be proud of. Our clinical product range supports healthcare providers in improving patient health, whilst our comprehensive food diagnostic range helps manufacturers ensure consumer safety. Microgen exports to more than 80 countries through a network of over 100 dedicated distributors, allowing the impact of our products to be utilised globally.

Lab21 Healthcare is the manufacturer and supplier of the well-known Plasmatec and Biotec branded products.

The company is recognised by its customers as having a long history of providing quality and affordable solutions to more than 80 countries worldwide. Specialising in the production and distribution of reagents and test kits for both IVD and blood grouping application, we are very proud of our ability to constantly improve production efficiency in our attempts to offer our end users the most cost-effective solutions.

2018 was a solid year for the Lab21 Products business, maintaining the strong position it had built in the previous year. The highlight of the year for Lab21 Products was the acquisition of the Infectious Diseases assets from Omega Diagnostics in June. In the second half of 2018 these products contributed £937,000 to the divisions sales. The growth for the Lab21 Products (including 6 months of Omega sales) ended at 16.8%, with the core business remaining stable for the full 12 months.

02 Strategic Report

Financial Review

During the year, Novacyt continued to grow revenue and gross margin and the steps we took to refocus the business helped us deliver EBITDA profitability. It has also been an important year in which the Group has completed its first full year as a dual-listed AIM and Euronext Growth Paris company.

Overview

We have set ourselves an objective of continuing to drive high sales growth, improve the gross margin whilst balancing ongoing investment with sustained EBITDA profitability goals and ultimately deliver free cash flow generation.

Following the issuance of a bond to finance the acquisition of the Infectious Disease business of Omega Diagnostics, which has increased Group borrowings, Novacyt has continued to reduce the level of indebtedness of the Company through debt repayments of €3.2m during the year including €0.6m of interest.

On 23 April 2019, Novacyt entered into the convertible bond Agreement with an immediate investment of €2.0 million. The initial €2.0 million of funding, will be used primarily for general working capital purposes and support the planned growth of the business in the short and medium term. The full facility funding, if drawn down would also be used to further service outstanding debt and earn out obligations. Ultimately, the Directors believe that the full facility funding would support Novacyt in becoming cash flow self-sufficient in the longer term.

Financial performance

Revenue growth of 8% (9% CER) compared to 2017 was underpinned by improvements in the two continuing operating divisions:

- Primerdesign FY18: €6.2m (£5.5m), FY17: €6.1m (£5.3m), +3% at CER
- Lab21 Group FY18: €7.5m (£6.6m), FY17: €6.7m (£5.8m), +14% at CER

Primerdesign sales growth was driven by a strong core business delivering over 11% or €0.5m of growth, offset by reduced B2B revenues as a result of a large one-off sale in late 2017 for over $1m. Removing this one-off sale in 2017 would have resulted in a year-on-year growth of over 20% for the Primerdesign business. During 2018 Primerdesign signed a multi-year exclusive B2B supply agreement worth a minimum in excess of $3m over five years with a US customer with material revenue streams expected to commence in 2019. As sales have increased, the impact of high margin genesig® testing reagent kits have ensured the divisional gross margin remains above 80% and have increased by three percentage points to 84%.

Lab21 sales grew by 14% (CER) for the full year, primarily due to the accretive effect of the Omega ID business, which drove 13% of the 14% year-on-year growth. Revenue growth was achieved while maintaining the divisional gross margin, which at 45%, is good for a mature products business.

Group operating costs have increased year-on-year to support the continued growth of the business following a profitable 2017 adjusted EBITDA position for the continuing operations of the Group. A number of new staff have been hired across different functions in 2018 to ensure the business is structured to build on historical growth.

The Group's underlying adjusted EBITDA remains positive in 2018 at €0.6m, €0.3m lower than the restated 2017 position, due primarily to the €0.3m of additional costs associated with being dual listed on AIM and Euronext from November 2017. Improvements to EBITDA from the acquisition of Omega ID were broadly offset by increased investment in commercial and manufacturing capacity.

The decision to dispose of the NOVAprep® business has a significant impact on the financial results of the Group for 2018 and on an ongoing basis.

The recurring operating result has decreased to a loss of €0.4m during 2018 from a profit of €0.1m in 2017. The reduction is due to two main factors: i) the €0.3m reduction in EBITDA as explained above, and ii) an annual increase in amortisation and depreciation of €0.2m following the Omega ID business and asset purchase, primarily customer relationships and brands. Total depreciation charges of €317k (2017: €248k) and amortisation charges of €685k (2017: €574k) are higher than in 2017 due to the impact of the Omega ID acquisition and the full year effect of significant capital expenditure investment in the second half of 2017.

The operating loss in 2018 was reduced to €1.4m from €2.1m in 2017 and is stated after non-recurring charges amounting to €1.0m. The 2018 charges comprise €0.5m of acquisition and business sale related expenses, €0.2m of Group restructuring costs and €0.3m of other non-recurring charges, including delayed IPO listing costs and French employee litigation costs. Significant listing costs in 2017 were not repeated in 2018, helping drive the improved Operating Result in 2018.

The total net loss was €4.7m in 2018, reduced from €5.4m in 2017, and is stated after €0.7m of gross borrowing costs (2017: €1.2m), other financial expenses and tax of €0.05m (2017: €0.2m) and the loss from discontinued operations of €2.6m (2017 €2.0m). The discontinued operations loss represents the financials of the NOVAprep® business that is available for sale and is accounted for under IFRS 5 – non-current assets held for sale and discontinued operations. Other financial expenses in 2017 comprised items such as exchange gains and losses, change in fair value of the Primerdesign warrants and the Primerdesign contingent consideration.

The loss per share significantly improved during 2018 to -€0.13 (2017: -€0.24) due to increased revenue and reduced net loss.

9%
Consolidated CER Revenue Growth

Lab21 sales grew by **14% CER**

32%
CAGR
4 year consolidated Group revenues

02 Strategic Report

Financial position

Goodwill has reduced to €16.1m in 2018 from €16.5m in the previous year. This reflects a €316k increase in the year as a result of the residual goodwill attributed to the Omega ID acquisition following the Purchase Price Allocation process and fair valuing of the assets, and a €648k reduction in Goodwill as a result of allocating a portion of the overall Lab21 Goodwill to the Cambridge Clinical Labs (asset held for sale) as part of the accounting requirements of IFRS 5.

Trade and other receivables have increased slightly in the year by €0.1m (3%) to €3.9m in line with revenue growth.

Inventory has increased by €0.4m (21%) year-on-year predominantly following the acquisition of the Omega ID business resulting in an additional circa €0.5m of stock compared with 2017. Additionally, the underlying inventory holding for the group has increased by €0.4m to meet the greater sales demand of the growing business. Partially offsetting these increases, €0.5m of inventory has been transferred to the assets of discontinued operations.

The assets of discontinued operations consist of:

- Clinical Lab goodwill of €648k – representing the portion of Lab21 Goodwill that has been allocated to the Clinical lab (approximately 7%),
- €825k of other intangibles in relation to NOVAprep® patents,
- €281k of tangible fixed assets in relation to NOVAprep® comprising instrument development, moulds and instrument equipment, and
- €459k of inventories and WIP in relation to NOVAprep®, instrument stock (€256k) and vials (€154k).

Borrowings have increased from €3.9m to €5.4m during the year due to issuing a new three year €4.0m bond, offset by capital repayments of €2.6m against outstanding borrowings. Total borrowings in 2018 include two main items: Kreos bonds totalling €1.1m (two bonds originally valued at €3.5m and €3.0m amortising monthly) and Vatel convertible bonds totalling €4.2m (two bonds originally valued at €1.5m and €4.0m, amortising monthly until March 2020 and May 2021 respectively).

The final Primerdesign earn out milestone of £1.0m (disclosed under Contingent Considerations in the financial statements) will be paid over the next 12 months. The increase of €0.4m in contingent consideration compared to 2017 is caused by the two earn out milestones associated with the Omega ID acquisition.

Cash reduced by €3.2m to €1.1m during 2018. Net cash used in operating activities decreased from €4.6m to €1.2m due to one-off 2017 costs relating to the IPO of €1.8m not repeating in 2018, a large aged debtor receipt of €0.4m in 2018 received from a single customer and improved terms with suppliers.

Net cash outflow from investing activities reduced slightly to €2.7m in 2018 from €2.8m in 2017. This movement was caused by a €1.7m earn out payment made in relation to the Primerdesign acquisition, offset by the €2m cash consideration paid for the Omega ID assets offset by a €0.4m reduction in capital expenditure due to significant investment in 2017 on leasehold improvements as part of the move to new upgraded headquarters in Camberley.

Novacyt raised €4.0m in 2018 through the issuance of convertible bonds. There were no equity capital increases in 2018 and as a result year-on-year cash inflows from financing activities have reduced between 2017 and 2018 by €8.2m as Novacyt moves towards being cash self-sustaining. The significant reduction in 2018 is largely explained by the equity financing of €9.7m before expenses (€7.9m net of expenses) upon the Group's successful listing on AIM and the issuance of €2.7m in convertible bonds (net of fees), both of which took place in 2017.

Repayments of capital and interest for all borrowings have decreased in 2018 by €1.6m to €3.2m, consisting of repayments on Kreos bonds totalling €1.9m, Vatel repayments totalling €1.2m and other small loan repayments of €0.1m.

Anthony Dyer,
Chief Financial Officer,
Novacyt S.A.

€0.6m
EBITDA

€4.0m
raised by Novacyt through the issuance of convertible bonds

€3.2m
Repayments of capital and interest for all borrowings

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 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 and Lab21. 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 and Company Secretary

Anthony joined the Group in 2010 and has been Chief Financial Officer since January 2017. He has 18 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' €130 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).

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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 Vice Chairman and Senior Independent Director of Oxford Biomedica plc and served as Chairman of Shield Therapeutics plc from 2016 to 2018. From 1999-2008 Andrew 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 and Nomination Committees.

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 was a co-founder of NMT Capital (a successor of Nexus) and continues to serve as one of its Senior Advisers. He is also a Senior Adviser to Maruho Co., Ltd. Prior to NMT Capital, Ed was Managing General Partner of The Vista Group, at the time 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 that specialised 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 $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 having established the business in July 2006. He has some 30 years of experience in the car and electrical components industry, with various roles in M&A and business restructuring. During this period, he was located for 10 years to 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. 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, an industry-leading device and formulation business for inhaled products, and Scapa Group plc, global supplier of bonding solutions and manufacturer of adhesive-based products for the Healthcare and Industrial markets. In addition she is currently Non-Executive Director of Nexstim, a listed Finnish stroke therapy company and GI Dynamics Inc. a US-based company.

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.

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

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Executive Team

The Executive Team comprises the following individuals:

1. Steve Gibson
Group Financial Controller

2. Anthony Dyer
Chief Financial Officer and Company Secretary

3. Graham Mullis
Chief Executive Officer

4. Mandy Cowling
Corporate & Investor Relations Manager

5. Ian Wilde
Group RA & QA Director

6. Paul Eros
Corporate Business Development Director

7. Ruth Powell
Managing Director NOVAprep® Division

8. Wendy Karban
Group HR Manager

9. Lisa Henriet
Group Operations Director

10. Phil Sefton
Group Commercial Director

03 Governance

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2018. The Corporate Governance Statement on pages 36 to 37 also forms part of this Directors' report.

Listed on both Euronext Growth Paris and the Alternative Investment Market ("AIM") of the London Stock Exchange

Strong commitment to market communication maintaining regular contact with shareholders through a number of platforms

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 14, the Chief Executive Officer's review on page 16 and the Strategic Report on pages 18 to 24 provide a review of the business, the Group's trading for the year ended 31 December 2018, 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 2018.

Directors

The Directors of the Company who served during the year ended 31 December 2018, and up to the date of this report, were:

Director	Capacity
James Wakefield	Non-Executive Director and Chairman of the Board
Graham Mullis	Chief Executive Officer
Anthony Dyer	Chief Financial Officer and Company Secretary
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

The brief biographical details of the currently serving Directors are set out on pages 27 to 29.

Directors' interests

The Directors' interests in the Company's shares and the Novacyt LTIP are shown in the Directors' Remuneration Report on pages 42 and 46.

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 42 to the financial statements.

Share capital structure

The Company's share capital, traded on Euronext Growth Paris and AIM, comprises a single class of ordinary shares each having a nominal value of 1/15th of one Euro. Except as otherwise provided by law, every shareholder has one vote for every fully paid up share of which 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 2018, the Company's issued share capital was €2,510,956.06, divided into 37,664,341 ordinary shares of 1/15th of one Euro each in nominal value.

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Major interests

As at 9th April 2019, 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
ABN Amro Bank N.V.	6,651,288	17.7%
Legal and General Group	2,515,909	6.7%
Talence Selection PME	1,461,313	3.9%

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.

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.

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

On 23rd April 2019, Novacyt entered into a Convertible Bonds with Warrants Funding Programme, for up to €5,000,000 (net of expenses). Under the terms of the Agreement, the Company will be able to access capital in seven tranches which oblige the Investment Managers to immediately subscribe for an initial tranche of €2,000,000, followed by six further tranches, each of an aggregate nominal value of €500,000 (together the "Tranches"), drawable at the Company's option subject to certain terms and conditions. The Company has immediately exercised its right to the initial tranche of funding giving rise to the subscription of €2,000,000 of convertible bonds with warrants by the Investment Managers. The remaining €3,000,000 of convertible bonds can be issued by the Company over the next 36 months following the closing of the Agreement.

Going concern

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

The going concern model covers the period up to and including April 2020. 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 2018 of €1,132,000;
- the repayment of the current bond borrowings according to the agreed repayment schedules;
- earn out payments in respect of previous acquisitions;
- draw down of funds from time to time from the €5,000,000 convertible bond facility including the initial €2,000,000 received upon completion.

Further bond issuances beyond the initial €2,000,000 upon signing are dependent on certain conditions, such as a cool-down period, average daily volume and minimum share price prior to each draw down request. The Company anticipates being able to draw sufficient funds to support its working capital requirements, but as they are outside of the Company's direct control, complete certainty cannot be given and waivers may be used where necessary.

Additional capital receipts from the disposals of the Clinical labs and NOVAprep® businesses and the potential strategic partnering of the Primerdesign animal health business have not been factored into the Group's cash flow forecast. Any such funds received would help reduce the need and mitigate the risk of further bond issuances.

Failure to meet the conditions within the convertible bond facility could place uncertainty on the going concern principle applied in preparing the financial statements insofar as the company may in this case not be able to repay its debts and dispose of its assets in the ordinary course of its business. The going concern principle applied for the period ended 31 December 2018 could in that case prove inappropriate.

Independent Auditor

Deloitte LLP has indicated that they are willing to continue in office as the Group's Auditor.

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 Cabinet Racine Paris, 40 rue de Courcelles, 75008 Paris, France. 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,
Novacyt S.A

03 Governance

An introduction from the Chairman

"We have pleasure in introducing this Corporate Governance Statement."

Dear Shareholders

Novacyt S.A. is incorporated in France and is listed on Euronext Growth Paris and AIM.

The Directors recognise the value and importance of high standards of corporate governance. As the Company is traded on AIM, it is not required to comply with the UK Corporate Governance Code. However, the Company complies 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 also continues 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,
Novacyt S.A.

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 purposes 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 27 to 29.

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.

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, through a formal schedule of matters reserved for decision by the Board. 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.

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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.

Attendance is expressed as the number of meetings attended/number eligible to attend. Directors' attendance by invitation at meetings of Committees of which they are not a member is not reflected in the following table.

Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
James Wakefield	11/12		2/2	
Graham Mullis	12/12			2/2
Anthony Dyer	11/12	5/5		
Dr Andrew Heath	12/12	4/5	2/2	2/2
Dr Edwin Snape	10/12			1/2
Jean-Pierre Crinelli	11/12	5/5		
Juliet Thompson	12/12	5/5	2/2	2/2

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. This process of evaluation is led by the Senior Independent Director.

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 40.

12
The amount of times the Board met in person or via conference calls

7
Members of the Board of whom 5 are Non-Executive Directors

The Board is committed to achieving high standards of corporate governance, integrity and business ethics

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 51.

Remuneration Committee

The Directors' Remuneration Report and details of the activities of the Remuneration Committee are set out on pages 42 to 46. 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.

The first Nomination Committee meeting was held in May 2018, during which the overall Board performance was reviewed. Two further Nomination Committee meetings were held during the period.

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 the Group. At the end of 2018, the Group was restructured in preparation for the sale of the Clinical Lab and NOVAprep® allowing Novacyt to fully focus on the remaining diagnostic product businesses throughout 2019.

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 during the period.

Environment

The Directors consider that the nature of the Group's activities is not detrimental to the environment. The Group continues to maintain the necessary levels of quality control and quality assurance, through the application of its various quality management systems. All manufacturing facilities have successfully transitioned over to the current revisions of ISO 13485:2016 and ISO 9001:2015 as applicable, and the clinical laboratory has successfully retained ISO 15189:2012.

The Strategic report, comprising pages 14 to 21, has been approved by the Board and is signed by order of the Board by:

Anthony Dyer,
Chief Financial Officer,
Novacyt S.A.

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 2018."

This report does not constitute a Directors' remuneration report in accordance with the Companies Act 2006. As a company whose shares are admitted to trading on AIM, the Company is not required by the Companies Act to prepare such a report. We do, however, have regard to the principles of the QCA Code which we consider to be appropriate for an AIM company of our size. The report provides a general statement of policy on Directors' remuneration as it is currently applied, and details the remuneration for all Directors during the year. It also provides a summary of the Novacyt LTIP which was established during 2017.

Dr Andrew Heath,
Chairman of the
Remuneration Committee,
Novacyt S.A.

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 duly met twice. Details of meeting attendance are shown in the table in the Corporate Governance Statement on page 38.

Key decisions:

1. Adjustments were made to the Company's LTIP scheme to capture changes made to senior management as part of the Group restructure.
2. 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 the Executive Team. 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.

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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 2018, no discretionary bonuses were awarded to either Graham Mullis, or Anthony Dyer. A deferred bonus payment was awarded to Graham Mullis following the successful IPO in 2017. Details of this bonus are detailed on the table below.

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 are 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 that 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, at 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.

There are certain circumstances in which all or some of a Cash Allocation due to an employee may be reduced, or they may need to repay all or some of a Cash Allocation Tranche they have received, as detailed under rule 12 of the Novacyt LTIP.

The Company granted certain Phantom Awards under the Novacyt LTIP on Admission, further details of which are set out on page 46 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 2018 was as follows:

	Year ended 31 December 2018				Year ended 31 December 2017			
	Basic salary and fees	Bonus	Pension	Total	Basic salary and fees	Bonus	Pension	Total
Executive Directors								
Graham Mullis *	279,735	113,024****	12,715	405,474	251,244	297,522	11,420	560,186
Anthony Dyer *	186,490	-	9,647	196,136	169,503	157,678	8,769	335,950
Non-Executive Directors								
James Wakefield *	62,163	-	-	62,163	53,266	-	-	53,266
Dr Andrew Heath *	45,209	-	-	45,209	30,438	-	-	30,438
Dr Edwin Snape **	25,426	-	-	25,426	26,613	-	-	26,613
Jean-Pierre Crinelli ***	35,500	-	-	35,500	30,000	20,000	-	50,000
Juliet Thompson *	45,209	-	-	45,209	25,872	-	-	25,872

* Salaries paid in GBP and disclosed in Euros, translated at the average exchange rate of 1.130241 in 2018 (2017 : 1.1414).

** Salary paid in USD and disclosed in Euros, translated at the average exchange rate of 0.847551 in 2018 (2017: 0.8870).

*** During the period Jean-Pierre Crinelli received EUR 5,500.00 for consultancy work in connection with fundraising for the Company.

**** Deferred bonus from 2017 IPO.

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.

As part of the IPO process in 2017, 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.

	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
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

Performance-related targets and terms of employment for the Executive Management are reviewed annually

2018

The Remuneration Committee met twice

Policy for the remuneration of all employees are agreed with the Board

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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 of 31 December 2018, 31 December 2017 and the date of this report or the date of their resignation (if earlier) were as follows:

Director	As at date of report	31 December 2018	31 December 2017	31 December 2016
Graham Mullis and family	52,138	52,138	52,138	1,620
Anthony Dyer	16,839	16,839	16,839	-
James Wakefield	16,839	16,839	16,839	-
Dr Andrew Heath and family	16,839	16,839	16,839	-
Dr Edwin Snape	16,839	16,839	16,839	-
Jean-Pierre Crinelli	15,233	15,051	15,051	182
Juliet Thompson	-	-	-	-

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	Granted during 2017	Satisfied during the period	Lapsed during the period	As at 31 December 2018	Earliest date from which exercisable	Expiry date	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,
Novacyt S.A.

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 were re-appointed as external Auditor during the AGM held in 2018 and have now been the auditor for seven such years at the end of the audit of the annual accounts for the year ended 31 December 2018.

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 March 2019 in relation to the financial statements for the year ended 31 December 2018. The external Auditor also presents to the Audit Committee the output of its detailed year-end work and the Audit Committee challenges significant judgements (if any). In making its assessment of external Auditor effectiveness, the Audit Committee reviews the audit engagement letters before signature, reviews the external Auditor's summary of Company issues, and conducts an overall review of the effectiveness of the external audit process and the external Auditor. The Audit Committee reports its findings to the Board.

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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 45 to the financial statements.

Work undertaken by the Audit Committee during the period

The Audit Committee met five times during the period. Details of meeting attendance are shown in the Corporate Governance Statement on page 38. 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:

- review of the Annual Report and Accounts for year ended 31 December 2017;
- consideration and approval of the unaudited interim financial statements for the period ended 30 June 2018;
- 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 2018;
- approval of the audit fees for the financial year ended 31 December 2018;
- 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 39.

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 has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing the financial statements.

The going concern model covers the period up to and including April 2020. In making this assessment the Directors have considered the following elements:

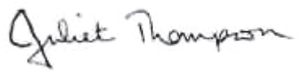
- the working capital requirements of the business;
- a positive cash balance at 31 December 2018 of €1,132,000;
- the repayment of the current bond borrowings according to the agreed repayment schedules;
- earn out payments in respect of previous acquisitions
- draw down of funds from time to time from the €5,000,000 convertible bond facility including the initial €2,000,000 received upon completion.

Further bond issuances beyond the initial €2,000,000 upon signing are dependent on certain conditions, such as a cool down period, average daily volume and minimum share price prior to each draw down request. The Company anticipates being able to draw sufficient funds to support its working capital requirements, but as they are outside of the Company's direct control, complete certainty cannot be given and waivers may be used where necessary.

Additional capital receipts from the disposals of the Clinical labs and NOVAprep® businesses and the potential strategic partnering of the Primerdesign animal health business have not been factored into the Group's cash flow forecast. Any such funds received would help reduce the need and mitigate the risk of further bond issuances.

Failure to meet the conditions within the convertible bond facility could place uncertainty on the going concern principle applied in preparing the financial statements insofar as the company may in this case not be able to repay its debts and dispose of its assets in the ordinary course of its business. The going concern principle applied for the period ended 31 December 2018 could in that case prove inappropriate.

Approved on behalf of the Board.



Juliet Thompson,
Chairman of the Audit Committee,
Novacyt S.A.

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, a certain number of the Group's competitors may have significantly greater financial and human resource capacity and, as such, better manufacturing capability or sales and marketing expertise. Competitors could also resort to price discounting or other sales and marketing strategies. Equally, new companies with alternative technologies and products may also emerge.

Geographic markets

The Group is largely based in the UK, with additional operations in France, China, 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 judgement or settlement in an amount that is not covered, in whole or in part, by its insurance or that is in excess of the limits of its insurance coverage. Its insurance policies also have various exclusions and the Group may be subject to a product liability claim for which the Group has no coverage.

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.

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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.

The Group's risk management strategy is a key responsibility of the Board of Directors

A core part of the Group's strategy has been to undertake acquisitions that are strategically complementary to its existing businesses

The Group is working towards the full implementation of the new IVDR directive by 2022

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.

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.

European General Data Protection Regulation

The Group is committed to ensuring compliance with European General Data Protection Regulation (GDPR). We have undertaken significant efforts to implement the requirements of the GDPR and ensure alignment throughout the business. Privacy matters, especially those relating to GDPR compliance, have board and senior executive level attention and relevant department stakeholders have undertaken training to ensure they drive a culture of compliance in their own teams and departments.

We are pleased with our efforts so far. Compliance with GDPR is and will remain an ongoing task for the Group, as it does for any company operating in this regulatory environment. GDPR will be tested and interpreted as time goes on and we are monitoring those developments to make sure we continue to improve our processes and remain compliant.

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

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

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 an 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 acquisition of Primerdesign and more recently the Infectious Disease Business from Omega Diagnostics. 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, certain lenders have been provided with security over certain 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 judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statement on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that 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.

Consolidated sales
€13.7m

Group EBITDA
€0.6m

Closing cash
€1.1m

05 Accounts and Notes

Consolidated income statement for the years ended 31 December 2017 and 31 December 2018

	Notes	Year ended 31 December 2018	Restated Year ended 31 December 2017
Revenue	5	13,721	12,749
Cost of sales	7	-5,116	-4,840
Gross profit	**-**	**8,604**	**7,909**
Sales, marketing and distribution expenses	8	-2,454	-1,974
Research and development expenses	9	-406	-626
General and administrative expenses	10	-6,119	-5,492
Governmental subsidies	12	-51	245
Operating loss before exceptional items	**-**	**-425**	**62**
Costs related to acquisitions	13	-201	-
Other operating income	-	-	16
Other operating expenses	14	-759	-2,197
Operating loss after exceptional items	**-**	**-1,385**	**-2,119**
Financial income	15	225	466
Financial expense	15	-919	-1,839
Loss before tax	**-**	**-2,080**	**-3,492**
Tax (expense)/income	16	-32	2
Loss after tax	**-**	**-2,112**	**-3,491**
Loss from discontinued operations	38	-2,626	-1,951
Loss after tax attributable to owners of the company	**-**	**-4,738**	**-5,442**
Loss per share (€)	17	-0.13	-0.24
Diluted loss per share (€)	-	-0.13	-0.24
Loss per share from the continuing operations (€)	-	-0.06	-0.15
Diluted loss per share from the continuing operations (€)	-	-0.06	-0.15
Loss per share from the discontinued operations (€)	-	-0.07	-0.09
Diluted loss per share from the discontinued operations (€)	-	-0.07	-0.09

Amounts in '000 €

The 2017 consolidated income statement is presented to reflect the impacts of the application of IFRS 5 relative to discontinued operations, by restating the NOVAprep® activity on a single line "Loss from discontinued operations".

Consolidated statement of comprehensive income for the years ended 31 December 2017 and 31 December 2018

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
Loss after tax		**-4,738**	**-5,442**
Items that will not be reclassified subsequently to profit or loss:			
Actuarial differences IAS19R		-	2
Items that may be reclassified subsequently to profit or loss:			
Translation reserves		-4	8
Total comprehensive loss		**-4,742**	**-5,432**
Comprehensive loss attributable to:			
Owners of the company (*)		**-4,742**	**-5,432**

Amounts in '000 €

(*) There are no non-controlling interests.

05 Accounts and Notes

Statement of financial position for the years ended 31 December 2017 and 31 December 2018

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
Goodwill	18	16,134	16,466
Other intangible assets	19	4,944	4,840
Property, plant and equipment	20	1,191	1,573
Non-current financial assets	21	234	238
Non-current assets	**-**	**22,503**	**23,116**
Inventories and work in progress	23	2,347	1,942
Trade and other receivables	24	3,900	3,804
Tax receivables	-	94	271
Prepayments	25	233	537
Short-term investments	-	10	10
Cash & cash equivalents	26	1,132	4,345
Current assets	**-**	**7,716**	**10,908**
Assets of discontinued operations	**38**	**2,294**	**-**
Total assets	**-**	**32,513**	**34,024**
Bank overdrafts and current portion of long-term borrowings	27	3,115	2,778
Contingent consideration (current portion)	28	1,569	1,126
Short-term provisions	29	100	50
Trade and other liabilities	30	4,647	3,692
Other current liabilities	31	379	137
Total current liabilities	**-**	**9,809**	**7,783**
Liabilities of discontinued operations	**38**	**85**	**-**
Net current (liabilities)/assets	**-**	**-2,008**	**3,125**
Borrowings and convertible bond notes	27	2,259	1,115
Retirement benefit obligations	41	-	14
Long-term provisions	29	168	158
Deferred tax liabilities	-	54	41
Total non-current liabilities	**-**	**2,481**	**1,327**
Total liabilities	**-**	**12,375**	**9,111**
Net assets	**-**	**20,138**	**24,914**
Share capital	32	2,511	2,511
Share premium account	33	58,249	58,281
Own shares	-	-178	-176
Other reserves	34	-2,819	-2,815
Equity reserve	35	422	422
Retained losses	36	-38,047	-33,309
Total equity – owners of the company	**-**	**20,138**	**24,914**
Total equity	**-**	**20,138**	**24,914**

Amounts in '000 €

Statement of changes in equity for the years ended 31 December 2017 and 31 December 2018

						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 2017		**1,161**	**47,120**	**-165**	**345**	**-2,948**	**135**	**-12**	**-2,825**	**-27,867**	**17,768**
Actuarial gains on retirement benefits	-	-	-	-	-	-	-	2	2	-	2
Translation differences	-	-	-	-	-	-	8	-	8	-	8
Loss for the period	36	-	-	-	-	-	-	-	-	-5,442	-5,442
Total comprehensive income/(loss) for the period		**-**		**-**	**-**	**-**	**8**	**2**	**10**	**-5,442**	**-5,432**
Issue of share capital	32, 33	1,218	9,685	-	-	-	-	-	-	-	10,903
Own shares acquired/ sold in the period	-	-	-	-11	-	-	-	-	-	-	-11
Other changes	32, 33	132	1,476	-	77	-	-	-	-	-	1,685
Balance at 31 December 2017		**2,511**	**58,281**	**-176**	**422**	**-2,948**	**143**	**-11**	**-2,815**	**-33,309**	**24,914**
Actuarial gains on retirement benefits	-	-	-	-	-	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-	- 4	-	-4	-	-4
Loss for the period	36	-	-	-	-	-	-	-	-	-4,738	-4,738
Total comprehensive income/(loss) for the period		**-**	**-**	**-**	**-**	**-**	**- 4**	**-**	**-4**	**-4,738**	**-4,738**
Issue of share capital	32, 33	-	-	-	-	-	-	-	-	-	-
Own shares acquired/ sold in the period	-	-	-	-2	-	-	-	-	-	-	-2
Other changes	32, 33	-	-32	-	-	-	-	-	-	-	-32
Balance at 31 December 2018		**2,511**	**58,249**	**-178**	**422**	**-2,948**	**139**	**-11**	**-2,819**	**-38,047**	**20,138**

Amounts in '000 €

05 Accounts and Notes

Statement of cash flows for the years ended 31 December 2017 and 31 December 2018

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
Net cash used in operating activities		**-1,246**	**-4,646**
Investing activities	**39**	**-**	**-**
Purchases of patents and trademarks	-	-307	-64
Purchases of property, plant and equipment	-	-377	-914
Purchases of trading investments	-	2	-101
Acquisition of subsidiary net of cash acquired	27, 37	-2,034	-1,747
Net cash used in investing activities		**-2,716**	**-2,826**
Investing cash flows from discontinued activities	-	-130	-97
Investing cash flows from continuing operations	-	-2,586	-2,729
Repayments of borrowings	-	-2,561	-3,296
Proceeds on issue of borrowings and bond notes	27	3,960	2,722
Proceeds on issue of shares	32, 33	-	11,080
Disposal (purchase) of own shares – Net	-	-2	-11
Paid interest expenses	-	-632	-1,506
Net cash used in financing activities	**-**	**765**	**8,989**
Financing cash flows from discontinued activities	-	-	-3
Financing cash flows from continuing operations	-	765	8,992
Net increase/(decrease) in cash and cash equivalents		**-3,197**	**1,517**
Cash and cash equivalents at beginning of year/period	**-**	**4,345**	**2,856**
Effect of foreign exchange rate changes	-	-16	-27
Cash and cash equivalents at end of year		**1,132**	**4,345**

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, 2018 were established in accordance with the international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2018.

The 2018 consolidated financial statements were approved by the Board of Directors on April 24, 2019.

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 2018
  - IFRS 15: "Revenues from contracts with customers". This standard came into effect on 1st January 2018. Its application had no impact on the way revenues are recognised by the companies of the group.
  - IFRS 9: "Financial instruments". This standard came into effect on 1st January 2018. Its application had no impact on the accounts of the group.
  - Amendment to IFRS 2: "Share-based payment".
- 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 2018
  - IFRS 16 "Leases".

The group has not elected to take early adoption of any standards or interpretations not mandatorily applicable in 2018.

A further more detailed review and analysis of the adoption of the standard will occur as part of the release of the H1 2019 accounts and any material impacts will be highlighted.

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 judgement 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 judgement 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.

05 Accounts and Notes

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 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.

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.

	Closing			Opening		
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
Lab21 Healthcare Ltd	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
Novacyt SA	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
Primerdesign Ltd	100.00 %	100.00 %	FC	100.00 %	100.00 %	FC

FC: Full consolidation
NC: Not consolidated

Consolidation methods

The consolidated historical financial information is prepared using uniform accounting policies for transactions and other similar events in similar circumstances.

Elimination of intercompany transactions

The intercompany balances arising from transactions between consolidated companies, as well as the transactions themselves, including income, expenses and dividends, are eliminated.

Translation of accounts denominated in foreign currency

The historical financial information is presented in '000 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 has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing the financial statements.

The going concern model covers the period up to and including April 2020. 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 2018 of €1,132,000;
- the repayment of the current bond borrowings according to the agreed repayment schedules;
- earn out payments in respect of previous acquisitions
- draw down of funds from time to time from the €5,000,000 convertible bond facility including the initial €2,000,000 received upon completion.

Further bond issuances beyond the initial €2,000,000 upon signing are dependent on certain conditions, such as a cool down period, average daily volume and minimum share price prior to each draw down request. The Company anticipates being able to draw sufficient funds to support its working capital requirements, but as they are outside of the Company's direct control, complete certainty cannot be given and waivers may be used where necessary.

Additional capital receipts from the disposals of the Clinical labs and NOVAprep® businesses and the potential strategic partnering of the Primerdesign animal health business have not been factored into the Group's cash flow forecast. Any such funds received would help reduce the need and mitigate the risk of further bond issuances.

Failure to meet the conditions within the convertible bond facility could place uncertainty on the going concern principle applied in preparing the financial statements insofar as the company may in this case not be able to repay its debts and dispose of its assets in the ordinary course of its business. The going concern principle applied for the period ended 31 December 2018 could in that case prove inappropriate.

Business combinations and measurement of goodwill

Business combinations

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

05 Accounts and Notes

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

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

Measurement of goodwill

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

Impairment testing

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

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

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

Intangible fixed assets

Customer relationships

In accordance with IFRS 3, the Company's acquisition of Primerdesign and the Omega Infectious Diseases business resulted in the recognition of the value of the acquired customer base on the balance sheet. The value of these assets 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 acquisition price of the Omega Infectious Diseases business by the Company led to the recognition of a number of trademarks. 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.

Both trademarks are 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:

- 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.

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Internal indicators:

- existence of indication of obsolescence or physical damage of an asset unforeseen in the depreciation or amortisation schedule;
- significant changes in the way the asset is used;
- weaker-than-expected performance by the asset; and
- significant reduction in the level of cash flow generated by the asset.

If there is an indication of impairment, the recoverable amount of the asset is compared with its carrying amount. The recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of future cash flows expected to flow from an asset over its estimated useful life.

The recoverable amount of assets that do not generate independent cash flows is determined by that of the 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 has been 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 than 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 are 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 in 2019.

In accordance with IAS 39, the financial liability has been re-measured 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.

Omega ID contingent consideration

Under the terms of the asset purchase agreement, the total consideration to be fully satisfied through cash consideration:

(i) £175,000 paid after twelve months upon completion of technology transfer and;

(ii) £200,000 paid upon the successful accreditation of the Axminster UK production facility to certain standards (expected to be achieved inside 12 months of acquisition date).

Trade payables

Trade payables are obligations to provide cash or other financial assets. They are recognised in the balance sheet when the Group becomes a 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.

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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.

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 1.4% in 2017 and 1.6% in 2018, 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 40.16% in 2017 and 41.51% in 2018.

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.

Following the announcement of the disposal of the NOVAprep® activity, the provision for retirement benefit obligations was transferred to the line “Liabilities of discontinued operations”.

Discontinued operations and assets held for sale

Discontinued operations and assets held for sale are restated in accordance with IFRS 5.

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

- Represents a separate major line of business or geographical area of operations;
- Is part of a plan to dispose of; or
- Is a subsidiary acquired solely with a view to resale.

As per IFRS 5 we have presented discontinued operations as follows:

In the statement of profit and loss and other comprehensive income: a single amount comprising the total of:

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

The analysis of the single amount is presented in the note.

This restatement, which concerns only the NOVAprep® activity, is made for both years to ensure comparability.

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

In the statement of financial position: the assets and liabilities of a disposal group have been presented separately from other assets. The same applies for liabilities of a disposal group classified as held for sale.

This restatement is made in the accounts 2018 to reflect the intention to dispose of the NOVAprep® activity (held by Novacyt S.A.) and of the Clinical Lab business (held by Lab21 Ltd).

Consolidated revenue

The applicable standard is IFRS 15 “Revenues from contracts with customers”. 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. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The activity of NOVAprep®

All the revenues generated by the NOVAprep® activity were reclassified on the line “Loss from discontinued operations”. As a result, NOVAprep® no longer contributes to the consolidated revenues of the group.

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.

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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 for 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 is 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 is 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. These options are taken into account for the calculation of the loss per share only if their exercise price is higher than the market price.

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 relate to the costs in relation to the acquisition of the Omega business as shown in note 13, and other one-off income and expenses as detailed in note 14.

Loss from discontinued operations

On the 11th December 2018, Novacyt announced its intention to sell the NOVAprep® business and thus is presenting its financial results in accordance with the IFRS 5 accounting rule on discontinued operations. As a result, all revenues and charges generated by this activity are presented on a single line, below the net result.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

The preparation of the financial information in accordance with IFRS requires management to exercise judgement 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 judgement 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 judgements in applying the Group's accounting policies

The following is a critical judgement, 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 judgement 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).

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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 2018	Year ended 31 December 2017
Goodwill Lab21	17,709	19,042
Impairment of goodwill	-9,101	-9,786
Net value	**8,608**	**9,256**
Goodwill Primerdesign	7,210	7,210
Impairment of goodwill	-	-
Net value	**7,210**	**7,210**
Goodwill Omega ID	316	-
Impairment of goodwill	-	-
Net value	**316**	**-**
Total Goodwill	**16,134**	**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 and Omega trademarks and the customer relationships attached to the two businesses.

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 trademarks at 31 December 2018 is €700,000 including the new trademark from the Omega business acquired on 2018 for €246,000 and after an amortisation of €205,000 recognised in 2016, 2017 and 2018.

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 customer relationships at 31 December 2018 is €3,823,000 including the new customer relationships from the Omega business acquired on 2018 for €1,291,000, and after amortisation of €1,144,000 recognised in 2016, 2017 and 2018.

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 2017 and 2018 are as per the table below:

	Year ended 31 December 2018	Year ended 31 December 2017
Retirement benefit obligations	-	14
Provisions for restoration of premises	148	140
Long term management incentive plan	20	18
Provisions for litigation	100	50
Total Provisions	**268**	**222**

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.

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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 advisors are involved in determining the costs that may be incurred.

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

5. REVENUE

The table below shows revenue from ordinary operations:

	Year ended 31 December 2018	Year ended 31 December 2017
Manufactured goods	12,537	11,345
Services	754	1,015
Traded goods	77	59
Other	354	330
Total Revenue	**13,721**	**12,749**

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.

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;
- for which discrete financial information is available.

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

Corporate and Cytology

Previously, this segment represented the NOVAprep® and French Group central costs. Following the announcement of the sale proceedings for NOVAprep®, this segment now only shows the French Group central costs and the results of NOVAprep® are shown in a single line – Discontinued Operations.

Corporate and 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. This segment also includes UK Group central costs.

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 2018

Geographical area	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Africa		715	285	1,000
Europe		3,304	2,811	6,115
Asia-Pacific		1,738	1,282	3,020
America		795	1,578	2,372
Middle East		951	262	1,213
Revenue		**7,502**	**6,218**	**13,721**

Amounts in '000 €

At 31 December 2017

Geographical area	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Africa		299	363	662
Europe		3,347	2,531	5,878
Asia-Pacific		1,608	1,656	3,265
America		661	1,192	1,853
Middle East		739	352	1,091
Revenue		**6,655**	**6,095**	**12,749**

Amounts in '000 €

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Breakdown of result by operating segment

Year ended 31 December 2018

	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Revenue	-	7,503	6,219	13,721
Cost of sales	-	-4,147	-969	-5,116
Sales and marketing costs	-	-1,152	-1,302	-2,454
Research and development	-	-162	-244	-406
General & administrative expenses	-959	-2,635	-2,525	-6,119
Governmental subsidies	-	75	-125	-51
Operating profit/(loss) before exceptional items	**-959**	**-519**	**1,054**	**-425**
Other operating income	-	-	-	-
Other operating expenses	-526	-337	-97	-960
Operating profit/(loss)	**-1,486**	**-856**	**957**	**-1,385**
Financial income	290	-144	79	225
Financial expense	-736	-180	-4	-919
Profit/(Loss) before tax	**-1,931**	**-1,181**	**1,032**	**-2,080**
Tax (expense)/credit	-	-	-32	-32
Loss from discontinued activities	-2,626	-	-	-2,626
Profit/(Loss) after tax	**-4,557**	**-1,181**	**1,001**	**-4,738**
Attributable to owners of the company	**-4,557**	**-1,181**	**1,001**	**-4,738**
Attributable to non-controlling interests	**-**	**-**	**-**	**-**

Amounts in '000 €

Year ended 31 December 2017

	Corporate & Cytology	Corporate & Diagnostics	Molecular Products	Total
Revenue	-	6 654	6 095	12 749
Cost of sales	-	-3 671	-1 170	-4 840
Sales and marketing costs	-	-1 015	-959	-1 974
Research and development	-	-113	-513	-626
General & administrative expenses	-849	-2 364	-2 279	-5 492
Governmental subsidies	-	119	127	245
Operating profit/(loss) before exceptional items	**-849**	**-391**	**1 301**	**62**
Other operating income	16	-	-	16
Other operating expenses	-1 661	-503	-33	-2 197
Operating profit/(loss)	**-2 494**	**-894**	**1 268**	**-2 119**
Financial income	556	-99	9	466
Financial expense	-1 564	-257	-18	-1 839
Profit/(Loss) before tax	**-3 502**	**-1 249**	**1 259**	**-3 492**
Tax (expense)/credit	-2	-	3	2
Loss from discontinued activities	-1 951	-	-	-1 951
Profit/(Loss) after tax	**-5 455**	**-1 249**	**1 262**	**-5 442**
Attributable to owners of the company	**-5 455**	**-1 249**	**1 262**	**-5 442**
Attributable to non-controlling interests	**-**	**-**	**-**	**-**

Amounts in '000 €

The 2017 consolidated income statement is presented to reflect the impacts of the application of IFRS 5 relative to discontinued operations, by restating the NOVAprep® activity on a single line "Loss from discontinued operations".

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

7. COST OF SALES

	Year ended 31 December 2018	Year ended 31 December 2017
Purchases and movement in inventories of raw materials and other supplies	3,804	3,382
Purchases and movement in inventories of traded goods	64	- 163
Movement in finished goods and work in progress	- 628	- 59
Change in stock provision	- 2	- 17
Non-stock items and supplies	68	18
Freight costs	177	165
Direct labour	1,584	1,331
Other	50	45
Total	**5,116**	**4,840**

Amounts in '000 €

8. SALES, MARKETING AND DISTRIBUTION EXPENSES

	Year ended 31 December 2018	Year ended 31 December 2017
Remuneration of intermediaries and fees	25	140
Advertising expenses	252	231
Distribution expenses	344	289
Employee compensation and social security contributions	1,470	1,099
Travel and entertainment expenses	218	195
Other sales and marketing expenses	146	20
Total	**2,454**	**1,974**

Amounts in '000 €

9. RESEARCH AND DEVELOPMENT EXPENSES

	Year ended 31 December 2018	Year ended 31 December 2017
Employee compensation and social security contributions	328	539
Other expenses	78	88
Total	**406**	**626**

Amounts in '000 €

05 Accounts and Notes

10. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2018	Year ended 31 December 2017
Purchases of non-stored raw materials and supplies	243	224
Subcontracting	49	41
Lease and similar payments	418	408
Maintenance and repairs	136	131
Insurance premiums	110	135
Legal and professional fees	875	674
Travel and entertainment expenses	145	151
Banking services	66	61
Employee compensation and social security contributions	2,520	2,286
Allowances to and reversals of depreciation, amortisation and provisions	1,030	744
Other general and administrative expenses	527	637
Total	**6,119**	**5,492**

Amounts in '000 €

11. EMPLOYEE BUSINESS UNIT SPLIT

The breakdown of employees (including executive directors) between the three segments as of the reporting date is as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
Corporate & Cytology	0	0
Corporate & Diagnostics	65	62
Molecular Products	46	38
Total	**111**	**100**

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 2018	Year ended 31 December 2017
Government subsidies	- 51	245
Total	**- 51**	**245**

Amounts in '000 €

13. COSTS RELATED TO ACQUISITIONS

On 28 June 2018, the UK Company Lab21 Healthcare Ltd completed an asset purchase agreement for the Infection Diseases business of the company called Omega Diagnostics Ltd. The acquisition was accounted for as a business combination under IFRS, accordingly, the costs related to the acquisition of €201,000 was expensed.

14. OTHER OPERATING INCOME AND EXPENSES

	Year ended 31 December 2018	Year ended 31 December 2017
Other operating income	-	16
Other operating income	**-**	**16**
Provision for litigation with employees	- 46	- 171
Restructuring expenses	- 183	- 78
Business sale expenses	104	-
Acquisition related expenses	379	-
IPO preparation	- 87	-1,631
Relocation expenses	-	- 176
Other expenses	- 161	- 141
Other operating expenses	**- 960**	**-2,197**

Amounts in '000 €

The restructuring expenses of €78,000 in the year ended 31 December 2017 and €183,000 in the period ended 31 December 2018 relate to redundancy payments made to employees in relation to restructuring taken place during this period.

The IPO preparation expenses of €1,631,000 in the year ended 31 December 2017 and €87,000 in the period ended 31 December 2018 relate to the fees incurred in preparation for the company's AIM listing in late 2017.

15. FINANCIAL INCOME AND EXPENSES

	Year ended 31 December 2018	Year ended 31 December 2017
Exchange gains	102	287
Change in fair value of options	122	140
Other financial income	-	39
Financial income	**225**	**466**
Interest on loans	- 682	- 1,202
Exchange losses	- 190	- 251
Contingent consideration	-	- 386
Other financial expense	- 47	-
Financial expense	**-919**	**-1,839**

Amounts in '000 €

Financial income

Exchange gains

Exchange gains resulted from recurring operations and from variations in sterling on the contingent consideration liability related to the Primerdesign acquisition.

Change in fair value of options

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

The December 2018 balance relates to the revaluation of the Primerdesign warrants liability from €126,000 to €5,000.

05 Accounts and Notes

Financial expense

Interest on loans

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

Exchange losses

Exchange losses in 2017 and 2018 were mainly those recorded by the British company Lab21 Ltd on its operations and relate to the monthly revaluation of the Novacyt loan in Lab21 Ltd's books.

Contingent consideration

The contingent consideration in 2017 relates to the discounting of the contingent consideration liability in favour of Primerdesign shareholders.

16. INCOME TAX

	Year ended 31 December 2018	Year ended 31 December 2017
Corporation tax:		
Current year	- 32	2
Adjustment in respect of prior years	-	-
Deferred tax	-	-
Total tax expenses for the year/period	**- 32**	**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 2018	Year ended 31 December 2017
Result/(Loss) before taxation	-4,708	-5,444
Tax at the French corporation tax rate (2018: 28%, 2017: 33.33%)	-1,318	-1,815
Impact of the accelerated tax depreciation	-17	17
Effect of non-deductible expenses	10	-523
Other timing differences	15	140
Tax losses utilised	-	-
Impact of the tax group	-159	-
Research tax expenditure enhancement	-120	-
Research tax credits	32	-191
Losses not recognised for deferred tax	1,454	2,082
Effect of different tax rate of subsidiaries operator of other jurisdictions	71	293
Total tax expense/income for the year	**-32**	**2**

Amounts in '000 €

As at 31 December 2018 the Group has unused tax losses of €55,591,000 (2017: €48,118,000) 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.

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 2018	Year ended 31 December 2017
Net loss attributable to owners of the company	- 4,738	- 5,442
Impact of dilutive instruments	-	-
Net loss attributable to owners of the company	**- 4,738**	**- 5,442**
Weighted average number of shares	37,664,342	23,075,634
Impact of dilutive instruments	-	-
Weighted average number of diluted shares	**37,664,342**	**23,075,634**
Earnings per share (in Euros)	**- 0.13**	**- 0.24**
Diluted earnings per share (in Euros)	**- 0.13**	**- 0.24**
Loss per share from the continuing operations (in Euros)	- 0.06	- 0.15
Diluted loss per share from the continuing operations (in Euros)	- 0.06	- 0.15
Loss per share from the discontinued operations (in Euros)	- 0.07	- 0.09
Diluted Loss per share from the discontinued operations (in Euros)	- 0.07	- 0.09

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 31 December 2016	26,252
Recognised on acquisition of a subsidiary	-
At 31 December 2017	26,252
Recognised on acquisition of the Omega Infectious Diseases business	322
Exchange differences	-6
Transferred to the line "Discontinued activities"	-1,333
At 31 December 2018	25,235
Accumulated impairment losses	
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
Exchange differences	-
Impairment losses for the period	-
Transferred to the line "Discontinued activities"	-685
At 31 December 2018	9,101
Carrying value at 31 December 2016	**16,466**
Carrying value at 31 December 2017	**16,466**
Carrying value at 31 December 2018	**16,134**

Amounts in '000 €

05 Accounts and Notes

Omega

On 28 June 2018, the UK Company Lab21 Healthcare Ltd completed an asset purchase agreement for the Infectious Diseases business of the company called Omega Diagnostics Ltd. The Infectious Diseases business specialises in the manufacture of a range of diagnostic kits, in particular for syphilis and febrile antigens, as well as a range of latex serology tests for rheumatoid factor, C-reactive protein, antistreptolysin and systemic lupus erythematosus.

Under IFRS requirements, this acquisition is considered as a business. It includes various assets, such as equipment, stock, trademarks and patents. It also includes two employees, whose employment contracts were transferred to Lab21 Healthcare Ltd via the TUPE process under which employees in the UK transfer with the activity on the same employment terms.

The purchase price was £2,175,000 (€2,456,000) broken down as follows:

Cash disbursed	€2,032,000
Deferred consideration for successfully supporting and handling over manufacturing	€198,000
Deferred consideration for successfully achieving a Category 3 facility accreditation	€226,000
Total purchase price	**€2,456,000**

The assets acquired and the liabilities assumed are as follows:

Net property, plant and equipment and intangible assets	€46,000
Inventories	€523,000
Customer relationship	€1,314,000
Trademark	€251,000
Fair value of assets acquired and liabilities assumed	**€2,134,000**
Goodwill	**€322,000**

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 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 Omega 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, until May 2019, the gross amount of goodwill is subject to adjustment.

Lab21

The impairment testing of the CGU as of 31 December 2018 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%
- 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 €12,534,000, which is greater than the carrying amount of this asset. As such, no impairment was recognised in the year ended 31 December 2018.

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

WACC rates \ Terminal growth rates	12,534	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
12.5%		14,336	14,731	15,161	15,630	16,143	16,708	17,332
13.0%		13,735	14,093	14,480	14,901	15,361	15,864	16,418
13.5%		13,179	13,503	13,854	14,234	14,648	15,098	15,592
14.0%		12,663	12,959	13,277	13,621	13,994	14,399	14,841
14.5%		12,183	12,454	12,744	13,056	13,394	13,759	14,157
15.0%	11,737	11,984	12,249	12,534	12,840	13,171	13,530	
15.5%		11,319	11,546	11,789	12,049	12,328	12,629	12,954
16.0%		10,929	11,137	11,360	11,598	11,853	12,127	12,422
16.5%		10,562	10,755	10,959	11,178	11,411	11,662	11,931

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. The sensitivity analysis shows that an increase of 1 percent in the WACC would not result in the need to impair the Lab21 goodwill.

Primerdesign

The impairment testing of the CGU as of 31 December 2018 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%
- Discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 19.8%.

The implementation of this approach demonstrated that the value of the Enterprise Value amounted to €22,830,000 which is greater than the carrying amount of this asset. As such, no impairment was recognised in the year ended 31 December 2018.

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

WACC rates \ Terminal growth rates	22,830	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
15.0%		25,577	25,824	26,089	26,374	26,680	27,011	27,370
16.0%		24,769	24,977	25,200	25,438	25,693	25,967	26,262
17.0%		24,058	24,235	24,424	24,625	24,840	25,069	25,314
18.0%		23,428	23,580	23,742	23,913	24,095	24,288	24,495
19.0%		22,866	22,997	23,136	23,283	23,439	23,604	23,779
19.8%	22,458	22,576	22,700	22,830	22,968	23,114	23,268	
20.0%		22,362	22,476	22,596	22,723	22,857	22,999	23,148
21.0%		21,907	22,007	22,112	22,222	22,338	22,460	22,589
22.0%		21,495	21,583	21,675	21,771	21,872	21,978	22,090

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. The sensitivity analysis shows that an increase of 1 percent in the WACC would not result in the need to impair the Primerdesign goodwill.

05 Accounts and Notes

19. OTHER INTANGIBLE ASSETS

	At 1 January 2018	Additions	Disposals	Reclass	Charge for the period	Effect of foreign exchange rate changes	At 31 December 2018
Cost							
Development costs	199	139	-	111	-	-8	441
Concessions, patents and similar rights	1,810	82	-	-1,789	-	-2	101
Software	164	87	-44	67	-	-3	271
Trademark	659	251	-	-	-	-5	905
Customer base	3,676	1,316	-	-	-	-25	4,907
Other intangible assets	113	-	-	-114	-	-	-
	6,622	**1,874**	**-44**	**-1,725**	**-**	**-42**	**6,685**
Amortisation							
Development costs	- 60	-	-	-15	-54	2	-126
Concessions, patents and similar rights	- 785	-	-	929	-222	1	-77
Software	- 137	-	41	-36	-58	2	-189
Trademarks	- 119	-	-	-	-87	-	-205
Customer base	- 664	-	-	-	-481	1	-1,144
Other intangible assets	- 18	-	-	18	-	-	-
	- 1,783	**-**	**41**	**896**	**-902**	**7**	**-1,741**
Carrying amount	**4,840**	**1,874**	**-3**	**-829**	**-902**	**-35**	**4,944**

Amounts in '000 €

	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 €

20. PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2018	Additions	Disposals	Charge for the period	Effect of foreign exchange rate changes	Reclass & transfers	At 31 December 2018
Cost							
Technical facilities, equipment and tools	2,339	290	-	-	- 17	- 1,503	1,109
Office equipment	197	3	-	-	-	- 147	53
Transport equipment	36	1	-	-	-	- 35	2
Computer equipment	303	74	- 1	-	- 5	- 57	314
Leasehold improvements	1,030	54	- 129	-	- 16	79	1,019
Property, plant and equipment under construction	348	-	- 348	-	-	-	-
	4,254	**423**	**- 478**	**-**	**- 39**	**- 1,663**	**2,497**
Accumulated depreciation							
Technical facilities, equipment and tools	- 1,723	-	-	- 287	12	1,228	- 771
Office equipment	- 74	-	-	- 15	1	41	- 47
Transport equipment	- 24	-	-	- 6	-	29	- 1
Computer equipment	- 254	-	1	- 44	4	45	- 247
Leasehold improvements	- 258	-	129	- 141	4	26	- 241
Tangible assets under construction	- 348	-	348	-	-	-	-
	- 2,681	**-**	**478**	**- 493**	**20**	**1,369**	**- 1,306**
Carrying amount	**1,573**	**423**	**-**	**- 493**	**- 18**	**- 293**	**1,191**

Amounts in '000 €

	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 €

05 Accounts and Notes

21. NON-CURRENT FINANCIAL ASSETS

	Year ended 31 December 2018	Year ended 31 December 2017
Rental deposits	127	131
Liquidity contract	9	9
Guarantee deposit - Distributor in China	94	94
Other	4	4
Total	**234**	**238**

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 2018	Year ended 31 December 2017
Novacyt	8,386	6,975
Lab21 Ltd	4,637	4,698
Lab Healthcare Ltd	913	1,172
Microgen Bioproducts Ltd	83	47
Total unrecognised deferred tax assets	**14,019**	**12,892**

Amounts in '000 €

23. INVENTORIES AND WORK IN PROGRESS

	Year ended 31 December 2018	Year ended 31 December 2017
Raw materials	1,044	931
Work in progress	564	135
Finished goods	739	562
Traded goods	-	316
Stock provisions	-	- 2
Total Inventories	**2,347**	**1,942**

Amounts in '000 €

24. TRADE AND OTHER RECEIVABLES

Trade and other receivables

	Year ended 31 December 2018	Year ended 31 December 2017
Trade and other receivables	3,332	3,111
Allowance for doubtful debts	- 47	- 92
Accrued income	98	117
Tax receivables (excluding income tax)	492	489
Other receivables	24	180
Total Trade and other receivables	**3,900**	**3,804**

Amounts in '000 €

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

	Year ended 31 December 2018	Year ended 31 December 2017
Amount receivable not past due	1,481	1,021
Amount receivable past due but not impaired	1,805	1,998
Amount receivable impaired (gross)	47	92
Less impairment	- 47	- 92
Total	**3,285**	**3,019**

Amounts in '000 €

Ageing of past due but not impaired receivables

	Year ended 31 December 2018	Year ended 31 December 2017
Not more than 3 months	1,059	1,707
More than 3 months but not more than 6 months	65	159
More than 6 months but not more than 1 year	69	37
More than 1 year	612	94
Total	**1,805**	**1,998**

Amounts in '000 €

Ageing of past due and impaired receivables

	Year ended 31 December 2018	Year ended 31 December 2017
Balance at the beginning of the period	92	140
Impairment losses recognised	39	86
Amounts written off during the year as uncollectible	25	-5
Amounts recovered during the year	- 55	- 124
Impairment losses reversed	- 4	-
Foreign exchange translation gains and losses	-	- 6
Balance at the end of the period	**47**	**92**

Amounts in '000 €

25. PREPAYMENTS

	Year ended 31 December 2018	Year ended 31 December 2017
Prepaid expenses	233	537
Total	**233**	**537**

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. The 2018 balance of €233,000 does not include any one-offs like 2017 and covers items such as rent, insurances and prepaid support agreements.

05 Accounts and Notes

26. CASH AND CASH EQUIVALENTS

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

	Year ended 31 December 2018	Year ended 31 December 2017
Money market deposits	13	13
Available cash	1,119	4,332
Cash and cash equivalents	**1,132**	**4,345**

Amounts in '000 €

27. BORROWINGS

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

Maturities as of 31 December 2018

	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total
Bond notes	2,976	2,239	5,216
Bank borrowings	67	20	87
Accrued interest on borrowings	72	-	72
Total financial liabilities	**3,115**	**2,259**	**5,374**

Amounts in '000 €

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 €

Change in borrowings and financial liabilities in 2018

	At 31 December 2017	Increase	Repayment	Renegotiation	At 31 December 2018
Bond notes	3,692	4,019	- 2,554	59	5,216
Bank borrowings	153	-	- 66	-	87
Accrued interest on borrowings	49	72	- 49	-	72
Total financial liabilities	**3,894**	**4,091**	**- 2,669**	**59**	**5,374**

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 €

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;
- 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.

As of 31 December 2018, 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;
- A convertible bond subscribed by Vatel in the amount of €1.5 million issued on 31 March 2017, with an effective interest rate of 12.7% 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.
- A convertible bond subscribed by Vatel in the amount of €4.0 million issued on 29 May 2018, with an effective interest rate of 8.5% 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 its 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;
- lastly, 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:

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- 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;
- 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 had 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;
- 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 and the Asset Purchase Agreement of the Infectious Diseases business from Omega Diagnostics Ltd.

	Year ended 31 December 2018	Year ended 31 December 2017
Contingent consideration (current portion)	1,569	1,126
	1,569	**1,126**

Amounts in '000 €

The movement in the liability between 31 December 2017 and 31 December 2018 is due to the variance of the foreign exchange rate (contingent liability is denominated in Pounds Sterling), by the interest accrued on this debt in the amount of £40,000, and by the deferred consideration related to the acquisition of the Omega infectious diseases business for £375,000 comprising:

- £175,000 paid after twelve months upon completion of technology transfer and,
- £200,000 paid upon the successful accreditation of the Axminster, UK production facility to certain standards (expected to be achieved inside 12 months of acquisition date)

29. PROVISIONS

Nature of and change in provisions for risks and charges for the period from 1 January 2018 to 31 December 2018

	At 1 January 2018	Increase	Reduction	Change in exchange rates	At 31 December 2018
Provisions for restoration of premises	140	17	- 7	- 2	148
Long-term management incentive plan	18	2	-	-	20
Long-term provisions	**158**	**19**	**- 7**	**- 2**	**168**
Provision for litigation	50	50	-	-	100
Short-term provision	**50**	**50**	**-**	**-**	**100**

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**

Provisions chiefly cover:

- risks related to litigations with personnel;
- the restoration expenses of the premises as per the lease agreements;
- 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: October 2019
- Lab21 Healthcare Ltd: August 2025
- Microgen Ltd: July 2019
- Primerdesign Ltd: November 2020

The provision for litigations generates a cash payment in late 2019.

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

30. TRADE AND OTHER PAYABLES

	Year ended 31 December 2018	Year ended 31 December 2017
Trade payables	2,769	1,746
Accrued invoices	1,189	1,042
Social security liabilities	298	553
Tax liabilities	281	123
Other liabilities	104	102
Options classified as liabilities	5	127
Total Trade and other payables	**4,647**	**3,692**

Amounts in '000 €

Options treated as liabilities relate to the Company's equity warrants granted to former Primerdesign shareholders in the amount of €5,000 as of end December 2018 and €127,000 as of end December 2017. This is a component of the purchase price of Primerdesign.

31. OTHER CURRENT LIABILITIES

	Year ended 31 December 2018	Year ended 31 December 2017
Deferred income	379	137
Total	**379**	**137**

Amounts in '000 €

05 Accounts and Notes

32. SHARE CAPITAL

As of 1 January 2017, the Company's share capital of €1,161,134 was divided into 17,417,014 shares with a par value of 1/15th of a Euro each.

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

- 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.
- 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.

	Amount of share capital	Unit value per share	Number of shares issued
At 1 January 2017	**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**
At 31 December 2018	**2,511**	**0.07**	**37,664,342**

Amounts in '000 €

As of 31 December 2018, 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.

33. SHARE PREMIUM

Balance at 1 January 2017	**47,120**
Premium arising on issue of equity shares	12,987
Expenses of issue of equity shares	- 1,826
Balance at 31 December 2017	**58,281**
Premium arising on issue of equity shares	-
Expenses of issue of equity shares	- 32
Balance at 31 December 2018	**58,249**

Amounts in '000 €

34. OTHER RESERVES

Balance at 1 January 2017	**- 2,826**
Translation differences	8
Other variations	3
Balance at 31 December 2017	**- 2,815**
Translation differences	- 4
Other variations	-
Balance at 31 December 2018	**- 2,819**

Amounts in '000 €

35. EQUITY RESERVE

Balance at 1 January 2017	**345**
Conversion of the OCABSA Yorkville	77
Balance at 31 December 2017	**422**
Conversion of the OCABSA Yorkville	-
Balance at 31 December 2018	**422**

Amounts in '000 €

This reserve represents the equity component of warrants and loans.

36. RETAINED LOSSES

Balance at 1 January 2017	**- 27,867**
Net loss for the year	- 5,442
Other variations	-
Balance at 31 December 2017	**- 33,309**
Net loss for the year	- 4,738
Other variations	-
Balance at 31 December 2018	**- 38,047**

Amounts in '000 €

05 Accounts and Notes

37. BUSINESS COMBINATIONS

Acquisition of Omega ID

On 28 June 2018, the UK Company Lab21 Healthcare Ltd completed an asset purchase agreement for the Infectious Diseases business of the company called Omega Diagnostics Ltd. The Infectious Diseases business specialises in the manufacture of a range of diagnostic kits, in particular for syphilis and febrile antigens, as well as a range of latex serology tests for rheumatoid factor, C-reactive protein, antistreptolysin and systemic lupus erythematosus.

It includes various assets, such as equipment, stock, trademarks and patents. It also includes two employees, whose employment contracts were transferred to Lab21 Healthcare Ltd via the TUPE process under which employees in the UK transfer with the activity on the same employment terms.

The purchase price was £2,175,000 (€2,456,000) broken down as follows:

Cash disbursed	€2,032,000
Deferred consideration for successfully supporting and handling over manufacturing	€198,000
Deferred consideration for successfully achieving a Category 3 facility accreditation	€226,000
Total purchase price	**€2,456,000**

The assets acquired and the liabilities assumed are as follows:

Net property, plant and equipment and intangible assets	€46,000
Inventories	€523,000
Customer relationship	€1,314,000
Trademark	€251,000
Fair value of assets acquired and liabilities assumed	€2,134,000
Goodwill	**€322,000**

The table above shows how the goodwill figure of €322,000 is arrived at after allocating the purchase price accordingly. The residual goodwill arising from the acquisition reflects the future growth expected to be driven by new customers, the value of the workforce, technical files and know-how.

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 Omega 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, until May 2019, the gross amount of goodwill is subject to adjustment.

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 acquisition costs amounted to €201,000. They are included on the statement of comprehensive income in the year ended 31 December 2018 as “Costs related to acquisitions”.

Omega contributed €1,030,000 to consolidated revenue in the year ended 31 December 2018 and €45,000 to net profit or loss attributable to owners of the company between its consolidation on 1 July 2018 and 31 December 2018.

If the acquisition of the Omega business were deemed to have been completed on 1 January 2018, the opening date of the Group’s 2018 financial year, consolidated revenue would have amounted to €14,751,000 and net profit or loss attributable to owners of the company to a loss of €4,695,000.

The table below presents the group income statement for the 12 months period ended on 31 December 2018 as if the acquisition of Omega had been completed on 1st January 2018.

	31 December 2018 pro forma
Revenue	2,455
Cost of sales	-1,612
Gross profit	**843**
Sales and marketing costs	-70
General & administrative costs	-532
Recurring operating loss	**242**
Costs related to acquisitions	-
Other operating income	-131
Operating profit	**111**
Financial expenses	-1
Loss before tax	**110**
Tax expense	-
Loss after tax	**110**
Total net loss	**110**
Attributable to owners of the company	110

Amounts in ‘000 €

38. DISCONTINUED OPERATIONS

Novacyt has begun the formal sale process for the NOVAprep® (Cytology businesses) and Cambridge Clinical Labs businesses. The Clinical Lab business is a non-core service business and does not fit in with the long-term high margin growth strategy for the Group. NOVAprep® is being sold as it continues to be loss making and is a drain on working capital while it is non-profit making and as such the decision was made to dispose of the business in late 2018.

It is expected that NOVAprep® and the Clinical Labs will be sold or disposed of by December 2019 at the latest.

The assets and liabilities available for sale are transferred on the lines “Assets of the discontinued activities” and “Liabilities of the discontinued activities”. The nature of these assets and liabilities are presented in the table below:

	Clinical Lab	NOVAprep®	Total
Goodwill	648	-	648
Other intangible assets	-	829	829
Property, plant and equipment	3	281	284
Non-current assets	**651**	**1,110**	**1,761**
Inventories and work in progress	24	459	483
Trade and other receivables	49	-	49
Current assets	**73**	**459**	**532**
Total assets held for sale	**725**	**1,569**	**2,294**
Trade and other liabilities	43	18	61
Total current liabilities	**43**	**18**	**61**
Long-term provisions	7	17	24
Total non-current liabilities	**7**	**17**	**24**
Total liabilities held for sale	**50**	**35**	**85**

Amounts in ‘000 €

In accordance with the IFRS 5, the net result of the NOVAprep® business was transferred on the line “Loss from the discontinued activities”.

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The table below presents the detail of the loss generated by this business in 2017 and 2018.

	Year ended 31 December 2018	Year ended 31 December 2017
Revenue	974	2,204
Cost of sales	-719	-1,190
Gross profit	**255**	**1,014**
Sales, marketing and distribution expenses	-1,169	-1,274
Research and development expenses	-189	-194
General and administrative expenses	-1,563	-1,622
Governmental subsidies	88	123
Operating loss before exceptional items	**-2,578**	**-1,952**
Other operating expenses	-48	-
Operating loss after exceptional items	**-2,626**	**-1,952**
Financial expense	-	-
Loss before tax	**-2,626**	**-1,952**
Tax (expense)/income	-	1
Loss after tax from discontinued operations	**-2,626**	**-1,951**

Amounts in '000 €

39. NOTES TO THE CASH FLOW STATEMENT

	Year ended 31 December 2018	Year ended 31 December 2017
Loss for the year	-4,738	-5,442
Loss from the discontinued activities	-2,626	-1,951
Loss from the continuing operations	-2,112	-3,490
Adjustments for:		
Depreciation, amortisation and impairment loss	1,469	1,265
Unwinding of discount on contingent consideration	42	386
Increase/decrease of fair value	-63	-140
Gains/losses on disposal of fixed assets	3	11
Operating cash flows before movements of working capital	**-3,286**	**-3,920**
Increase/decrease in inventories	-397	-377
Increase/decrease in receivables	101	-1,805
Increase/decrease in payables	1,463	425
Cash used in operations	**-2,119**	**-5,678**
Changes in debt issues expenses	-1	-19
Income taxes paid/received	192	-148
Finance costs	682	1,199
Net cash used in operating activities	**-1,246**	**-4,646**
Operating cash flows from the discontinued activities	-1,806	-1,640
Operating cash flows from the continuing operations	560	-3,006

Amounts in '000 €

40. OPERATING LEASE

	Year ended 31 December 2018	Year ended 31 December 2017
Lease payments under operating leases recognised as an expense in the year	418	426

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.

Most of the leases contracted by Novacyt S.A. are related to the NOVAprep® business. As a result of the disposal, the charges are reclassified on a single line called "Loss from discontinued operations".

Primerdesign Limited

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 of £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. A further variation to the lease was signed in January 2019 to again increase capacity at the site. This has led to an additional annual charge of £74,369 (including service charges). The annual charge for the site (with service charges) is now £176,813 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. The annual charge for the site is £38,903 per annum. In October 2018 the operating lease for the Bridport site was extended for a further seven years to August 2025. The annual charge for the site is now £81,844 per annum. The asset purchase agreement of the Omega Diagnostic Infectious Diseases business also included an operating lease for the Axminster site, used for manufactory and laboratory purposes. The current lease runs until October 2019 with an annual charge of £7,272 per annum. Total annual charge for both operating leases is £89,116 per annum.

Lab21 Limited

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).

05 Accounts and Notes

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

	Year ended 31 December 2018	Year ended 31 December 2017
Future minimum payments in respect of non-cancellable contracts		
Payments due in less than 1 year	508	435
Payments due in more than 1 year and less than 5 years	1,659	904
Total	**2,167**	**1,339**

Amounts in '000 €

41. RETIREMENT BENEFIT OBLIGATIONS

Following the announcement of the disposal of the NOVAprep® business, the provision was reclassified on the line "Liabilities of discontinued operations".

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 2018	Year ended 31 December 2017
Service cost	3	4
Financial cost	-	-
Other items	-	- 3
Expense (income)	**3**	**1**

Amounts in '000 €

Change in the actuarial liability

	Year ended 31 December 2018	Year ended 31 December 2017
Obligation – beginning of year	**13**	**14**
Service cost	3	4
Decreases/payments	-	- 3
Financial cost	-	-
Actuarial gains and losses	-	- 2
Obligation – end of year	**17**	**13**

Amounts in '000 €

Breakdown of actuarial gains and losses

	Year ended 31 December 2018	Year ended 31 December 2017
Effect of experience	-	- 2
Change in demographic assumptions	-	-
Change in financial assumptions	-	-
Actuarial gains and losses	**-**	**- 2**

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 2018	Year ended 31 December 2017
Retirement age – managers	64	64
Retirement age – non-managers	62	62
Wage increases	3.00%	3.00%
Rate of social security contributions	41.51%	40.16%
Discount rate	1.60%	1.40%

42. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as 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 2018	Year ended 31 December 2017
Debt	5,374	3,893
Cash and cash equivalents	1,132	4,345
Net debt	**4,242**	**- 452**
Equity	**20,136**	**24,914**
Net Debt to Equity ratio	**21%**	**-2%**

Amounts in '000 €

05 Accounts and Notes

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 2018	Year ended 31 December 2017
Financial assets		
Cash & cash equivalents	1,132	4,345
Receivables	3,651	3,563
Financial liabilities		
Fair value through profit and loss	5	127
Amortised cost	11,005	7,909

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 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
GBP	- 4,533	-733	1,885	1,464	- 2,647	731
USD	- 637	-103	1,520	1,453	882	1,350
CNY	-	-	-	6	-	6
CHF	- 8	-74	-	-	- 8	-

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 potential 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.

FX sensitivity analysis

	Net exposure	
	Year ended 31 December 2018	Year ended 31 December 2017
GBP	- 2,647	731
Conversion rate	0.901710	0.887980
Impact EUR strengthening : FX + 5 %	126	- 35
Impact EUR weakening : FX - 5 %	- 139	38
USD	882	1,350
Conversion rate	1.144296	1.183621
Impact EUR strengthening : FX + 5 %	- 42	- 64
Impact EUR weakening : FX - 5 %	46	71

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.

05 Accounts and Notes

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 2018						
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	12.4%	173	654	2,199	2,326	5,352
31 December 2017						
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	19.6%	304	607	2,254	1,250	4,415

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 2018						
Non-interest bearing	-	3,688	749	122	225	4,784
31 December 2017						
Non-interest bearing	-	6,863	520	296	229	7,908

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 table on page 107 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 31/12/17	Fair value as at 31/12/18	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 portion)	2,664	1,569	3	No discount was applied on the cash flows as the payment is due in less than 1 year.		
2. Trade and other payables : Options classified as liabilities- Warrant Primerdesign	84	5	2	Monte Carlo simulation model	Expected volatility of 39.44% used for December 2018	If the expected volatility was 5% higher or lower while other variables were held constant, the carrying amount would respectively increase by £8K and decrease by £2K as at December 2018.

Fair value measurements recognised in the statement of financial position

	Year ended 31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivatives financial liabilities	-	5	1,153	1,158
Total	**-**	**5**	**1,153**	**1,158**

	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**

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 2018	Year ended 31 December 2017
Financial liabilities		
Bonds	1,057	2,605
Convertible loan notes	4,159	1,157
Bank loans at fixed interest rate	87	153

	Fair value	
	Year ended 31 December 2018	Year ended 31 December 2017
Financial liabilities		
Bonds	1,057	2,737
Convertible loan notes	4,035	1,083
Bank loans at fixed interest rate	87	153

Amounts in '000 €

05 Accounts and Notes

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.

43. 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 payment in 2019. 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.

44. RELATED PARTIES

Parties related to Novacyt S.A. are:

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

Remuneration of key management personnel

	Year ended 31 December 2018	Year ended 31 December 2017
Fixed compensation and company cars	1,107	990
Variable compensation	113	480
Social security contributions	151	191
Post-employment benefits	-	18
Contributions to supplementary pension plans	55	47
Total	**1,426**	**1,726**

Amounts in ‘000 €

Aggregate directors’ remuneration

	Year ended 31 December 2018	Year ended 31 December 2017
Fixed compensation and company cars	674	428
Variable compensation	113	437
Social security contributions	100	113
Contributions to supplementary pension plans	22	16
Fees	6	99
Total	**915**	**1,094**
Number of people concerned	**7**	**7**

Amounts in ‘000 €

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

45. AUDIT FEES

	Year ended 31 December 2018	Year ended 31 December 2017
Fees payable to the Company's auditor and its associates in respect of the audit		
Group audit of these financial statements	66	111
Audit of the Company's subsidiaries' financial statements	125	170
Total audit remuneration	**191**	**281**
Fees payable to the Company's auditor and its associates in respect of non-audit related services		
Audit-related assurance services	18	33
All other services	45	215
Total non-audit related remuneration	**63**	**248**

Amounts in ‘000 €

46. 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.

47. SUBSEQUENT EVENTS

On 23rd April 2019, Novacyt entered into a Convertible Bonds with Warrants Funding Programme, for up to €5,000,000 (net of expenses). Under the terms of the Agreement, the Company will be able to access capital in seven tranches which oblige the Investment Managers to immediately subscribe for an initial tranche of €2,000,000, followed by six further tranches, each of an aggregate nominal value of €500,000 (together the “Tranches”), drawable at the Company’s option subject to certain terms and conditions. The Company has immediately exercised its right to the initial tranche of funding giving rise to the subscription of €2,000,000 of convertible bonds with warrants by the Investment Managers. The remaining €3,000,000 of convertible bonds can be issued by the Company over the next 36 months following the closing of the Agreement.

06 Definitions and Glossary

Definitions

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

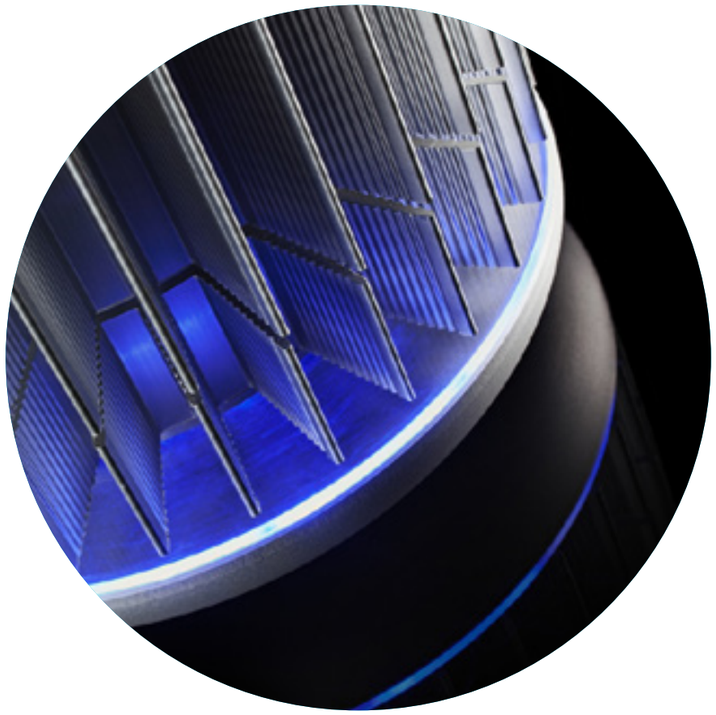
"Admission"	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
"AIM"	a market operated by the London Stock Exchange
"AIM Rules for Companies"	the rules (including the guidance notes thereto) for AIM companies published by the 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
"AMF"	General Regulation of the Autorité Des Marchés 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 27 to 29 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
"Company"	Novacyt S.A.
"EU"	the European Union
"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 pages 30 to 31 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
"Kreos IV"	Kreos Capital IV (UK) Limited
"Kreos V"	Kreos Capital V (UK) Limited
"Joint Brokers"	SP Angel and WG Partners
"Lab21"	Lab21 Ltd together with its direct and indirect subsidiaries
"London Stock Exchange"	London Stock Exchange plc
"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
"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
"Primerdesign"	Primerdesign Ltd
"Remuneration Committee"	the remuneration committee of the Board as constituted 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
"SP Angel"	S. P. Angel Corporate Finance LLP, a company registered in England and Wales with company number OC317049, which is authorised and regulated by the Financial Conduct Authority
"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
"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
"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”	Conformité Européenne, a European health & safety product label
“CFDA”	the China Drug and Food Administration
“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”, “q16 instrument” or “genesig q32 instrument”	an instrument sold by the Group designed to undertake DNA testing using the Group’s genesig reagents
“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
“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
“oncology”	the study and treatment of tumours and cancer
“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
“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

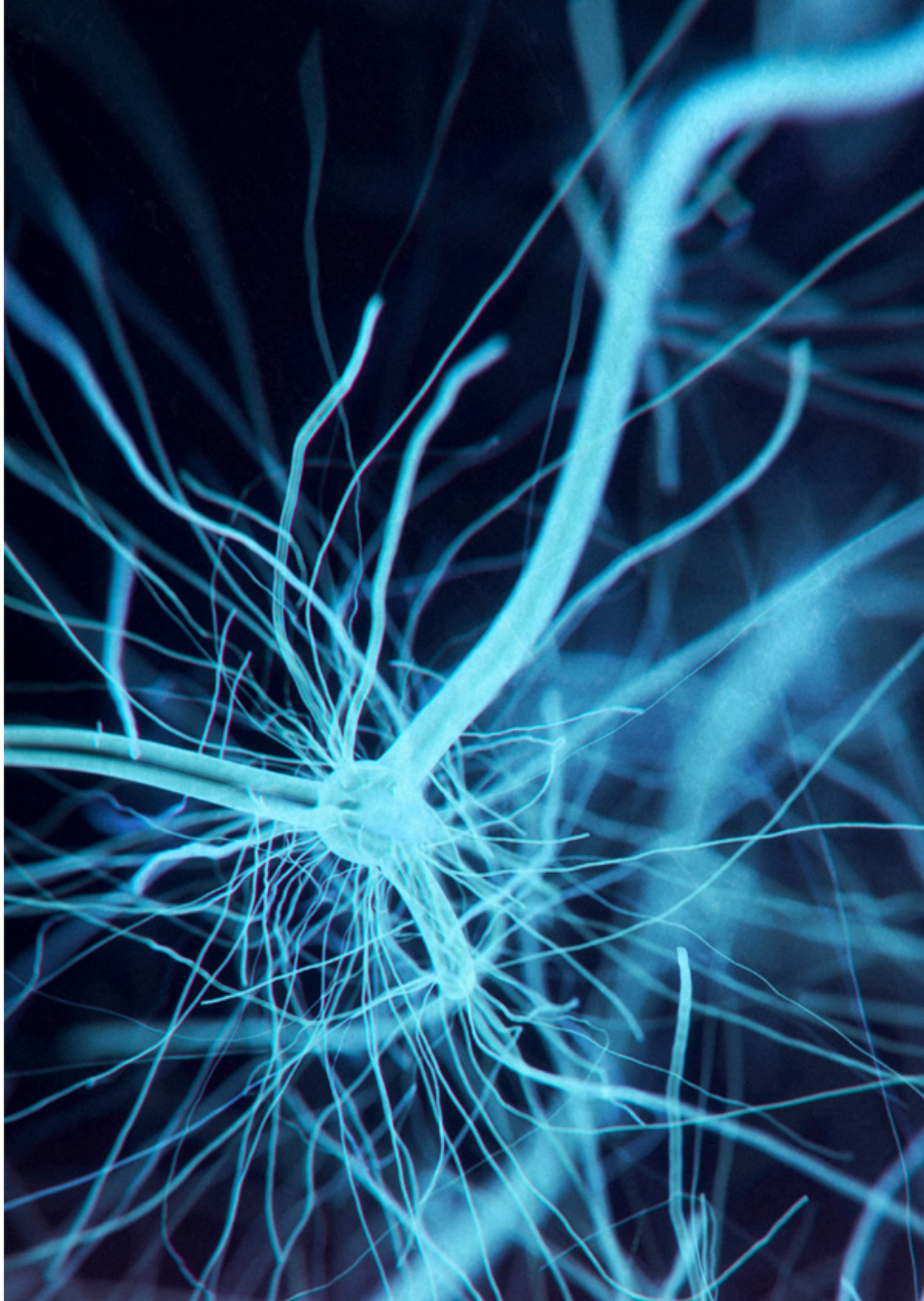


07 Company Information

Directors	James Wakefield Graham Mullis Anthony Dyer Dr Andrew Heath Dr Edwin Snape Jean-Pierre Crinelli Juliet Thompson
Company Secretary	Anthony Dyer
Registered office	**Novacyt S.A.** 13 Avenue Morane Saulnier 78140 Vélizy-Villacoublay France
Registered number	491 062 527 (France)
Company website	www.novacyt.com
Nominated Adviser and Joint Broker to the Company	**S. P. Angel Corporate Finance LLP*** Prince Frederick House 35-39 Maddox Street London W1S 2PP United Kingdom
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
Bankers	**Banque Populaire Val de France** Accueil Entreprises Trs 2 Avenue De Milan 37924 Tours Cedex 9 **BNP Paribas** Centre d'Affaires Innovation Paris IDF 37/39 Rue d'Anjou 75008 Paris **Barclays Bank plc** Town Gate House Church Street East Woking Surrey GU21 6AE **National Westminster Bank plc** Southampton University Southampton Customer Service Centre Brunswick Gate 23 Brunswick Place SO15 2AQ **HSBC** Bonham Strand Commercial Service Centre 35-45 Bonham Strand Sheung Wan Hong Kong **Bank of China** First Floor No. 50 Tai Nan Road Pudong Shanghai 200131

*Stifel Nicolaus Europe Limited were nominated adviser and joint broker to the company until 3rd May 2019

Notes



NOVACYT
GROUP

Headquarters:

Novacyt Group (UK)
Unit 1, Watchmoor Point,
Watchmoor Road, Camberley
Surrey GU15 3AD

T +44 (0) 1276 600081
F +44 (0) 1276 600151
E investor.relations@novacyt.co.uk
www.novacyt.com

Registered Address:

Novacyt Group (France)
13 Avenue Morane Saulnier
78140 Vélizy-Villacoublay
France

T +33 (0)1 39 46 51 04
F +33 (0)1 30 70 05 32

Registered Number: 491 062 527